



**Town of  
Amherst, Virginia**

**Comprehensive Annual  
Financial Report**

**For the year ended June 30, 2010**

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 28, 2010

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

Re: FY10 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, 2010. 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**

FY10 was a good year with respect to the successful delivery of the following Town-sponsored services:

- *Public Safety* – Amherst fully funds a police department and streetlights throughout the Town and provides partial funding for volunteer fire and rescue operations. Amherst is a safe community and crime does not seem to be a problem within the Town's corporate limits.
- *Utility Services* – Amherst operates municipal water purification and distribution, sewer collection and pollution removal, and refuse collection services. No Town customer went without potable water in FY10. The environment was protected by the safe and efficient operation of Amherst's sewer plant. Sanitation was maintained by the collection and proper disposal of municipal solid waste.
- *Economic Development* – Amherst continues its efforts to increase the local tax base, to provide more and better jobs for residents, and to diversify the local economy with its sponsorship of the L. Barnes Brockman, Sr. Business and Industrial Park and work to improve and promote the Central Business District and Ambriar areas.

- *Community Development* – Amherst sponsors land use planning and regulation programs and continues to make capital investments in its utility infrastructure to guide, direct and support new development. These activities will help steer the community through the growth that is expected to occur as a result of the October 2005 opening of the Madison Heights Bypass, an interstate-quality/limited access highway that connects Amherst and the City of Lynchburg, after the economy recovers.
- *Community Center* – The Town Hall serves as the community’s information center as well as a clearinghouse for an array of programs not directly managed by the federal, state, or county governments or local organizations if for no other reason than there is simply no other entity that provides such services.

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

### **Strengths**

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

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

Relative to the total of the Town’s annual operating expenses, Amherst had a healthy overall cash reserve on hand as of June 30, 2010 although this is unbalanced between the funds. Financial consultants have advised, and in the future auditors will require, that the Town address this in the years to come and to better articulate how the Town’s cash balances are “earmarked”. A cash management program has been implemented in an effort to maximize and stabilize the benefit of the Town’s overall cash position.

### **Problem Areas**

The Town’s General Fund revenue sources remain relatively static. Water and Sewer Fund revenues have declined due to the current state of the economy, the facts 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 were consumed during FY10. 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”, utility rate increases to fund needed system improvements and also to keep pace with inflation have 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 the past 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.

The recent announced retirement of an individual who has 33 years of service to the Town with the last 18 as Police Chief is a cause for concern due to the normal uncertainty new management brings and the usual "settling in" period.

### **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 out-of-town property owners as to how the Town might be able to supply water and/or sewer service, as well as the potential application of Town planning programs, to their developments may lead to a boundary adjustment effort in the 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 has been installed in the development.
- *Wastewater Collection System* – The sewer collection system, with many manholes and miles of sewer "mains", is becoming old and deteriorated. This leads to failure in the form of line collapse or blockage. The Town will be spending significant levels of effort and funds to find, prioritize and remediate these problems in the coming years.
- *Growth Management* – The Town continues its work in planning the growth of the community. This involves not only working through updates and improvements to the Comprehensive Plan and Zoning and Subdivision Ordinance but with capital investments to guide development. A major concern is the direct impact that the Madison Heights Bypass will have on the three Amherst interchanges. Discussion on ways to revitalize the Town's central business district

which may result in altered zoning regulations, general marketing or other promotion, physical improvements to private and public structures and lands, and/or promotion of downtown events is ongoing.

- *S. Main Street Development Area* – The Town’s comprehensive plan indicates the redevelopment and development of the S. Main Street area, from the library to Ambriar Shopping Center, as a local business zone. The Town has recently rezoned much of the area and is finishing up the installation of a new sidewalk there in support of this initiative via grant funding. Recent planning processes have established the Town’s plan to support the development of the Ambriar area and work toward better integration of land use, transportation infrastructure and utility systems development.

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

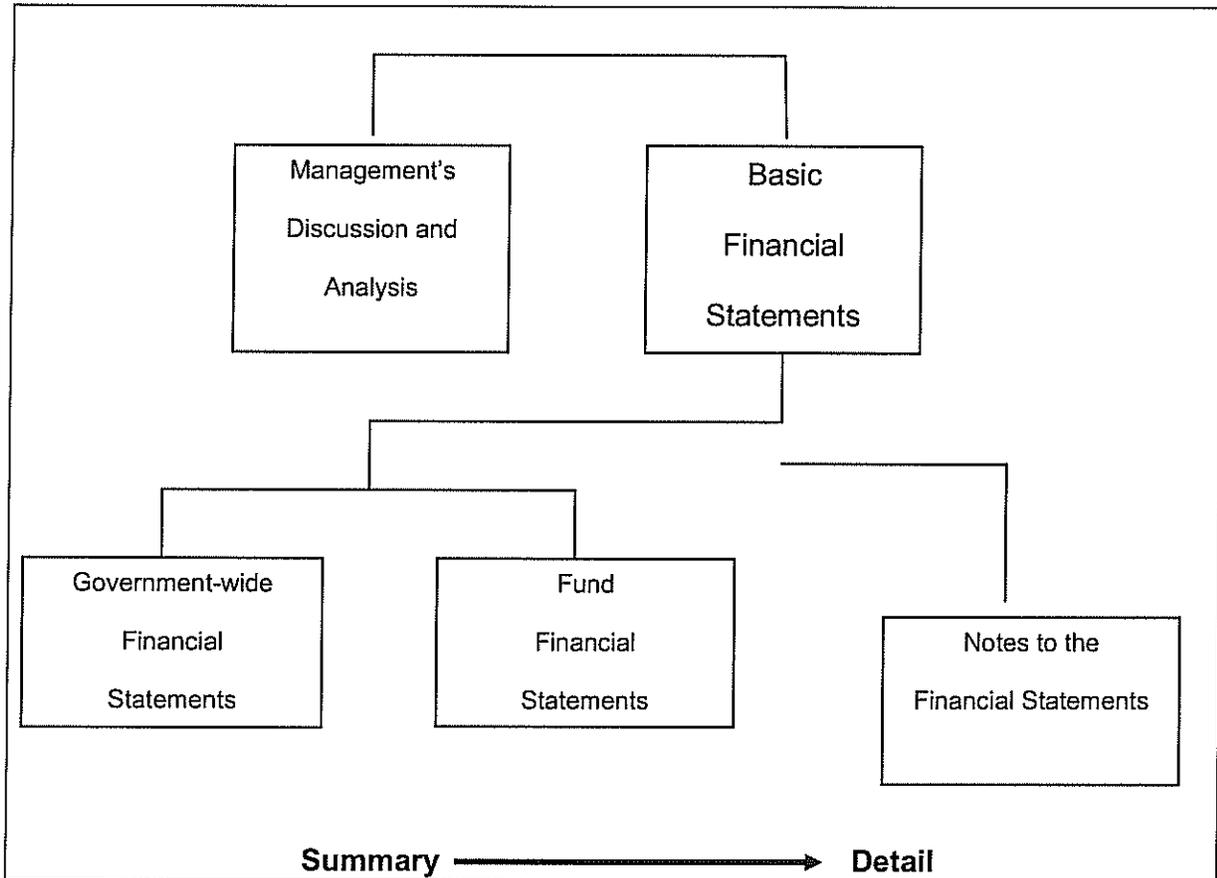
The Town accounts for its programs through three operating funds. The first is the General Fund within which the accounting for governmental services and all personnel expenses by department is maintained. The Town has two proprietary, sometimes called enterprise or business-type, funds in its Water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

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

- *Balance Sheets* – The balance sheet for each fund or group of funds shows assets (things that the Town has in its possession), liabilities (what the Town owes other parties) and net worth (also called “fund equity” or “retained earnings”). This statement is a snapshot of the Town’s fiscal position taken as of the close of business on June 30, 2010.
- *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, 2009 to June 30, 2010.
- *Income Statements* – An income statement is also known as a “Statement of Revenues, Expenditures, and Changes in Fund Balance”. The income statements based largely on cash flow statements but are adjusted to reflect depreciation charges, amounts “due to” or “due from” when the actual cash receipts or disbursements will occur in other fiscal years, and other adjustments to make the income statement an “accrual” document. The difference between revenue (sources of funds) and expenses (uses of funds), all adjusted per accrual accounting rules, is net income (“Change in Net Assets”).
- *Notes to the Financial Statements* – The notes provide additional and detailed information that is essential for a full understanding of the data provided in the government-wide and fund financial statements.

A feature of the CAFR that can be quite confusing is the basis. Balance sheets and income statements for all funds are presented based on full accrual accounting. However, the statements for the General Fund are also shown on a “modified accrual” (cash basis with some adjustments) basis.

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

During FY10, actual revenues and expenses were generally as budgeted but there were deviations.

Quite a bit of detail on the Town's finances is contained in the FY10 audit report in the language of attorneys, bankers and accountants. FY10 financial highlights include:

- The assets of the Town of Amherst exceeded its liabilities (net assets) at the close of the fiscal year by \$6,897,360.
- The Town's General Fund total net assets decreased by \$275,830, the Water Fund net assets decreased by \$115,413 and Sewer Fund net assets increased by \$260,606 for an overall net decrease of \$130,637. These figures are distorted due to the reincorporation of capital monies that were previously booked in the General Fund into the Water Fund and Sewer Fund.
- Depreciation and capitalization charges total \$35,544 in the General Fund, \$203,222 in the Water Fund, and \$227,572 in the Sewer Fund for a total of \$466,338.
- As of the close of the current fiscal year, the amount of Town cash in the bank was \$1,720,025. Cash above immediate needs is invested in a rolling "bank" certificate of deposit purchase program.
- There was no new borrowing in FY10 and payments on all loans are current.

**Capital Asset and Debt Administration**

A major portion of the S. Main Street sidewalk project was the only major capital asset booked during FY10. No major deletions due to demolitions, write-downs or other reasons were booked.

The Town's legal debt limit is \$19,665,564. Subtracting current long-term debt totaling \$5,032,319 (FY11 maturity deducted), the Town has an unused loan capacity of \$14,633,245. The Town does not anticipate taking on any debt in FY11. (The Town refinanced its two water fund loans in FY11 in order to take advantage of the better current interest rates.)

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, 2010 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 6/30/10</b>	<b>Annualized Payment</b>	<b>Interest Rate</b>	<b>Estimated Payoff Date</b>
Union Hill Water Tank	12/31/2008	\$1,230,000	\$882,011	\$ 83,175	3.790%	January 2024
Water Plant	09/09/1995	\$2,000,000	\$1,333,962	\$110,160	4.500%	January 2028
Sewer Plant	09/12/2005	\$3,120,973	<u>\$2,956,461</u>	<u>\$159,552</u>	4.125%	August 2045
Total			\$5,172,434	\$352,887		

All of the Town's debts are guaranteed by "General Obligation".

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, 2010, the remaining value in the "Brockman Park Recoupment Fund" was \$2,397,312.

From an accrual, auditor-prepared financial statement basis, I believe the FY10 Comprehensive Annual Financial Report depicts a relatively bad year. Factors contributing to this opinion include a bad revenue year due primarily to lower water and sewer consumption and a lack of any water or sewer construction. For example, if the Town has about 60 miles of water and sewer pipe, and if a pipe has a life expectancy of about 60 years (although this figure could be debated), the Town's construction program should include replacing at least a mile of pipe per year just to stay current. Due to lack of funding the Town did not do any pipe replacement construction in FY10, but it also did not replace or refurbish any of its treatment plant, pump station or tank infrastructure. In short, the remaining useful life of each of the Town's fixed assets decreased by a full year in FY10. This is clearly not sustainable and the bill will eventually become due.

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

<b><u>General Fund/Modified Accrual Basis</u></b>	
	\$14,282 Variance in meals tax
	(\$36,903) Variance in sales tax
	\$21,578 Variance in bank stock tax
	\$10,874 Variance in fines revenue
	\$320,119 Sidewalk grant revenue
	\$24,160 Other revenue variances
\$354,110	Revenue variance
	\$47,066 Depreciation/capital spending variance
	\$11,144 Insurance variance
	\$10,721 Brockman Park marketing variance
	\$34,078 Contingency variance
	(\$293,753) Sidewalk project expenses
	\$24,623 Other Administration & TM Expense variances
	\$17,975 Police Department variance
	\$27,930 Capitalized labor variance
	\$53,022 Other Utilities Department variances
(\$67,194)	Expense Variance
\$286,916	Change in Fund Balance - i.e. modified accrual basis profit or (loss)
\$35,544	Depreciation charge

<b><u>Water Fund/Accrual Basis</u></b>	
	(\$48,377) Variance in rate revenue
	\$1,700 Availability fees (not budgeted)
	\$8,938 Other revenue variances
(\$37,739)	Revenue Variance
	\$111,974 Variance in bond payments
	(\$48,346) Variance in depreciation charges
	(\$125,548) Budgeted reduction in capital improvement contribution
	\$6,169 Other expense variances

(\$55,751)	Expense Variance
(\$93,490)	Profit (Loss) on accrual basis
\$203,222	Depreciation charge

**Sewer Fund/Accrual Basis**

	(\$46,205)	Variance in rate revenue
	\$11,259	Other revenue variances
(\$34,946)		Revenue Variance
	\$36,818	Variance in bond payments
	(\$15,127)	Variance in depreciation charges
	(\$189,375)	Budgeted reduction in capital improvement contribution
	(\$24,365)	Other expense variances
(\$192,049)		Expense Variance
(\$226,995)		Profit (Loss) on accrual basis
\$227,572		Depreciation charge

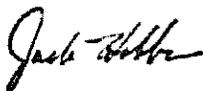
**Summary**

Two key, high cost areas that are critical to the Town being able to provide good service are personnel and infrastructure. Due to rising expenses and the general lack of available resources, pay rates have not been increased for several years and the Town has not replaced aging infrastructure at an acceptable pace. In my opinion the Town of Amherst was not better off as of June 30, 2010 than it was on June 30, 2009 due to these problems and the impact of the economy on the Town's fiscal outlook. However, the general state of the Town of Amherst's finances is good if compared to many other local governments and this situation will be resolved with the recovery of the economy and higher water and sewer usage. The prospects for our community continue to be excellent.

**Requests for Information**

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

Sincerely,



Jack Hobbs  
 Town Manager



DAVIDSON, DOYLE & HILTON  
CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditor's Report

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

We have audited the accompanying financial statements of the governmental activities and the business-type activities of the Town of Amherst as of and for the year ended June 30, 2010, which collectively comprise the Town of Amherst's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town of Amherst's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and Government Auditing Standards, issued by the Comptroller General of the United States, and Specifications for Audit of Counties, Cities and Towns, issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the business-type activities of the Town of Amherst as of June 30, 2010, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 1 through 8 and 22 through 24 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Town of Amherst's financial statements taken as a whole. The 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 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 28, 2010, 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 Doyle & Hilton, LLP*  
Lynchburg, Virginia  
September 28, 2010





Town of Amherst, Virginia  
 Combined Balance Sheet  
 Statement of Net Assets  
 Full Accrual Basis  
 June 30, 2010

	Governmental Activities	Business Type Activities	Total
<b>Assets</b>			
Cash and Cash Equivalents	\$ 1,077,745	\$ 260,860	\$ 1,338,605
Investments	400,000	-	400,000
Net Taxes Receivable	28,581	-	28,581
Net Other Accounts Receivable	12,285	-	12,285
Net Enterprise Accounts Receivable	-	113,328	113,328
Grants Receivable	102,083	-	102,083
Due from other funds	441,632	75,095	516,727
Prepaid Expenses	10,888	-	10,888
Inventory	-	74,679	74,679
Other Current Assets	3,225	-	3,225
<i>Total Current Assets</i>	<u>2,076,439</u>	<u>523,962</u>	<u>2,600,401</u>
Net Fixed Assets	1,336,336	8,685,274	10,021,610
Net Loan Costs	-	6,856	6,856
<i>Total Long-Term Assets</i>	<u>1,336,336</u>	<u>8,692,130</u>	<u>10,028,466</u>
<b>Total Assets</b>	<u>\$ 3,412,775</u>	<u>\$ 9,216,092</u>	<u>\$ 12,628,867</u>
<b>Liabilities</b>			
Accounts Payable	\$ 569	\$ -	\$ 569
Accrued Liabilities	3,233	-	3,233
Uncompensated absences	33,446	-	33,446
Deferred revenue	954	-	954
Due to other funds	-	516,727	516,727
Current Portion of Notes Payable	-	140,115	140,115
<i>Total Current Liabilities</i>	<u>38,202</u>	<u>656,842</u>	<u>695,044</u>
OPEB liability	4,144	-	4,144
Long-Term Portion of Notes Payable	-	5,032,319	5,032,319
<i>Total Long-Term Liabilities</i>	<u>4,144</u>	<u>5,032,319</u>	<u>5,036,463</u>
<b>Total Liabilities</b>	<u>42,346</u>	<u>5,689,161</u>	<u>5,731,507</u>
<b>Net Assets</b>			
Invested in Capital Assets, net of related debt	-	3,512,840	3,512,840
Unrestricted net assets	3,370,429	14,091	3,384,520
<i>Total Net Assets</i>	<u>3,370,429</u>	<u>3,526,931</u>	<u>6,897,360</u>
<b>Total Liabilities and Net Assets</b>	<u>\$ 3,412,775</u>	<u>\$ 9,216,092</u>	<u>\$ 12,628,867</u>

See accompanying notes to the financial statements





Town of Amherst, Virginia  
Statement of Activities  
Full Accrual Basis  
For the year ending June 30, 2010



Net (Expense) Revenue  
and Changes in Net Assets

Program Expenses	Program Revenues			Primary Government		
	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	884,779	-	236,692	\$ 899,180	\$ -	\$ 899,180
Public Safety	326,402	103,962	-	(222,440)	-	(222,440)
Public Works	486,892	-	-	(486,892)	-	(486,892)
<b>Total government activities</b>	<b>\$ 1,698,073</b>	<b>\$ 1,03,962</b>	<b>\$ 236,692</b>	<b>\$ 189,848</b>	<b>\$ -</b>	<b>\$ 189,848</b>
Business type activities						
Water & Sewer	1,605,360	-	-	-	(320,485)	(320,485)
<b>Total Primary government</b>	<b>\$ 3,303,433</b>	<b>\$ 1,03,962</b>	<b>\$ 236,692</b>	<b>\$ 189,848</b>	<b>\$ (320,485)</b>	<b>\$ (130,637)</b>
General and Enterprise revenues:						
General property taxes	111,579	-	-	111,579	-	111,579
Other local taxes	662,951	-	-	662,951	-	662,951
Unrestricted revenues from use of money and property	41,556	-	-	41,556	-	41,556
Permits and Privilege Fees	7,860	-	-	7,860	-	7,860
Fines and Forfeitures	27,560	-	-	27,560	-	27,560
Intergovernmental revenues	354,789	-	-	354,789	-	354,789
Miscellaneous	681,606	-	-	681,606	-	681,606
Enterprise revenues	-	-	-	-	1,284,875	1,284,875
<b>Total General and Enterprise Revenues</b>	<b>1,887,921</b>			<b>1,887,921</b>	<b>1,284,875</b>	<b>3,172,796</b>
Change in net assets				\$ 189,848	\$ (320,485)	\$ (130,637)
Net assets-beginning				3,180,581	3,847,416	7,027,997
Net assets-ending				\$ 3,370,429	\$ 3,526,931	\$ 6,897,360

See accompanying notes to the financial statements



Town of Amherst, Virginia  
Balance Sheet  
Governmental Funds  
Modified Accrual Basis  
June 30, 2010

	<u>Governmental Activities</u>
<b><u>Assets</u></b>	
Cash and Cash Equivalents	\$ 1,059,165
Investments	400,000
Net Taxes Receivable	28,581
Net Other Accounts Receivable	12,285
Due From Other Funds	441,632
Prepaid Expenses	10,888
<i>Total Current Assets</i>	<u>1,952,551</u>
<b><i>Total Assets</i></b>	<b><u>\$ 1,952,551</u></b>
<b><u>Liabilities</u></b>	
Accounts Payable	569
Accrued Liabilities	8
Deferred Revenue	28,581
<i>Total Current Liabilities</i>	<u>29,158</u>
<b><i>Total Liabilities</i></b>	<b><u>29,158</u></b>
<b><u>Fund Equity</u></b>	
Fund Balance - Unappropriated	1,923,393
<i>Total Fund Equity</i>	<u>1,923,393</u>
<b><i>Total Liabilities and Fund Equity</i></b>	<b><u>\$ 1,952,551</u></b>

See accompanying notes to the financial statements





Town of Amherst, Virginia  
Statement of Revenues, Expenditures, and Changes in Fund Balance  
Governmental Funds  
Modified Accrual Basis  
For the Year Ended June 30, 2010

**Revenues**

General Property Taxes

Real Property Taxes	\$ 65,317
Personal Property Taxes	28,375
Personal Property Tax Relief	17,456
Penalties	6,578
<i>Total General Property Taxes</i>	<u>117,726</u>

Other Local Taxes

Meals	224,282
Lodging	5,753
Consumer Utility Taxes	138,259
Local Sales and Use Taxes	88,097
Business License Taxes	106,928
Motor Vehicle Licenses	41,054
Bank Stock Taxes	58,578
<i>Total Other Local Taxes</i>	<u>662,951</u>

Permits and Privilege Fees

Parking Meter Revenue	-
Communications Lease	7,880
<i>Total Permits and Privilege Fees</i>	<u>7,880</u>

Fines and Forfeitures

Fines	25,874
Seized Property	1,686
<i>Total Fines and Forfeitures</i>	<u>27,560</u>

Revenue from Use of Money and Property

Interest Earned	46,668
<i>Total Revenue from Use of Money and Property</i>	<u>46,668</u>

Miscellaneous Revenue

Trash Curbside	87,609
Miscellaneous	27,351
Administrative Fees from Enterprise Funds	560,000
Police Security Revenue	3,363
Centennial Celebration Revenue	3,283
<i>Total Miscellaneous Revenues</i>	<u>681,606</u>

Intergovernmental Revenues

<i>Non-Categorical Aid From the Commonwealth</i>	
Economic Development Recoupment Fee	11,679
Rolling Stock	2,457
<i>Categorical Aid From the Commonwealth</i>	
Law Enforcement	3,381
South Main Street Sidewalk Grant	320,119
Virginia State Police Grant	55,460
Fire Grant	8,000
DMV Grant	1,526
Virginia Department of Health Grant	4,977
Department of Justice Grant	493
<i>Total Intergovernmental Revenues</i>	<u>408,092</u>

**Total Revenues** **\$ 1,952,483**

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, 2010

**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	141,963
Employment Expenses	41,004
Employee Assistance Program	800
Town Attorney	2,120
Office Supplies	22,325
Office Equipment	17,067
Miscellaneous	8,876
Capital Expenditures	35,544
Property & Landscape Maintenance	14,154
Electric - Streetlights	22,368
Heat and Electricity	3,914
Telephone	13,947
Grants	43,417
Utility Service Allowance	1,251
Building Maintenance	2,570
Decorations	1,811
Insurance	55,856
Marketing	13,279
Publications and Membership	2,550
Planning and Development	1,440
Trash Contract Collection	74,580
Travel and Training	1,864
Audit & Accounting Services	7,800
Engineering Services	6,552
Fire Department	8,000
South Main Street Sidewalk	293,753
Centennial Celebration Expense	10,565
Bad Debt Expense	562
<i>Total Non-Legislative General Government</i>	849,932
<i>Total General Government Administration</i>	\$ 851,232

Public Safety Expenditures

*Law Enforcement and Traffic Control*

Public Safety Salaries	\$ 214,232
Employment Expenses	64,773
Equipment and Uniforms	13,586
Travel and Training	5,348
Vehicles - Fuel	7,582
Vehicles - Maintenance	7,421
Miscellaneous	3,892
Rent	3,955
Supplies	1,253
Attorney fees	1,906
Grant Expenditures	2,427
<i>Total Public Safety Expenditures</i>	\$ 326,375

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, 2010

**Expenditures (continued)**

**Public Works Expenditures**

<i>Utilities</i>	
Salaries	\$ 353,262
Employment Expenses	116,896
Benefits-Contra Capital Projects	(27,930)
Heat and Electricity	3,692
Vehicles - Repair	3,351
Uniforms	2,665
Building Maintenance	136
Equipment Maintenance	14,502
Training and Education	4,150
Miscellaneous	1,699
Vehicles - Fuel	15,537
<i>Total Public Works Expenditures</i>	<u>487,960</u>

**Debt Service Expenditures**

Principal payments	-
Interest	-
<i>Total Debt Service Expenditures</i>	<u>-</u>

***Total Expenditures*** 1,665,567

Change in Fund Balance	\$ 286,916
Fund Balance-Beginning	1,636,477
Fund Balance-Ending	<u>\$ 1,923,393</u>





Town of Amherst, Virginia  
Statement of Net Assets  
Proprietary Funds  
Full Accrual Basis  
June 30, 2010

	<b>Enterprise Funds</b>		
	Water Fund	Sewer Fund	Memorandum Total
<b>Assets</b>			
Cash and Cash Equivalents	\$ -	\$ 260,860	\$ 260,860
Net Enterprise Accounts Receivable	60,041	53,287	113,328
Due from Other Funds	-	75,095	75,095
Inventory	66,817	7,862	74,679
<i>Total Current Assets</i>	<u>126,858</u>	<u>397,104</u>	<u>523,962</u>
Net Fixed Assets	4,150,269	4,535,005	8,685,274
Net Loan Costs	6,856	-	6,856
<i>Total Long Term Assets</i>	<u>4,157,125</u>	<u>4,535,005</u>	<u>8,692,130</u>
<b>Total Assets</b>	<u><u>\$ 4,283,983</u></u>	<u><u>\$ 4,932,109</u></u>	<u><u>\$ 9,216,092</u></u>
<b>Liabilities</b>			
Accounts Payable	\$ -	\$ -	\$ -
Due to Other Funds	516,727	-	516,727
Current Portion of Notes Payable	101,800	38,315	140,115
<i>Total Current Liabilities</i>	<u>618,527</u>	<u>38,315</u>	<u>656,842</u>
Notes Payable	2,114,173	2,918,146	5,032,319
<i>Total Long Term Liabilities</i>	<u>2,114,173</u>	<u>2,918,146</u>	<u>5,032,319</u>
<b>Total Liabilities</b>	<u>2,732,700</u>	<u>2,956,461</u>	<u>5,689,161</u>
<b>Net Assets</b>			
Invested in Capital Assets, net of related debt	1,934,296	1,578,544	3,512,840
Unrestricted	(383,013)	397,104	14,091
<b>Total Net Assets</b>	<u>1,551,283</u>	<u>1,975,648</u>	<u>3,526,931</u>
<b>Total Liabilities and Net Assets</b>	<u><u>\$ 4,283,983</u></u>	<u><u>\$ 4,932,109</u></u>	<u><u>\$ 9,216,092</u></u>

See accompanying notes to the financial statements





Town of Amherst, Virginia  
Combining Statement of Revenues, Expenses, and Changes in Net Assets  
Proprietary Funds  
Full Accrual Basis  
For the Year Ending June 30, 2010

	<b>Enterprise Funds</b>		
	Water Fund	Sewer Fund	Total
<b><u>Operating Revenues</u></b>			
Monthly Billing	\$ 486,926	\$ 512,818	\$ 999,744
Sprinkler Revenue	4,968	-	4,968
Penalties	13,321	7,696	21,017
Water Service Revenue	97,020	-	97,020
Debt Service Revenue	100,146	-	100,146
Miscellaneous Revenue	7,770	-	7,770
Availability Fees	1,700	-	1,700
Maintenance and Construction Revenue	5,947	11,288	17,235
Rutledge Creek Operations	-	35,275	35,275
<b>Total Operating Revenues</b>	<b>\$ 717,798</b>	<b>\$ 567,077</b>	<b>\$ 1,284,875</b>
<b><u>Operating Expenses</u></b>			
Administrative Fees	\$ 280,000	\$ 280,000	\$ 560,000
Line Materials	37,729	11,484	49,213
Pump Stations Operations	1,989	4,543	6,532
Electricity	34,919	44,876	79,795
Water & Sewer Service	49,299	922	50,221
Maintenance	30,753	33,452	64,205
Chemicals	37,519	5,268	42,787
Water Sampling	6,387	-	6,387
Laboratory	8,010	12,820	20,830
Miscellaneous	-	11,652	11,652
Watershed management	19,259	-	19,259
Bad Debt Expense	5,784	17,924	23,708
Water & Sewer Study & Maps	750	20,825	21,575
Depreciation Expense	202,717	227,572	430,289
Amortization Expense	505	-	505
<b>Total Operating Expenses</b>	<b>\$ 715,620</b>	<b>\$ 671,338</b>	<b>\$ 1,386,958</b>
<i>Operating income (expense)</i>	<i>\$ 2,178</i>	<i>\$ (104,261)</i>	<i>\$ (102,083)</i>
<b><u>Non-operating revenues (expenses)</u></b>			
Interest Expense	(95,668)	(122,734)	(218,402)
<b>Total non-operating Revenues/Expenses</b>	<b>(95,668)</b>	<b>(122,734)</b>	<b>(218,402)</b>
<b>Change in Net Assets</b>	<b>(93,490)</b>	<b>(226,995)</b>	<b>(320,485)</b>
Net Assets-Beginning	1,644,773	2,202,643	3,847,416
<b>Net Assets-Ending</b>	<b>\$ 1,551,283</b>	<b>\$ 1,975,648</b>	<b>\$ 3,526,931</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, 2010

	Enterprise Funds		
	Water Fund	Sewer Fund	Memorandum Total Only
<b>Cash flows from operating activities</b>			
Receipts from customers	734,702	595,671	1,330,373
Payments to suppliers	(227,458)	(165,899)	(393,357)
Internal activity - payments to other funds	(303,908)	347,177	43,269
Net cash provided by operating activities	<u>203,336</u>	<u>776,949</u>	<u>980,285</u>
<b>Cash flows from Capital and Related Financing Activities</b>			
Purchases of Capital Assets	(10,000)	(418,469)	(428,469)
Principal paid on capital debt	(97,668)	(36,818)	(134,486)
Interest paid on capital debt	(95,668)	(122,734)	(218,402)
Net cash used in capital and related financing activities	<u>(203,336)</u>	<u>(578,021)</u>	<u>(781,357)</u>
Net Decrease in Cash & Cash Equivalents	-	198,928	198,928
Cash & Cash Equivalents, beginning of year	-	61,932	61,932
Cash & Cash Equivalents, end of year	<u>\$ -</u>	<u>\$ 260,860</u>	<u>\$ 260,860</u>
<b>Reconciliation of operating income (loss) to net cash provided by operating activities:</b>			
Operating income (loss)	\$ 2,178	\$ (104,261)	\$ (102,083)
Adjustments to reconcile change in unrestricted net assets			
Depreciation and Amortization	203,222	227,572	430,794
Decrease/(Increase) in accounts receivable	16,904	28,594	45,498
Decrease/(Increase) in due from other fund	-	627,177	627,177
Decrease/(Increase) in inventory	10,561	2,683	13,244
(Decrease)/Increase in accounts payable	(5,621)	(4,816)	(10,437)
(Decrease)/Increase in due to other fund	(23,908)	-	(23,908)
Net cash provided by operating activities	<u>203,336</u>	<u>776,949</u>	<u>980,285</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





DAVIDSON, DOYLE & HILTON  
CERTIFIED PUBLIC ACCOUNTANTS

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

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

We have audited the accompanying financial statements of the governmental activities and the business-type activities of the Town of Amherst as of and for the year ended June 30, 2010, which collectively comprise the Town of Amherst's basic financial statements and have issued our report thereon dated September 28, 2010. 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 deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Amherst's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial 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 28, 2010.

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

*Davidson Doyle & Hilton, LLP*  
Lynchburg, Virginia

September 28, 2010





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, 2010

	General Fund		
	Budget	Actual	Variances Favorable (Unfavorable)
<b>Revenues</b>			
<u>General Property Taxes</u>			
Real Property Taxes	\$ 64,000	\$ 65,317	\$ 1,317
Personal Property Taxes	27,000	28,375	1,375
Personal Property Tax Relief	17,456	17,456	-
Penalties	3,000	6,578	3,578
<i>Total General Property Taxes</i>	<u>111,456</u>	<u>117,726</u>	<u>6,270</u>
<u>Other Local Taxes</u>			
Meals	210,000	224,282	14,282
Lodging	6,000	5,753	(247)
Consumer Utility Taxes	144,700	138,259	(6,441)
Local Sales and Use Taxes	125,000	88,097	(36,903)
Business License Taxes	105,000	106,928	1,928
Motor Vehicle Licenses	42,000	41,054	(946)
Bank Stock Taxes	37,000	58,578	21,578
<i>Total Other Local Taxes</i>	<u>669,700</u>	<u>662,951</u>	<u>(6,749)</u>
<u>Permits and Privilege Fees</u>			
Parking Meter Revenue	-	-	-
Communications Lease	6,900	7,880	980
<i>Total Permits and Privilege Fees</i>	<u>6,900</u>	<u>7,880</u>	<u>980</u>
<u>Fines and Forfeitures</u>			
Fines	15,000	25,874	10,874
Seized Property	-	1,686	1,686
<i>Total Fines and Forfeitures</i>	<u>15,000</u>	<u>27,560</u>	<u>12,560</u>
<u>Revenue from Use of Money and Property</u>			
Interest Earned	40,000	46,668	6,668
<i>Total Revenue from Use of Money and Property</i>	<u>40,000</u>	<u>46,668</u>	<u>6,668</u>
<u>Miscellaneous Revenue</u>			
Trash Curbside	87,862	87,609	(253)
Miscellaneous	27,316	27,351	35
Administrative Fees from Enterprise Funds	560,000	560,000	-
Police Security Revenue	-	3,363	3,363
Centennial Celebration Revenue	-	3,283	3,283
<i>Total Miscellaneous Revenues</i>	<u>675,178</u>	<u>681,606</u>	<u>6,428</u>
<u>Intergovernmental Revenues</u>			
<i>Non-Categorical Aid From the Commonwealth</i>			
Economic Development Recoupment Fee	11,546	11,679	133
Rolling Stock	2,100	2,457	357
<i>Categorical Aid From the Commonwealth</i>			
Law Enforcement	-	3,381	3,381
Streetscape	-	320,119	320,119
Virginia State Police Grant	58,493	55,460	(3,033)
Fire Grant	8,000	8,000	-
DMV Grant	-	1,526	1,526
Virginia Department of Health Grant	-	4,977	4,977
Department of Justice Grant	-	493	493
<i>Total Intergovernmental Revenues</i>	<u>80,139</u>	<u>408,092</u>	<u>327,953</u>
<b>Total Revenues</b>	<b>\$ 1,598,373</b>	<b>\$ 1,952,403</b>	<b>\$ 354,110</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, 2010

	General Fund		
	Budget	Actual	Variances Favorable (Unfavorable)
<b>Expenditures</b>			
<b>General Government Administration</b>			
<i>Legislative</i>			
Total Mayor and Town Council	\$ 1,300	\$ 1,300	\$ -
<i>Total Legislative</i>	1,300	1,300	-
<i>Non-Legislative General Government</i>			
General Government Salaries	149,524	141,963	7,561
Employment Expenses	43,356	41,004	2,352
Employee Assistance Program	1,200	800	400
Town Attorney	8,000	2,120	5,880
Office Supplies	18,000	22,325	(4,325)
Office Equipment	21,150	17,067	4,083
Miscellaneous	42,954	8,876	34,078
Capital Expenditures	82,610	35,544	47,066
Property & Landscape Maintenance	18,100	14,154	3,946
Electric - Streetlights	24,000	22,368	1,632
Heat and Electricity	3,000	3,914	(914)
Telephone	15,500	13,947	1,553
Grants	43,417	43,417	-
Utility Service Allowance	1,300	1,251	49
Building Maintenance	1,500	2,570	(1,070)
Decorations	3,000	1,811	1,189
Insurance	67,000	55,856	11,144
Marketing	24,000	13,279	10,721
Publications and Membership	3,500	2,550	950
Planning and Development	5,000	1,440	3,560
Trash Contract Collection	72,200	74,580	(2,380)
Travel and Training	3,500	1,864	1,636
Audit & Accounting Services	8,000	7,800	200
Engineering Services	6,000	6,552	(552)
Fire Department	8,000	8,000	-
South Main Street Sidewalk	-	293,753	(293,753)
Centennial Celebration Expense	10,000	10,565	(565)
Bad Debt Expense	-	562	(562)
<i>Total Non-Legislative General Government</i>	683,811	849,932	(166,121)
<i>Total General Government Administration</i>	\$ 685,111	\$ 851,232	\$ (166,121)
<b>Public Safety Expenditures</b>			
<i>Law Enforcement and Traffic Control</i>			
Public Safety Salaries	222,380	214,232	8,148
Employment Expenses	71,352	64,773	6,579
Equipment and Uniforms	14,698	13,586	1,112
Travel and Training	3,600	5,348	(1,748)
Vehicles - Fuel	12,825	7,582	5,243
Vehicles - Maintenance	5,800	7,421	(1,621)
Miscellaneous	4,100	3,892	208
Rent	3,900	3,955	(55)
Supplies	2,740	1,253	1,487
Attorney Fees	2,955	1,906	1,049
Grant Expenditures	-	2,427	(2,427)
<i>Total Public Safety Expenditures</i>	\$ 344,350	\$ 326,375	\$ 17,975

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, 2010

	General Fund		
	Budget	Actual	Variances Favorable (Unfavorable)
<b>Expenditures (continued)</b>			
<u>Public Works Expenditures</u>			
<i>Utilities</i>			
Salaries	\$ 389,831	\$ 353,262	\$ 36,569
Employment Expenses	122,251	116,896	5,355
Benefits-Contra Capital Projects	-	(27,930)	27,930
Heat and Electricity	3,800	3,692	108
Vehicles - Repair	4,240	3,351	889
Uniforms	4,500	2,665	1,835
Building Maintenance	2,000	136	1,864
Equipment Maintenance	12,000	14,502	(2,502)
Training and Education	6,000	4,150	1,850
Miscellaneous	5,290	1,699	3,591
Vehicles - Fuel	19,000	15,537	3,463
<i>Total Public Works Expenditures</i>	568,912	487,960	80,952
<u>Debt Service Expenditures</u>			
Principal payments	-	-	-
Interest	-	-	-
<i>Total Debt Service Expenditures</i>	-	-	-
<b>Total Expenditures</b>	1,598,373	1,665,567	(67,194)
Change in Fund Balance		\$ 286,916	
Fund Balance-Beginning		1,636,477	
Fund Balance-Ending		\$ 1,923,393	

See accompanying notes to the financial statements





Town of Amherst, Virginia  
Supplemental Information  
As of June 30, 2010

Statement of Treasurer's Accountability

<u>Assets Held By Treasurer</u>	<u>All Funds</u>
<u>Cash</u>	
Cash on Hand	\$ 400
Wachovia Bank	31,489
BB & T	2,234
Bank of the James	127,012
Carter Bank & Trust	124,881
First National Bank of Altavista	5,205
Suntrust - Money Fund	25,069
<i>Total Cash</i>	316,290
<u>Certificates of Deposit</u>	
Carter Bank & Trust	1,403,735
<i>Total Certificates of Deposit</i>	1,403,735
<b><i>Total Assets Held By Treasurer</i></b>	<b>\$ 1,720,025</b>
<u>Liabilities Held By Treasurer</u>	
<u>Cash Allocated to Funds</u>	
General Fund	1,459,165
Capital Projects Fund	-
Sewer Fund	260,860
Water Fund	-
<i>Total Cash Allocated to Funds</i>	1,720,025
<b><i>Total Liabilities Held by Treasurer</i></b>	<b>\$ 1,720,025</b>

Computation of Legal Debt Margin

Net Assessed Debt Value	\$ 177,002,600
Debt Limit Percentage	10%
Debt Limit Calculated	17,709,260
Total Long-Term Debt	5,032,319
<i>Legal Margin for Creation of Additional Debt</i>	12,667,941

Schedule of Funding Progress for Defined Pension Benefit Plan

Actuarial Valuation Date	June 30, 2009	June 30, 2008	June 30, 2007
Actuarial Value of Assets	\$ 2,661,137	\$ 2,629,380	\$ 2,399,138
Actuarial Accrued Liability	3,064,568	2,849,171	2,486,808
Unfunded Actuarial Accrued Liability (UAAL)	(403,431)	(219,791)	(87,670)
<i>Funded Ratio</i>	87%	92%	96%
Annual Covered Payroll	686,043	677,588	631,235
<i>UAAL as a Percent of Payroll</i>	58.8%	32.4%	13.9%

Schedule of Funding Progress for Other Post Employment Benefits

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





Town of Amherst, Virginia  
Supplemental Information  
For the Year Ended June 30, 2010

	FYE June 30, 2010	FYE June 30, 2009	FYE June 30, 2008	FYE June 30, 2007	FYE June 30, 2006	FYE June 30, 2005	FYE June 30, 2004	FYE June 30, 2003	FYE June 30, 2002	FYE June 30, 2001
<b>Property Tax Levies and Collections</b>										
Total Tax Levy	\$ 110,669	\$ 110,754	\$ 106,934	\$ 104,209	\$ 103,239	\$ 97,126	\$ 97,574	\$ 106,000	\$ 99,841	\$ 99,841
Total Tax Collection	111,148	109,364	108,679	109,200	114,826	99,300	99,208	110,963	110,963	110,963
Percent of Tax Collection to Tax Levy	100.43%	98.74%	99.95%	104.70%	111.22%	101.21%	100.65%	102.66%	111.14%	111.14%
Outstanding Delinquent Taxes	28,681	34,728	27,134	18,704	8,891	-	17,517	17,517	17,518	17,518
Percent of Delinquent Taxes to Tax Levy	25.83%	31.30%	24.91%	18.91%	9.58%	0.00%	17.85%	16.21%	17.55%	17.55%
<b>Assessed Value of Taxable Property</b>										
Real Estate	177,002,800	177,161,700	119,101,000	117,535,400	114,767,000	114,030,200	118,011,200	117,051,600	86,255,000	86,255,600
Personal Property	12,713,810	12,828,564	12,404,565	13,080,155	12,131,747	10,425,000	11,372,572	11,652,740	11,372,572	10,537,053
Public Utility	6,930,120	6,815,354	4,180,032	4,738,889	4,736,689	4,755,969	5,608,023	6,049,773	6,607,947	6,607,947
Total Assessed Value	\$ 196,655,039	\$ 196,805,618	\$ 134,685,627	\$ 135,352,444	\$ 131,635,036	\$ 129,211,169	\$ 134,981,795	\$ 134,754,113	\$ 104,236,119	\$ 103,400,600
Total Debt Limit (10% of Total Assessed Value)	\$ 19,665,504	\$ 19,680,562	\$ 13,468,563	\$ 13,535,244	\$ 13,163,504	\$ 12,921,117	\$ 13,499,180	\$ 13,475,411	\$ 10,423,612	\$ 10,340,060
<b>Property Tax Rates (per \$100 of Assessed Value)</b>										
Real Estate	3.6%	3.6%	5.4%	5.4%	5.4%	5.4%	5.4%	5.4%	7%	7%
Personal Property	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, 2010**

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

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

The financial statements of The Town of Amherst, Virginia have been prepared in conformity with the specification promulgated by the Auditor of Public Accounts (APA) of the Commonwealth of Virginia, and the accounting principles generally accepted in the United States of America as specified by the Governmental Accounting Standards Board (hereafter referred to as the GASB). The more significant of the government’s accounting policies are described below.

Financial Statement Presentation

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

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

Management’s Discussion and Analysis – GASB Statement No. 34 requires the financial statements be accompanied by a narrative introduction and analytical overview of the government’s financial activities.

Government-wide and Fund Financial Statements

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

The government-wide financial statements (i.e., statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.





**Town of Amherst, Virginia  
Notes to the Financial Statements  
For the Year Ended June 30, 2010**

**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, 2010**

**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, 2010**

**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 Funds consist of Enterprise funds.

Enterprise Funds:

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

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 with maturities less than one year and short-term repurchase agreements are reported in the accompanying financial statements as cash and cash equivalents. Certificates of deposit with maturities of greater than twelve months are included in investments at fair value.

**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, 2010**

**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, 2010, 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 within 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, 2010**

**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, 2010:

Carter Bank & Trust	\$1,407,730
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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 \$33,446 of accrued compensated absences at June 30, 2010.





**Town of Amherst, Virginia**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2010**

**Note 5 – Long-Term Debt**

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**Water Fund**

On August 8, 1995, 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 on September 8, 1997. At June 30, 2010 the outstanding balance was \$1,333,962.

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, 2010 the outstanding balance was \$882,011.

Interest of \$95,668 was paid during the fiscal year. A schedule of maturities is as follows:

For the year ending June 30	Principal	Interest
2011	\$ 101,800	\$ 91,536
2012	106,103	87,233
2013	110,590	82,745
2014	115,267	78,068
2015	120,145	73,191
2016 - 2020	681,480	285,198
2021 - 2025	717,844	131,002
2026 - 2028	262,744	15,471
	\$ 2,215,973	\$ 844,444





**Town of Amherst, Virginia**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2010**

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

**Sewer Fund**

On August 4, 2003 the Town obtained interim financing to finance the construction of a new sewer plant. The amount of financing was \$3,121,000. On August 12, 2005, the town issued a note, which replaced the August 4, 2003 interim financing, with the United States Department of Agriculture, secured by a general obligation bond issued by the Town. The obligation has a rate of interest of 4.125% and is amortized over a 40 year period. Payments of principal and interest of \$13,296 are due monthly and began on September 12, 2005. As of June 30, 2010, the outstanding balance was \$2,956,461. Interest of \$122,734 was paid during the current fiscal year. A schedule of maturities is as follows:

For the year ending June 30	Principal	Interest
2011	\$ 38,315	\$ 121,237
2012	39,926	119,626
2013	41,604	117,948
2014	43,353	116,199
2015	45,175	114,376
2016 - 2020	256,013	541,747
2021 - 2025	314,544	483,216
2026 - 2030	386,457	411,303
2031-2035	474,812	322,949
2036-2040	583,366	214,394
2041-2045	716,738	81,022
2046	16,158	66
	<u>\$ 2,956,461</u>	<u>\$ 2,644,083</u>

The following is a summary of changes in long-term liabilities for the year ended June 30, 2010:

	Balance July 1, 2009	Issued	Retired	Balance June 30, 2010
Governmental activities	\$ -	\$ -	\$ -	\$ -
Business-type activities:				
Water Fund	2,313,641	-	97,668	2,215,973
Sewer Fund	2,993,279	-	36,818	2,956,461
Total Business-type activities	<u>5,306,920</u>	<u>-</u>	<u>134,486</u>	<u>5,172,434</u>
Total	<u>\$ 5,306,920</u>	<u>\$ -</u>	<u>\$ 134,486</u>	<u>\$ 5,172,434</u>





**Town of Amherst, Virginia**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2010**

**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 reported compensation. 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. Sheriffs and participating eligible law enforcement officers and firefighters may receive a monthly benefit supplement if they retire prior to age 65. The VRS also provides death and disability benefits. Title 51.1 of the Code of Virginia (1950), as amended, assigns the authority to establish and amend benefit provisions 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, 2010 was 12.53% of annual covered payroll.





**Town of Amherst, Virginia  
Notes to the Financial Statements  
For the Year Ended June 30, 2010**

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

**Annual Pension Cost**

For the fiscal year ended June 30, 2010, the Town's annual pension cost of \$80,565 for VRS was not equal to the required and actual contributions. The actual contributions for the fiscal year ended June 30, 2010 was \$83,874.

**Three-Year Trend Information**

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/2008	\$ 66,848	100 %	\$ -
6/30/2009	84,785	99	592
6/30/2010	80,565	100	-

The FY 2010 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, 2007 was 20 years.

**Funding Status and Funding Progress**

As of June 30, 2009, the most recent actuarial valuation date, the plan was 86.84% funded. The actuarial accrued liability for benefits was \$3,064,568, and the actuarial value of assets was \$2,661,137, resulting in an unfunded actuarial accrued liability (UAAL) of \$403,431. The covered payroll (annual payroll of active employees covered by the plan) was \$686,043, and the ratio of the UAAL to the covered payroll was 58.81%.

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





**Town of Amherst, Virginia  
Notes to the Financial Statements  
For the Year Ended June 30, 2010**

**Note 7 - Other Post Employment Benefits**

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

**Plan Description**

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

**Benefits Provided**

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

**Membership**

The number of participants at June 30, 2010 was as follows:

Actives	17
Retirees	1
Spouses	2
Total Participants	20

**Funding Policy**

The Town currently funds postemployment health care benefits on a pay-as-you-go basis. During the year ended June 30, 2010, the Town recorded \$4,144 for the OPEB liability.

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

The following table shows the elements of the Town's annual OPEB cost for the year the the changes in the Town's net OPEB obligation for the fiscal year ended June 30, 2010.

Annual required contribution	\$ <u>8,500</u>
Annual OPEB cost	8,500
Contributions made	(4,356)
Increase in net OPEB obligation	4,144
Net OPEB obligation - beginning of year	-
Net OPEB obligation - end of year	\$ 4,144





**Town of Amherst, Virginia  
Notes to the Financial Statements  
For the Year Ended June 30, 2010**

**Note 7 - Other Post Employment Benefits (continued)**

The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the year ended June 30, 2010 are as follows. Since the Town's first year for implementing GASB 45 was FY 2010, the Town cannot report the same information for FY 2008 and FY 2009.

<u>Fiscal Year Ending</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Contributed</u>	<u>Net OPEB Obligation</u>
6/30/2010	\$ 8,500	51 %	\$ 4,144

**Funding Status and Funding Progress**

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

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

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

**Actuarial Methods and Assumptions**

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





**Town of Amherst, Virginia  
Notes to the Financial Statements  
For the Year Ended June 30, 2010**

**Note 8 – 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 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, 2010**

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

Details of changes in property and equipment in the Government Fund for the fiscal year ending June 30, 2010 are as follows:

	Balance at July 1, 2009		Additions		Deletions		Balance at June 30, 2010
Land	\$ 1,055,370	\$	-	\$	-	\$	1,055,370
Town Hall Renovations	143,966		-		-		143,966
Equipment	408,099		35,544		-		443,643
Subtotal	\$ 1,607,435	\$	35,544	\$	-	\$	1,642,979
Less Accumulated Depreciation	242,387		64,256		-		306,643
Net Total Capital Assets	\$ 1,365,048	\$	(28,712)	\$	-	\$	1,336,336

Details of changes in property and equipment in the Enterprise Funds for the fiscal year ending June 30, 2010 are as follows:

**Proprietary Water Fund**

	Balance at July 1, 2009		Additions		Deletions		Balance at June 30, 2010
Land	\$ 5,600	\$	-	\$	-	\$	5,600
Equipment	63,061		-		-		63,061
Plant and Lines	6,200,930		10,000		-		6,210,930
Subtotal	\$ 6,269,591	\$	10,000	\$	-	\$	6,279,591
Less Accumulated Depreciation	1,926,605		202,717		-		2,129,322
Net Total Capital Assets	\$ 4,342,986	\$	(192,717)	\$	-	\$	4,150,269

As of June 30, 2010, \$36,000 of the Proprietary Water Fund property and equipment balance is construction in progress and is not being depreciated.

**Proprietary Sewer Fund**

	Balance at July 1, 2009		Additions		Deletions		Balance at June 30, 2010
Land	\$ 6,984	\$	-	\$	-	\$	6,984
Equipment	41,693		-		-		41,693
Plant and Lines	6,090,004		418,469		-		6,508,473
Subtotal	\$ 6,138,681	\$	418,469	\$	-	\$	6,557,150
Less Accumulated Depreciation	1,794,573		227,572		-		2,022,145
Net Total Capital Assets	\$ 4,344,108	\$	190,897	\$	-	\$	4,535,005





**Town of Amherst, Virginia  
Notes to the Financial Statements  
For the Year Ended June 30, 2010**

**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	\$	1,923,393
When capital assets (land, buildings, equipment) that are to be used in governmental activities are purchased or constructed, the costs of those assets.		1,336,336
Grant receivable		102,083
Accounts receivable for real estate taxes		28,581
Deferred revenue for police block grant		(954)
Uncompensated absence accrual		(33,446)
OPEB liability accrual		(4,144)
Certificate of deposit interest income accrual		<u>18,580</u>
Net assets of General Government Activities	\$	<u>3,370,429</u>

**Note 12 –Grants**

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The Town received several grants during the year. Two grants totaled \$16,930 for use in Public Safety. Additional grants for FEMA and the South Main Street Sidewalk were reimbursed in the amount of \$267,770. 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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The Town leases 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, 2010 was \$3,600. Minimum annual rental payment required under the lease are \$3,600 for the year ending June 30, 2011, and \$300 for the year ending June 30, 2012.





**Town of Amherst, Virginia  
Notes to the Financial Statements  
For the Year Ended June 30, 2010**

**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, 2010, the General Fund has a balance due from other funds of \$646,450. As of June 30, 2010, the Water Fund has a balance due to other funds of \$494,804. As of June 30, 2010, the Sewer Fund has a balance due to other funds of \$151,646. 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 its statement No. 54 *Fund Balance Reporting and Governmental Fund Type Definitions*. The statement established five new fund balance categories while eliminating the previous categories of reserved and unreserved. Management is in the process of formulating a policy that will enable the Town to implement this new standard. The requirements of the Statement are effective for the Town starting with the year ending June 30, 2011.

**Note 16 - Restatement of Net Assets**

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On July 1, 2009, the capital improvement fund was closed out to the governmental general fund, the water fund, and the sewer fund. The capital improvement fund, which was a part of the governmental fund, was initially used to set aside funds for capital projects and for budgeting purposes. However, the capital improvement fund was not used to record actual capital project expenditures as they are recorded as an asset in the proper fund upon completion. Therefore, the Town decided to close out the capital improvement fund. As a result, the beginning net assets on the governmental fund, water fund, and sewer fund were restated for the year ending June 30, 2010.

The net assets of the governmental general fund were increased by \$408,338. The net assets of the capital improvement fund were decreased by \$874,016. The net assets of the water fund were decreased by \$21,923. The net assets of the sewer fund were increased by \$487,601. The overall net assets of the governmental activities fund were decreased by \$465,678. The overall net assets of the enterprise (proprietary) funds were increased by \$465,678. Therefore, the total net assets on the government-wide financial statements did not change.

**Note 17 - Subsequent Events**

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The Town has evaluated subsequent events through September 28, 2010, the date the report was available for issuance. No events requiring disclosure were noted.

