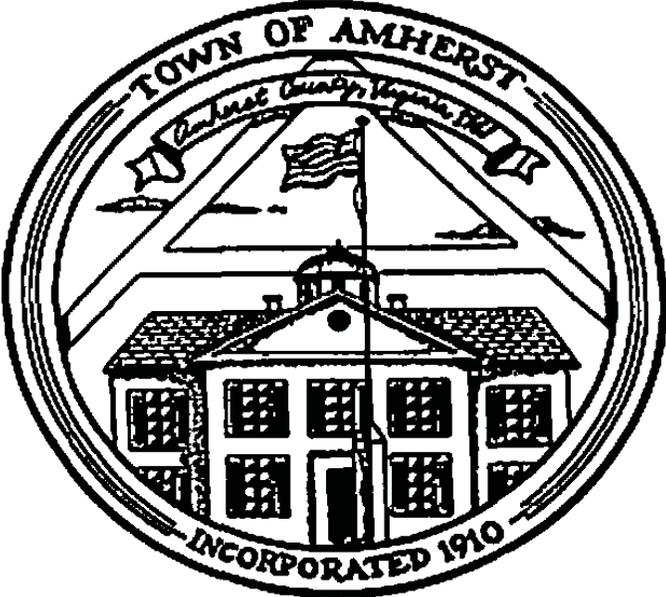


TOWN OF AMHERST, VIRGINIA



ANNUAL FINANCIAL REPORT

FOR FISCAL YEAR ENDED JUNE 30, 2018

TOWN OF AMHERST, VIRGINIA

ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2018

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TOWN OF AMHERST, VIRGINIA

TOWN COUNCIL

Rachel Carton	D. Dwayne Tuggle, Mayor	Janice N. Wheaton
Kenneth S. Watts		Sarah B. Ogden
Kenneth G. Bunch		

GENERAL TOWN GOVERNMENT

Town Manager	Sara E. Carter
Town Treasurer/Office Manager	Tracie L. Wright

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TOWN OF AMHERST, VIRGINIA
FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2018

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ROBINSON, FARMER, COX ASSOCIATES

A PROFESSIONAL LIMITED LIABILITY COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditors' Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of Town of Amherst, Virginia, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions 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; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of Town of Amherst, Virginia, as of June 30, 2018, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As described in Note 19 to the financial statements, in 2018, the Town adopted new accounting guidance, GASB Statement Nos. 75 *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* and 85 *Omnibus 2017*. Our opinion is not modified with respect to this matter.

Restatement of Beginning Balances

As described in Note 20 to the financial statements, in 2018, the Town restated beginning balances to reflect the requirements of GASB Statement No. 75, as well as other items. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information and schedules related to pension and OPEB funding progress on pages 4-12, 84 and 85-93 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. The budgetary comparison information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Town of Amherst, Virginia's basic financial statements. The other supplementary information and other statistical information are presented for purposes of additional analysis and are not a required part of the basic financial statements.

Supplementary and Other Information (Continued)

The other supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplementary information is fairly stated in all material respects in relation to the basic financial statements as a whole.

The other statistical information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 12, 2019, on our consideration of Town of Amherst, Virginia'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 solely 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 the effectiveness of Town of Amherst, Virginia's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town of Amherst, Virginia's internal control over financial reporting and compliance.

Robinson, Farmer, Cox Associates

Richmond, Virginia
February 12, 2019

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TOWN OF AMHERST

P.O. Box 280 184 S. Main Street Amherst, VA 24521
Phone (434)946-7885 Fax (434)946-2097

MANAGEMENT'S DISCUSSION AND ANALYSIS

To the Mayor, Town Council and the Residents and Business Operators of the Town of Amherst

Re: FY18 Audit - Management's Discussion and Analysis

Ladies and 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 that ended on June 30, 2018. We 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 that follow this communication.

Community Profile

The Town of Amherst developed around the courthouse and railroad depot and was incorporated in 1910. Four Amherst County schools, Sweet Briar College and a branch of the Central Virginia Community College are located in or near the Town as well as virtually all county offices including the library and museum. Amherst is the commercial center for northern Amherst County and many of the Town's residents are employed by Sweet Briar College; manufacturers of paper, plastic bags, air handling machinery and wood stoves; and a variety of businesses as well as 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. The General Assembly session of 2018 saw a change in the process for election of Council and the Mayor. For the 2018 election, the Mayor and the top two vote recipients for Council shall serve four year terms. Thereafter, all elections shall be for four year terms. The Town Council sets the policies for the operation of the Town's government and appoints the Town Manager and Police Chief.

Service Programs

FY18 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 residence or business went without potable water in FY18. 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 downtown and Ambriar commercial districts.
- *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 are intended to steer the community through the growth and change 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.
- *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.

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 numerous price, service and quality-conscience vendors. Most have been willing to help the Town of Amherst "change with the times."

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

Amherst had an adequate overall cash reserve on hand as of June 30, 2018 relative to its minimum cash reserve/cash balance earmarking policy. Much of the cash that has accumulated is due to approved water and sewer rate increases that will be needed to fund major water treatment plant, water distribution, sewer collection and sewer treatment plant projects.

Problem Areas

General Fund revenue sources remain relatively static. Water, Sewer and Refuse Collection Fund revenues have stabilized from their decline over the past several years due to rate increases. Utility rate increases to fund infrastructure replacement and keep pace with inflation have been approved and should fund necessary improvements.

Opportunities

Along with the problems and negative issues facing Amherst comes opportunities.

Amherst enjoys a relatively stable local economy and solid utility infrastructure. The Town has an excellent water source and a relatively new sewer plant that is one of the best in the region. Amherst has adequate cash reserves and real estate valued at over \$2,000,000 “for sale” in Brockman Park.

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

Projects and Initiatives

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

- *Brockman Park* – Many lots are vacant but are ready for commercial and industrial development since all necessary road and water, sewer, electrical and internet utility infrastructure has been installed in the development.
- *Wastewater Collection System* – The sewer collection system, with many manholes and miles of sewer “mains”, is becoming old and deteriorated. This leads to failure in the form of pipe collapse or blockage. The Town will be spending significant levels of effort and funds to remediate these problems in the coming years. A major grant/loan financing package that will fund rehabilitation of approximately half of the Town’s 20-mile sanitary sewer system has been approved.
- *Growth Management* – The Town continues its work in planning the growth of the community. The Town has worked through updates and improvements to the Comprehensive Plan and revisions to the Zoning and Subdivision Ordinance. Discussion on ways to revitalize the Town’s central business district 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.
- *South Main Street Development Area* – The Town’s comprehensive plan indicates the redevelopment and development of the South 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 installed sidewalk there in support of this initiative. 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. The Town plans to encourage the development and promotion of the downtown area, and it is apparent that this initiative will receive heightened attention from the Town in the coming years.

Financial Statements and Their Relationship to One Another

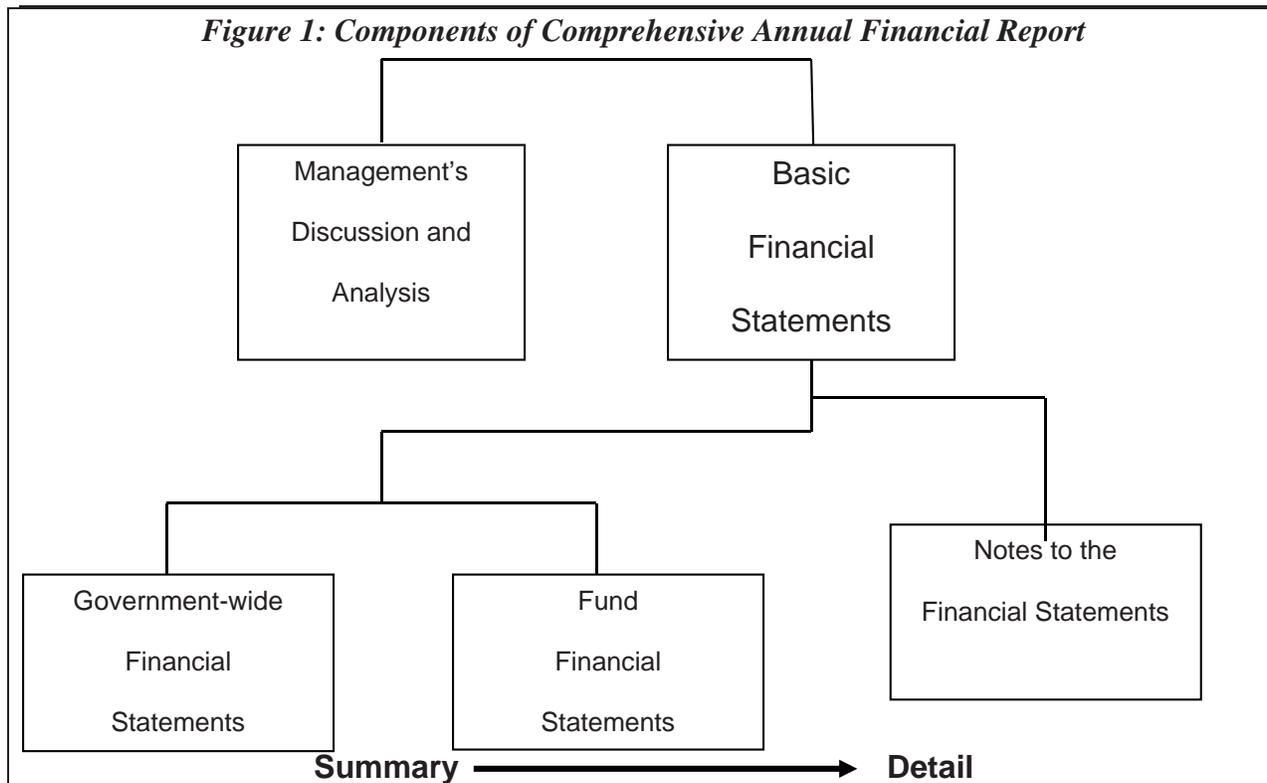
The Town accounted for its programs through four operating funds in FY18. The first is the General Fund within which the accounting for governmental services and all personnel expenses by department is maintained. The Town has three proprietary, sometimes called enterprise or business-type, funds in its Water Fund, Sewer Fund and Refuse Collection Fund. The purpose of these funds is to segregate the sources and uses of funds that are directly related to the respective water, sewer and refuse collection 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 Comprehensive Annual Financial Report (CAFR) contains a series of standard financial statements for each fund and 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, 2018.
- *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, 2017 to June 30, 2018.
- *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 Position”).
- *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.

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. Adjustments to cash based accounting include accounts payable but not paid as of June 30, accounts receivable but not received, depreciation on equipment, utilities and property owned by the Town and similar adjustments needed to provide citizens with a true picture of the Town’s financial health.

MANAGEMENT'S DISCUSSION AND ANALYSIS



Fiscal Highlights

The Town adopts an annual budget via a process involving input from the citizens of the Town, initial proposals drawn up by the staff and management, and the decisions of the Town Council about which services to provide and how to raise funds 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 modified cash flow basis; the audited “actual” figures are presented on an accrual basis. As a result, budgeted and audited figures will rarely match each other due to the addition of accounts payable, accounts receivable and depreciation figures being the primary reasons for differing figures.

Comparison of Current Financial Position to Prior Year with Analysis

- The assets of the Town of Amherst exceeded its liabilities (net position) at the close of the fiscal year by \$9,426,579.
- The Town’s General Fund total fund balance increased by \$412,786, due primarily to the revenues and transfers in from other funds exceeding the expenses for the General Fund.
- The Water Fund net position increased by \$182,797, due primarily to the increase in utility rates for the Main Street waterline project and expenses being lower than expected in many lines. The “net” figure includes depreciation/amortization adjustment of \$413,254.
- The Sewer Fund net position decreased by \$48,465. The “net” figure includes depreciation charges of \$249,729.
- The Garbage Fund net position increased by \$2,794.

MANAGEMENT'S DISCUSSION AND ANALYSIS

- The amount of cash on hand increased from \$3,795,178 on June 30, 2017 to \$4,476,004 on June 30, 2018 for a net increase of \$680,826.

<i>Figure 2: The Town's Net Position</i>			
	Governmental Activities 2018	Business-Type Activities 2018	Total 2018
Current and other assets	\$1,980,130	\$2,672,358	\$4,652,488
Long-term assets	\$1,664,819	\$11,121,880	\$12,786,699
Total assets	\$3,644,949	\$13,794,238	\$17,439,187
Deferred outflows	\$238,051		\$238,051
Current liabilities	\$28,444	\$388,581	\$417,025
Long-term liabilities	\$1,356,827	\$6,346,867	\$7,703,694
Total Liabilities	\$1,385,271	\$6,735,448	\$8,120,719
Deferred inflows	\$129,940		\$129,940
Net capital assets	\$1,664,818	\$4,412,638	\$6,077,456
Unrestricted net position	\$702,971	\$2,646,152	\$3,349,123
Total net position	\$2,367,789	\$7,058,790	\$9,426,579

Capital Asset and Debt Administration

A summary of utility construction and machinery added to the asset/depreciation lists in FY 18 is below. There were no major asset deletions due to demolitions, write-downs or other reasons. The Town was actively working on the Main Street water line replacement projects as of the end of FY 18.

Water Fund

West Court Street Waterline \$295,391
Main Street Waterline Replacement \$159,914

Sewer Fund

Sliplining \$365,000

The Town's legal debt limit is \$17,776,110. Subtracting current long-term debt (i.e. all but payments due during FY18) totaling \$6,709,242, the Town has an unused loan capacity of \$11,066,868. The Town refinanced two loans in FY18, combining both loans into one loan with a lower interest rate. The two loans paid off were a wastewater loan, financed through USDA, which had funded improvements to the wastewater treatment plant, and a private loan that funded one of the Town's two water tanks.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Figure 3: Outstanding Indebtedness

Purpose of Loan	Bond Date	Original Amount	Balance 6/30/18	Annualized Payment	Interest Rate	Estimated Payoff Date
Sterling Refi Loan	June-18	\$3,933,409	\$3,933,409	\$ 397,510	3.350%	June-30
Rt. 60W Water Line	Nov-12	\$ 539,152	\$ 477,709	\$ 29,044	3.000%	Jul-43
Main Street Waterline	Dec-17	\$2,640,300	\$2,298,124	\$122,952	2.250%	Jan-47
			\$6,709,242	\$ 549,506		

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, 2018, the remaining value in the "Brockman Park Recoupment Fund" was \$2,236,479.

Change in Financial Condition

We offer the following as a snapshot of last year's General Fund budget activity:

Figure 4: Comparison of General Fund Budget to Actual

	<u>Budget</u>	<u>Actual</u>	
Revenue			
Per Statement	\$ 1,013,301	\$ 1,085,921	107%
Expense			
Administration	\$ 1,328,800	\$ 680,604	51%
Police	\$ 622,884	\$ 531,877	85%
Utilities	\$ 835,655	\$ 835,655	100%
Per Statement	\$ 2,787,339	\$ 1,879,063	67%
Net Income (Loss)		\$ 412,786	

Given the continued economic slowdown, the actual general fund revenues and expenses as compared to those budgeted were generally as expected with these major positive variances:

MANAGEMENT'S DISCUSSION AND ANALYSIS

Major Revenue Variances

Meals & beverage tax	26,689
Fines revenue	17,093
Cap Stock Tax on Banks	<u>7,292</u>
	\$ 50,001

Major Expense Variances

Meeting Travel & Training	14,728
Town Attorney	(14,982)
BP Marketing	35,137
IT Services	15,532
Office Equipment	(16,353)
Contingency Res	40,302
<u>Reserve for Pay</u>	<u>59,852</u>
Tuition Reimbursement	<u>10,000</u>
	\$144,216

		<u>% of Budget</u>
Total Major Variances	\$ 194,217	7%
Total Change in Fund Balance	<u>412,786</u>	15%
Other Variances	\$ 218,569	8%

Note: The General Fund Budget is \$2,787,339

Explaining the performance of the Water and Sewer Funds is a little more complicated due to depreciation charges and construction funding.

The Water Fund shows income “before contributions and transfers” of \$ 182,797.

<u>Included</u>	<u>Not Included</u>
\$413,254 Depreciation	\$152,088 Payment of loan principal

The Sewer Fund shows income “before contributions and transfers” of \$ (48,465).

<u>Included</u>	<u>Not Included</u>
\$249,729 Depreciation	\$49,049 Payment of loan principal

Infrastructure Assets

From an accrual, auditor-prepared financial statement basis, we believe the FY18 Comprehensive Annual Financial Report depicts a good year. On the other hand, the Town is still suffering from low water and sewer consumption as measured by gallons of service sold. The Town needs to stay focused on maintaining its basic infrastructure. For example, if the Town has about 60 miles of water and sewer pipe, and if a pipe has a life expectancy of about 60 years (both very general figures), the Town’s construction program should include replacing at least a mile of pipe per year just to stay current. Note that the Town did not replace or refurbish any of its wastewater treatment plant, pump station or tank infrastructure during FY18. In short, the remaining useful life of each of these key fixed assets as well as all of the pipes, manholes and fire hydrants that were not improved decreased by a full year in FY18. The Town needs continue the infrastructure replacement effort on an ongoing basis to avoid facing major expenses when treatment facilities,

MANAGEMENT'S DISCUSSION AND ANALYSIS

pipes and control equipment begins to fail and needs to be renovated or placed.

Summary

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

Except for these factors, the effects of which are difficult to quantify from a multi-year fiscal perspective, it is my opinion that the Town has come out of the recession as well as can be expected and is better off as of June 30, 2018 than it was on June 30, 2017. 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 us know if you have any questions or concerns about any item contained in this letter or in the audit report.

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BASIC FINANCIAL STATEMENTS

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

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Town of Amherst, Virginia
Statement of Net Position
June 30, 2018

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 1,824,497	\$ 2,206,622	\$ 4,031,119
Cash and cash equivalents, restricted	-	124,153	124,153
Receivables (net of allowance for uncollectibles):			
Taxes receivable	1,362	-	1,362
Accounts receivable	44,441	242,948	287,389
Due from other governmental units	34,171	-	34,171
Inventories	-	98,635	98,635
Prepaid items	75,660	-	75,660
Capital assets (net of accumulated depreciation):			
Land and land improvements	1,141,203	25,084	1,166,287
Buildings and improvements	358,927	-	358,927
Plant	-	2,914,374	2,914,374
Machinery and equipment	164,688	10,442	175,130
Infrastructure	-	7,151,182	7,151,182
Construction in progress	-	1,020,798	1,020,798
Total assets	<u>\$ 3,644,949</u>	<u>\$ 13,794,238</u>	<u>\$ 17,439,187</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension related items	\$ 233,802	\$ -	\$ 233,802
OPEB related items	4,249	-	4,249
Total deferred outflows of resources	<u>\$ 238,051</u>	<u>\$ -</u>	<u>\$ 238,051</u>
LIABILITIES			
Accounts payable	\$ -	\$ 26,206	\$ 26,206
Accrued liabilities	24,737	-	24,737
Long-term liabilities:			
Due within one year	3,707	362,375	366,082
Due in more than one year	1,356,827	6,346,867	7,703,694
Total liabilities	<u>\$ 1,385,271</u>	<u>\$ 6,735,448</u>	<u>\$ 8,120,719</u>
DEFERRED INFLOWS OF RESOURCES			
Pension related items	\$ 122,940	\$ -	\$ 122,940
OPEB related items	7,000	-	7,000
Total deferred inflows of resources	<u>\$ 129,940</u>	<u>\$ -</u>	<u>\$ 129,940</u>
NET POSITION			
Net investment in capital assets	\$ 1,664,818	\$ 4,412,638	\$ 6,077,456
Unrestricted	702,971	2,646,152	3,349,123
Total net position	<u>\$ 2,367,789</u>	<u>\$ 7,058,790</u>	<u>\$ 9,426,579</u>

The notes to financial statements are an integral part of this statement.

Town of Amherst, Virginia
Statement of Activities
For the Year Ended June 30, 2018

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
PRIMARY GOVERNMENT:				
Governmental activities:				
General government administration	\$ 893,550	\$ 9,404	\$ -	\$ -
Public safety	702,226	22,093	65,759	-
Public works	920,562	-	-	-
Parks, recreation, and cultural	-	-	2,500	-
Total governmental activities	<u>\$ 2,516,338</u>	<u>\$ 31,497</u>	<u>\$ 68,259</u>	<u>\$ -</u>
Business-type activities:				
Water	\$ 760,067	\$ 1,413,667	\$ -	\$ 142,500
Sewer	568,541	1,093,569	-	-
Garbage	83,047	104,973	-	-
Total business-type activities	<u>\$ 1,411,655</u>	<u>\$ 2,612,209</u>	<u>\$ -</u>	<u>\$ 142,500</u>
Total primary government	<u>\$ 3,927,993</u>	<u>\$ 2,643,706</u>	<u>\$ 68,259</u>	<u>\$ 142,500</u>

Other local taxes:
 Local sales and use tax
 Business license tax
 Restaurant food tax
 Other local taxes
 Unrestricted revenues from use of money and property
 Miscellaneous
 Grants and contributions not restricted to specific programs
 Transfers
 Total general revenues
 Change in net position
 Net position - beginning, as restated
 Net position - ending

The notes to financial statements are an integral part of this statement.

Exhibit 2

Net (Expense) Revenue and
Changes in Net Position

Primary Government

Governmental		Business-type		
Activities		Activities	Total	
\$	(884,146)		\$	(884,146)
	(614,374)			(614,374)
	(920,562)			(920,562)
	2,500			2,500
\$	<u>(2,416,582)</u>		\$	<u>(2,416,582)</u>
		\$	796,100	\$ 796,100
			525,028	525,028
			21,926	21,926
		\$	<u>1,343,054</u>	\$ <u>1,343,054</u>
\$	<u>(2,416,582)</u>	\$	<u>1,343,054</u>	\$ <u>(1,073,528)</u>
\$	102,280	\$	-	\$ 102,280
	117,165		-	117,165
	360,816		-	360,816
	186,460		-	186,460
	39,875		-	39,875
	59,798		-	59,798
	114,245		-	114,245
	1,205,928	(1,205,928)		-
\$	<u>2,186,567</u>	\$	<u>(1,205,928)</u>	\$ <u>980,639</u>
\$	(230,015)	\$	137,126	\$ (92,889)
	2,597,804	6,921,664		9,519,468
\$	<u>2,367,789</u>	\$	<u>7,058,790</u>	\$ <u>9,426,579</u>

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FUND FINANCIAL STATEMENTS

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Town of Amherst, Virginia
Balance Sheet
Governmental Fund
June 30, 2018

	<u>General</u>
ASSETS	
Cash and cash equivalents	\$ 1,824,497
Receivables (net of allowance for uncollectibles):	
Taxes receivable	1,362
Accounts receivable	44,441
Due from other governmental units	34,171
Prepaid items	75,660
Total assets	<u>\$ 1,980,131</u>
LIABILITIES	
Accrued liabilities	\$ 24,737
Total liabilities	<u>\$ 24,737</u>
DEFERRED INFLOWS OF RESOURCES	
Unavailable revenue - property taxes	\$ 1,362
Total deferred inflows of resources	<u>\$ 1,362</u>
FUND BALANCES	
Nonspendable	\$ 75,660
Unassigned	1,878,372
Total fund balances	<u>\$ 1,954,032</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 1,980,131</u>

The notes to financial statements are an integral part of this statement.

Town of Amherst, Virginia
 Reconciliation of the Balance Sheet of the Governmental Fund
 to the Statement of Net Position
 June 30, 2018

Amounts reported for governmental activities in the Statement of Net Position are different because:

Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds	\$ 1,954,032	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		1,664,818
Other long-term assets are not available to pay for current-period expenditures and, therefore, are unavailable in the funds.		
Unavailable revenue - property taxes		1,362
Deferred outflows of resources are not available to pay for current-period expenditures and, therefore, are not reported in the funds.		
Pension related items	\$ 233,802	
OPEB related items	<u>4,249</u>	238,051
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds. The following is a summary of items supporting this adjustment:		
Compensated absences	\$ (37,074)	
Net pension liability	(709,993)	
Net OPEB liabilities	<u>(613,467)</u>	(1,360,534)
Deferred inflows of resources are not due and payable in the current period and, therefore, are not reported in the funds.		
Pension related items	\$ (122,940)	
OPEB related items	<u>(7,000)</u>	(129,940)
Net position of governmental activities		<u><u>\$ 2,367,789</u></u>

The notes to financial statements are an integral part of this statement.

Town of Amherst, Virginia
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Fund
For the Year Ended June 30, 2018

	<u>General</u>
REVENUES	
General property taxes	\$ 5,526
Other local taxes	766,721
Permits, privilege fees, and regulatory licenses	9,404
Fines and forfeitures	22,093
Revenue from the use of money and property	39,875
Miscellaneous	59,798
Intergovernmental:	
Commonwealth	182,504
Total revenues	<u>\$ 1,085,921</u>
EXPENDITURES	
Current:	
General government administration	\$ 680,604
Public safety	531,877
Public works	666,582
Total expenditures	<u>\$ 1,879,063</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (793,142)</u>
OTHER FINANCING SOURCES (USES)	
Transfers in	\$ 1,205,928
Total other financing sources (uses)	<u>\$ 1,205,928</u>
Net change in fund balances	\$ 412,786
Fund balances - beginning as restated	1,541,246
Fund balances - ending	<u><u>\$ 1,954,032</u></u>

The notes to financial statements are an integral part of this statement.

Town of Amherst, Virginia
 Reconciliation of the Statement of Revenues,
 Expenditures, and Changes in Fund Balances of the Governmental Fund
 to the Statement of Activities
 For the Year Ended June 30, 2018

Amounts reported for governmental activities in the Statement of Activities are different because:

Net change in fund balances - total governmental funds		\$ 412,786
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Governmental funds report capital outlays as expenditures. However, in the statement of activities those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which the depreciation exceeded capital outlays in the current period.

Capital asset additions	\$ 45,259	
Depreciation expense	<u>(102,539)</u>	(57,280)

The net effect of various miscellaneous transactions involving capital assets (i.e., sales and donations) is to increase net position.		(21,463)
--	--	----------

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Property taxes		(23,050)
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Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore are not reported as expenditures in governmental funds. The following is a summary of items supporting this adjustment:

Change in compensated absences	\$ (2,135)	
Pension expense	1,469	
OPEB expense	<u>(540,342)</u>	(541,008)

Change in net position of governmental activities		<u>\$ (230,015)</u>
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The notes to financial statements are an integral part of this statement.

Town of Amherst, Virginia
Statement of Net Position
Proprietary Funds
June 30, 2018

	Enterprise Funds			
	<u>Water</u>	<u>Sewer</u>	<u>Garbage</u>	<u>Total</u>
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 1,353,171	\$ 819,116	\$ 34,335	\$ 2,206,622
Cash and cash equivalents, restricted	124,153	-	-	124,153
Accounts receivables, net of allowance for uncollectibles	132,623	101,701	8,624	242,948
Inventories	80,078	18,557	-	98,635
Total current assets	<u>\$ 1,690,025</u>	<u>\$ 939,374</u>	<u>\$ 42,959</u>	<u>\$ 2,672,358</u>
Noncurrent assets:				
Capital assets (net of accumulated depreciation):				
Land	\$ 18,100	\$ 6,984	\$ -	\$ 25,084
Plant	951,056	1,963,318	-	2,914,374
Machinery and equipment	6,360	4,082	-	10,442
Infrastructure	6,182,364	968,818	-	7,151,182
Construction in progress	355,443	665,355	-	1,020,798
Total net capital assets	<u>\$ 7,513,323</u>	<u>\$ 3,608,557</u>	<u>\$ -</u>	<u>\$ 11,121,880</u>
Total noncurrent assets	<u>\$ 7,513,323</u>	<u>\$ 3,608,557</u>	<u>\$ -</u>	<u>\$ 11,121,880</u>
Total assets	<u>\$ 9,203,348</u>	<u>\$ 4,547,931</u>	<u>\$ 42,959</u>	<u>\$ 13,794,238</u>
LIABILITIES				
Current liabilities:				
Accounts payable	\$ 19,251	\$ -	\$ 6,955	\$ 26,206
Notes payable - current portion	83,412	-	-	83,412
Bonds payable - current portion	89,154	189,809	-	278,963
Total current liabilities	<u>\$ 191,817</u>	<u>\$ 189,809</u>	<u>\$ 6,955</u>	<u>\$ 388,581</u>
Noncurrent liabilities:				
Notes payable - net of current portion	\$ 2,692,421	\$ -	\$ -	\$ 2,692,421
Bonds payable - net of current portion	1,167,927	2,486,519	-	3,654,446
Total noncurrent liabilities	<u>\$ 3,860,348</u>	<u>\$ 2,486,519</u>	<u>\$ -</u>	<u>\$ 6,346,867</u>
Total liabilities	<u>\$ 4,052,165</u>	<u>\$ 2,676,328</u>	<u>\$ 6,955</u>	<u>\$ 6,735,448</u>
NET POSITION				
Net investment in capital assets	\$ 3,480,409	\$ 932,229	\$ -	\$ 4,412,638
Unrestricted	1,670,774	939,374	36,004	2,646,152
Total net position	<u>\$ 5,151,183</u>	<u>\$ 1,871,603</u>	<u>\$ 36,004</u>	<u>\$ 7,058,790</u>

The notes to financial statements are an integral part of this statement.

Town of Amherst, Virginia
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
For the Year Ended June 30, 2018

	Enterprise Funds			
	<u>Water</u>	<u>Sewer</u>	<u>Garbage</u>	<u>Total</u>
OPERATING REVENUES				
Charges for services:				
Water	\$ 1,388,334	\$ -	\$ -	\$ 1,388,334
Sewer	-	1,077,904	-	1,077,904
Refuse collection	-	-	103,811	103,811
Penalties	21,933	9,310	1,162	32,405
Total operating revenues	<u>\$ 1,410,267</u>	<u>\$ 1,087,214</u>	<u>\$ 104,973</u>	<u>\$ 2,602,454</u>
OPERATING EXPENSES				
Line materials	\$ 11,390	\$ 3,796	\$ -	\$ 15,186
Pump stations operations	2,249	2,946	-	5,195
Electricity	37,637	38,347	-	75,984
Water and sewer service	30,800	13,194	-	43,994
Curbside garbage collections service	-	-	82,661	82,661
Plant maintenance	32,725	37,446	-	70,171
Chemicals	25,177	2,377	-	27,554
Water sampling	5,762	-	-	5,762
Laboratory	13,857	25,582	-	39,439
Miscellaneous	10,202	6,223	299	16,724
Watershed maintenance	22,137	-	-	22,137
Nutrient expense	-	3,703	-	3,703
Water and sewer study/maps	5,216	625	-	5,841
Bad debt expense	606	677	87	1,370
Depreciation	413,254	249,729	-	662,983
Total operating expenses	<u>\$ 611,012</u>	<u>\$ 384,645</u>	<u>\$ 83,047</u>	<u>\$ 1,078,704</u>
Operating income (loss)	<u>\$ 799,255</u>	<u>\$ 702,569</u>	<u>\$ 21,926</u>	<u>\$ 1,523,750</u>
NONOPERATING REVENUES (EXPENSES)				
Connection and reconnection fees	\$ 3,400	\$ 6,355	\$ -	\$ 9,755
VRA grant	142,500	-	-	142,500
Interest expense	(149,055)	(183,896)	-	(332,951)
Total nonoperating revenues (expenses)	<u>\$ (3,155)</u>	<u>\$ (177,541)</u>	<u>\$ -</u>	<u>\$ (180,696)</u>
Income (loss) before transfers	<u>\$ 796,100</u>	<u>\$ 525,028</u>	<u>\$ 21,926</u>	<u>\$ 1,343,054</u>
Transfers out	<u>\$ (613,303)</u>	<u>\$ (573,493)</u>	<u>\$ (19,132)</u>	<u>\$ (1,205,928)</u>
Change in net position	<u>\$ 182,797</u>	<u>\$ (48,465)</u>	<u>\$ 2,794</u>	<u>\$ 137,126</u>
Total net position - beginning, as restated	4,968,386	1,920,068	33,210	6,921,664
Total net position - ending	<u>\$ 5,151,183</u>	<u>\$ 1,871,603</u>	<u>\$ 36,004</u>	<u>\$ 7,058,790</u>

The notes to financial statements are an integral part of this statement.

Town of Amherst, Virginia
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2018

	Enterprise Funds			
	<u>Water</u>	<u>Sewer</u>	<u>Garbage</u>	<u>Total</u>
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers and users	\$ 1,397,062	\$ 1,107,029	\$ 106,104	\$ 2,610,195
Payments for operating expenses	(316,896)	(136,717)	(76,092)	(529,705)
Net cash provided by (used for) operating activities	<u>\$ 1,080,166</u>	<u>\$ 970,312</u>	<u>\$ 30,012</u>	<u>\$ 2,080,490</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfers to other funds	\$ (613,303)	\$ (573,493)	\$ (19,132)	\$ (1,205,928)
Net cash provided by (used for) noncapital financing activities	<u>\$ (613,303)</u>	<u>\$ (573,493)</u>	<u>\$ (19,132)</u>	<u>\$ (1,205,928)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Purchase of capital assets	\$ (318,277)	\$ (370,703)	\$ -	\$ (688,980)
Principal payments on long-term debt	(1,445,226)	(2,651,985)	-	(4,097,211)
Connection and reconnection fees	3,400	6,355	-	9,755
Intergovernmental grants	142,500	-	-	142,500
Proceeds from indebtedness	1,416,995	2,676,328	-	4,093,323
Interest payments	(149,055)	(183,896)	-	(332,951)
Net cash provided by (used for) capital and related financing activities	<u>\$ (349,663)</u>	<u>\$ (523,901)</u>	<u>\$ -</u>	<u>\$ (873,564)</u>
Net increase (decrease) in cash and cash equivalents	\$ 409,605	\$ 180,513	\$ 10,880	\$ 600,998
Cash and cash equivalents - beginning	1,067,719	638,603	23,455	1,729,777
Cash and cash equivalents - ending	<u>\$ 1,477,324</u>	<u>\$ 819,116</u>	<u>\$ 34,335</u>	<u>\$ 2,330,775</u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:				
Operating income (loss)	\$ 799,255	\$ 702,569	\$ 21,926	\$ 1,523,750
Adjustments to reconcile operating income to net cash provided by (used for) operating activities:				
Depreciation	413,254	249,729	-	662,983
(Increase) decrease in accounts receivable	(13,205)	19,815	1,131	7,741
(Increase) decrease in inventories	(1,482)	(343)	-	(1,825)
Increase (decrease) in accounts payable	(117,656)	(1,458)	6,955	(112,159)
Total adjustments	<u>\$ 280,911</u>	<u>\$ 267,743</u>	<u>\$ 8,086</u>	<u>\$ 556,740</u>
Net cash provided by (used for) operating activities	<u>\$ 1,080,166</u>	<u>\$ 970,312</u>	<u>\$ 30,012</u>	<u>\$ 2,080,490</u>

The notes to financial statements are an integral part of this statement.

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TOWN OF AMHERST, VIRGINIA

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

Note 1—Summary of Significant Accounting Policies:

Town of Amherst, Virginia (the "Town") is governed by an elected Town Council. The Town Council is responsible for appointing the Town Manager and Treasurer. Effective July 1, 2015, under the revised Town charter, the Town Council is responsible for appointing the Town Manager and the Police Chief. The Town Manager appoints the Treasurer.

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

Financial Statement Presentation - The Town's financial report is prepared in accordance with GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*.

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 in the form of "Management's Discussion and Analysis" (MD&A).

Government-wide and Fund Financial Statements

Government-wide financial statements - The reporting model includes financial statements prepared using full accrual accounting for all of the government's activities. This approach includes not just current assets and liabilities but also capital assets and long-term liabilities (such as buildings and general obligation debt).

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the 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.

Statement of Net Position - The Statement of Net Position is designed to display financial position of the primary government (governmental and business-type activities) and its discretely presented component units. Governments will report all capital assets in the government-wide Statement of Net Position and will report depreciation expense - the cost of "using up" capital assets - in the Statement of Activities. The net position of a government will be broken down into three categories - 1) net investment in capital assets; 2) restricted; and 3) unrestricted.

TOWN OF AMHERST, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 1—Summary of Significant Accounting Policies: (Continued)

Government-wide and Fund Financial Statements (Continued)

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 (for instance, through user charges or intergovernmental grants).

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment 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, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental 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. Many governments revise their original budgets over the course of the year for a variety of reasons. Under the GASB 34 reporting model, governments provide budgetary comparison information in their annual reports, including a requirement to report the government's original budget with the comparison of final budget and actual results.

A. 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 the basic financial statements is financial accountability. Financial accountability includes the appointment of a voting majority of the organization's governing body and the ability of the primary government to impose its will on the organization or if there is a financial benefit/burden relationship. In addition, an organization which is fiscally dependent on the primary government should be included in its reporting entity. These financial statements present Town of Amherst (the primary government) and its component units. Blended component units, although legally separate entities, are, in substance, part of the government's operations and so data from these units are combined with data of the primary government. Each discretely presented component unit, on the other hand, is reported in a separate column in the combined financial statements to emphasize that it is legally separate from the government.

TOWN OF AMHERST, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 1—Summary of Significant Accounting Policies: (Continued)

B. Individual Component Unit Disclosures

Blended Component Units. The Town has no blended component units at June 30, 2018.

Discretely Presented Component Units. The Town has no discretely presented component units at June 30, 2018.

C. 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 government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. 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 year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The government-wide statement of activities reflects both the gross and net cost per functional category (public safety, public works, health and welfare, etc.) which are otherwise being supported by general government revenues (property, sales and use taxes, certain 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 (public safety, public works, health and welfare, etc.) or a business-type activity.

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 available if they are 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.

Note 1—Summary of Significant Accounting Policies: (Continued)

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Accordingly, real and personal property taxes are recorded as revenues and receivables when billed, net of allowances for uncollectible amounts. Property taxes not collected within 60 days after year-end are reflected as unavailable revenues. Sales and utility taxes, which are collected by the state or utility and subsequently remitted to the Town, are recognized as revenues and receivables upon collection by the state or utility, which is generally within two months preceding receipt by the Town.

Licenses, permits, fines and rents are recorded as revenues when received. Intergovernmental revenues, consisting primarily of federal, state and other grants for the purpose of funding specific expenditures, are recognized when earned or at the time of the specific expenditure. Revenues from general purpose grants are recognized in the period to which the grant applies. All other revenue items are considered to be measurable and available only when cash is received by the government.

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 limitations.

1. Governmental Funds

Governmental Funds are those through which most governmental functions typically are financed. The Town reports the following governmental funds.

a. General Fund

The General Fund is the primary operating fund of the Town. This fund is used to account for and report all financial resources except those required to be accounted for and reported 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. The General Fund is considered a major fund for reporting purposes.

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TOWN OF AMHERST, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 1—Summary of Significant Accounting Policies: (Continued)

C. 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 those found in private business enterprises. The measurement focus is upon determination of net income, financial position, and changes in financial position. Proprietary Funds consist of Enterprise Funds.

a. 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. Enterprise funds consist of the Water, Sewer, and Garbage Funds.

D. Cash and Cash Equivalents

Cash and cash equivalents include amounts in demand deposits as well as short-term investments with an original maturity date within three months of the date acquired by the Town.

E. Investments

Money market investments, participating interest-earning investment contracts (repurchase agreements) that have a remaining maturity at time of purchase of one year or less, nonparticipating interest-earning investment contracts (nonnegotiable certificates of deposit (CDs)) and external investment pools are measured at amortized cost. All other investments are reported at fair value.

F. Prepaid Items

Certain payments to vendors represent costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

TOWN OF AMHERST, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 1—Summary of Significant Accounting Policies: (Continued)

G. Receivables and Payables

Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as “due to/from other funds” (i.e. the current portions of the interfund loans). All other outstanding balances between funds are reported as “advances to/from other funds” (i.e. the noncurrent portion of interfund loans).

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 \$0 at June 30, 2018.

Real and Personal Property Tax Data:

The tax calendars for real and personal property taxes are summarized below.

	<u>Real Property</u>	<u>Personal Property</u>
Levy	January 1	January 1
Due Date	December 5	December 5
Lien Date	January 1	January 1

The Town bills and collects its own property taxes.

H. Inventory

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

I. Long-term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts, are deferred and amortized over the life of the bonds using the bonds outstanding method, which approximate the effective interest method. 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, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses.

TOWN OF AMHERST, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 1—Summary of Significant Accounting Policies: (Continued)

J. Capital Assets

Capital assets, which include property, plant and equipment, are reported in the applicable governmental or business-type activity column in the government-wide financial statements. Capital assets are defined by the Town as land, buildings, 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 acquisition value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life 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. No interest was incurred during fiscal year 2018.

Property, plant and equipment of the Town are depreciated using the straight-line method over the following estimated useful lives.

Assets	Years
Buildings and Improvements	40
Machinery and equipment	5-15
Plant	15-40
Infrastructure	25

K. Compensated Absences

Vested or accumulated vacation and compensatory leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. Amounts of vested or accumulated vacation and compensatory leave that are not expected to be liquidated with expendable available financial resources are reported as an expense in the Statement of Activities and a long-term obligation in the Statement of Net Position. In accordance with the provisions of Governmental Accounting Standards Board Statement No. 16, *Accounting for Compensated Absences*, no liability is recorded for nonvesting accumulating rights to receive sick pay benefits.

Note 1—Summary of Significant Accounting Policies: (Continued)

L. Use of Estimates

The preparation of financial statements in conformity with U.S. 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.

M. Net Position

Net position is the difference between a) assets and deferred outflows of resources and b) liabilities and deferred inflows of resources. Net investment in capital assets represent capital assets, less accumulated depreciation, less any outstanding debt related to the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are also included in this component of net position.

N. Net Position Flow Assumption

Sometimes the Town will fund outlays for a particular purpose from both restricted (e.g. restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted - net position and unrestricted - net position in the financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Town's policy to consider restricted - net position to have been depleted before unrestricted - net position is applied.

O. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Town's Retirement Plan and the additions to/deductions from the Town's Retirement Plan's net fiduciary position have been determined on the same basis as they were reported by the Virginia Retirement System (VRS). For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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Note 1—Summary of Significant Accounting Policies: (Continued)

P. Other Postemployment Benefits (OPEB)

1. Group Life Insurance

The Virginia Retirement System (VRS) Group Life Insurance (GLI) Program provides coverage to state employees, teachers, and employees of participating political subdivisions. The GLI Program was established pursuant to §51.1-500 et seq. of the Code of Virginia, as amended, and which provides the authority under which benefit terms are established or may be amended. The GLI Program is a defined benefit plan that provides a basic group life insurance benefit for employees of participating employers. For purposes of measuring the net GLI Program OPEB liability, deferred outflows of resources and deferred inflows of resources related to the GLI OPEB, and GLI OPEB expense, information about the fiduciary net position of the VRS GLI Program OPEB and the additions to/deductions from the VRS GLI OPEB's net fiduciary position have been determined on the same basis as they were reported by VRS. In addition, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

2. Medical and Dental Pay-As-You-Go

For purposes of measuring the medical and dental pay-as-you go liability, deferred outflows of resources and deferred inflows of resources related to the Plan's OPEB, and the related OPEB expenses, information about the fiduciary net position of the Town's Medical and Dental Pay-As-You go Plan and the additions to/deductions from the Town's OPEB Plan's net fiduciary position have been determined in accordance with GASB 75 based on key assumptions to include: turnover and retirement rates, healthcare trend and claim costs, mortality and discount rate. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms.

Q. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Town has one item that qualifies for reporting in this category. It is comprised of certain items related to the measurement of the net pension liabilities and contributions to the pension and OPEB plans made during the current year and subsequent to the net pension liability and net OPEB liability measurement date. For more detailed information on these items, reference the related notes.

Note 1—Summary of Significant Accounting Policies: (Continued)

Q. Deferred Outflows/Inflows of Resources (Continued)

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Town has multiple items that qualify for reporting in this category. Under a modified accrual basis of accounting, unavailable revenue representing property taxes receivable is reported in the governmental funds balance sheet. This amount is comprised of uncollected property taxes due prior to June 30 and amounts prepaid on next year's taxes and is deferred and recognized as an inflow of resources in the period that the amount becomes available. Under the accrual basis, amounts prepaid on next year's taxes are reported as deferred inflows of resources. In addition, certain items related to the measurement of the net pension liability and net OPEB liabilities are reported as deferred inflows of resources. For more detailed information on these items, reference the related notes.

R. Fund Equity

The Town reports fund balance in accordance with GASB Statement 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

- Nonspendable fund balance amounts that are not in spendable form (such as inventory and prepaids) or are required to be maintained intact (corpus of a permanent fund);
- Restricted fund balance - amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation;
- Committed fund balance - amounts constrained to specific purposes by a government itself, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest level action to remove or change the constraint;
- Assigned fund balance - amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority;
- Unassigned fund balance - amounts that are available for any purpose; positive amounts are only reported in the general fund. Governmental funds might report a negative balance in this classification, as the result of overspending for specific purposes for which amounts had been restricted, committed or assigned.

TOWN OF AMHERST, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 1—Summary of Significant Accounting Policies: (Continued)

R. Fund Equity (Continued)

When fund balance resources are available for a specific purpose in more than one classification, it is the Town’s policy to use the most restrictive funds first in the following order: restricted, committed, assigned, and unassigned as they are needed.

Town Council establishes (and modifies or rescinds) fund balance commitments by passage of an ordinance or resolution. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a designation or commitment of the fund (such as for special incentives). Assigned fund balance is established by Town Council through adoption or amendment of the budget as intended for specific purpose (such as the purchase of capital assets, construction, debt service, or for other purposes).

The details of governmental fund balances, as presented in aggregate on Exhibit 3, are as follows:

	<u>General</u>
Fund balances:	
Nonspendable:	
Prepaid items	\$ 75,660
Unassigned fund balance	<u>1,878,372</u>
Total fund balances	<u><u>\$ 1,954,032</u></u>

Note 2—Stewardship, Compliance, and Accounting:

The following procedures are used by the Town in establishing the budgetary data reflected in the financial statements:

1. Prior to June 30, the Town Manager submits to the Town Council a proposed operating and capital budget for the fiscal year commencing the following July 1. The operating and capital budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain citizen comments.
3. Prior to June 30, the budget is legally enacted through passage of an Appropriations Ordinance.
4. The Appropriations Ordinance places legal restrictions on expenditures at the department or category level. The appropriation for each department or category can be revised only by the Town Council. The Town Manager is authorized to transfer budgeted amounts within general government departments.

TOWN OF AMHERST, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 2—Stewardship, Compliance, and Accounting: (Continued)

5. All budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).
6. Appropriations lapse on June 30, every year.
7. All budgetary data presented in the accompanying financial statements is from the revised budget as of June 30, 2018, as adopted, appropriated and legally amended.

Expenditures and Appropriations

Expenditures did not exceed appropriations in any fund at June 30, 2018.

Note 3—Deposits and Investments:

Deposits

Deposits with banks are covered by the Federal Deposit Insurance Corporation (FDIC) and collateralized in accordance with the Virginia Security for Public Deposits Act (the "Act") Section 2.2-4400 et. seq. of the Code of Virginia. Under the Act, banks and savings institutions holding public deposits in excess of the amount insured by the FDIC must pledge collateral to the Commonwealth of Virginia Treasury Board. Financial Institutions may choose between two collateralization methodologies and depending upon that choice, will pledge collateral that ranges in the amounts from 50% to 130% of excess deposits. Accordingly, all deposits are considered fully collateralized.

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), the Asian Development Bank, the African Development Bank, "prime quality" commercial paper and certain corporate notes, banker's acceptances, repurchase agreements and the State Treasurer's Local Government Investment Pool (LGIP).

Custodial Credit Risk (Investments)

The Town's investment policy that governs the reserve accounts requires that all securities purchased for the Town be held by the Town or by the Town's designated custodian.

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TOWN OF AMHERST, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2018

Note 3—Deposits and Investments: (Continued)

Credit Risk of Debt Securities

The Town's rated debt investments as of June 30, 2018 were rated by Standard and Poor's and the ratings are presented below using Standard and Poor's rating scale.

Town's Rated Debt Investments' Values	
Rated Debt Investments	Fair Quality Ratings
	AAAm
Local Government Investment Pool	\$ 1,662,079
Total	\$ 1,662,079

Interest Rate Risk

Investment Maturities (in years)		
Investment Type	Fair Value	Less Than 1 Year
Local Government Investment Pool	\$ 1,662,079	\$ 1,662,079
Total	\$ 1,662,079	\$ 1,662,079

External Investment Pools

The fair value of the positions in the external investment pool (Local Government Investment Pool) is the same as the value of the pool shares. As LGIP is not SEC registered, regulatory oversight of the pool rests with the Virginia State Treasury. LGIP is an amortized cost basis portfolio under the provisions of GASB Statement No. 79. There are no withdrawal limitations or restrictions imposed on participants.

Note 4—Due from Other Governments:

At June 30, 2018, the Town has receivables from other governments as follows:

Commonwealth of Virginia:	Governmental Activities
Local sales tax	\$ 18,721
Communications tax	15,018
Auto rental tax	432
Total due from other governments	\$ 34,171

TOWN OF AMHERST, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2018

Note 5—Capital Assets:

The following is a summary of changes in capital assets for the fiscal year ended June 30, 2018:

	Balance July 1, 2017	Additions	Deletions	Balance June 30, 2018
Governmental activities:				
Capital assets not subject to depreciation:				
Land and land improvements	\$ 1,141,203	\$ -	\$ -	\$ 1,141,203
Total capital assets not subject to depreciation	<u>\$ 1,141,203</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,141,203</u>
Capital assets subject to depreciation:				
Buildings and improvements	\$ 397,886	\$ -	\$ -	\$ 397,886
Machinery and equipment	792,926	45,259	21,463	816,722
Total capital assets subject to depreciation	<u>\$ 1,190,812</u>	<u>\$ 45,259</u>	<u>\$ 21,463</u>	<u>\$ 1,214,608</u>
Accumulated depreciation:				
Buildings and improvements	\$ 29,012	\$ 9,947	\$ -	\$ 38,959
Machinery and equipment	559,442	92,592	-	652,034
Total accumulated depreciation	<u>\$ 588,454</u>	<u>\$ 102,539</u>	<u>\$ -</u>	<u>\$ 690,993</u>
Total capital assets subject to depreciation, net	<u>\$ 602,358</u>	<u>\$ (57,280)</u>	<u>\$ 21,463</u>	<u>\$ 523,615</u>
Governmental activities capital assets, net	<u><u>\$ 1,743,561</u></u>	<u><u>\$ (57,280)</u></u>	<u><u>\$ 21,463</u></u>	<u><u>\$ 1,664,818</u></u>

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TOWN OF AMHERST, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2018

Note 5—Capital Assets: (Continued)

The following is a summary of changes in capital assets for the fiscal year ended June 30, 2018:

	Balance July 1, 2017	Additions	Deletions	Balance June 30, 2018
<i>Business-type Activities:</i>				
Capital assets not subject to depreciation:				
Land	\$ 25,084	\$ -	\$ -	\$ 25,084
Construction in progress	2,756,819	675,927	2,411,948	1,020,798
Total capital assets not subject to depreciation	<u>\$ 2,781,903</u>	<u>\$ 675,927</u>	<u>\$ 2,411,948</u>	<u>\$ 1,045,882</u>
Capital assets subject to depreciation:				
Plant	\$ 8,617,929	\$ -	\$ -	\$ 8,617,929
Machinery and equipment	104,754	13,053	-	117,807
Infrastructure	7,223,882	2,411,948	-	9,635,830
Total capital assets subject to depreciation	<u>\$ 15,946,565</u>	<u>\$ 2,425,001</u>	<u>\$ -</u>	<u>\$ 18,371,566</u>
Accumulated depreciation:				
Plant	\$ 5,432,478	\$ 271,077	\$ -	\$ 5,703,555
Machinery and equipment	104,754	2,611	-	107,365
Infrastructure	2,095,353	389,295	-	2,484,648
Total accumulated depreciation	<u>\$ 7,632,585</u>	<u>\$ 662,983</u>	<u>\$ -</u>	<u>\$ 8,295,568</u>
Total capital assets subject to depreciation, net	<u>\$ 8,313,980</u>	<u>\$ 1,762,018</u>	<u>\$ -</u>	<u>\$ 10,075,998</u>
Business-type activities capital assets, net	<u>\$ 11,095,883</u>	<u>\$ 2,437,945</u>	<u>\$ 2,411,948</u>	<u>\$ 11,121,880</u>

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TOWN OF AMHERST, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2018

Note 5—Capital Assets: (Continued)

Depreciation expense was charged to functions/programs as follows:

Governmental activities:	
General government administration	\$ 49,386
Public safety	32,021
Public works	<u>21,132</u>
Total depreciation expense - governmental activities	<u>\$ 102,539</u>
Business-type activities:	
Water fund	\$ 413,254
Sewer fund	<u>249,729</u>
Total depreciation expense - business-type activities	<u>\$ 662,983</u>
Total depreciation expense - primary government	<u><u>\$ 765,522</u></u>

Note 6—Long-term Obligations:

The following is a summary of changes in long-term obligations for the fiscal year-ended June 30, 2018:

	Restated Balance at July 1, 2017	Issuances/ Increases	Retirements/ Decreases	Balance at June 30, 2018	Amounts Due Within One Year
Governmental Activities:					
Net pension liability	\$ 951,675	\$ 429,243	\$ 670,925	\$ 709,993	\$ -
Net OPEB liabilities	81,876	705,977	174,386	613,467	-
Compensated absences	34,939	5,629	3,494	37,074	3,707
Total Governmental Activities	<u>\$ 1,068,490</u>	<u>\$ 1,140,849</u>	<u>\$ 848,805</u>	<u>\$ 1,360,534</u>	<u>\$ 3,707</u>
Business-type Activities:					
Notes payable	\$ 6,713,130	\$ 159,914	\$ 4,097,211	\$ 2,775,833	\$ 83,412
General obligation bonds	-	3,933,409	-	3,933,409	278,963
Total Business-type Activities	<u>\$ 6,713,130</u>	<u>\$ 4,093,323</u>	<u>\$ 4,097,211</u>	<u>\$ 6,709,242</u>	<u>\$ 362,375</u>
Total Primary Government	<u><u>\$ 7,781,620</u></u>	<u><u>\$ 5,234,172</u></u>	<u><u>\$ 4,946,016</u></u>	<u><u>\$ 8,069,776</u></u>	<u><u>\$ 366,082</u></u>

TOWN OF AMHERST, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2018

Note 6—Long-term Obligations: (Continued)

Annual requirements to amortize long-term obligations and related interest are as follows:

Year Ending June 30	Business-type Activities			
	Notes Payable		General Obligation Bonds	
	Principal	Interest	Principal	Interest
2019	\$ 83,412	\$ 68,584	\$ 278,963	\$ 118,547
2020	82,322	69,674	279,555	117,955
2021	84,301	67,695	289,051	108,459
2022	86,327	65,669	298,871	98,639
2023	88,404	63,592	309,024	88,486
2024	90,531	61,464	319,521	77,989
2025	92,710	59,285	330,376	67,134
2026	94,942	57,054	341,599	55,911
2027	97,229	54,767	353,203	44,307
2028	99,573	52,423	365,202	32,308
2029	101,972	50,024	377,608	19,902
2030	104,132	47,564	390,436	7,074
2031	106,951	45,045	-	-
2032	109,532	42,464	-	-
2033	112,176	39,820	-	-
2034	114,885	37,110	-	-
2035	117,660	34,335	-	-
2036	120,504	31,492	-	-
2037	123,418	28,578	-	-
2038	126,402	25,594	-	-
2039	129,461	22,535	-	-
2040	132,594	19,401	-	-
2041	131,172	16,191	-	-
2042	109,693	13,259	-	-
2043	112,175	10,777	-	-
2044	114,713	8,239	-	-
2045	8,642	5,643	-	-
Total	<u>\$ 2,775,833</u>	<u>\$ 1,098,278</u>	<u>\$ 3,933,409</u>	<u>\$ 836,711</u>

TOWN OF AMHERST, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2018

Note 6—Long-term Obligations: (Continued)

Details of Long-term Obligations:

	<u>Total Amount</u>
<u>Governmental Activities:</u>	
Net pension liability	\$ 709,993
Net OPEB liabilities	613,467
Compensated absences	37,074
Total Long-term Obligations, Governmental Activities	<u>\$ 1,360,534</u>
<u>Business-type Activities:</u>	
<u>Notes Payable:</u>	
\$565,935 note payable issued November 1, 2012, due in semi-annual installments of \$14,522 through June 2041 with interest due semi-annually at 3.00%.	\$ 477,709
\$2,640,300 note payable issued February 4, 2016, due in semi-annual installments of \$61,476 through June 2045 with interest due semi-annually at 2.25%.	2,298,124
Total Notes Payable	<u>\$ 2,775,833</u>
<u>General Obligation Bonds:</u>	
\$3,933,409 general obligation bond issued June 26, 2018, due in varying monthly installments through September 2040 with interest due monthly at 3.345%.	\$ 3,933,409
Total Long-term Obligations, Business-type Activities	<u>\$ 6,709,242</u>
Total Long-term Obligations, Primary Government	<u><u>\$ 8,069,776</u></u>

Note 7—Deferred/Unavailable Revenue:

Deferred/unavailable revenue represents amounts for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Under the modified accrual basis of accounting, such amounts are measurable, but not available. Under the accrual basis, assessments for future periods are deferred. Deferred/unavailable revenue is comprised of the following:

Unavailable Property Tax Revenue - Unavailable revenue representing uncollected tax billings not available for funding of current expenditures totaled \$1,362 at June 30, 2018.

TOWN OF AMHERST, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 8—Litigation:

At June 30, 2018, there were no matters of litigation involving the Town which would materially affect the Town's financial position should any court decisions on pending matters not be favorable to the Town.

Note 9—Risk Management:

The Town is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; natural disasters; and employee dishonesty. To reduce insurance costs and the need for self-insurance, the Town has joined with other municipalities in the Commonwealth of Virginia in a public entity risk pool that operates as common risk management and insurance program for member municipalities. The Town is not self-insured.

The Town has insurance coverage with VML Insurance Programs. Each Association member jointly and severally agrees to assume, pay and discharge any liability. The Town pays contributions and assessments based upon classifications and rates into a designated cash reserve fund out of which expenses of the Association and claims and awards are to be paid. In the event of a loss deficit and depletion of all available excess insurance, the Association may assess all members in the proportion that the premium of each bears to the total premiums of all members in the year in which such deficit occurs. The Town's settled claims have not exceeded insurance coverage in any of the past three fiscal years.

Note 10—Defined Contribution Retirement Plan:

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 contribution to the plan.

Note 11—Commitments and Contingencies:

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 12—Surety Bonds:

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

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TOWN OF AMHERST, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2018

Note 13—Lease Income

The Town leases land to a corporation, which is used by the corporation for the purpose of operating telecommunications equipment. The commencement date of the lease was March 7, 1997, with addendums on March 17, 2000 and December 29, 2009. The initial lease term was for ten years, with six automatic five year renewal terms. The lease agreement provides for monthly rent to be adjusted when the lease is renewed. Current monthly rent income under the agreement is \$783.63 per month. Annual lease income for the year ended June 30, 2018 was \$9,404.

Minimum annual lease payment expected to be received by the Town under the lease are as follows:

<u>Year Ending</u>	<u>Governmental Activities</u>
2019	\$ 9,404
2020	9,404
2021	9,404
2022	<u>5,485</u>
Total	<u>\$ 33,697</u>

Note 14—Interfund Transfers:

Interfund transfers for the year ended June 30, 2018 consisted of the following:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
Primary Government:		
General	\$ 1,205,928	\$ -
Water	-	613,303
Sewer	-	573,493
Garbage	-	<u>19,132</u>
Total	<u>\$ 1,205,928</u>	<u>\$ 1,205,928</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and (2) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgeting authorization.

Note 15—Pension Plan:

Plan Description

All full-time, salaried permanent employees of the Town are automatically covered by a VRS Retirement Plan upon employment. This is an agent multiple-employer plan administered by the Virginia Retirement System (the System) along with plans for other employer groups in the Commonwealth of Virginia. Members earn one month of service credit for each month they are employed and for which they and their employer pay contributions to VRS. Members are eligible to purchase prior service, based on specific criteria as defined in the Code of Virginia, as amended. Eligible prior service that may be purchased includes prior public service, active military service, certain periods of leave, and previously refunded service.

The System administers three different benefit structures for covered employees - Plan 1, Plan 2, and Hybrid. Each of these benefit structures has different eligibility criteria. The specific information for each plan and the eligibility for covered groups within each plan are set out in the table below:

RETIREMENT PLAN PROVISIONS		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>About Plan 1 Plan 1 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula.</p>	<p>About Plan 2 Plan 2 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula.</p>	<p>About the Hybrid Retirement Plan The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan.</p> <ul style="list-style-type: none"> • The defined benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. • The benefit from the defined contribution component of the plan depends on the member and employer contributions made to the plan and the investment performance of those contributions.

Note 15—Pension Plan: (Continued)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>About Plan 1 (Cont.)</p>	<p>About Plan 2 (Cont.)</p>	<p>About the Hybrid Retirement Plan (Cont.)</p> <ul style="list-style-type: none"> • In addition to the monthly benefit payment payable from the defined benefit plan at retirement, a member may start receiving distributions from the balance in the defined contribution account, reflecting the contributions, investment gains or losses, and any required fees.
<p>Eligible Members Employees are in Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013, and they have not taken a refund.</p> <p>Hybrid Opt-In Election VRS non-hazardous duty covered Plan 1 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.</p> <p>The Hybrid Retirement Plan's effective date for eligible Plan 1 members who opted in was July 1, 2014.</p> <p>If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</p>	<p>Eligible Members Employees are in Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.</p> <p>Hybrid Opt-In Election Eligible Plan 2 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.</p> <p>The Hybrid Retirement Plan's effective date for eligible Plan 2 members who opted in was July 1, 2014.</p> <p>If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</p>	<p>Eligible Members Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes:</p> <ul style="list-style-type: none"> • Political subdivision employees* • Members in Plan 1 or Plan 2 who elected to opt into the plan during the election window held January 1-April 30, 2014; the plan's effective date for opt-in members was July 1, 2014. <p>*Non-Eligible Members Some employees are not eligible to participate in the Hybrid Retirement Plan. They include:</p> <ul style="list-style-type: none"> • Political subdivision employees who are covered by enhanced benefits for hazardous duty employees.

Note 15—Pension Plan: (Continued)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Hybrid Opt-In Election (Cont.) Members who were eligible for an optional retirement plan (ORP) and had prior service under Plan 1 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 1 or ORP.</p>	<p>Hybrid Opt-In Election (Cont.) Members who were eligible for an optional retirement plan (ORP) and have prior service under Plan 2 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 2 or ORP.</p>	<p>*Non-Eligible Members (Cont.) Those employees eligible for an optional retirement plan (ORP) must elect the ORP plan or the Hybrid Retirement Plan. If these members have prior service under Plan 1 or Plan 2, they are not eligible to elect the Hybrid Retirement Plan and must select Plan 1 or Plan 2 (as applicable) or ORP.</p>
<p>Retirement Contributions Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Member contributions are tax-deferred until they are withdrawn as part of a retirement benefit or as a refund. The employer makes a separate actuarially determined contribution to VRS for all covered employees. VRS invests both member and employer contributions to provide funding for the future benefit payment.</p>	<p>Retirement Contributions Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction.</p>	<p>Retirement Contributions A member’s retirement benefit is funded through mandatory and voluntary contributions made by the member and the employer to both the defined benefit and the defined contribution components of the plan. Mandatory contributions are based on a percentage of the employee’s creditable compensation and are required from both the member and the employer. Additionally, members may choose to make voluntary contributions to the defined contribution component of the plan, and the employer is required to match those voluntary contributions according to specified percentages.</p>

Note 15—Pension Plan: (Continued)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Creditable Service Creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.</p>	<p>Creditable Service Same as Plan 1.</p>	<p>Creditable Service <u>Defined Benefit Component:</u> Under the defined benefit component of the plan, creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.</p> <p><u>Defined Contribution Component:</u> Under the defined contribution component, creditable service is used to determine vesting for the employer contribution portion of the plan.</p>

Note 15—Pension Plan: (Continued)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Vesting Vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members become vested when they have at least five years (60 months) of creditable service. Vesting means members are eligible to qualify for retirement if they meet the age and service requirements for their plan. Members also must be vested to receive a full refund of their member contribution account balance if they leave employment and request a refund.</p> <p>Members are always 100% vested in the contributions that they make.</p>	<p>Vesting Same as Plan 1.</p>	<p>Vesting <u>Defined Benefit Component:</u> Defined benefit vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members are vested under the defined benefit component of the Hybrid Retirement Plan when they reach five years (60 months) of creditable service. Plan 1 or Plan 2 members with at least five years (60 months) of creditable service who opted into the Hybrid Retirement Plan remain vested in the defined benefit component.</p> <p><u>Defined Contribution Component:</u> Defined contribution vesting refers to the minimum length of service a member needs to be eligible to withdraw the employer contributions from the defined contribution component of the plan.</p> <p>Members are always 100% vested in the contributions that they make.</p> <p>Upon retirement or leaving covered employment, a member is eligible to withdraw a percentage of employer contributions to the defined contribution component of the plan, based on service.</p> <ul style="list-style-type: none"> • After two years, a member is 50% vested and may withdraw 50% of employer contributions.

Note 15—Pension Plan: (Continued)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
Vesting (Cont.)	Vesting (Cont.)	<p>Vesting (Cont.) <u>Defined Contribution Component: (Cont.)</u></p> <ul style="list-style-type: none"> • After three years, a member is 75% vested and may withdraw 75% of employer contributions. • After four or more years, a member is 100% vested and may withdraw 100% of employer contributions. <p>Distribution is not required by law until age 70½.</p>
<p>Calculating the Benefit The Basic Benefit is calculated based on a formula using the member’s average final compensation, a retirement multiplier and total service credit at retirement. It is one of the benefit payout options available to a member at retirement.</p> <p>An early retirement reduction factor is applied to the Basic Benefit if the member retires with a reduced retirement benefit or selects a benefit payout option other than the Basic Benefit.</p>	<p>Calculating the Benefit See definition under Plan 1.</p>	<p>Calculating the Benefit <u>Defined Benefit Component:</u> See definition under Plan 1.</p> <p><u>Defined Contribution Component:</u> The benefit is based on contributions made by the member and any matching contributions made by the employer, plus net investment earnings on those contributions.</p>
<p>Average Final Compensation A member’s average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.</p>	<p>Average Final Compensation A member’s average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.</p>	<p>Average Final Compensation Same as Plan 2. It is used in the retirement formula for the defined benefit component of the plan.</p>

Note 15—Pension Plan: (Continued)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Service Retirement Multiplier VRS: The retirement multiplier is a factor used in the formula to determine a final retirement benefit. The retirement multiplier for non-hazardous duty members is 1.70%.</p> <p>Sheriffs and regional jail superintendents: The retirement multiplier for sheriffs and regional jail superintendents is 1.85%.</p> <p>Political subdivision hazardous duty employees: The retirement multiplier of eligible political subdivision hazardous duty employees other than sheriffs and regional jail superintendents is 1.70% or 1.85% as elected by the employer.</p>	<p>Service Retirement Multiplier VRS: Same as Plan 1 for service earned, purchased or granted prior to January 1, 2013. For non-hazardous duty members the retirement multiplier is 1.65% for creditable service earned, purchased or granted on or after January 1, 2013.</p> <p>Sheriffs and regional jail superintendents: Same as Plan 1.</p> <p>Political subdivision hazardous duty employees: Same as Plan 1.</p>	<p>Service Retirement Multiplier <u>Defined Benefit Component:</u> VRS: The retirement multiplier for the defined benefit component is 1.00%.</p> <p>For members who opted into the Hybrid Retirement Plan from Plan 1 or Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans.</p> <p>Sheriffs and regional jail superintendents: Not applicable.</p> <p>Political subdivision hazardous duty employees: Not applicable.</p> <p><u>Defined Contribution Component:</u> Not applicable.</p>
<p>Normal Retirement Age VRS: Age 65.</p> <p>Political subdivisions hazardous duty employees: Age 60.</p>	<p>Normal Retirement Age VRS: Normal Social Security retirement age.</p> <p>Political subdivisions hazardous duty employees: Same as Plan 1.</p>	<p>Normal Retirement Age <u>Defined Benefit Component:</u> VRS: Same as Plan 2.</p> <p>Political subdivisions hazardous duty employees: Not applicable.</p> <p><u>Defined Contribution Component:</u> Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>

Note 15—Pension Plan: (Continued)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Earliest Unreduced Retirement Eligibility VRS: Age 65 with at least five years (60 months) of creditable service or at age 50 with at least 30 years of creditable service.</p> <p>Political subdivisions hazardous duty employees: Age 60 with at least five years of creditable service or age 50 with at least 25 years of creditable service.</p>	<p>Earliest Unreduced Retirement Eligibility VRS: Normal Social Security retirement age with at least five years (60 months) of creditable service or when their age and service equal 90.</p> <p>Political subdivisions hazardous duty employees: Same as Plan 1.</p>	<p>Earliest Unreduced Retirement Eligibility <u>Defined Benefit Component:</u> VRS: Normal Social Security retirement age and have at least five years (60 months) of creditable service or when their age and service equal 90.</p> <p>Political subdivisions hazardous duty employees: Not applicable.</p> <p><u>Defined Contribution Component:</u> Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>
<p>Earliest Reduced Retirement Eligibility VRS: Age 55 with at least five years (60 months) of creditable service or age 50 with at least 10 years of creditable service.</p> <p>Political subdivisions hazardous duty employees: 50 with at least five years of creditable service.</p>	<p>Earliest Reduced Retirement Eligibility VRS: Age 60 with at least five years (60 months) of creditable service.</p> <p>Political subdivisions hazardous duty employees: Same as Plan 1.</p>	<p>Earliest Reduced Retirement Eligibility <u>Defined Benefit Component:</u> VRS: Age 60 with at least five years (60 months) of creditable service.</p> <p>Political subdivisions hazardous duty employees: Not applicable.</p> <p><u>Defined Contribution Component:</u> Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>

TOWN OF AMHERST, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2018

Note 15—Pension Plan: (Continued)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Cost-of-Living Adjustment (COLA) in Retirement The Cost-of-Living Adjustment (COLA) matches the first 3% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 4%) up to a maximum COLA of 5%.</p> <p><u>Eligibility:</u> For members who retire with an unreduced benefit or with a reduced benefit with at least 20 years of creditable service, the COLA will go into effect on July 1 after one full calendar year from the retirement date.</p> <p>For members who retire with a reduced benefit and who have less than 20 years of creditable service, the COLA will go into effect on July 1 after one calendar year following the unreduced retirement eligibility date.</p> <p><u>Exceptions to COLA Effective Dates:</u> The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances:</p> <ul style="list-style-type: none"> • The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013. • The member retires on disability. 	<p>Cost-of-Living Adjustment (COLA) in Retirement The Cost-of-Living Adjustment (COLA) matches the first 2% increase in the CPI-U and half of any additional increase (up to 2%), for a maximum COLA of 3%.</p> <p><u>Eligibility:</u> Same as Plan 1.</p> <p><u>Exceptions to COLA Effective Dates:</u> Same as Plan 1.</p>	<p>Cost-of-Living Adjustment (COLA) in Retirement <u>Defined Benefit Component:</u> Same as Plan 2.</p> <p><u>Defined Contribution Component:</u> Not applicable.</p> <p><u>Eligibility:</u> Same as Plan 1 and Plan 2.</p> <p><u>Exceptions to COLA Effective Dates:</u> Same as Plan 1 and Plan 2.</p>

Note 15—Pension Plan: (Continued)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Cost-of-Living Adjustment (COLA) in Retirement (Cont.)</p> <p><u>Exceptions to COLA Effective Dates: (Cont.)</u></p> <ul style="list-style-type: none"> • The member retires directly from short-term or long-term disability under the Virginia Sickness and Disability Program (VSDP). • The member is involuntarily separated from employment for causes other than job performance or misconduct and is eligible to retire under the Workforce Transition Act or the Transitional Benefits Program. • The member dies in service and the member’s survivor or beneficiary is eligible for a monthly death-in-service benefit. The COLA will go into effect on July 1 following one full calendar year (January 1 to December 31) from the date the monthly benefit begins. 	<p>Cost-of-Living Adjustment (COLA) in Retirement (Cont.)</p>	<p>Cost-of-Living Adjustment (COLA) in Retirement (Cont.)</p>
<p>Disability Coverage Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.7% on all service, regardless of when it was earned, purchased or granted.</p>	<p>Disability Coverage Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.65% on all service, regardless of when it was earned, purchased or granted.</p>	<p>Disability Coverage Employees of political subdivisions and School divisions (including Plan 1 and Plan 2 opt-ins) participate in the Virginia Local Disability Program (VLDP) unless their local governing body provides an employer-paid comparable program for its members.</p>

TOWN OF AMHERST, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2018

Note 15—Pension Plan: (Continued)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
Disability Coverage (Cont.)	Disability Coverage (Cont.)	Disability Coverage (Cont.) Hybrid members (including Plan 1 and Plan 2 opt-ins) covered under VLDP are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.
<p>Purchase of Prior Service Members may be eligible to purchase service from previous public employment, active duty military service, an eligible period of leave or VRS refunded service as creditable service in their plan. Prior creditable service counts toward vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. Members also may be eligible to purchase periods of leave without pay.</p>	<p>Purchase of Prior Service Same as Plan 1.</p>	<p>Purchase of Prior Service <u>Defined Benefit Component:</u> Same as Plan 1, with the following exceptions:</p> <ul style="list-style-type: none"> • Hybrid Retirement Plan members are ineligible for ported service. <p><u>Defined Contribution Component:</u> Not applicable.</p>

Pension Plan Data

Information about the VRS Political Subdivision Retirement Plan is also available in the separately issued VRS 2017 Comprehensive Annual Financial Report (CAFR). A copy of the 2017 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2017-annual-report-pdf>, or by writing to the System’s Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

TOWN OF AMHERST, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 15—Pension Plan: (Continued)

Employees Covered by Benefit Terms

As of the June 30, 2016 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	<u>Primary Government</u>
Inactive members or their beneficiaries currently receiving benefits	14
Inactive members:	
Vested inactive members	3
Non-vested inactive members	3
Inactive members active elsewhere in VRS	<u>2</u>
Total inactive members	8
Active members	<u>18</u>
Total covered employees	<u><u>40</u></u>

Contributions

The contribution requirement for active employees is governed by §51.1-145 of the Code of Virginia, as amended, but may be impacted as a result of funding options provided to political subdivisions by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement. Prior to July 1, 2012, all or part of the 5.00% member contribution may have been assumed by the employer. Beginning July 1, 2012, new employees were required to pay the 5% member contribution. In addition, for existing employees, employers were required to begin making the employee pay the 5.00% member contribution. This could be phased in over a period of up to 5 years and the employer is required to provide a salary increase equal to the amount of the increase in the employee-paid member contribution.

The Town's contractually required employer contribution rate for the year ended June 30, 2018 was 17.01% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Town were \$137,411 and \$132,392 for the years ended June 30, 2018 and June 30, 2017, respectively.

Net Pension Liability

The Town's net pension liability was measured as of June 30, 2017. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2016, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2017.

TOWN OF AMHERST, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 15—Pension Plan: (Continued)

Actuarial Assumptions - General Employees

The total pension liability for General Employees in the Town's Retirement Plan was based on an actuarial valuation as of June 30, 2016, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2017.

Inflation	2.5%
Salary increases, including inflation	3.5% - 5.35%
Investment rate of return	7.0%, net of pension plan investment expenses, including inflation*

* Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 7.0%. However, since the difference was minimal, and a more conservative 7.0% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 7.0% to simplify preparation of pension liabilities.

Mortality rates:

Largest 10 - Non-Hazardous Duty: 20% of deaths are assumed to be service related

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020; males 95% of rates; females 105% of rates.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 3 years; females 1.0% increase compounded from ages 70 to 90.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years, 110% of rates; females 125% of rates.

All Others (Non 10 Largest) - Non-Hazardous Duty: 15% of deaths are assumed to be service related

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020; males 95% of rates; females 105% of rates.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 3 years; females 1.0% increase compounded from ages 70 to 90.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years, 110% of rates; females 125% of rates.

TOWN OF AMHERST, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2018

Note 15—Pension Plan: (Continued)

Actuarial Assumptions - General Employees (Continued)

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Largest 10 - Non-Hazardous Duty:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Lowered rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 20%

All Others (Non 10 Largest) - Non-Hazardous Duty:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Lowered rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 15%

Actuarial Assumptions - Public Safety Employees with Hazardous Duty Benefits

The total pension liability for Public Safety employees with Hazardous Duty Benefits in the Town's Retirement Plan was based on an actuarial valuation as of June 30, 2016, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2017.

Inflation	2.5%
Salary increases, including inflation	3.5% - 4.75%
Investment rate of return	7.0%, net of pension plan investment expenses, including inflation*

* Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 7.0%. However, since the difference was minimal, and a more conservative 7.0% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 7.0% to simplify preparation of pension liabilities.

Note 15—Pension Plan: (Continued)

Actuarial Assumptions - Public Safety Employees with Hazardous Duty Benefits (Continued)

Mortality rates:

Largest 10 - Hazardous Duty: 70% of deaths are assumed to be service related

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020; males 90% of rates; females set forward 1 year.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 1 year, 1.0% increase compounded from ages 70 to 90; females set forward 3 years.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.

All Others (Non 10 Largest) - Hazardous Duty: 45% of deaths are assumed to be service related

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020; males 90% of rates; females set forward 1 year.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 1 year, 1.0% increase compounded from ages 70 to 90; females set forward 3 years.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.

TOWN OF AMHERST, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2018

Note 15—Pension Plan: (Continued)

Actuarial Assumptions - Public Safety Employees with Hazardous Duty Benefits (Continued)

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Largest 10 - Hazardous Duty:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience
Disability Rates	Increased rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 70%

All Others (Non 10 Largest) - Hazardous Duty:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Increased age 50 rates, and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better fit experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 60% to 45%

*Note 15—Pension Plan: (Continued)**Long-Term Expected Rate of Return*

The long-term expected rate of return on pension System investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension System investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimate of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class (Strategy)	Target Allocation	Arithmetic Long-term Expected Rate of Return	Weighted Average Long-term Expected Rate of Return
Public Equity	40.00%	4.54%	1.82%
Fixed Income	15.00%	0.69%	0.10%
Credit Strategies	15.00%	3.96%	0.59%
Real Assets	15.00%	5.76%	0.86%
Private Equity	15.00%	9.53%	1.43%
Total	100.00%		4.80%
		Inflation	2.50%
		*Expected arithmetic nominal return	7.30%

* The above allocation provides a one-year return of 7.30%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 6.83%, including expected inflation of 2.50%.

TOWN OF AMHERST, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2018

Note 15—Pension Plan: (Continued)

Discount Rate

The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2019, the rate contributed by the employer for the Town Retirement Plans will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2019 on, participating employers are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in Net Pension Liability (Asset)

	Primary Government		
	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balances at June 30, 2016	\$ 4,317,303	\$ 3,365,628	\$ 951,675
Changes for the year:			
Service cost	\$ 132,722	\$ -	\$ 132,722
Interest	293,785	-	293,785
Changes of assumptions	(28,329)	-	(28,329)
Differences between expected and actual experience	(64,526)	-	(64,526)
Contributions - employer	-	132,392	(132,392)
Contributions - employee	-	38,399	(38,399)
Net investment income	-	407,279	(407,279)
Benefit payments, including refunds			
Refunds of employee contributions	(240,743)	(240,743)	-
Administrative expenses	-	(2,374)	2,374
Other changes	-	(362)	362
Net changes	\$ 92,909	\$ 334,591	\$ (241,682)
Balances at June 30, 2017	\$ 4,410,212	\$ 3,700,219	\$ 709,993

TOWN OF AMHERST, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2018

Note 15—Pension Plan: (Continued)

Sensitivity of the Net Pension Liability (Asset) to Changes in the Discount Rate

The following presents the net pension liability (asset) of the Town using the discount rate of 7.00%, as well as what the Town's net pension liability (asset) would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current rate:

	Rate		
	1% Decrease (6.00%)	Current Discount (7.00%)	1% Increase (8.00%)
Town's Net Pension Liability (Asset)	\$ 1,228,944	\$ 709,993	\$ 274,481

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended June 30, 2018, the Town recognized pension expense of \$136,071. At June 30, 2018, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Primary Government	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 96,391	\$ 49,537
Change of assumptions	-	20,952
Net difference between projected and actual earnings on pension plan investments	-	52,451
Employer contributions subsequent to the measurement date	137,411	-
Total	<u>\$ 233,802</u>	<u>\$ 122,940</u>

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TOWN OF AMHERST, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 15—Pension Plan: (Continued)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

\$137,411 reported as deferred outflows of resources related to pensions resulting from the Town's contributions, subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability (asset) in the fiscal year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

<u>Year ended June 30</u>	<u>Primary Government</u>
2019	\$ (21,725)
2020	30,737
2021	(716)
2022	(34,845)
Thereafter	-

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Note 16—Group Life Insurance (GLI) Program (OPEB Plan):

Plan Description

All full-time, salaried permanent employees of the state agencies, teachers, and employees of participating political subdivisions are automatically covered by the VRS Group Life Insurance Program upon employment. This is a cost-sharing multiple-employer plan administered by the Virginia Retirement System (the System), along with pensions and other OPEB plans, for public employer groups in the Commonwealth of Virginia.

In addition to the Basic Group Life Insurance benefit, members are also eligible to elect additional coverage for themselves as well as a spouse or dependent children through the Optional Group Life Insurance Program. For members who elect the optional group life insurance coverage, the insurer bills employers directly for the premiums. Employers deduct these premiums from members' paychecks and pay the premiums to the insurer. Since this is a separate and fully insured program, it is not included as part of the Group Life Insurance Program OPEB.

The specific information for Group Life Insurance Program OPEB, including eligibility, coverage and benefits is set out in the table below:

GROUP LIFE INSURANCE PROGRAM PLAN PROVISIONS
<p>Eligible Employees</p> <p>The Group Life Insurance Program was established July 1, 1960, for state employees, teachers and employees of political subdivisions that elect the program, including the following employers that do not participate in VRS for retirement:</p> <ul style="list-style-type: none">• City of Richmond• City of Portsmouth• City of Roanoke• City of Norfolk• Roanoke City School Board <p>Basic group life insurance coverage is automatic upon employment. Coverage ends for employees who leave their position before retirement eligibility or who take a refund of their member contributions and accrued interest.</p>

Note 16—Group Life Insurance (GLI) Program (OPEB Plan): (Continued)

Plan Description (Continued)

GROUP LIFE INSURANCE PROGRAM PLAN PROVISIONS (CONTINUED)
<p>Benefit Amounts</p> <p>The benefits payable under the Group Life Insurance Program have several components.</p> <ul style="list-style-type: none"> • <u>Natural Death Benefit</u> - The natural death benefit is equal to the employee’s covered compensation rounded to the next highest thousand and then doubled. • <u>Accidental Death Benefit</u> - The accidental death benefit is double the natural death benefit. • <u>Other Benefit Provisions</u> - In addition to the basic natural and accidental death benefits, the program provides additional benefits provided under specific circumstances. These include: <ul style="list-style-type: none"> ○ Accidental dismemberment benefit ○ Safety belt benefit ○ Repatriation benefit ○ Felonious assault benefit ○ Accelerated death benefit option
<p>Reduction in Benefit Amounts</p> <p>The benefit amounts provided to members covered under the Group Life Insurance Program are subject to a reduction factor. The benefit amount reduces by 25% on January 1 following one calendar year of separation. The benefit amount reduces by an additional 25% on each subsequent January 1 until it reaches 25% of its original value.</p>
<p>Minimum Benefit Amount and Cost-of-Living Adjustment (COLA)</p> <p>For covered members with at least 30 years of creditable service, there is a minimum benefit payable under the Group Life Insurance Program. The minimum benefit was set at \$8,000 by statute. The amount is increased annually based on the VRS Plan 2 cost-of-living adjustment and is currently \$8,111.</p>

Contributions

The contribution requirements for the Group Life Insurance Program are governed by §51.1-506 and §51.1-508 of the Code of Virginia, as amended, but may be impacted as a result of funding provided to state agencies and school divisions by the Virginia General Assembly. The total rate for the Group Life Insurance Program was 1.31% of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.79% (1.31% x 60%) and the employer component was 0.52% (1.31% x 40%). Employers may elect to pay all or part of the employee contribution; however, the employer must pay all of the employer contribution. Each employer’s contractually required employer contribution rate for the year ended June 30, 2018 was 0.52% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits payable during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the Group Life Insurance Program from the entity were \$4,249 and \$4,245 for the years ended June 30, 2018 and June 30, 2017, respectively.

TOWN OF AMHERST, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2018

Note 16—Group Life Insurance (GLI) Program (OPEB Plan): (Continued)

GLI OPEB Liabilities, GLI OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the Group Life Insurance Program OPEB

At June 30, 2018, the entity reported a liability of \$66,000 its proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2017 and the total GLI OPEB liability used to calculate the Net GLI OPEB Liability was determined by an actuarial valuation as of that date. The covered employer’s proportion of the Net GLI OPEB Liability was based on the covered employer’s actuarially determined employer contributions to the Group Life Insurance Program for the year ended June 30, 2017 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2017, the participating employer’s proportion was 0.00443% as compared to 0.00426% at June 30, 2016.

For the year ended June 30, 2018, the participating employer recognized GLI OPEB expense of \$4,000. Since there was a change in proportionate share between measurement dates, a portion of the GLI OPEB expense was related to deferred amounts from changes in proportion.

At June 30, 2018, the employer reported deferred outflows of resources and deferred inflows of resources related to the GLI OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 1,000
Net difference between projected and actual earnings on GLI OPEB program investments	-	3,000
Change of assumptions	-	3,000
Employer contributions subsequent to the measurement date	<u>4,249</u>	<u>-</u>
Total	<u>\$ 4,249</u>	<u>\$ 7,000</u>

TOWN OF AMHERST, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2018

Note 16—Group Life Insurance (GLI) Program (OPEB Plan): (Continued)

GLI OPEB Liabilities, GLI OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the Group Life Insurance Program OPEB (Continued)

\$4,249 reported as deferred outflows of resources related to the GLI OPEB resulting from the employer's contributions subsequent to the measurement date will be recognized as a reduction of the Net GLI OPEB Liability in the fiscal year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the GLI OPEB will be recognized in the GLI OPEB expense in future reporting periods as follows:

<u>Year Ended June 30</u>	
2019	\$ (2,000)
2020	(2,000)
2021	(2,000)
2022	(1,000)
2023	-
Thereafter	-

Actuarial Assumptions

The total GLI OPEB liability was based on an actuarial valuation as of June 30, 2016, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2017.

Inflation	2.5%
Salary increases, including inflation:	
General state employees	3.5% - 5.35%
Teachers	3.5%-5.95%
SPORS employees	3.5%-4.75%
VaLORS employees	3.5%-4.75%
JRS employees	4.5%
Locality - General employees	3.5%-5.35%
Locality - Hazardous Duty employees	3.5%-4.75%
Investment rate of return	7.0%, net of investment expenses, including inflation*

*Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 7.0%. However, since the difference was minimal, and a more conservative 7.0% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 7.0% to simplify preparation of OPEB liabilities.

TOWN OF AMHERST, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 16—Group Life Insurance (GLI) Program (OPEB Plan): (Continued)

Actuarial Assumptions: (Continued)

Mortality Rates - General State Employees

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with scale BB to 2020; males set back 1 year, 85% of rates; females set back 1 year.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 1 year; females set back 1 year with 1.5% increase compounded from ages 70 to 85.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males 115% of rates; females 130% of rates.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 25%

TOWN OF AMHERST, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 16—Group Life Insurance (GLI) Program (OPEB Plan): (Continued)

Actuarial Assumptions: (Continued)

Mortality Rates - Teachers

Pre-Retirement:

RP-2014 White Collar Employee Rates to age 80, White Collar Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020.

Post-Retirement:

RP-2014 White Collar Employee Rates to age 49, White Collar Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males 1% increase compounded from ages 70 to 90; females set back 3 years with 1.5% increase compounded from ages 65 to 70 and 2.0% increase compounded from ages 75 to 90.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; 115% of rates for males and females.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change

TOWN OF AMHERST, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 16—Group Life Insurance (GLI) Program (OPEB Plan): (Continued)

Actuarial Assumptions: (Continued)

Mortality Rates - SPORS Employees

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with scale BB to 2020; males 90% of rates; females set forward 1 year.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 1 year with 1.0% increase compounded from ages 70 to 90; females set forward 3 years.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020 and reduced margin for future improvement in accordance with experience
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 85%

TOWN OF AMHERST, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 16—Group Life Insurance (GLI) Program (OPEB Plan): (Continued)

Actuarial Assumptions: (Continued)

Mortality Rates - VaLORS Employees

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with scale BB to 2020; males 90% of rates; females set forward 1 year.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 1 year with 1.0% increase compounded from ages 70 to 90; females set forward 3 years.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020 and reduced margin for future improvement in accordance with experience
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 50% to 35%

TOWN OF AMHERST, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 16—Group Life Insurance (GLI) Program (OPEB Plan): (Continued)

Actuarial Assumptions: (Continued)

Mortality Rates - JRS Employees

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with scale BB to 2020; males set back 1 year, 85% of rates; females set back 1 year.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 1 year; females set back 1 year with 1.5% compounding increase from ages 70 to 85.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males 115% of rates; females 130% of rates.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Decreased rates at first retirement eligibility
Withdrawal Rates	No change
Disability Rates	Removed disability rates
Salary Scale	No change

TOWN OF AMHERST, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 16—Group Life Insurance (GLI) Program (OPEB Plan): (Continued)

Actuarial Assumptions: (Continued)

Mortality Rates - Largest Ten Locality Employers - General Employees

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with scale BB to 2020; males 95% of rates; females 105% of rates.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 3 years; females 1.0% increase compounded from ages 70 to 90.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years, 110% of rates; females 125% of rates.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 20%

TOWN OF AMHERST, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2018

Note 16—Group Life Insurance (GLI) Program (OPEB Plan): (Continued)

Actuarial Assumptions: (Continued)

Mortality Rates - Non-Largest Ten Locality Employers - General Employees

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with scale BB to 2020; males 95% of rates; females 105% of rates.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 3 years; females 1.0% increase compounded from ages 70 to 90.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years, 110% of rates; females 125% of rates.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 15%

Mortality Rates - Largest Ten Locality Employers - Hazardous Duty Employees

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with scale BB to 2020; males 90% of rates; females set forward 1 year.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 1 year with 1.0% increase compounded from ages 70 to 90; females set forward 3 years.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.

TOWN OF AMHERST, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2018

Note 16—Group Life Insurance (GLI) Program (OPEB Plan): (Continued)

Actuarial Assumptions: (Continued)

Mortality Rates - Largest Ten Locality Employers - Hazardous Duty Employees: (Continued)

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Increased disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 70%

Mortality Rates - Non-Largest Ten Locality Employers - Hazardous Duty Employees

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with scale BB to 2020; males 90% of rates; females set forward 1 year.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 1 year with 1.0% increase compounded from ages 70 to 90; females set forward 3 years.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.

TOWN OF AMHERST, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2018

Note 16—Group Life Insurance (GLI) Program (OPEB Plan): (Continued)

Actuarial Assumptions: (Continued)

Mortality Rates - Non-Largest Ten Locality Employers - Hazardous Duty Employees: (Continued)

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 60% to 45%

NET GLI OPEB Liability

The net OPEB liability (NOL) for the Group Life Insurance Program represents the program’s total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of June 30, 2017, NOL amounts for the Group Life Insurance Program is as follows (amounts expressed in thousands):

	Group Life Insurance OPEB Program
	<u> </u>
Total GLI OPEB Liability	\$ 2,942,426
Plan Fiduciary Net Position	<u>1,437,586</u>
Employers' Net GLI OPEB Liability (Asset)	<u>\$ 1,504,840</u>
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability	48.86%

The total GLI OPEB liability is calculated by the System’s actuary, and each plan’s fiduciary net position is reported in the System’s financial statements. The net GLI OPEB liability is disclosed in accordance with the requirements of GASB Statement No. 74 in the System’s notes to the financial statements and required supplementary information.

TOWN OF AMHERST, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2018

Note 16—Group Life Insurance (GLI) Program (OPEB Plan): (Continued)

Long-Term Expected Rate of Return

The long-term expected rate of return on the System’s investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of System’s investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimate of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class (Strategy)</u>	<u>Target Allocation</u>	<u>Arithmetic Long-term Expected Rate of Return</u>	<u>Weighted Average Long-term Expected Rate of Return</u>
Public Equity	40.00%	4.54%	1.82%
Fixed Income	15.00%	0.69%	0.10%
Credit Strategies	15.00%	3.96%	0.59%
Real Assets	15.00%	5.76%	0.86%
Private Equity	15.00%	9.53%	1.43%
Total	<u>100.00%</u>		<u>4.80%</u>
		Inflation	<u>2.50%</u>
		*Expected arithmetic nominal return	<u>7.30%</u>

*The above allocation provides a one-year return of 7.30%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 6.83%, including expected inflation of 2.50%.

Discount Rate

The discount rate used to measure the total GLI OPEB liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that member contributions will be made per the VRS guidance and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2019, the rate contributed by the entity for the GLI OPEB will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2019 on, employers are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the GLI OPEB’s fiduciary net position was projected to be available to make all projected future benefit payments of eligible employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total GLI OPEB liability.

Note 16—Group Life Insurance (GLI) Program (OPEB Plan): (Continued)

Sensitivity of the Employer’s Proportionate Share of the Net GLI OPEB Liability to Changes in the Discount Rate

The following presents the employer’s proportionate share of the net GLI OPEB liability using the discount rate of 7.00%, as well as what the employer’s proportionate share of the net GLI OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current rate:

	Rate		
	1% Decrease (6.00%)	Current Discount (7.00%)	1% Increase (8.00%)
Town's proportionate share of the Group Life Insurance Program Net OPEB Liability	\$ 86,000	\$ 66,000	\$ 50,000

Group Life Insurance Program Fiduciary Net Position

Detailed information about the Group Life Insurance Program’s Fiduciary Net Position is available in the separately issued VRS 2017 Comprehensive Annual Financial Report (CAFR). A copy of the 2017 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2017-annual-report.pdf>, or by writing to the System’s Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

TOWN OF AMHERST, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 17—Medical and Dental Pay-as-You-Go (OPEB Plan):

Plan Description

In addition to the pension benefits described in Note 15, the Town administers a single-employer defined benefit healthcare plan, The Town of Amherst Postretirement Benefits Plan. The plan provides postemployment health care benefits to all eligible permanent employees who meet the requirements under the Town's pension plans. The plan does not issue a publicly available financial report.

Benefits Provided

Postemployment benefits that are provided to eligible Town retirees include medical and dental insurance. The benefits that are provided for active employees are the same for eligible retirees, spouses and dependents of eligible retirees. All permanent employees of the Town who meet eligibility requirements of the pension plan are eligible to receive postemployment health care benefits.

Plan Membership

At June 30, 2018 (measurement date), the following employees were covered by the benefit terms:

	Primary Government
Total active employees with coverage	18
Total retirees and spouses with coverage	8
Total	<u>26</u>

Contributions

The Town does not pre-fund benefits; therefore, no assets are accumulated in a trust fund. The current funding policy is to pay benefits directly from general assets on a pay-as-you-go basis. The funding requirements are established and may be amended by the Town. The amount paid by the Town for OPEB as the benefits came due during the year ended June 30, 2018 was \$161,385.

Total OPEB Liability

The Town's total OPEB liability was measured as of June 30, 2018. The total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2017.

TOWN OF AMHERST, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2018

Note 17—Medical and Dental Pay-as-You-Go (OPEB Plan): (Continued)

Actuarial Assumptions

The total OPEB liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50% per year as of June 30, 2017; 2.50% per year as of June 30, 2018
Salary Increases	The salary increase rate was 2.00% per annum
Discount Rate	3.66%

Mortality rates for the Town were based on the RP2000 Mortality Table for Males and Females Projected 18 years; this assumption does not include a margin for future improvements in longevity.

The date of the most recent actuarial experience study for which significant assumptions were based is not available.

Discount Rate

The discount rate used when OPEB plan investments are insufficient to pay for future benefit payments is based on the 20-year tax exempt municipal bond yield.

Changes in Total OPEB Liability

	Primary Government Total OPEB Liability
	<u> </u>
Balances at June 30, 2017	\$ 6,876
Changes for the year:	
Service cost	271,142
Interest	19,925
Changes of assumptions	201,099
Difference between expected and actual experience	209,810
Benefit payments	<u>(161,385)</u>
Net changes	\$ <u>540,591</u>
Balances at June 30, 2018	<u><u>\$ 547,467</u></u>

TOWN OF AMHERST, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2018

Note 17—Medical and Dental Pay-as-You-Go (OPEB Plan): (Continued)

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following amounts present the total OPEB liability of the Town, as well as what the total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.66%) or one percentage point higher (4.66%) than the current discount rate:

	Rate		
	1% Decrease (2.66%)	Current Discount Rate (3.66%)	1% Increase (4.66%)
Primary Government:			
Total OPEB liability	\$ 601,501	\$ 547,467	\$ 501,894

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the total OPEB liability of the Town, as well as what the total OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower or one percentage point higher than the current healthcare cost trend rates:

	Rates		
	1% Decrease	Healthcare Cost Trend	1% Increase
Primary Government:			
Total OPEB liability	\$ 499,275	\$ 547,467	\$ 605,183

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources

For the year ended June 30, 2018, the Town recognized OPEB expense in the amount of \$291,067. At June 30, 2018, the Town reported no deferred outflows of resources or deferred inflows of resources related to OPEB.

Additional disclosures on changes in net OPEB liability, related ratios, and employer contributions can be found in the required supplementary information following the notes to the financial statements.

TOWN OF AMHERST, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 18—Line of Duty Act (LODA) (OPEB Benefits):

The Line of Duty Act (LODA) provides death and healthcare benefits to certain law enforcement and rescue personnel, and their beneficiaries, who were disabled or killed in the line of duty. Benefit provisions and eligibility requirements are established by title 9.1 Chapter 4 of the Code of Virginia. Funding of LODA benefits is provided by employers in one of two ways: (a) participation in the Line of Duty and Health Benefits Trust Fund (LODA Fund), administered by the Virginia Retirement System (VRS) or (b) self-funding by the employer or through an insurance company.

The Town has elected to provide LODA benefits through an insurance company. The obligation for the payment of benefits has been effectively transferred from the Town to VML. VML assumes all liability for the Town's LODA claims that are approved by VRS. The pool purchases reinsurance to protect the pool from extreme claims costs.

The current-year OPEB expense/expenditure for the insured benefits is defined as the amount of premiums or other payments required for the insured benefits for the reporting period in accordance with the agreement with the insurance company for LODA and a change in liability to the insurer equal to the difference between amounts recognized as OPEB expense and amounts paid by the employer to the insurer. The Town's LODA coverage is fully covered or "insured" through VML. This is built into the LODA coverage cost presented in the annual renewals. The Town's LODA premium for the year ended June 30, 2018 was \$2,787.

Note 19—Adoption of Accounting Principles:

The Town implemented the financial reporting provisions of Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* during the fiscal year ended June 30, 2018. This Statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures related to postemployment benefits other than pensions (other postemployment benefits or OPEB). Note disclosure and required supplementary information requirements about OPEB are also addressed. The requirements of this Statement will improve accounting and financial reporting by state and local governments for OPEB. In addition, the County implemented Governmental Accounting Standards Board Statement No. 85, *Omnibus 2017* during the fiscal year ended June 30, 2018. This Statement addresses practice issues identified during implementation and application of certain GASB statements for a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits (OPEB)). The implementation of these statements resulted in a restatement of net position (See Note 20).

TOWN OF AMHERST, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2018

Note 20—Restatement of Net Position and Fund Balance:

The following adjustments were made to beginning net position:

	<u>Net Position</u>		<u>Fund Balance</u>
	<u>Governmental Activities</u>	<u>Business-type Activities Water</u>	<u>General Fund</u>
Balance, July 1, 2017, as previously stated	\$ 2,580,669	\$ 4,998,203	\$ 1,458,055
Removal of bond issuance costs	-	(29,817)	-
Prior year accounts receivable	83,191	-	83,191
Prior year interest income accrual	(33,368)	-	-
Implementation of GASB 75:			
Deferred outflows of resources	6,000	-	-
Net OPEB liabilities	(38,688)	-	-
Balance, July 1, 2017, as restated	<u>\$ 2,597,804</u>	<u>\$ 4,968,386</u>	<u>\$ 1,541,246</u>

Note 21—Upcoming Pronouncements:

Statement No. 83, *Certain Asset Retirement Obligations*, addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement. This Statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018.

Statement No. 84, *Fiduciary Activities*, establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. This Statement describes four fiduciary funds that should be reported, if applicable: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. This Statement also provides for recognition of a liability to the beneficiaries in a fiduciary fund when an event has occurred that compels the government to disburse fiduciary resources. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018.

TOWN OF AMHERST, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 21—Upcoming Pronouncements: (Continued)

Statement No. 87, *Leases*, increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*, clarifies which liabilities governments should include when disclosing information related to debt. It defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established. The Statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. For notes to financial statements related to debt, it requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018.

Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*, enhances the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and simplifies accounting for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5-22 of Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which are superseded by this Statement. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. This Statement also reiterates that in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

Management is currently evaluating the impact these standards will have on the financial statements when adopted.

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REQUIRED SUPPLEMENTARY INFORMATION

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Town of Amherst, Virginia
General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2018

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
General property taxes	\$ 4,700	\$ 4,700	\$ 5,526	\$ 826
Other local taxes	744,290	744,290	766,721	22,431
Permits, privilege fees, and regulatory licenses	8,790	8,790	9,404	614
Fines and forfeitures	5,000	5,000	22,093	17,093
Revenue from use of money and property	9,000	9,000	39,875	30,875
Miscellaneous	55,477	55,477	59,798	4,321
Intergovernmental:				
Commonwealth	186,044	186,044	182,504	(3,540)
Total revenues	\$ 1,013,301	\$ 1,013,301	\$ 1,085,921	\$ 72,620
EXPENDITURES				
Current:				
General government administration	\$ 1,328,800	\$ 1,328,800	\$ 680,604	\$ 648,196
Public safety	622,884	622,884	531,877	91,007
Public works	835,655	835,655	666,582	169,073
Total expenditures	\$ 2,787,339	\$ 2,787,339	\$ 1,879,063	\$ 908,276
Excess (deficiency) of revenues over (under) expenditures	\$ (1,774,038)	\$ (1,774,038)	\$ (793,142)	\$ 980,896
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 1,205,928	\$ 1,205,928	\$ 1,205,928	\$ -
Total other financing sources (uses)	\$ 1,205,928	\$ 1,205,928	\$ 1,205,928	\$ -
Net change in fund balances	\$ (568,110)	\$ (568,110)	\$ 412,786	\$ 980,896
Fund balances - beginning, as restated	568,110	568,110	1,541,246	973,136
Fund balances - ending	\$ -	\$ -	\$ 1,954,032	\$ 1,954,032

Town of Amherst, Virginia
Schedule of Changes in Net Pension Liability (Asset) and Related Ratios
For the Years Ended June 30, 2016 through June 30, 2018

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Total pension liability			
Service cost	\$ 132,722	\$ 119,138	\$ 93,912
Interest	293,785	271,142	264,117
Changes of assumptions	(28,329)	-	-
Differences between expected and actual experience	(64,526)	173,815	(5,469)
Benefit payments, including refunds of employee contributions	(240,743)	(240,510)	(263,893)
Net change in total pension liability	<u>\$ 92,909</u>	<u>\$ 323,585</u>	<u>\$ 88,667</u>
Total pension liability - beginning	<u>4,317,303</u>	<u>3,993,718</u>	<u>3,905,051</u>
Total pension liability - ending (a)	<u><u>\$ 4,410,212</u></u>	<u><u>\$ 4,317,303</u></u>	<u><u>\$ 3,993,718</u></u>
Plan fiduciary net position			
Contributions - employer	\$ 132,392	\$ 106,869	\$ 102,001
Contributions - employee	38,399	37,381	35,685
Net investment income	407,279	57,637	151,465
Benefit payments, including refunds of employee contributions	(240,743)	(240,510)	(263,893)
Administrative expense	(2,374)	(2,144)	(2,170)
Other	(362)	(25)	(31)
Net change in plan fiduciary net position	<u>\$ 334,591</u>	<u>\$ (40,792)</u>	<u>\$ 23,057</u>
Plan fiduciary net position - beginning	<u>3,365,628</u>	<u>3,406,420</u>	<u>3,383,363</u>
Plan fiduciary net position - ending (b)	<u><u>\$ 3,700,219</u></u>	<u><u>\$ 3,365,628</u></u>	<u><u>\$ 3,406,420</u></u>
Town's net pension liability (asset) - ending (a) - (b)	<u>\$ 709,993</u>	<u>\$ 951,675</u>	<u>\$ 587,298</u>
Plan fiduciary net position as a percentage of the total pension liability	83.90%	77.96%	85.29%
Covered payroll	<u>\$ 785,624</u>	<u>\$ 759,989</u>	<u>\$ 725,562</u>
Town's net pension liability (asset) as a percentage of covered payroll	90.37%	125.22%	80.94%

Schedule is intended to show information for 10 years. Information prior to the 2015 valuation is not available. However, additional years will be included as they become available.

Town of Amherst, Virginia
 Schedule of Employer Contributions - Pension Plan
 For the Years Ended June 30, 2009 through June 30, 2018

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
Primary Government					
2018	\$ 137,411	\$ 137,411	\$ -	\$ 817,162	16.82%
2017	132,392	132,392	-	785,624	16.85%
2016	107,462	107,462	-	759,989	14.14%
2015	102,595	102,595	-	725,562	14.14%
2014	111,778	111,778	-	728,195	15.35%
2013	107,254	107,254	-	698,721	15.35%
2012	73,779	73,779	-	668,898	11.03%
2011	72,573	72,573	-	657,962	11.03%
2010	50,405	50,405	-	669,388	7.53%
2009	50,722	50,722	-	673,598	7.53%

Current year contributions are from Town records and prior year contributions are from the VRS actuarial valuation performed each year.

Town of Amherst, Virginia
Notes to Required Supplementary Information - Pension Plan
For the Year Ended June 30, 2018

Changes of benefit terms - There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation. The 2014 valuation includes Hybrid Retirement Plan members for the first time. The hybrid plan applies to most new employees hired on or after January 1, 2014 and not covered by enhanced hazardous duty benefits. Because this is a fairly new benefit and the number of participants was relatively small, the impact on the liabilities as of the measurement date of June 30, 2017 are not material.

Changes of assumptions - The following changes in actuarial assumptions were made effective June 30, 2016 based on the most recent experience study of the System for the four-year period ending June 30, 2016:

Largest 10 - Non-Hazardous Duty:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Lowered rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 20%

Largest 10 - Hazardous Duty:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience
Disability Rates	Increased rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 70%

All Others (Non 10 Largest) - Non-Hazardous Duty:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Lowered rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 15%

All Others (Non 10 Largest) - Hazardous Duty:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Increased age 50 rates, and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better fit experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 60% to 45%

Town of Amherst, Virginia
 Schedule of Town's Share of Net OPEB Liability
 Group Life Insurance Program
 For the Year Ended June 30, 2018

Date (1)	Employer's Proportion of the Net GLI OPEB Liability (Asset) (2)	Employer's Proportionate Share of the Net GLI OPEB Liability (Asset) (3)	Employer's Covered Payroll (4)	Employer's Proportionate Share of the Net GLI OPEB Liability (Asset) as a Percentage of Covered Payroll (3)/(4) (5)	Plan Fiduciary Net Position as a Percentage of Total GLI OPEB Liability (6)
2017	0.004433%	66,000 \$	816,306	8.09%	48.86%

Schedule is intended to show information for 10 years. Information prior to the 2017 valuation is not available. However, additional years will be included as they become available.

Town of Amherst, Virginia
 Schedule of Employer Contributions
 Group Life Insurance Program
 For the Years Ended June 30, 2009 through June 30, 2018

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
2018	\$ 4,249	\$ 4,249	\$ -	\$ 817,162	0.52%
2017	4,245	4,245	-	816,306	0.52%
2016	3,677	3,677	-	765,940	0.48%
2015	3,483	3,483	-	725,562	0.48%
2014	3,495	3,495	-	728,195	0.48%
2013	3,354	3,354	-	698,721	0.48%
2012	1,873	1,873	-	668,898	0.28%
2011	1,842	1,842	-	657,962	0.28%
2010	1,369	1,369	-	506,881	0.27%
2009	1,819	1,819	-	673,598	0.27%

Town of Amherst, Virginia
Notes to Required Supplementary Information
Group Life Insurance Program
For the Year Ended June 30, 2018

Changes of benefit terms - There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation.

Changes of assumptions - The following changes in actuarial assumptions were made effective June 30, 2016 based on the most recent experience study of the System for the four-year period ending June 30, 2016:

General State Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 25%

Teachers

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change

SPORS Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020 and reduced margin for future improvement in accordance with experience
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 85%

ValORS Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020 and reduced margin for future improvement in accordance with experience
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better fit experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 50% to 35%

Town of Amherst, Virginia
Notes to Required Supplementary Information
Group Life Insurance Program
For the Year Ended June 30, 2018 (Continued)

JRS Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Decreased rates at first retirement eligibility
Withdrawal Rates	No change
Disability Rates	Removed disability rates
Salary Scale	No change

Largest Ten Locality Employers - General Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 20%

Non-Largest Ten Locality Employers - General Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 15%

Largest Ten Locality Employers - Hazardous Duty Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Increased disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 70%

Non-Largest Ten Locality Employers - Hazardous Duty Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 60% to 45%

Town of Amherst, Virginia
 Schedule of Changes in Total OPEB Liability and Related Ratios
 For the Year Ended June 30, 2018

	2018
Total OPEB liability	
Service cost	\$ 271,142
Interest	19,925
Changes in assumptions	201,099
Differences between expected and actual experience	209,810
Benefit payments	(161,385)
Net change in total OPEB liability	\$ 540,591
Total OPEB liability - beginning	6,876
Total OPEB liability - ending	\$ 547,467
Covered payroll	N/A
Town's total OPEB liability as a percentage of covered payroll	N/A

Schedule is intended to show information for 10 years. Additional years will be included as they become available.

Town of Amherst, Virginia
 Notes to Required Supplementary Information - Town OPEB
 For the Year Ended June 30, 2018

Valuation Date: 6/30/2017
 Measurement Date: 6/30/2018

No assets are accumulated in a trust that meets the criteria in GASB 75 to pay related benefits.

Methods and assumptions used to determine OPEB liability:

Actuarial Cost Method	Entry age normal level % of salary
Discount Rate	3.66%
Healthcare Trend Rate	The healthcare trend rate assumption ranges between 4.6% and 4.7% for medical, 7.6% and 4.7% for pharmacy, 3.59% and 3.09% for dental, and 3.0% for vision over the course of 10 years.
Salary Increase Rates	The salary increase rate was 2.00% per annum
Retirement Age	The average age of retirement is 55
Mortality Rates	The mortality rates for active and healthy retirees was calculated using the RP2000 Mortality Table for Males and Females Projected 18 years; this assumption does not include a margin for future improvements in longevity.

OTHER SUPPLEMENTARY INFORMATION

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SUPPORTING SCHEDULES

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Town of Amherst, Virginia
Schedule of Revenues - Budget and Actual
Governmental Fund
For the Year Ended June 30, 2018

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund:				
Revenue from local sources:				
General property taxes:				
Penalties	\$ 4,700	\$ 4,700	\$ 5,526	\$ 826
Other local taxes:				
Local sales and use taxes	\$ 100,890	\$ 100,890	\$ 102,280	\$ 1,390
Consumers' utility taxes	26,000	26,000	26,477	477
Consumption tax	18,000	18,000	19,751	1,751
Business license taxes	120,000	120,000	117,165	(2,835)
Motor vehicle licenses	50,000	50,000	41,173	(8,827)
Bank stock taxes	85,000	85,000	92,292	7,292
Hotel and motel room taxes	8,400	8,400	6,767	(1,633)
Restaurant food taxes	336,000	336,000	360,816	24,816
Total other local taxes	<u>\$ 744,290</u>	<u>\$ 744,290</u>	<u>\$ 766,721</u>	<u>\$ 22,431</u>
Permits, privilege fees, and regulatory licenses:				
Communications lease	\$ 8,790	\$ 8,790	\$ 9,404	\$ 614
Fines and forfeitures:				
Court fines and forfeitures	\$ 5,000	\$ 5,000	\$ 22,093	\$ 17,093
Revenue from use of money and property:				
Revenue from use of money	\$ 9,000	\$ 9,000	\$ 39,875	\$ 30,875
Miscellaneous:				
Miscellaneous	\$ 55,477	\$ 55,477	\$ 59,798	\$ 4,321
Total revenue from local sources	<u>\$ 827,257</u>	<u>\$ 827,257</u>	<u>\$ 903,417</u>	<u>\$ 76,160</u>
Intergovernmental:				
Revenue from the Commonwealth:				
Noncategorical aid:				
Mobile home titling tax	\$ -	\$ -	\$ 750	\$ 750
Rolling stock tax	2,800	2,800	2,522	(278)
Communications tax	97,200	97,200	93,517	(3,683)
Personal property tax relief funds	17,456	17,456	17,456	-
Total noncategorical aid	<u>\$ 117,456</u>	<u>\$ 117,456</u>	<u>\$ 114,245</u>	<u>\$ (3,211)</u>

Town of Amherst, Virginia
 Schedule of Revenues - Budget and Actual
 Governmental Fund
 For the Year Ended June 30, 2018

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Intergovernmental: (Continued)				
Revenue from the Commonwealth: (Continued)				
Categorical aid:				
Other categorical aid:				
Safety grant	\$ 2,000	\$ 2,000	\$ -	\$ (2,000)
Law enforcement grant	54,588	54,588	54,588	-
Fire programs	9,000	9,000	10,000	1,000
Arts grant	2,500	2,500	2,500	-
Asset forfeiture funds	500	500	1,171	671
Total other categorical aid	<u>\$ 68,588</u>	<u>\$ 68,588</u>	<u>\$ 68,259</u>	<u>\$ (329)</u>
Total categorical aid	<u>\$ 68,588</u>	<u>\$ 68,588</u>	<u>\$ 68,259</u>	<u>\$ (329)</u>
Total revenue from the Commonwealth	<u>\$ 186,044</u>	<u>\$ 186,044</u>	<u>\$ 182,504</u>	<u>\$ (3,540)</u>
Total General Fund	<u><u>\$ 1,013,301</u></u>	<u><u>\$ 1,013,301</u></u>	<u><u>\$ 1,085,921</u></u>	<u><u>\$ 72,620</u></u>

Town of Amherst, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Fund
For the Year Ended June 30, 2018

Schedule 2

<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund:				
General government administration:				
General and financial administration:				
Town Manager and financial administration	\$ 11,400	\$ 11,400	\$ 11,400	\$ -
General government salaries	325,373	325,373	258,215	67,158
General government benefits and taxes	104,953	104,953	73,695	31,258
Legal services	20,000	20,000	37,470	(17,470)
Insurance	50,000	50,000	60,503	(10,503)
Independent auditor	16,000	16,000	13,800	2,200
Other general and financial administration	801,074	801,074	225,521	575,553
Total general government administration	\$ 1,328,800	\$ 1,328,800	\$ 680,604	\$ 648,196
Public safety:				
Law enforcement and traffic control:				
Public safety salaries	\$ 343,899	\$ 343,899	\$ 305,725	\$ 38,174
Public safety benefits and taxes	94,010	94,010	101,822	(7,812)
Other public safety	184,975	184,975	124,330	60,645
Total public safety	\$ 622,884	\$ 622,884	\$ 531,877	\$ 91,007
Public works:				
Maintenance of highways, streets, bridges and sidewalks:				
Public works salaries	\$ 476,361	\$ 476,361	\$ 408,081	\$ 68,280
Public works benefits and taxes	183,244	183,244	177,635	5,609
Other public works	176,050	176,050	80,866	95,184
Total public works	\$ 835,655	\$ 835,655	\$ 666,582	\$ 169,073
Total General Fund	\$ 2,787,339	\$ 2,787,339	\$ 1,879,063	\$ 908,276

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OTHER STATISTICAL INFORMATION

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Table 1

Town of Amherst, Virginia
Government-wide Expenses by Function
Last Ten Fiscal Years

Fiscal Year	General Government Administration	Public Safety	Public Works	Enterprise Funds	Total
2017-18	\$ 893,550	\$ 702,226	\$ 920,562	\$ 1,411,655	\$ 3,927,993

Note: This table is designed to show ten years of data. However, information prior to 2017-18 is unavailable.

Table 2

Town of Amherst, Virginia
 Government-wide Revenues
 Last Ten Fiscal Years

Fiscal Year	PROGRAM REVENUES			GENERAL REVENUES					Total
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Other Local Taxes	Unrestricted Revenues from Use of Money and Property	Miscellaneous	Grants and Contributions Not Restricted to Specific Programs		
2017-18	\$ 2,643,706	\$ 68,259	\$ 142,500	\$ 766,721	\$ 39,875	\$ 59,798	\$ 114,245	\$ 3,835,104	

Note: This table is designed to show ten years of data. However, information prior to 2017-18 is unavailable.

Table 3

Town of Amherst, Virginia
 General Governmental Expenditures by Function
 Last Ten Fiscal Years

Fiscal Year	General Government Administration	Public Safety	Public Works	Total
2017-18	\$ 680,604	\$ 531,877	\$ 666,582	\$ 1,879,063

Note: This table is designed to show ten years of data. However, information prior to 2018 is unavailable.

Town of Amherst, Virginia
General Governmental Revenues by Source
Last Ten Fiscal Years

Fiscal Year	General Property Taxes	Other Local Taxes	Permits, Privilege Fees, Regulatory Licenses	Fines and Forfeitures	Revenue from the Use of Money and Property	Miscellaneous	Inter-governmental	Total
2017-18	\$ 5,526	\$ 766,721	\$ 9,404	\$ 22,093	\$ 39,875	\$ 59,798	\$ 182,504	\$ 1,085,921

Note: This table is designed to show ten years of data. However, information prior to 2018 is unavailable.

Table 5

Town of Amherst, Virginia
Assessed Value of Taxable Property
Last Ten Fiscal Years

Fiscal Year	Real Estate (1)	Personal Property	Public Service (2)	Total
2018	\$ 177,761,100	\$ 15,236,340	\$ 8,691,251	\$ 201,688,691
2017	177,422,200	15,423,985	7,934,880	200,781,065
2016	174,966,200	14,756,704	7,995,189	197,718,093
2015	175,294,600	14,518,455	7,610,219	197,423,274
2014	177,762,200	14,311,685	7,715,526	199,789,411
2013	178,088,400	14,492,793	7,095,686	199,676,879
2012	177,532,100	14,056,760	6,787,165	198,376,025
2011	177,532,100	12,747,503	6,438,670	196,718,273
2010	177,161,700	12,828,564	6,815,354	196,805,618
2009	118,101,000	12,404,595	4,180,032	134,685,627

(1) Real estate is assessed at 100% of fair market value.

(2) Assessed values are established by the State Corporation Commission.

Table 6

Town of Amherst, Virginia
 Ratio of Net General Bonded Debt to
 Assessed Value and Net Bonded Debt Per Capita
 Last Ten Fiscal Years

Fiscal Year	Population (1)	Assessed Value (2)	Gross Bonded Debt (3)	Less:		Net Bonded Debt	Ratio of Net Bonded Debt to Assessed Value	Net Bonded Debt per Capita
				Payable from Enterprise Revenue				
2017-18	2,231	\$ 201,688,691	\$ 3,933,409	\$ 3,933,409	\$ -	0.00%	\$ -	

Note: This table is designed to show ten years of data. However, information prior to 2018 is unavailable.

(1) Weldon Cooper Center for Public Service, 2000 and 2010 Census counts.

(2) From Table 5

(3) Includes all long-term general obligation bonded debt of the Governmental Activities and Business-type Activities. Excludes revenue bonds, capital leases, and compensated absences.

Table 7

Town of Amherst, Virginia
 Computation of Legal Debt Margin
 June 30, 2018

Assessed value of real property, January 1, 2017 (1)	\$ 177,761,100
Debt limit: 10% of assessed value	\$ 17,776,110
Amount of debt applicable to debt limit:	
Gross debt (2)	\$ 6,709,242
Less: Revenue bonds	-
Net general obligation bonds and loans	\$ 6,709,242
Legal debt limit	\$ 11,066,868

(1) Assessed value of real property, including public service corporations as of January 1, 2017.

(2) Includes bonded debt and long-term notes payable.

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COMPLIANCE

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ROBINSON, FARMER, COX ASSOCIATES

A PROFESSIONAL LIMITED LIABILITY COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditors' 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 the Town Council
Town of Amherst
Amherst, Virginia

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, the business-type activities, and each major fund of Town of Amherst Virginia, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise Town of Amherst, Virginia's basic financial statements and have issued our report thereon dated February 12, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Town of Amherst, Virginia's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Town of Amherst, Virginia's internal control. Accordingly, we do not express an opinion on the effectiveness of Town of Amherst, Virginia's internal control.

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 a 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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Town of Amherst, Virginia's financial statements are free from 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*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Richmond, Virginia
February 12, 2019