



**Town of  
Amherst, Virginia**

**Comprehensive Annual  
Financial Report**

**For the year ended June 30, 2011**

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





Town of Amherst, Virginia  
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# TOWN OF AMHERST

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October 4, 2011

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

Re: FY11 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, 2011. I encourage the Town's residents and business operators and any other interested individual to read the information presented here in conjunction with additional information furnished in the Town of Amherst's audited financial statements which follow this narrative.

## **Community Profile**

Amherst was incorporated in 1910 and has just finished celebrating its 100th anniversary. The town developed around the courthouse and railroad depot. Four Amherst County schools are located in or near the Town as well as virtually all county offices including the library and museum. A branch of the Central Virginia Community College is also located in the Town. Although Amherst is the commercial center for northern Amherst County, many of the Town's residents are employed by Sweet Briar College; manufacturers of paper, plastic bags and wood stoves; and a variety of businesses, schools and agencies in Lynchburg.

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

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

### **Service Programs**

FY11 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 FY11. 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-conscious vendors. Most have been willing to help the Town of Amherst “change with the times.”

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

Relative to the total of the Town’s annual operating expenses, Amherst had a healthy overall cash

reserve on hand as of June 30, 2011. Following the advice of financial consultants, in FY11 the Town refinanced its long-term water debt to take advantage of more favorable interest rates, transferred significant amounts of cash between funds, and implemented a comprehensive fund balance “earmarking” policy. A cash management program implemented several years back has had the effect of stabilizing the benefit of the Town’s overall cash position.

### **Problem Areas**

The Town’s General Fund revenue sources remain relatively static. Water and Sewer Fund revenues have stabilized from their decline over the past several years due primarily to rate increases. Utility rate increases needed to fund system improvements and keep pace with inflation have been approved.

Preparing for the impact of VDOT’s Madison Heights Bypass project has been a key objective for 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.

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

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

### **Projects and Initiatives**

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

- *Brockman Park* – Many lots are vacant but are ready for commercial and industrial development since all necessary road and water, sewer, electrical and internet utility infrastructure has been installed in the development.
- *Wastewater Collection System* – The sewer collection system, with many manholes and miles of sewer “mains”, is becoming old and deteriorated. This leads to failure in the form of line collapse or blockage. The Town will be spending significant levels of effort and funds to find, prioritize and remediate these problems in the coming years.

- *Growth Management* – The Town continues its work in planning the growth of the community. This involves not only working through updates and improvements to the Comprehensive Plan and Zoning and Subdivision Ordinance but with capital investments to guide development. A major concern is the direct impact that the Madison Heights Bypass will have on the three Amherst interchanges. Discussion on ways to revitalize the Town’s central business district which may result in altered zoning regulations, general marketing or other promotion, physical improvements to private and public structures and lands, and/or promotion of downtown events is ongoing.
- *S. Main Street Development Area* – The Town’s comprehensive plan indicates the redevelopment and development of the S. Main Street area, from the library to Ambriar Shopping Center, as a local business zone. The Town has recently rezoned much of the area and is finishing up the installation of a new sidewalk there in support of this initiative via grant funding. Recent planning processes have established the Town’s plan to support the development of the Ambriar area and work toward better integration of land use, transportation infrastructure and utility systems development.

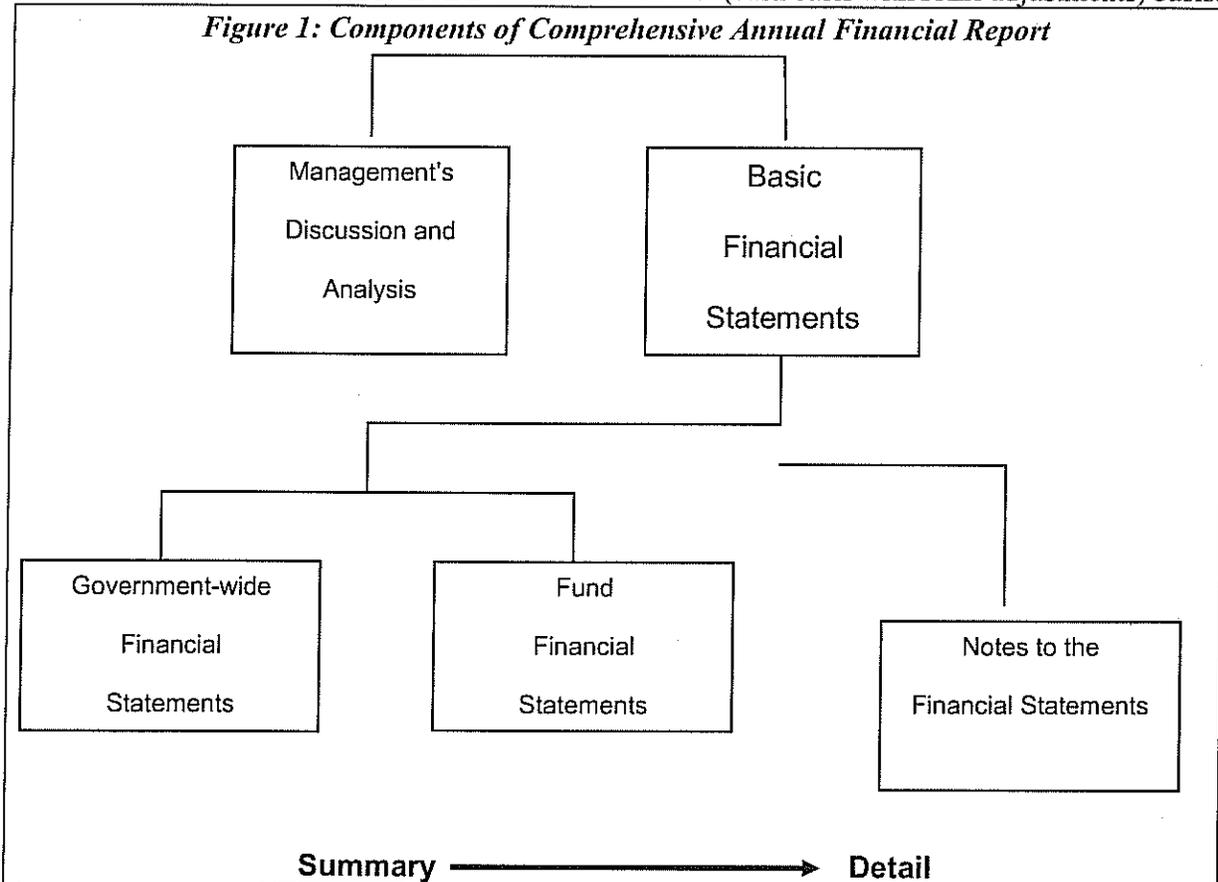
### **Financial Statements and Their Relationship to One Another**

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, 2011.
- *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, 2010 to June 30, 2011.
- *Income Statements* – An income statement is also known as a “Statement of Revenues, Expenditures, and Changes in Fund Balance”. The income statements based largely on cash flow statements but are adjusted to reflect depreciation charges, amounts “due to” or “due from” when the actual cash receipts or disbursements will occur in other fiscal years, and other adjustments to make the income statement an “accrual” document. The difference between revenue (sources of funds) and expenses (uses of funds), all adjusted per accrual accounting rules, is net income (“Change in Net Assets”).
- *Notes to the Financial Statements* – The notes provide additional and detailed information that is essential for a full understanding of the data provided in the government-wide and fund financial statements.

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



### Fiscal Highlights

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

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

*Figure 2: The Town's Net Assets*

	Governmental Activities		Business-Type Activities		Total	
	2011	2010	2011	2010	2011	2010
Current and other assets	819,046	2,076,439	1,601,833	523,962	2,420,879	2,600,401
Long-term assets	1,328,867	1,336,336	8,328,056	8,692,130	9,656,923	10,028,466
<b>Total assets</b>	<b>2,147,913</b>	<b>3,412,775</b>	<b>9,929,889</b>	<b>9,216,092</b>	<b>12,077,802</b>	<b>12,628,867</b>
Current liabilities	32,644	38,202	175,274	656,842	207,918	695,044
Long-term liabilities	8,472	4,144	4,886,032	5,032,319	4,894,504	5,036,463
<b>Total liabilities</b>	<b>41,116</b>	<b>42,346</b>	<b>5,061,306</b>	<b>5,689,161</b>	<b>5,102,422</b>	<b>5,731,507</b>
Net capital assets	1,328,867	-	3,273,149	3,512,840	4,602,016	3,512,840
Unrestricted net assets	777,930	3,370,429	1,595,434	14,091	2,373,364	3,384,520
<b>Total net assets</b>	<b>2,106,797</b>	<b>3,370,429</b>	<b>4,868,583</b>	<b>3,526,931</b>	<b>6,975,380</b>	<b>6,897,360</b>

- The assets of the Town of Amherst exceeded its liabilities (net assets) at the close of the fiscal year by \$6,975,380.
- The Town's General Fund total fund balance decreased by \$1,165,294, the Water Fund net assets increased by \$1,271,101, and Sewer Fund net assets increased by \$70,551 for an overall net increase of \$176,358. The reason for such dramatic changes is an approved transfer of monies between funds.
- The amount of cash on hand increased from \$1,720,025 on June 30, 2010 to \$2,101,560 on June 30, 2011 for a net increase of \$381,535.

**Capital Asset and Debt Administration**

A portion of the S. Main Street sidewalk project and purchased materials for the N. Main Street sewer rehabilitation project were as the only major capital assets booked during FY11. No major deletions due to demolitions, write-downs or other reasons were booked.

The Town's legal debt limit is \$17,753,210. Subtracting current long-term debt (i.e. payments due after FY 12) totaling \$4,886,032 the Town has an unused loan capacity of \$12,867,178. All of the Town's debts are guaranteed by "General Obligation". The Town refinanced its two water fund loans to take advantage of the better current interest rates in FY11. The Town of Amherst does not participate in any bond rating programs and does not anticipate taking on any debt in FY12 unless it can find a "better deal."

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, 2011, the remaining value in the "Brockman Park Recoupment Fund" was \$2,386,521.

**Figure 3: Outstanding Indebtedness**

Purpose for Loan	Bond Date	Original Amount	Balance 6/30/11	Annualized Payment	Interest Rate	Estimated Payoff Date
WTP/UH Water Tank	10/29/2010	\$2,188,523	\$2,125,057	\$185,208	3.280%	Oct-25
Sewer Plant	9/12/2005	\$3,121,000	\$2,918,150	\$159,552	4.125%	Aug-45
<b>Total</b>			\$5,043,207	\$344,760		

**Infrastructure Assets**

From an accrual, auditor-prepared financial statement basis, I believe the FY11 Comprehensive Annual Financial Report depicts a good year. On the other hand, the Town is still suffering from lower water and sewer consumption as compared to prior years. The Town needs to stay focused on maintaining its basic infrastructure. For example, if the Town has about 60 miles of water and sewer pipe, and if a pipe has a life expectancy of about 60 years (although these figures could be debated), the Town’s construction program should include replacing at least a mile of pipe per year just to stay current. Note that the Town did not replace or refurbish any of its treatment plant, pump station or tank infrastructure during FY11. In short, the remaining useful life of each of these key fixed assets decreased by a full year in FY11. This is clearly not a favorable situation and the bill will eventually become due.

**Change in Financial Condition**

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

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

	Budget	Actual	
<b>Revenue</b>			
Per Statement	1,615,853	1,985,474	123%
<b>Expense</b>			
Administration	703,230	548,007	78%
Sidewalk Project Expense	-	247,174	
Police	355,117	318,125	90%
Utilities	557,506	504,134	90%
Total Expense per Statement	1,615,853	1,617,440	100%
<b>Net Income(Loss)</b>		368,034	

Explaining the performance of the Water and Sewer Funds is a little more complicated due to the refinancing, accrual accounting rules, the way the activity is shown in the CAFR, and the transfer of monies between funds, so a cash flow analysis is offered.

**Figure 5: Water and Sewer Fund Cash Flow Analysis**

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total</u>
<b>Cash flows from operating activities</b>			
Receipts from customers	764,117	626,826	1,390,943
Payments to suppliers	(241,616)	(124,726)	(366,342)
Internal activity - payments to other funds	(864,727)	(236,905)	(1,101,632)
Other receipts (payments)	45,000	15,000	60,000
Net cash provided by operating activities	(297,226)	280,195	(17,031)
<b>Noncapital financing activities</b>			
Transfers in	1,337,356	195,972	1,533,328
Net cash provided by noncapital financing activities	1,337,356	195,972	1,533,328
<b>Cash flows from Capital and Related Financing Activities</b>			
Purchases of capital assets	-	(65,504)	(65,504)
Proceeds from capital debt	2,188,523	-	2,188,523
Payment of loan costs	(12,138)	-	(12,138)
Principal paid on capital debt	(2,279,439)	(38,312)	(2,317,751)
Interest paid on capital debt	(81,566)	(121,240)	(202,806)
Net cash used in capital and related financing activities	(184,620)	(225,056)	(409,676)
Net Decrease in Cash & Cash Equivalents	855,510	251,111	1,106,621
Cash & Cash Equivalents, beginning of year	-	260,860	260,860
Cash & Cash Equivalents, end of year	855,510	511,971	1,367,481
<b>Reconciliation of operating income (loss) to net cash provided by operating activities:</b>			
Operating Income (loss)	15,311	(4,181)	11,130
<b>Adjustments to reconcile change in unrestricted net assets</b>			
Depreciation and Amortization	210,011	231,705	441,716
Decrease/(increase) in accounts receivable	(13,822)	(14,573)	(28,395)
Decrease/(increase) in grants receivable	(15,000)	-	(15,000)
Decrease/(increase) in due from other fund	-	75,095	75,095
Decrease/(increase) in inventory	8,001	(10,951)	(2,950)
(Decrease)/increase in accounts payable	15,000	3,100	18,100
(Decrease)/increase in due to other fund	(516,727)	-	(516,727)
Net cash provided by operating activities	(297,226)	280,195	(17,031)

During the year, the Town Council adopted a new fund balance policy in accordance with GASB 54 (Fund Balance Reporting and Governmental Type Definitions). As part of this policy, the Town Council has established a permanent fund principal in the amount 15% of annual general fund revenues to serve as a contingency fund.

**Summary**

Working to improve the Town's ever-aging water and sewer infrastructure continues to be the Town's most significant ongoing challenge. According to "Infrastructure 2011: A Strategic Priority," an Ernst & Young report sponsored by the Urban Land Institute, governments with the best chance of striking a balance between investment priorities and funding shortfalls are those that "identify deficiencies and needs, develop long-range national and regional plans to address them, and harness an array of public and private resources to fund projects." Determining the pace for this work - balancing the need against funds available - will be a community decision that needs to be made in

the next few years, and it will frame many secondary decisions over the next decade.

Due to rising expenses and the general lack of available resources, pay rates have not been increased for several years.

Except for these factors, the effects of which are difficult to quantify from in multi-year fiscal perspective, it is my opinion that the Town is slightly better off as of June 30, 2011 than it was on June 30, 2010. Furthermore, the general state of the Town of Amherst's finances is good if compared to many other local governments, and this situation will be resolved with the recovery of the economy and higher water and sewer usage. The prospects for our community continue to be excellent.

**Requests for Information**

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

Sincerely,

Jack Hobbs  
Town Manager



**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, 2011, which collectively comprise the Town of Amherst's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town of Amherst's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the business-type activities of the Town of Amherst as of June 30, 2011, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated October 4, 2011, on our consideration of the Town of Amherst's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 1 through 8 and 21 through 23 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.

*Davidson Doyle & Hilton, LLP*

Lynchburg, Virginia  
October 4, 2011





Town of Amherst, Virginia  
 Combined Balance Sheet  
 Statement of Net Assets  
 Full Accrual Basis  
 June 30, 2011

	<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
<b>Assets</b>			
Cash and Cash Equivalents	\$ 365,329	\$ 1,367,481	\$ 1,732,810
Investments	400,000	-	400,000
Net Taxes Receivable	28,494	-	28,494
Net Other Accounts Receivable	12,738	-	12,738
Net Enterprise Accounts Receivable	-	141,723	141,723
Grants Receivable	752	15,000	15,752
Prepaid Expenses	11,733	-	11,733
Inventory	-	77,629	77,629
<i>Total Current Assets</i>	<u>819,046</u>	<u>1,601,833</u>	<u>2,420,879</u>
Net Fixed Assets	1,328,867	8,316,356	9,645,223
Net Loan Costs	-	11,700	11,700
<i>Total Long-Term Assets</i>	<u>1,328,867</u>	<u>8,328,056</u>	<u>9,656,923</u>
<b>Total Assets</b>	<u>\$ 2,147,913</u>	<u>\$ 9,929,889</u>	<u>\$ 12,077,802</u>
<b>Liabilities</b>			
Accounts Payable	\$ -	\$ 18,100	\$ 18,100
Accrued Liabilities	451	-	451
Uncompensated absences	32,193	-	32,193
Current Portion of Notes Payable	-	157,174	157,174
<i>Total Current Liabilities</i>	<u>32,644</u>	<u>175,274</u>	<u>207,918</u>
OPEB liability	8,472	-	8,472
Long-Term Portion of Notes Payable	-	4,886,032	4,886,032
<i>Total Long-Term Liabilities</i>	<u>8,472</u>	<u>4,886,032</u>	<u>4,894,504</u>
<b>Total Liabilities</b>	<u>41,116</u>	<u>5,061,306</u>	<u>5,102,422</u>
<b>Net Assets</b>			
Invested in Capital Assets, net of related debt	1,328,867	3,273,149	4,602,016
Unrestricted net assets	777,930	1,595,434	2,373,364
<i>Total Net Assets</i>	<u>2,106,797</u>	<u>4,868,583</u>	<u>6,975,380</u>
<b>Total Liabilities and Net Assets</b>	<u>\$ 2,147,913</u>	<u>\$ 9,929,889</u>	<u>\$ 12,077,802</u>

See accompanying notes to the financial statements





Town of Amherst, Virginia  
Statement of Activities  
Full Accrual Basis  
For the year ending June 30, 2011

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

	Program Expenses	Program Revenues			Primary Government		Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business Type Activities	
<b>Primary Government:</b>							
Governmental activities:							
General government administration	\$ 807,069	\$ 788,847	\$ 197,039	\$ 178,817	\$ -	\$ 178,817	
Public Safety	315,643	-	-	(248,787)	-	(248,787)	
Public Works	505,272	-	-	(505,272)	-	(505,272)	
<b>Total government activities</b>	<b>\$ 1,627,984</b>	<b>\$ 788,847</b>	<b>\$ 197,039</b>	<b>\$ (575,242)</b>	<b>\$ -</b>	<b>\$ (575,242)</b>	
Business type activities							
Water & Sewer	1,666,014	1,419,338	75,000	-	(191,676)	(191,676)	
<b>Total Primary government</b>	<b>\$ 3,313,998</b>	<b>\$ 2,208,185</b>	<b>\$ 141,856</b>	<b>\$ (575,242)</b>	<b>\$ (191,676)</b>	<b>\$ (766,918)</b>	
General revenues:							
General property taxes				116,049	-	116,049	
Other local taxes				667,397	-	667,397	
Unrestricted revenues from use of money and property				29,926	-	29,926	
Permits and Privilege Fees				7,860	-	7,860	
Fines and Forfeitures				11,552	-	11,552	
Intergovernmental revenues				12,154	-	12,154	
Transfers				(1,533,328)	1,533,328	-	
<b>Total General Revenues and Transfers</b>				<b>(688,390)</b>	<b>1,533,328</b>	<b>844,938</b>	
Change in net assets				\$ (1,263,632)	\$ 1,341,652	\$ 78,020	
Net assets-beginning				\$ 3,370,429	\$ 3,526,931	\$ 6,897,360	
Net assets-ending				\$ 2,106,797	\$ 4,868,583	\$ 6,975,380	

See accompanying notes to the financial statements



Town of Amherst, Virginia  
Balance Sheet  
Governmental Funds  
Modified Accrual Basis  
June 30, 2011

	<b>Governmental Activities</b>
<b><u>Assets</u></b>	
Cash and Cash Equivalents	\$ 334,079
Investments	400,000
Net Taxes Receivable	28,494
Net Other Accounts Receivable	12,738
Prepaid Expenses	11,733
<i>Total Current Assets</i>	<u>787,044</u>
<b><i>Total Assets</i></b>	<b>\$ <u><u>787,044</u></u></b>
<b><u>Liabilities</u></b>	
Accrued Liabilities	451
Deferred Revenue	28,494
<i>Total Current Liabilities</i>	<u>28,945</u>
<b><i>Total Liabilities</i></b>	<b><u><u>28,945</u></u></b>
<b><u>Fund Equity</u></b>	
Fund Balance - Nonspendable	11,733
Fund Balance - Unassigned	746,366
<i>Total Fund Equity</i>	<u>758,099</u>
<b><i>Total Liabilities and Fund Equity</i></b>	<b>\$ <u><u>787,044</u></u></b>

See accompanying notes to the financial statements





Town of Amherst, Virginia  
Statement of Revenues, Expenditures, and Changes in Fund Balance  
Governmental Funds  
Modified Accrual Basis  
For the Year Ended June 30, 2011

**Revenues**

General Property Taxes

Real Property Taxes	\$ 63,890
Personal Property Taxes	29,044
Personal Property Tax Relief	17,456
Penalties	5,746
<i>Total General Property Taxes</i>	<u>116,136</u>

Other Local Taxes

Meals	232,971
Lodging	4,728
Consumer Utility Taxes	141,276
Local Sales and Use Taxes	80,293
Business License Taxes	96,062
Motor Vehicle Licenses	42,921
Bank Stock Taxes	69,146
<i>Total Other Local Taxes</i>	<u>667,397</u>

Permits and Privilege Fees

Communications Lease	7,860
<i>Total Permits and Privilege Fees</i>	<u>7,860</u>

Fines and Forfeitures

Fines	8,836
Seized Property	2,716
<i>Total Fines and Forfeitures</i>	<u>11,552</u>

Revenue from Use of Money and Property

Interest Earned	17,256
<i>Total Revenue from Use of Money and Property</i>	<u>17,256</u>

Miscellaneous Revenue

Trash Curbside	87,328
Miscellaneous	40,611
Administrative Fees from Enterprise Funds	660,000
Police Security Revenue	794
Centennial Celebration Revenue	114
<i>Total Miscellaneous Revenues</i>	<u>788,847</u>

Intergovernmental Revenues

*Non-Categorical Aid From the Commonwealth*

Economic Development Recoupment Fee	9,679
Rolling Stock	2,475

*Categorical Aid From the Commonwealth*

Law Enforcement	1,142
South Main Street Sidewalk Grant	268,043
Virginia State Police Grant	54,808
Fire Grant	7,200
VML Safety Program Grant	2,000
FEMA Grant	31,079
<i>Total Intergovernmental Revenues</i>	<u>376,426</u>

**Total Revenues** \$ 1,985,474

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, 2011**

**Expenditures**

**General Government Administration**

*Legislative*

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

*Non-Legislative General Government*

General Government Salaries	147,702
Employment Expenses	47,547
Employee Assistance Program	800
Town Attorney	4,430
Office Supplies	16,604
Office Equipment	14,057
Miscellaneous	8,453
Capital Expenditures	49,326
Property & Landscape Maintenance	13,061
Electric - Streetlights	20,289
Heat and Electricity	3,175
Telephone	13,195
Grants	45,583
Utility Service Allowance	1,521
Building Maintenance	352
Decorations	1,901
Insurance	47,035
Marketing	6,568
Publications and Membership	3,107
Planning and Development	1,245
Trash Contract Collection	75,570
Travel and Training	1,616
Audit & Accounting Services	10,370
Engineering Services	6,000
Fire Department	7,200
South Main Street Sidewalk	247,174
<i>Total Non-Legislative General Government</i>	<u>793,881</u>

*Total General Government Administration*      \$ 795,181

**Public Safety Expenditures**

*Law Enforcement and Traffic Control*

Public Safety Salaries	\$ 210,559
Employment Expenses	69,839
Equipment and Uniforms	8,481
Travel and Training	4,042
Vehicles - Fuel	8,861
Vehicles - Maintenance	4,395
Miscellaneous	2,983
Rent	3,982
Supplies	931
Attorney fees	1,796
Grant Expenditures	2,256
<i>Total Public Safety Expenditures</i>	<u>\$ 318,125</u>

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, 2011

**Expenditures (continued)**

**Public Works Expenditures**

*Utilities*

Salaries	\$ 345,915
Employment Expenses	131,985
Benefits-Contra Capital Projects	(15,072)
Heat and Electricity	2,949
Vehicles - Repair	3,458
Uniforms	2,437
Building Maintenance	1,487
Equipment Maintenance	9,595
Training and Education	5,815
Miscellaneous	589
Vehicles - Fuel	14,976
<i>Total Public Works Expenditures</i>	<u>504,134</u>

***Total Expenditures*** 1,617,440

***Excess of revenues over expenditures*** 368,034

**Other financing sources (uses)**

Transfers out (1,533,328)

***Total other financing sources (uses)*** (1,533,328)

Change in Fund Balance \$ (1,165,294)

Fund Balance-Beginning 1,923,393

Fund Balance-Ending \$ 758,099





Town of Amherst, Virginia  
Statement of Net Assets  
Proprietary Funds  
Full Accrual Basis  
June 30, 2011

	Enterprise Funds		
	Water Fund	Sewer Fund	Memorandum Total
<b>Assets</b>			
Cash and Cash Equivalents	\$ 855,510	\$ 511,971	\$ 1,367,481
Net Enterprise Accounts Receivable	73,863	67,860	141,723
Grants receivable	15,000	-	15,000
Inventory	58,816	18,813	77,629
<i>Total Current Assets</i>	<u>1,003,189</u>	<u>598,644</u>	<u>1,601,833</u>
Net Fixed Assets	3,947,552	4,368,804	8,316,356
Net Loan Costs	11,700	-	11,700
<i>Total Long Term Assets</i>	<u>3,959,252</u>	<u>4,368,804</u>	<u>8,328,056</u>
<b>Total Assets</b>	<u>\$ 4,962,441</u>	<u>\$ 4,967,448</u>	<u>\$ 9,929,889</u>
<b>Liabilities</b>			
Accounts Payable	\$ 15,000	\$ 3,100	\$ 18,100
Current Portion of Notes Payable	117,249	39,925	157,174
<i>Total Current Liabilities</i>	<u>132,249</u>	<u>43,025</u>	<u>175,274</u>
Notes Payable	2,007,808	2,878,224	4,886,032
<i>Total Long Term Liabilities</i>	<u>2,007,808</u>	<u>2,878,224</u>	<u>4,886,032</u>
<b>Total Liabilities</b>	<u>2,140,057</u>	<u>2,921,249</u>	<u>5,061,306</u>
<b>Net Assets</b>			
Invested in Capital Assets, net of related debt	1,822,495	1,450,654	3,273,149
Unrestricted	999,889	595,545	1,595,434
<b>Total Net Assets</b>	<u>2,822,384</u>	<u>2,046,199</u>	<u>4,868,583</u>
<b>Total Liabilities and Net Assets</b>	<u>\$ 4,962,441</u>	<u>\$ 4,967,448</u>	<u>\$ 9,929,889</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, 2011

	<u>Enterprise Funds</u>		
	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total</u>
<b><u>Operating Revenues</u></b>			
Monthly Billing	\$ 531,196	\$ 586,474	\$ 1,117,670
Sprinkler Revenue	4,968	-	4,968
Penalties	19,646	17,978	37,624
Water Service Revenue	99,870	-	99,870
Debt Service Revenue	101,068	-	101,068
Grant Revenue	60,000	15,000	75,000
Miscellaneous Revenue	8,875	-	8,875
Availability Fees	9,700	2,500	12,200
Maintenance and Construction Revenue	2,616	1,387	4,003
Rutledge Creek Operations	-	33,060	33,060
<b>Total Operating Revenues</b>	<b>\$ 837,939</b>	<b>\$ 656,399</b>	<b>\$ 1,494,338</b>
<b><u>Operating Expenses</u></b>			
Administrative Fees	\$ 348,000	\$ 312,000	\$ 660,000
Line Materials	25,004	7,512	32,516
Pump Stations Operations	1,951	4,125	6,076
Electricity	30,926	41,856	72,782
Water & Sewer Service	53,376	1,747	55,123
Maintenance	26,150	12,328	38,478
Chemicals	32,413	11,031	43,444
Water Sampling	9,503	-	9,503
Laboratory	5,021	14,999	20,020
Miscellaneous	-	14,527	14,527
Watershed management	20,273	-	20,273
Water & Sewer Study & Maps	60,000	2,250	62,250
Engineering Services	-	6,500	6,500
Depreciation Expense	202,717	231,705	434,422
Amortization Expense	7,294	-	7,294
<b>Total Operating Expenses</b>	<b>\$ 822,628</b>	<b>\$ 660,580</b>	<b>\$ 1,483,208</b>
<b>Operating income (expense)</b>	<b>\$ 15,311</b>	<b>\$ (4,181)</b>	<b>\$ 11,130</b>
<b><u>Non-operating revenues (expenses)</u></b>			
Interest Expense	(81,566)	(121,240)	(202,806)
<b>Total non-operating Revenues/Expenses</b>	<b>(81,566)</b>	<b>(121,240)</b>	<b>(202,806)</b>
<b>Income (loss) before contributions and transfers</b>	<b>(66,255)</b>	<b>(125,421)</b>	<b>(191,676)</b>
Transfers in	1,337,356	195,972	1,533,328
<b>Change in Net Assets</b>	<b>1,271,101</b>	<b>70,551</b>	<b>1,341,652</b>
Net Assets-Beginning	1,551,283	1,975,648	3,526,931
<b>Net Assets-Ending</b>	<b>\$ 2,822,384</b>	<b>\$ 2,046,199</b>	<b>\$ 4,868,583</b>





Town of Amherst, Virginia  
Statement of Cash Flows  
Proprietary Funds  
Full Accrual Basis  
For the Year Ended June 30, 2011

	Enterprise Funds		
	Water Fund	Sewer Fund	Memorandum Total Only
<b>Cash flows from operating activities</b>			
Receipts from customers	764,117	626,826	1,390,943
Payments to suppliers	(241,616)	(124,726)	(366,342)
Internal activity - payments to other funds	(864,727)	(236,905)	(1,101,632)
Other receipts (payments)	45,000	15,000	60,000
Net cash provided by (used in) operating activities	<u>(297,226)</u>	<u>280,195</u>	<u>(17,031)</u>
<b>Noncapital financing activities</b>			
Transfers in	1,337,356	195,972	1,533,328
Net cash provided by noncapital financing activities	<u>1,337,356</u>	<u>195,972</u>	<u>1,533,328</u>
<b>Cash flows from Capital and Related Financing Activities</b>			
Purchases of capital assets	-	(65,504)	(65,504)
Proceeds from capital debt	2,188,523	-	2,188,523
Payment of loan costs	(12,138)	-	(12,138)
Principal paid on capital debt	(2,279,439)	(38,312)	(2,317,751)
Interest paid on capital debt	(81,566)	(121,240)	(202,806)
Net cash used in capital and related financing activities	<u>(184,620)</u>	<u>(225,056)</u>	<u>(409,676)</u>
Net Increase in Cash & Cash Equivalents	855,510	251,111	1,106,621
Cash & Cash Equivalents, beginning of year	-	260,860	260,860
Cash & Cash Equivalents, end of year	<u>\$ 855,510</u>	<u>\$ 511,971</u>	<u>\$ 1,367,481</u>
<b>Reconciliation of operating income (loss) to net cash provided by operating activities:</b>			
Operating income (loss)	\$ 15,311	\$ (4,181)	\$ 11,130
Adjustments to reconcile change in unrestricted net assets			
Depreciation and Amortization	210,011	231,705	441,716
Decrease/(Increase) in accounts receivable	(13,822)	(14,573)	(28,395)
Decrease/(Increase) in grants receivable	(15,000)		
Decrease/(Increase) in due from other fund	-	75,095	75,095
Decrease/(Increase) in inventory	8,001	(10,951)	(2,950)
(Decrease)/Increase in accounts payable	15,000	3,100	18,100
(Decrease)/Increase in due to other fund	(516,727)	-	(516,727)
Net cash provided by operating activities	<u>(297,226)</u>	<u>280,195</u>	<u>(17,031)</u>

See accompanying notes to the financial statements





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

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

State Compliance Matters

Code of Virginia

- Budget and Appropriation Laws
- Cash and Investments Laws
- Conflicts of Interest Act
- Local Retirement Systems
- Debt Provisions
- Procurement Laws





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

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

We have audited the accompanying 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, 2011, which collectively comprise the Town of Amherst's basic financial statements and have issued our report thereon dated October 4, 2011. 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 statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

We noted certain matters that we reported to management of the Town of Amherst, in a separate letter dated October 4, 2011.

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, LLC*

Lynchburg, Virginia  
October 4, 2011





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, 2011

	General Fund		
	Budget	Actual	Variances Favorable (Unfavorable)
<b>Revenues</b>			
<u>General Property Taxes</u>			
Real Property Taxes	\$ 63,000	\$ 63,890	\$ 890
Personal Property Taxes	27,000	29,044	2,044
Personal Property Tax Relief	17,456	17,456	-
Penalties	3,500	5,746	2,246
<i>Total General Property Taxes</i>	<u>110,956</u>	<u>116,136</u>	<u>5,180</u>
<u>Other Local Taxes</u>			
Meals	197,000	232,971	35,971
Lodging	5,500	4,728	(772)
Consumer Utility Taxes	124,115	141,276	17,161
Local Sales and Use Taxes	89,000	80,293	(8,707)
Business License Taxes	100,000	96,062	(3,938)
Motor Vehicle Licenses	40,000	42,921	2,921
Bank Stock Taxes	40,000	69,146	29,146
<i>Total Other Local Taxes</i>	<u>595,615</u>	<u>667,397</u>	<u>71,782</u>
<u>Permits and Privilege Fees</u>			
Communications Lease	7,860	7,860	-
<i>Total Permits and Privilege Fees</i>	<u>7,860</u>	<u>7,860</u>	<u>-</u>
<u>Fines and Forfeitures</u>			
Fines	15,000	8,836	(6,164)
Seized Property	-	2,716	2,716
<i>Total Fines and Forfeitures</i>	<u>15,000</u>	<u>11,552</u>	<u>(3,448)</u>
<u>Revenue from Use of Money and Property</u>			
Interest Earned	33,000	17,256	(15,744)
<i>Total Revenue from Use of Money and Property</i>	<u>33,000</u>	<u>17,256</u>	<u>(15,744)</u>
<u>Miscellaneous Revenue</u>			
Trash Curbside	87,400	87,328	(72)
Miscellaneous	26,159	40,611	14,452
Administrative Fees from Enterprise Funds	660,000	660,000	-
Police Security Revenue	300	794	494
Centennial Celebration Revenue	-	114	114
<i>Total Miscellaneous Revenues</i>	<u>773,859</u>	<u>788,847</u>	<u>14,988</u>
<u>Intergovernmental Revenues</u>			
<i>Non-Categorical Aid From the Commonwealth</i>			
Economic Development Recoupment Fee	11,679	9,679	(2,000)
Rolling Stock	2,580	2,475	(105)
<i>Categorical Aid From the Commonwealth</i>			
Law Enforcement	2,500	1,142	(1,358)
South Main Street Sidewalk Grant	-	268,043	268,043
Virginia State Police Grant	54,804	54,808	4
Fire Grant	8,000	7,200	(800)
VML Safety Program Grant	-	2,000	2,000
FEMA Grant	-	31,079	31,079
<i>Total Intergovernmental Revenues</i>	<u>79,563</u>	<u>376,426</u>	<u>296,863</u>
<b>Total Revenues</b>	<b>\$ 1,615,853</b>	<b>\$ 1,985,474</b>	<b>\$ 369,621</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, 2011

	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	\$ -
Total Legislative	1,300	1,300	-
<i>Non-Legislative General Government</i>			
General Government Salaries	151,108	147,702	3,406
Employment Expenses	59,731	47,547	12,184
Employee Assistance Program	1,200	800	400
Town Attorney	8,000	4,430	3,570
Office Supplies	18,000	16,604	1,396
Office Equipment	17,600	14,057	3,543
Miscellaneous	66,227	8,453	57,774
Capital Expenditures	54,527	49,326	5,201
Property & Landscape Maintenance	19,000	13,061	5,939
Electric - Streetlights	31,000	20,289	10,711
Heat and Electricity	5,000	3,175	1,825
Telephone	15,500	13,195	2,305
Grants	46,417	45,583	834
Utility Service Allowance	1,500	1,521	(21)
Building Maintenance	1,500	352	1,148
Decorations	2,550	1,901	649
Insurance	67,000	47,035	19,965
Marketing	24,000	6,568	17,432
Publications and Membership	3,500	3,107	393
Planning and Development	5,000	1,245	3,755
Trash Contract Collection	75,570	75,570	-
Travel and Training	3,500	1,616	1,884
Audit & Accounting Services	10,500	10,370	130
Engineering Services	6,000	6,000	-
Fire Department	8,000	7,200	800
South Main Street Sidewalk	-	247,174	(247,174)
Total Non-Legislative General Government	701,930	793,881	(91,951)
Total General Government Administration	\$ 703,230	\$ 795,181	\$ (91,951)
<b>Public Safety Expenditures</b>			
<i>Law Enforcement and Traffic Control</i>			
Public Safety Salaries	222,380	210,559	11,821
Employment Expenses	80,811	69,839	10,972
Equipment and Uniforms	15,273	8,481	6,792
Travel and Training	3,600	4,042	(442)
Vehicles - Fuel	12,825	8,861	3,964
Vehicles - Maintenance	6,500	4,395	2,105
Miscellaneous	4,100	2,983	1,117
Rent	3,900	3,982	(82)
Supplies	2,740	931	1,809
Attorney Fees	2,988	1,796	1,192
Grant Expenditures	-	2,256	(2,256)
Total Public Safety Expenditures	\$ 355,117	\$ 318,125	\$ 36,992

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, 2011

	General Fund		
	Budget	Actual	Variances Favorable (Unfavorable)
<b><u>Expenditures (continued)</u></b>			
<b><u>Public Works Expenditures</u></b>			
<i>Utilities</i>			
Salaries	\$ 364,549	\$ 345,915	\$ 18,634
Employment Expenses	135,927	131,985	3,942
Benefits-Contra Capital Projects	-	(15,072)	15,072
Heat and Electricity	4,000	2,949	1,051
Vehicles - Repair	4,240	3,458	782
Uniforms	4,500	2,437	2,063
Building Maintenance	2,000	1,487	513
Equipment Maintenance	12,000	9,595	2,405
Training and Education	6,000	5,815	185
Miscellaneous	5,290	589	4,701
Vehicles - Fuel	19,000	14,976	4,024
<i>Total Public Works Expenditures</i>	<u>557,506</u>	<u>504,134</u>	<u>53,372</u>
 <i>Total Expenditures</i>	<u>1,615,853</u>	<u>1,617,440</u>	<u>(1,587)</u>
 <i>Excess of revenues over expenditures</i>	<u>-</u>	<u>368,034</u>	<u>371,208</u>
 <b><u>Other financing sources (uses)</u></b>			
Transfers out	<u>-</u>	<u>(1,533,328)</u>	<u>1,533,328</u>
 <i>Total other financing sources (uses)</i>	<u>-</u>	<u>(1,533,328)</u>	<u>1,533,328</u>
 Change in Fund Balance		\$ (1,165,294)	
Fund Balance-Beginning		1,923,393	
Fund Balance-Ending		<u>\$ 758,099</u>	

See accompanying notes to the financial statements





Town of Amherst, Virginia  
Supplemental Information  
As of June 30, 2011

**Statement of Treasurer's Accountability**

**Assets Held By Treasurer**

**All Funds**

Cash

Cash on Hand	\$	400
Wachovia Bank		23,806
BB & T		38,202
Bank of the James		380,717
Carter Bank & Trust		225,145
First National Bank of Altavista		5,226
Suntrust		78,064
<i>Total Cash</i>		<u>751,560</u>

Certificates of Deposit

Carter Bank & Trust		1,350,000
<i>Total Certificates of Deposit</i>		<u>1,350,000</u>

***Total Assets Held By Treasurer***

**\$ 2,101,560**

**Liabilities Held By Treasurer**

Cash Allocated to Funds

General Fund		734,079
Capital Projects Fund		-
Sewer Fund		511,971
Water Fund		855,510
<i>Total Cash Allocated to Funds</i>		<u>2,101,560</u>

***Total Liabilities Held by Treasurer***

**\$ 2,101,560**

**Computation of Legal Debt Margin**

Net Assessed Debt Value	\$	177,532,100
Debt Limit Percentage		<u>10%</u>
Debt Limit Calculated		17,753,210
Total Long-Term Debt		4,886,032
<i>Legal Margin for Creation of Additional Debt</i>		12,867,178

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

Actuarial Valuation Date	June 30, 2010	June 30, 2009	June 30, 2008
Actuarial Value of Assets	\$ 2,676,134	\$ 2,661,137	\$ 2,629,380
Actuarial Accrued Liability	<u>3,265,376</u>	<u>3,064,568</u>	<u>2,849,171</u>
Unfunded Actuarial Accrued Liability (UAAL)	(589,242)	(403,431)	(219,791)
<i>Funded Ratio</i>	82%	87%	92%
Annual Covered Payroll	650,018	686,043	677,588
<i>UAAL as a Percent of Payroll</i>	90.7%	58.8%	32.4%

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

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

See accompanying notes to the financial statements





Town of Amherst, Virginia  
 Supplemental Information  
 For the Year Ended June 30, 2011

	Property Tax Levies and Collections										
	FYE June 30, 2011	FYE June 30, 2010	FYE June 30, 2009	FYE June 30, 2008	FYE June 30, 2007	FYE June 30, 2006	FYE June 30, 2005	FYE June 30, 2004	FYE June 30, 2003	FYE June 30, 2002	
Total Tax Levy	\$ 110,614	\$ 110,668	\$ 110,754	\$ 106,934	\$ 104,209	\$ 103,239	\$ 97,126	\$ 97,574	\$ 108,090	\$ 99,841	
Total Tax Collection	110,389	111,148	109,364	108,879	109,200	114,826	98,300	98,208	110,963	110,963	
Percent of Tax Collection to Tax Levy	99.80%	100.43%	98.74%	99.96%	104.79%	111.22%	101.21%	100.65%	102.66%	111.14%	
Outstanding Delinquent Taxes	28,494	28,581	34,728	27,134	19,704	9,891	-	17,517	17,517	17,518	
Percent of Delinquent Taxes to Tax Levy	25.76%	25.83%	31.36%	24.91%	18.91%	9.58%	0.00%	17.95%	16.21%	17.55%	
<u>Assessed Value of Taxable Property</u>											
Real Estate	177,532,100	177,002,600	177,161,700	118,101,000	117,535,400	114,767,500	114,030,200	118,011,200	\$ 117,051,600	\$ 86,255,600	
Personal Property	12,747,503	12,713,910	12,828,564	12,404,505	13,060,155	12,131,747	10,425,000	11,372,572	11,652,740	11,372,572	
Public Utility	6,438,670	6,939,129	6,815,354	4,180,032	4,736,689	4,736,689	4,755,969	5,608,023	6,049,773	6,607,947	
Total Assessed Value	\$ 196,718,273	\$ 196,655,639	\$ 196,805,618	\$ 134,685,627	\$ 135,332,244	\$ 131,635,036	\$ 129,211,169	\$ 134,991,795	\$ 134,754,113	\$ 104,236,119	

Property Tax Rates (per \$100 of Assessed Value)

Real Estate	3.6%	3.6%	3.6%	5.4%	5.4%	5.4%	5.4%	5.4%	5.4%	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, 2011**

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

---

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, 2011**

**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, 2011**

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

---

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of timing of related cash flows. Property taxes are recognized as revenues in the fiscal year in which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the granting organization are met.

The government-wide statement of activities reflects both the gross and net cost per functional category which are otherwise being supported by general government revenues, intergovernmental revenues, fines, permits and charges, etc. The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants, and contributions. The program revenues must be directly associated with the function or a business type entity.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. This is the manner in which these funds are normally budgeted. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be collected within 60 days of the end of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

In the fund financial statements, financial transactions and accounts of the Town are organized on the basis of funds. The operation of each fund is considered to be an independent fiscal and separate accounting entity, with a self-balancing set of accounts recording cash and/or other financial resources together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitation.

1. Governmental Funds

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

General Fund:

The General Fund is the primary operating fund of the Town. This fund is used to account for all financial transactions and resources except those required to be accounted for in another fund. Revenues are derived primarily from property and other local taxes, state and federal distributions, licenses, permits, charges for service, and interest income.





**Town of Amherst, Virginia  
Notes to the Financial Statements  
For the Year Ended June 30, 2011**

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

---

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

2. Proprietary Funds

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

Enterprise Funds:

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

**Cash and Cash Equivalents**

State statutes authorize the Town government to invest in obligations of the U.S. Treasury, commercial paper, corporate bonds, repurchase agreements, and the Local Government Investment Pool. The Town considers all highly liquid investments with a maturity of 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).





**Town of Amherst, Virginia  
Notes to the Financial Statements  
For the Year Ended June 30, 2011**

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

---

**Receivables and payables (continued)**

All trade and property tax receivables are shown net of an allowance for uncollectibles. The Town calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. The allowance amounted to approximately \$495 at June 30, 2011, 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.

**Net Assets**

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





**Town of Amherst, Virginia  
Notes to the Financial Statements  
For the Year Ended June 30, 2011**

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

---

**Fund Balance**

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

The classifications are as follows:

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

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

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

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





**Town of Amherst, Virginia  
Notes to the Financial Statements  
For the Year Ended June 30, 2011**

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

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**Fund Balance (continued)**

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

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

**Use of Estimates**

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

**Note 2 – Cash and Investments**

---

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, 2011:

Carter Bank & Trust	\$1,397,276
Bank of the James	\$ 130,717





**Town of Amherst, Virginia  
Notes to the Financial Statements  
For the Year Ended June 30, 2011**

**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 \$32,193 of accrued compensated absences at June 30, 2011.

**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. This note was refinanced on October 29, 2010. At June 30, 2011 there was no outstanding balance on this note.

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. This note was refinanced on October 29, 2010. At June 30, 2011 there was no outstanding balance on this note.

On October 29, 2010, the Town issued a general obligation bond to Suntrust Bank and concurrently signed a note with the bank for \$2,188,523, at 3.28% interest to refinance the 1995 note with the United States Department of Agriculture and the 2007 note with Carter Bank & Trust. The note is secured by the general obligation bond issued by the Town. Payments of principal and interest of \$15,434 are due monthly and began on December 15, 2010. At June 30, 2011 the outstanding balance was \$2,125,057.

Interest of \$81,566 was paid during the fiscal year.





**Town of Amherst, Virginia  
Notes to the Financial Statements  
For the Year Ended June 30, 2011**

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

**Water Fund (continued)**

A schedule of maturities is as follows:

For the year ending June 30	Principal	Interest
2012	\$ 117,249	\$ 67,956
2013	121,153	64,052
2014	125,188	60,018
2015	129,356	55,850
2016	133,663	51,542
2017 - 2021	738,115	187,913
2022 - 2026	760,333	57,455
	<u>\$ 2,125,057</u>	<u>\$ 544,786</u>

**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, 2011, the outstanding balance was \$2,918,150. Interest of \$121,240 was paid during the current fiscal year. A schedule of maturities is as follows:

For the year ending June 30	Principal	Interest
2012	\$ 39,926	119,626
2013	41,604	117,948
2014	43,353	116,199
2015	45,175	114,376
2016	47,075	112,477
2017 - 2021	266,776	530,984
2022 - 2026	327,767	469,993
2027 - 2031	402,704	395,057
2032-2036	494,772	302,988
2037-2041	607,890	189,870
2042-2046	601,108	53,327
	<u>\$ 2,918,150</u>	<u>\$ 2,522,845</u>





**Town of Amherst, Virginia  
Notes to the Financial Statements  
For the Year Ended June 30, 2011**

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

The following is a summary of changes in long-term liabilities for the year ended June 30, 2011:

	Balance July 1, 2010	Issued	Retired	Balance June 30, 2011
Governmental activities	\$ -	\$ -	\$ -	\$ -
Business-type activities:				
Water Fund	2,215,973	2,188,523	2,279,439	2,125,057
Sewer Fund	2,956,461	-	38,311	2,918,150
Total Business-type activities	<u>5,172,434</u>	<u>2,188,523</u>	<u>2,317,750</u>	<u>5,043,207</u>
Total	\$ <u>5,172,434</u>	\$ <u>2,188,523</u>	\$ <u>2,317,750</u>	\$ <u>5,043,207</u>

**Note 6 – Retirement Plan**

**Plan Description**

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

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

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

- Members hired before July 1, 2010 and who have service credits before July 1, 2010 are covered under Plan 1. Non-hazardous duty members are eligible for an unreduced retirement benefit beginning at age 65 with at least 5 years of service credit or age 50 with at least 30 years of service credit. They may retire with a reduced benefit as early as age 55 with at least 10 years of service credit or age 50 with at least 5 years of service credit.
- Members hired or rehired on or after July 1, 2010 and who have no service credits before July 1, 2010 are covered under Plan 2. Non-hazardous duty members are eligible for an unreduced benefit beginning at their normal Social Security retirement age with at least 5 years of service credit or when the sum of their age and service equals 90. They may retire with a reduced benefit as early as age 60 with at least 5 years of service credit.





**Town of Amherst, Virginia  
Notes to the Financial Statements  
For the Year Ended June 30, 2011**

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

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- Eligible hazardous duty members in Plan 1 and Plan 2 are eligible for an unreduced benefit beginning at age 60 with at least 5 years of service credit or age 50 with at least 25 years of service credit. These members include sheriffs, deputy sheriffs and hazardous duty employees of political subdivisions that have elected to provide enhanced coverage for hazardous duty service. They may retire with a reduced benefit as early as age 50 with at least 5 years of service credit. All other provisions of the member's plan apply.

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

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

Retirees are eligible for an annual cost-of-living adjustment ("COLA") effective July 1 of the second calendar year of retirement. Under Plan 1, the COLA cannot exceed 5%; under Plan 2, the COLA cannot exceed 6%. During years of no inflation or deflation, the COLA is 0%. The VRS also provides death and disability benefits. Title 51.1 of the Code of Virginia (1950), as amended, assigns the authority to establish and amend benefit provisions to the General Assembly of Virginia.

The System issues a publicly available comprehensive annual financial report (CAFR) that includes financial statements and required supplementary information for the plans administered by VRS. A copy of the report may be obtained by writing to the System's Chief Financial Officer, P.O. Box 2500, Richmond, VA 23218 or from the VRS website at <http://www.varetire.org/Pdf/Publications/2010-annual-report.pdf>.

**Funding Policy**

Plan members are required by Title 51.1 of the Code of Virginia (1950), as amended, to contribute 5% of their annual reported compensation to VRS. All or part of the 5% member contribution may be assumed by the employer. In addition, the Town is required to contribute the remaining amounts necessary to fund its participation in the VRS using the actuarial basis specified by the Code of Virginia and approved by the VRS Board of Trustees. The Town's contribution rate for the fiscal year ended June 30, 2011 was 16.03% of annual covered payroll.





**Town of Amherst, Virginia  
Notes to the Financial Statements  
For the Year Ended June 30, 2011**

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

**Annual Pension Cost**

For the fiscal year ended June 30, 2011, the Town's annual pension cost of \$83,750 for VRS was not equal to the required and actual contributions. The actual contributions for the fiscal year ended June 30, 2011 was \$85,299.

**Three-Year Trend Information**

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/2009	\$ 84,785	99 %	\$ 592
6/30/2010	80,565	100	-
6/30/2011	83,750	100	-

The FY 2011 required contribution was determined as part of the June 30, 2009 actuarial valuation using entry age actuarial cost method. The actuarial assumptions at June 30, 2009 included (a) an investment rate of return (net of administrative expenses) of 7.5%, (b) projected salary increases ranging from 3.75% – 5.6% per year for general government employees and 3.5% and 4.75% per year for employees eligible for enhanced benefits available to law enforcement officers, firefighters, and sheriffs, (c) a cost of living adjustment of 2.5% per year. Both the investment rate of return and the projected salary increases also include an inflation component of 2.50%. The actuarial value of the Town's assets is equal to the modified market value of assets. This method uses techniques that smooth the effects of short-term volatility in the market value of assets over a five-year period. The Town's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2009 was 20 years.

**Funding Status and Funding Progress**

As of June 30, 2010, the most recent actuarial valuation date, the plan was 81.96% funded. The actuarial accrued liability for benefits was \$3,265,376, and the actuarial value of assets was \$2,676,134, resulting in an unfunded actuarial accrued liability (UAAL) of \$589,242. The covered payroll (annual payroll of active employees covered by the plan) was \$650,018, and the ratio of the UAAL to the covered payroll was 90.65%.

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, 2011**

**Note 7 - Defined contribution retirement plan**

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

**Note 8 - Other Post Employment Benefits**

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

**Plan Description**

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

**Benefits Provided**

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

**Membership**

The number of participants at June 30, 2011 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, 2011, the Town recorded \$4,328 for the OPEB liability.





**Town of Amherst, Virginia  
Notes to the Financial Statements  
For the Year Ended June 30, 2011**

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

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

The following table shows the elements of the Town's annual OPEB cost for the year the changes in the Town's net OPEB obligation for the fiscal year ended June 30, 2011.

Annual required contribution	\$	8,900
Annual OPEB cost		8,900
Contributions made		(4,572)
Increase in net OPEB obligation		4,328
Net OPEB obligation - beginning of year		4,144
Net OPEB obligation - end of year	\$	8,472

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, 2011 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 2009.

Fiscal Year Ending	Annual OPEB Cost	Percentage of Annual OPEB Contributed	Net OPEB Obligation
6/30/2011	\$ 8,900	51 %	\$ 8,472
6/30/2010	8,500	51	4,144

**Funding Status and Funding Progress**

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

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

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





**Town of Amherst, Virginia  
Notes to the Financial Statements  
For the Year Ended June 30, 2011**

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

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**Actuarial Methods and Assumptions**

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

**Note 9 – Surety Bonds**

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

**Note 10 – Risk Management**

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

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

**Note 11 – 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.





**Town of Amherst, Virginia  
Notes to the Financial Statements  
For the Year Ended June 30, 2011**

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

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

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

Details of changes in property and equipment in the Government Fund for the fiscal year ending June 30, 2011 are as follows:

	Balance at July 1, 2010		Additions		Deletions		Balance at June 30, 2011
Land	\$ 1,055,370	\$	-	\$	-	\$	1,055,370
Town Hall Renovations	143,966		-		-		143,966
Equipment	443,643		49,326		-		492,969
Subtotal	\$ 1,642,979	\$	49,326	\$	-	\$	1,692,305
Less Accumulated Depreciation	306,643		56,795		-		363,438
Net Total Capital Assets	\$ 1,336,336	\$	(7,469)	\$	-	\$	1,328,867

Details of changes in property and equipment in the Enterprise Funds for the fiscal year ending June 30, 2011 are as follows:

**Proprietary Water Fund**

	Balance at July 1, 2010		Additions		Deletions		Balance at June 30, 2011
Land	\$ 5,600	\$	-	\$	-	\$	5,600
Equipment	63,061		-		-		63,061
Plant and Lines	6,210,930		-		-		6,210,930
Subtotal	\$ 6,279,591	\$	-	\$	-	\$	6,279,591
Less Accumulated Depreciation	2,129,322		202,717		-		2,332,039
Net Total Capital Assets	\$ 4,150,269	\$	(202,717)	\$	-	\$	3,947,552

As of June 30, 2011, \$36,000 of the Proprietary Water Fund property and equipment balance is construction in progress and is not being depreciated.





**Town of Amherst, Virginia  
Notes to the Financial Statements  
For the Year Ended June 30, 2011**

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

**Proprietary Sewer Fund**

	Balance at July 1, 2010	Additions	Deletions	Balance at June 30, 2011
Land	\$ 6,984	\$ -	\$ -	\$ 6,984
Equipment	41,693	-	-	41,693
Plant and Lines	6,508,473	65,504	-	6,573,977
Subtotal	\$ 6,557,150	\$ 65,504	\$ -	\$ 6,622,654
Less Accumulated Depreciation	2,022,145	231,705	-	2,253,850
Net Total Capital Assets	\$ 4,535,005	\$ (166,201)	\$ -	\$ 4,368,804

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

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

Fund Balance-Total	\$ 2,291,427
When capital assets (land, buildings, equipment) that are to be used in governmental activities are purchased or constructed, the costs of those assets.	1,328,867
Grant receivable	752
Accounts receivable for real estate taxes	28,494
Uncompensated absence accrual	(32,193)
OPEB liability accrual	(8,472)
Certificate of deposit interest income accrual	31,250
Net assets of General Government Activities	\$ 3,640,125

**Note 13 –Grants**

The Town received several grants during the year. Three grants totaled \$12,048 for use in Public Safety. Additional grants for the South Main Street Sidewalk were reimbursed in the amount of \$197,039. 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.





**Town of Amherst, Virginia  
Notes to the Financial Statements  
For the Year Ended June 30, 2011**

**Note 14 - Leases**

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, 2011 was \$3,600. Minimum annual rental payment required under the lease are \$300 for the year ending June 30, 2012. Subsequent to July 31, 2011, the lease is operating on a month-to-month basis.

**Note 15 - Transfers To/From Other Funds**

Interfund transfers for the year ending June 30, 2011 were as follows:

	Governmental Funds		Transfers to Proprietary Funds		
	General Fund	Total Governmental Funds	Water Fund	Sewer Fund	Total Proprietary Funds
	Transfers from:				
Governmental Funds:					
General Fund	\$ -	\$ -	\$ 1,337,356	\$ 195,972	\$ 1,533,328

**Note 16 - Fund Balances**

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

Fund Balances	General Fund	Total Governmental Funds
Nonspendable:		
Prepaid expenses	\$ 11,733	\$ 11,733
Total Nonspendable	493,580	493,580
Unassigned:		
Permanent fund principal	297,821	297,821
Other unassigned	1,500,026	1,500,026
Total Unassigned	1,797,847	1,797,847
Total Fund Balances	\$ 2,291,427	\$ 2,291,427





**Town of Amherst, Virginia  
Notes to the Financial Statements  
For the Year Ended June 30, 2011**

**Note 16 – Fund Balances (continued)**

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

**Note 17 - Contingency**

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

**Note 18 - Subsequent Events**

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The Town has evaluated subsequent events through October 4, 2011, the date the report was available for issuance. No events requiring disclosure were noted.

