



**Town of
Amherst, Virginia**

**Comprehensive Annual
Financial Report**

For the year ended June 30, 2014

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

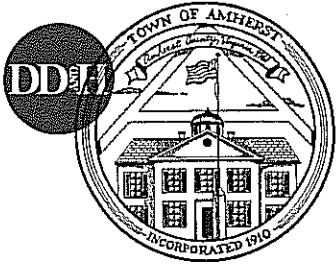




Town of Amherst, Virginia
Table of Contents
Comprehensive Annual Financial Report

Management Discussion & Analysis	1-8
Independent Auditor's Report	9-10
Basic Financial Statements	
Government-wide Financial Statements	
Statement of Net Position	11
Statement of Activities	12
Fund Financial Statements	
Balance Sheet – Governmental Funds	13
Statement of Revenue, Expenditures & Changes in Fund Balance – Governmental Funds	14-16
Statement of Net Position - Proprietary Funds	17
Statement of Revenues, Expenses & Changes in Fund Net Assets – Proprietary Funds	18
Statement of Cash Flows-Proprietary Funds	19
Notes to Financial Statements	20-41
Required Supplemental Information	
Budget vs. Actual Statements – Governmental Funds	42-44
Statement of Treasurer's Accountability	45
Statistics	46
Compliance	
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters	47-48
Summary of Compliance Matters	49





TOWN OF AMHERST

P.O. Box 280 186 S. Main Street Amherst, VA 24521
Phone (434)946-7885 Fax (434)946-2097

November 4, 2014

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

Re: FY14 Audit - Management's Discussion and Analysis

Gentlemen:

Governmental Accounting Standards Board Statement No. 34, as amended by GASB 37, requires governments to prepare a general summary of operating results and changes in financial condition through management discussion and analysis similar to those prepared by publicly traded companies as supplementary information to a Comprehensive Annual Financial Report (CAFR). Goals of this MD&A letter are to:

- introduce the Town's basic financial statements
- provide an analytical overview of the Town's financial activities for the audited year based on currently known facts and management's knowledge of the transactions, events, and conditions reflected in the financial report and the fiscal policies that control the Town's operations; and
- advise whether the Town is better or worse off than it was in the prior year.

Accordingly, this narrative overview and analysis of the financial activities of the Town of Amherst is offered for the fiscal year that ended on June 30, 2014. I encourage the Town's residents and business operators and any other interested individual to read the information presented here in conjunction with additional information furnished in the Town of Amherst's audited financial statements that follow this narrative.

Community Profile

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

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

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





Service Programs

FY14 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 FY14. 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 will help steer the community through the growth that is expected to occur as a result of the October 2005 opening of the Madison Heights Bypass, an interstate-quality/limited access highway that connects Amherst and the City of Lynchburg. However, the national economic situation has had the effect of delaying this anticipated growth.
- *Community Center* – The Town Hall serves as the community's information center as well as a clearinghouse for an array of programs not directly managed by the federal, state, or county governments or local organizations if for no other reason than there is simply no other entity that provides such services.

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

Strengths

A major reason for Amherst's ongoing success is the people involved in its operation. Qualified individuals are selected and appointed to the Town's service through a variety of processes. These include the election of public service-oriented Town Councilors, appointment of qualified and interested citizens to boards and committees, hiring of able employees, careful selection of consultants, working with experienced contractors, and cultivation of relationships with 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.

Relative to the total of the Town's annual operating expenses, Amherst had an adequate overall cash reserve on hand as of June 30, 2014. During the year the Town paid out cash accumulated during





earlier years for the new Town Hall, a new water main from Amherst County High School to Ambriar Shopping Center, and renovations at the water plant. Although these outlays will continue into FY15, and although the Town will still meet standards set by its minimum cash balance earmarking policy, this was a significant decision from a financial standpoint.

Problem Areas

The Town's General Fund revenue sources remain relatively static. Water and Sewer Fund revenues have stabilized from their decline over the past several years due primarily to rate increases. Utility rate increases to fund infrastructure replacement and keep pace with inflation have been approved for the next two fiscal years following a consultant's study to determine rates required to adequately fund the Town's construction program.

Opportunities

Along with the problems and issues facing Amherst comes opportunities.

The community is working to influence growth so that the good things growth and development bring can be enjoyed while the bad things are limited or contained. Amherst enjoys a relatively stable local economy and solid utility infrastructure. The Town has an excellent water source and a relatively new sewer plant that is one of the best in the region. Amherst has adequate cash reserves and real estate valued at over \$2,500,000 "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. An approved land sale contract should result in the third employer to be located in the development during FY15.
- *Wastewater Collection System* – The sewer collection system, with many manholes and miles of sewer "mains", is becoming old and deteriorated. This leads to failure in the form of line collapse or blockage. The Town will be spending significant levels of effort and funds to find, prioritize and remediate these problems in the coming years. A major grant/loan financing package that will fund rehabilitation of a large portion of the sanitary sewer pipe and manhole network has been approved.
- *Growth Management* – The Town continues its work in planning the growth of the community. This involves not only working through updates and improvements to the Comprehensive Plan and Zoning and Subdivision Ordinance but with capital investments to guide development. A major concern is the direct impact that the Madison Heights Bypass will eventually have on the three Amherst interchanges. Discussion on ways to revitalize the Town's central business district which may result in altered zoning regulations, general marketing or other promotion,





physical improvements to private and public structures and lands, and/or promotion of downtown events is ongoing.

- *S. Main Street Development Area*— The Town’s comprehensive plan indicates the redevelopment and development of the S. Main Street area, from the library to Ambriar Shopping Center, as a local business zone. The Town has recently rezoned much of the area and 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. An example of the changes underway there are the large new clinic that Centra Health plans to build behind Ambriar Shopping Center.

Financial Statements and Their Relationship to One Another

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

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

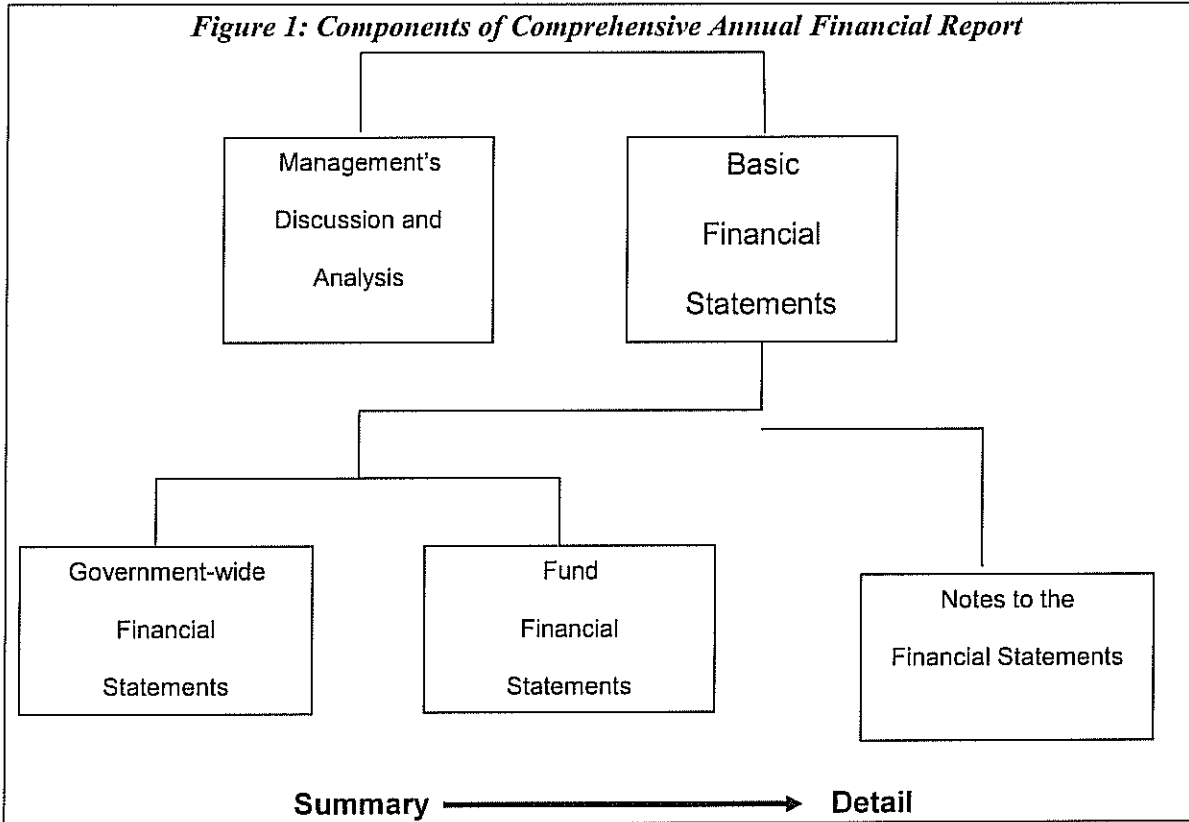
- *Balance Sheets* – The balance sheet for each fund or group of funds shows assets (things that the Town has in its possession), liabilities (what the Town owes other parties) and net worth (also called “fund equity” or “retained earnings”). This statement is a snapshot of the Town’s fiscal position taken as of the close of business on June 30, 2014.
- *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, 2013 to June 30, 2014.
- *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.

A feature of the CAFR that can be quite confusing is the basis. Balance sheets and income statements for all funds are presented based on full accrual accounting. However, the statements for the General





Fund are also shown on a “modified accrual” (cash basis with some adjustments) basis.



Fiscal Highlights

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

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 \$8,780,970.
- The Town’s General Fund total fund balance decreased by \$439,656, due primarily to the cash-funded purchase and improvement of the new Town Hall and transfer to the Water Fund for the ACHS-Briar Patch Fire Line.





- The Water Fund net position increased by \$1,167,393, due primarily due to the transfer from the General Fund and 60 West Water Line grant funds. The “net” figure includes depreciation charges of \$238,959.
- The Sewer Fund net position decreased by \$70,123. The “net” figure includes depreciation charges of \$248,851.
- The amount of cash on hand decreased from \$2,935,993 on June 30, 2013 to \$1,993,727 on June 30, 2014 for a net decrease of \$942,266. This was generally due to the outlays associated with major cash-funded capital projects.

Figure 2: The Town's Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
Current and other assets	\$ 759,327	\$ 1,670,825	\$ 1,660,278	\$ 1,660,293	\$ 2,419,605	\$ 3,331,118
Long-term assets	\$ 1,888,639	\$ 1,377,689	\$ 9,863,072	\$ 8,640,748	\$ 11,751,711	\$ 10,018,437
Total assets	\$ 2,647,966	\$ 3,048,514	\$ 11,523,350	\$ 10,301,041	\$ 14,171,316	\$ 13,349,555
Current liabilities	\$ 75,929	\$ 42,349	\$ 390,750	\$ 338,814	\$ 466,679	\$ 381,163
Long-term liabilities	\$ 23,856	\$ 18,328	\$ 4,899,811	\$ 4,826,708	\$ 4,923,667	\$ 4,845,036
Total Liabilities	\$ 99,785	\$ 60,677	\$ 5,290,561	\$ 5,165,522	\$ 5,390,346	\$ 5,226,199
Net capital assets	\$ 1,888,639	\$ 1,377,689	\$ 4,754,393	\$ 3,623,102	\$ 6,643,032	\$ 5,000,791
Unrestricted net assets	\$ 659,542	\$ 1,610,148	\$ 1,478,396	\$ 1,512,417	\$ 2,137,938	\$ 3,122,565
Total net assets	\$ 2,548,181	\$ 2,987,837	\$ 6,232,789	\$ 5,135,519	\$ 8,780,970	\$ 8,123,356

Capital Asset and Debt Administration

A summary of utility construction capitalized in FY 14 is below. There were no major asset deletions due to demolitions, write-downs or other reasons. Work on the Maple/Whitehead and 60 West water line projects was finished in FY 14, and the Town was actively working on the new Town Hall (General Fund), ACHS-Briar Patch fire line and Water Plant chemical feed projects as of the end of FY 14.

	<u>Water Fund</u>	<u>Sewer Fund</u>
Maple/Whitehead Water Line Replacement	\$ 20,349	
60 West Water Line Replacement	\$ 401,052	
Water Plant Chemical Feed System	\$ 313,773	
ACHS-Briar Patch Fire Line	\$ 856,557	
Ambriar Water Line Relocation	\$ 50,993	
Ambriar/Briarherst Sewer Line Replacement		\$ 68,629
	<u>\$ 1,642,724</u>	<u>\$ 68,629</u>

The Town’s legal debt limit is \$17,776,220. Subtracting current long-term debt (i.e. all but payments due during FY 14) totaling \$4,899,811, the Town has an unused loan capacity of \$12,876,409. All of the Town’s debts are guaranteed by “General Obligation”. The Town entered into a major loan/grant agreement for the 60 West project financing in FY 13 and drew down/completed much of that project in FY14.





Figure 3: Outstanding Indebtedness

Purpose of Loan	Bond Date	Original Amount	Balance 6/30/14	Annualized Payment	Interest Rate	Estimated Payoff Date
WTP/UH Water Tank	10/29/2010	\$ 2,188,523	\$ 1,761,446	\$ 185,206	3.280%	Oct-25
Sewer Plant	9/12/2005	\$ 3,121,000	\$ 2,793,277	\$ 159,552	4.125%	Aug-45
Rt. 60W Water Line	11/1/2012	\$ 539,152	\$ 532,778	\$ 29,044	3.000%	Jul-41
			<u>\$ 5,087,501</u>	<u>\$ 373,802</u>		

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, 2014, the remaining value in the "Brockman Park Recoupment Fund" was \$2,345,084. To encourage economic development at Brockman Park, in FY13 the Town entered into an agreement with an industrial building design-build-finance company that will market and promote sites in the development.

Change in Financial Condition

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

Figure 4: Comparison of General Fund Budget to Actual

	Budget	Actual	
Revenue			
Per Statement	\$ 1,807,705	\$ 1,946,581	108%
Expense			
Administration	\$ 829,187	\$ 1,154,717	139%
Police	\$ 390,116	\$ 374,050	96%
Utilities	\$ 588,402	\$ 524,672	89%
Per Statement	\$ 1,807,705	\$ 2,053,439	114%
Net Income (Loss)		\$ (106,858)	

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:

Local sales & use taxes	\$ 6,042
Bank stock taxes	\$ 11,735
Business license taxes	\$ 17,205
Fines revenue	\$ 38,635
Meals & Beverage taxes	\$ 4,860
Capitalized labor (expense)	\$ 58,250
Contingency reserve (expense)	<u>\$159,585</u>
Total Positive Variance	\$296,312





Explaining the performance of the Water and Sewer Funds is a little more complicated due to depreciation charges and construction funding. Furthermore, those figures are eclipsed by the aging infrastructure issue.

The Water Fund shows an operating income of \$387,537.

<u>Included</u>	<u>Not Included</u>
\$238,959 Depreciation	\$208,270 Loan payments
\$267,171 60 West grant monies	\$856,557 Transfer in for ACHS-Briar Patch project

The Sewer Fund shows an operating income of \$46,080.

<u>Included</u>	<u>Not Included</u>
\$248,851 Depreciation	\$159,552 Loan payments

Infrastructure Assets

From an accrual, auditor-prepared financial statement basis, I believe the FY14 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 treatment plant, pump station or tank infrastructure during FY14. 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 FY14. This is clearly not a favorable situation and the bill will eventually become due.

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 is weathering the recession better than most would expect and is better off as of June 30, 2014 than it was on June 30, 2013. Furthermore, the general state of the Town of Amherst's finances is good if compared to many other local governments, and this situation will be resolved with the recovery of the economy and higher water and sewer usage. The prospects for our community continue to be excellent.

Requests for Information

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

Sincerely,

Jack Hobbs
 Town Manager





Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the business-type activities of the Town of Amherst as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Town of Amherst'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.

Auditor's 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and Specifications for Audit of Counties, Cities and Towns, issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's 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 and the business-type activities of the Town of Amherst as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.





Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 1 through 8 and 42 through 44 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.


Other Information

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

The introductory section and statistical section have 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 them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 29, 2014, on our consideration of the Town of Amherst's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Amherst's internal control over financial reporting and compliance.


Lynchburg, Virginia
September 29, 2014





Town of Amherst, Virginia
Statement of Net Position
Full Accrual Basis
June 30, 2014

	<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
Assets			
Cash and Cash Equivalents	\$ 77,230	\$ 1,376,921	\$ 1,454,151
Investments	616,732	-	616,732
Net Taxes Receivable	31,158	-	31,158
Net Other Accounts Receivable	17,539	-	17,539
Net Enterprise Accounts Receivable	-	173,455	173,455
Prepaid Expenses	13,468	-	13,468
Inventory	-	109,902	109,902
Other Current Assets	3,200	-	3,200
<i>Total Current Assets</i>	<u>759,327</u>	<u>1,660,278</u>	<u>2,419,605</u>
Net Fixed Assets	1,888,639	9,841,894	11,730,533
Net Loan Costs	-	21,178	21,178
<i>Total Long-Term Assets</i>	<u>1,888,639</u>	<u>9,863,072</u>	<u>11,751,711</u>
Total Assets	<u>\$ 2,647,966</u>	<u>\$ 11,523,350</u>	<u>\$ 14,171,316</u>
Liabilities			
Accounts Payable	\$ 35,654	\$ 200,197	\$ 235,851
Accrued Liabilities	13,642	2,863	16,505
Uncompensated absences	26,633	-	26,633
Current Portion of Notes Payable	-	187,690	187,690
<i>Total Current Liabilities</i>	<u>75,929</u>	<u>390,750</u>	<u>466,679</u>
OPEB liability	23,856	-	23,856
Long-Term Portion of Notes Payable	-	4,899,811	4,899,811
<i>Total Long-Term Liabilities</i>	<u>23,856</u>	<u>4,899,811</u>	<u>4,923,667</u>
Total Liabilities	<u>99,785</u>	<u>5,290,561</u>	<u>5,390,346</u>
Net Position			
Invested in Capital Assets, net of related debt	1,888,639	4,754,393	6,643,032
Unrestricted	659,542	1,478,396	2,137,938
Total Net Position	<u>\$ 2,548,181</u>	<u>\$ 6,232,789</u>	<u>\$ 8,780,970</u>

See accompanying notes to the financial statements





Town of Amherst, Virginia
Statement of Activities
Full Accrual Basis
For the year ending June 30, 2014

Net (Expense) Revenue
and Changes in Net Position

	Program Revenues			Primary Government		
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business Type Activities	Total
Program Expenses						
Expenses						
\$ 648,807	\$ 909,297	\$ -	\$ -	\$ 260,490	-	\$ 260,490
373,315	-	63,989	-	(309,326)	-	(309,326)
520,908	-	-	-	(520,908)	-	(520,908)
Total Government Activities	\$ 909,297	\$ 63,989	\$ -	\$ (569,744)	\$ -	\$ (569,744)
1,832,209	2,072,922	-	-	-	240,713	240,713
Water & Sewer	\$ 2,982,219	\$ 63,989	\$ -	\$ (569,744)	\$ 240,713	\$ (329,031)
Total Primary Government						
122,683						122,683
750,856						750,856
28,228						28,228
8,057						8,057
59,905						59,905
16,916						16,916
(856,557)					856,557	-
Total General Revenues and Transfers				130,088	856,557	986,645
\$ (439,656)					1,097,270	\$ 657,614
2,987,837					5,135,519	8,123,356
Net position-beginning						
Net position-ending						
\$ 2,548,181					6,232,789	\$ 8,780,970

General revenues:

General property taxes	122,683
Other local taxes	750,856
Unrestricted revenues from use of money and property	28,228
Permits and Privilege Fees	8,057
Fines and Forfeitures	59,905
Intergovernmental revenues	16,916
Transfers	(856,557)
Total General Revenues and Transfers	130,088

Change in net position
Net position-beginning
Net position-ending

See accompanying notes to the financial statements



Town of Amherst, Virginia
Balance Sheet
Governmental Funds
Modified Accrual Basis
June 30, 2014

	<u>Governmental Activities</u>
<u>Assets</u>	
Cash and Cash Equivalents	\$ 73
Investments	616,732
Net Taxes Receivable	31,158
Net Other Accounts Receivable	17,539
Prepaid Expenses	13,468
<i>Total Current Assets</i>	<u>678,970</u>
<i>Total Assets</i>	<u>\$ 678,970</u>
<u>Liabilities</u>	
Accounts Payable	35,654
Accrued Liabilities	10,442
Deferred Revenue	31,158
<i>Total Current Liabilities</i>	<u>77,254</u>
<i>Total Liabilities</i>	<u>77,254</u>
<u>Fund Balance</u>	
Fund Balance - Nonspendable	13,468
Fund Balance - Unassigned	588,248
<i>Total Fund Balance</i>	<u>601,716</u>
<i>Total Liabilities and Fund Balance</i>	<u>\$ 678,970</u>

See accompanying notes to the financial statements





Town of Amherst, Virginia
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
Modified Accrual Basis
For the Year Ended June 30, 2014

Revenues

General Property Taxes

Real Property Taxes	\$ 64,070
Personal Property Taxes	34,029
Personal Property Tax Relief	17,456
Penalties	7,764
<i>Total General Property Taxes</i>	<u>123,319</u>

Other Local Taxes

Meals	279,860
Lodging	5,701
Consumer Utility Taxes	146,501
Local Sales and Use Taxes	91,042
Business License Taxes	117,205
Motor Vehicle Licenses	43,812
Bank Stock Taxes	66,735
<i>Total Other Local Taxes</i>	<u>750,856</u>

Permits and Privilege Fees

Communications Lease	8,057
<i>Total Permits and Privilege Fees</i>	<u>8,057</u>

Fines and Forfeitures

Fines	59,635
Seized Property	270
<i>Total Fines and Forfeitures</i>	<u>59,905</u>

Revenue from Use of Money and Property

Interest Earned	14,242
<i>Total Revenue from Use of Money and Property</i>	<u>14,242</u>

Miscellaneous Revenue

Trash Curbside	90,359
Miscellaneous	80,232
Administrative Fees from Enterprise Funds	737,057
Police Security Revenue	1,649
<i>Total Miscellaneous Revenues</i>	<u>909,297</u>

Intergovernmental Revenues

Non-Categorical Aid From the Commonwealth

Economic Development Recoupment Fee	14,013
Rolling Stock	2,903

Categorical Aid From the Commonwealth

Virginia State Police Grant	52,884
Fire Grant	9,800
VML Safety Program Grant	1,305
Miscellaneous Grants	-
<i>Total Intergovernmental Revenues</i>	<u>80,905</u>

Total Revenues **\$ 1,946,581**

See accompanying notes to the financial statements





Town of Amherst, Virginia
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
Modified Accrual Basis
For the Year Ended June 30, 2014

Expenditures

General Government Administration

Legislative

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

Non-Legislative General Government

General Government Salaries	176,226
Employment Expenses	56,711
Employee Assistance Program	825
Town Attorney	2,620
Office Supplies	17,809
Office Equipment	12,969
Miscellaneous	6,488
Contingency Reserve	6,308
Capital Expenditures	583,431
Property & Landscape Maintenance	13,974
Electric - Streetlights	26,957
Heat and Electricity	6,245
Telephone	13,298
Grants	26,750
Utility Service Allowance	2,329
Building Maintenance	368
Decorations	4,572
Insurance	52,645
Marketing	25,097
Publications and Membership	3,120
Planning & Development	3,795
Trash Contract Collection	80,843
Travel and Training	2,537
Audit & Accounting Services	11,700
Engineering Services	6,000
Fire Department	9,800
<i>Total Non-Legislative General Government</i>	<u>1,153,417</u>

Total General Government Administration \$ 1,154,717

Public Safety Expenditures

Law Enforcement and Traffic Control

Public Safety Salaries	\$ 239,088
Employment Expenses	82,665
Equipment and Uniforms	11,575
Travel and Training	2,917
Vehicles - Fuel	15,086
Vehicles - Maintenance	12,659
Miscellaneous	1,049
Rent	3,943
Supplies	2,944
Attorney fees	2,124
<i>Total Public Safety Expenditures</i>	<u>\$ 374,050</u>

See accompanying notes to the financial statements





Town of Amherst, Virginia
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
Modified Accrual Basis
For the Year Ended June 30, 2014

Expenditures (continued)

Public Works Expenditures

Utilities

Salaries	\$ 373,542
Employment Expenses	142,159
Benefits-Contra Capital Projects	(58,250)
Heat and Electricity	4,788
Vehicles - Repair	14,545
Uniforms	2,397
Building Maintenance	1,020
Equipment Maintenance	17,951
Training and Education	4,328
Miscellaneous	3,315
Vehicles - Fuel	18,877
<i>Total Public Works Expenditures</i>	<u>524,672</u>

Total Expenditures 2,053,439

Excess of expenditures over revenues (106,858)

Other financing sources (uses)

Transfers out (856,557)

Total other financing sources (uses) (856,557)

Change in Fund Balance \$ (963,415)

Fund Balance-Beginning 1,565,131

Fund Balance-Ending \$ 601,716

See accompanying notes to the financial statements





Town of Amherst, Virginia
Statement of Net Position
Proprietary Funds
Full Accrual Basis
June 30, 2014

	Enterprise Funds		
	Water Fund	Sewer Fund	Memorandum Total
Assets			
Cash and Cash Equivalents	\$ 802,138	\$ 574,783	\$ 1,376,921
Net Enterprise Accounts Receivable	92,793	80,662	173,455
Inventory	89,458	20,444	109,902
<i>Total Current Assets</i>	<u>984,389</u>	<u>675,889</u>	<u>1,660,278</u>
Net Fixed Assets	5,868,546	3,973,348	9,841,894
Net Loan Costs	21,178	-	21,178
<i>Total Long Term Assets</i>	<u>5,889,724</u>	<u>3,973,348</u>	<u>9,863,072</u>
Total Assets	<u><u>\$ 6,874,113</u></u>	<u><u>\$ 4,649,237</u></u>	<u><u>\$ 11,523,350</u></u>
Liabilities			
Accounts Payable	\$ 186,062	\$ 14,135	\$ 200,197
Accrued Liabilities	2,863	-	2,863
Current Portion of Notes Payable	142,514	45,176	187,690
<i>Total Current Liabilities</i>	<u>331,439</u>	<u>59,311</u>	<u>390,750</u>
Notes Payable	2,151,710	2,748,101	4,899,811
<i>Total Long Term Liabilities</i>	<u>2,151,710</u>	<u>2,748,101</u>	<u>4,899,811</u>
Total Liabilities	<u><u>2,483,149</u></u>	<u><u>2,807,412</u></u>	<u><u>5,290,561</u></u>
Net Position			
Invested in Capital Assets, net of related debt	3,574,322	1,180,071	4,754,393
Unrestricted	816,642	661,754	1,478,396
Total Net Position	<u><u>\$ 4,390,964</u></u>	<u><u>\$ 1,841,825</u></u>	<u><u>\$ 6,232,789</u></u>

See accompanying notes to the financial statements





Town of Amherst, Virginia
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
Full Accrual Basis
For the Year Ending June 30, 2014

	Enterprise Funds		
	Water Fund	Sewer Fund	Total
Operating Revenues			
Monthly Billing	\$ 742,221	\$ 772,428	\$ 1,514,649
Sprinkler Revenue	4,968	-	4,968
Penalties	9,636	6,867	16,503
Water Service Revenue	106,380	-	106,380
Debt Service Revenue	100,370	-	100,370
Principal Forgiveness Revenue	267,171	-	267,171
Miscellaneous Revenue	7,755	-	7,755
Availability Fees	5,100	5,000	10,100
Maintenance and Construction Revenue	1,234	2,261	3,495
Nutrient Credit Revenue	-	1,821	1,821
Rutledge Creek Operations	-	39,710	39,710
Total Operating Revenues	\$ 1,244,835	\$ 828,087	\$ 2,072,922
Operating Expenses			
Administrative Fees	\$ 372,264	\$ 364,793	\$ 737,057
Line Materials	29,484	11,002	40,486
Pump Stations Operations	3,071	8,167	11,238
Electricity	40,087	47,320	87,407
Water & Sewer Service	77,577	3,080	80,657
Maintenance	27,453	40,016	67,469
Chemicals	28,496	6,825	35,321
Water Sampling	4,585	-	4,585
Laboratory	6,502	17,380	23,882
Miscellaneous	-	15,826	15,826
Watershed Management	24,600	-	24,600
Nutrient Report Expense	-	7,564	7,564
Water & Sewer Study & Maps	3,000	11,183	14,183
Depreciation Expense	238,959	248,851	487,810
Amortization Expense	1,220	-	1,220
Total Operating Expenses	\$ 857,298	\$ 782,007	\$ 1,639,305
Operating income (expense)	\$ 387,537	\$ 46,080	\$ 433,617
Non-operating revenues (expenses)			
Interest Expense	(76,701)	(116,203)	(192,904)
Total non-operating Revenues/Expenses	(76,701)	(116,203)	(192,904)
Income (loss) before contributions and transfers	310,836	(70,123)	240,713
Transfers in	856,557	-	856,557
Change in Net Position	1,167,393	(70,123)	1,097,270
Net Position-Beginning	3,223,571	1,911,948	5,135,519
Net Position-Ending	\$ 4,390,964	\$ 1,841,825	\$ 6,232,789

See accompanying notes to the financial statements





Town of Amherst, Virginia
Statement of Cash Flows
Proprietary Funds
Full Accrual Basis
For the Year Ended June 30, 2014

	Enterprise Funds		
	Water Fund	Sewer Fund	Memorandum Total Only
Cash flows from operating activities			
Receipts from customers	\$ 1,238,283	\$ 825,806	\$ 2,064,089
Payments to suppliers	(185,548)	(198,102)	(384,650)
Internal activity - payments to other funds	(372,263)	(364,794)	(737,057)
Net cash provided by (used in) operating activities	<u>679,472</u>	<u>262,910</u>	<u>942,382</u>
Noncapital financing activities			
Transfers in	856,557	-	856,557
Net cash provided by noncapital financing activities	<u>856,557</u>	<u>-</u>	<u>856,557</u>
Cash flows from Capital and Related Financing Activities			
Purchases of capital assets	(1,642,724)	(68,629)	(1,711,353)
Proceeds from capital debt	267,171	-	267,171
Principal paid on capital debt	(131,569)	(43,350)	(174,919)
Interest paid on capital debt	(76,701)	(116,203)	(192,904)
Net cash used in capital and related financing activities	<u>(1,583,823)</u>	<u>(228,182)</u>	<u>(1,812,005)</u>
Net Increase (Decrease) in Cash & Cash Equivalents	(47,794)	34,728	(13,066)
Cash & Cash Equivalents, beginning of year	<u>849,932</u>	<u>540,055</u>	<u>1,389,987</u>
Cash & Cash Equivalents, end of year	<u>\$ 802,138</u>	<u>\$ 574,783</u>	<u>\$ 1,376,921</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:			
Operating income (loss)	\$ 387,537	\$ 46,080	\$ 433,617
Adjustments to reconcile change in unrestricted net assets			
Depreciation and Amortization	240,179	248,851	489,030
Decrease/(Increase) in accounts receivable	(5,722)	(2,281)	(8,003)
Decrease/(Increase) in inventory	7,687	(12,736)	(5,049)
(Decrease)/Increase in accounts payable	50,620	(17,004)	33,616
(Decrease)/Increase in accrued liabilities	(829)	-	(829)
Net cash provided by operating activities	<u>\$ 679,472</u>	<u>\$ 262,910</u>	<u>\$ 942,382</u>

See accompanying notes to the financial statements





**Town of Amherst, Virginia
Notes to the Financial Statements
For the Year Ended June 30, 2014**

Note 1: Summary of Significant Accounting Policies

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

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

Financial Statement Presentation

In June 1999, GASB issued Statement No. 34, Basic Financial Statements – and Management’s Discussion and Analysis- for State and Local Governments. This statement, known as the “Reporting Model” affects the way the Town prepares and presents financial information. GASB Statement No. 34 established new requirements and a new reporting model for the annual financial reports of state and local governments. The model was developed to make annual reports easier to understand and more useful to the people who use governmental financial information to make decisions.

In June 2011, GASB issued Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position. This statement is effective for years beginning after December 15, 2011, amends the net asset reporting requirements in GASB Statement No. 34, and changes the structure of the government balance sheet.

In March 2012, GASB issued Statement No. 65, Items Previously Reported as Assets and Liabilities. This statement is effective for years beginning after December 15, 2012 and amends the financial statement classification of certain items to now be included in deferred inflows and outflows categories that changed the balance sheet structure in GASB Statement No. 63.

Management’s Discussion and Analysis

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

Government-wide and Fund Financial Statements

Government-wide Financial Statements - 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. These statements include the financial activities of the overall government. For the most part, effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.





**Town of Amherst, Virginia
Notes to the Financial Statements
For the Year Ended June 30, 2014**

Note 1: Summary of Significant Accounting Policies (continued)

Government-wide and Fund Financial Statements (continued)

The statement of net position is designed to display financial position of the primary government (government and business-type activities). Governments will report all capital assets, in the government-wide Statement of Net Position and will report depreciation expense-the cost of per period use of capital assets-in the Statement of Activities. The new structure under GASB No. 63 requires that deferred outflows of resources to be reported in a separate section following assets and deferred inflows of resources to be reported in a separate section following liabilities. A deferred outflow is a consumption of net assets by the government that is applicable to a future period. A deferred inflow is an acquisition of net assets by the government that is applicable to a future reporting period. Under the GASB No. 63 format, assets plus deferred outflows of resources less liabilities and deferred inflows of resources equal net position. The net position of a government will be broken into three categories-1) invested in capital assets, net of related debt; 2) restricted; and 3) unrestricted.

The government-wide statement of activities reports expenses and revenues in a format that focuses on the cost of each of the government's functions. The expense of individual functions is compared to the revenues generated directly by the function. The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

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

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

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





**Town of Amherst, Virginia
Notes to the Financial Statements
For the Year Ended June 30, 2014**

Note 1: Summary of Significant Accounting Policies (continued)

Government-wide and Fund Financial Statements (continued)

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

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

Separate financial statements are provided for governmental funds, proprietary funds. Major individual government funds and major individual enterprise funds are reported as separate columns in the fund financial statements. For governmental funds and proprietary funds, GASB No. 63 requires that deferred outflows of resources to be reported in a separate section following assets and deferred inflows of resources to be reported in a separate section following liabilities. Under the GASB No. 63 format for governmental funds, assets plus deferred outflows of resources equal liabilities plus deferred inflows of resources plus fund balance. Under the GASB No. 63 format for proprietary funds, assets plus deferred outflows of resources less liabilities and deferred inflows of resources equal net position.

Budgetary comparison schedules – Demonstrating compliance with the adopted budget is an important component of a government's accountability to the public. Many citizens participate in one way or another in the process of establishing the annual operating budgets of state and local governments, and have a keen interest in following the actual financial progress of their governments over the course of the year.

Financial Reporting Entity

The basic criterion for determining whether a governmental department, agency, institution, commission, public authority, or other governmental organization should be included in a primary governmental unit's reporting entity for basic financial statements is financial accountability.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The accompanying financial statements are prepared in accordance with pronouncements issued by the Governmental Accounting Standards Board. The principles prescribed by GASB represent generally accepted accounting principles applicable to governmental units.





**Town of Amherst, Virginia
Notes to the Financial Statements
For the Year Ended June 30, 2014**

Note 1: Summary of Significant Accounting Policies (continued)

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

The Town applies all GASB pronouncements as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989 unless these pronouncements conflict with or contradict GASB pronouncements.

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

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

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

Cash and Cash Equivalents

State statutes authorize the Town government to invest in obligations of the U.S. Treasury, commercial paper, corporate bonds, repurchase agreements, and the Local Government Investment Pool. The Town considers all highly liquid investments with a maturity of twelve months or less when purchased to be cash equivalents.

Investments

Investments for the government, as well as for its component units, are reported at fair value. Investments are stated at fair value which approximates market; no investments are valued at cost. Certificates of deposit with maturities less than one year and short-term repurchase agreements are reported in the accompanying financial statements as cash and cash equivalents. Certificates of deposit with maturities of greater than twelve months are included in investments at fair value.





**Town of Amherst, Virginia
Notes to the Financial Statements
For the Year Ended June 30, 2014**

Note 1: Summary of Significant Accounting Policies (continued)

Interfund Balances and Activity

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

Receivables and payables

All trade and property tax receivables are shown net of an allowance for uncollectibles. The Town calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. The allowance amounted to approximately \$495 at June 30, 2014, and is composed of real estate and personal property accounts.

Property is assessed at its value on January 1. Property taxes attach as an enforceable lien on property as of January 1. Taxes are payable on December 5th. The Town bills and collects its own property taxes.

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.

Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund statement of net position. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond insurance costs, during the current period. The face amount of debt issued is reported as other financial sources while discounts on debt insurance are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Deferred Revenue

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





**Town of Amherst, Virginia
Notes to the Financial Statements
For the Year Ended June 30, 2014**

Note 1: Summary of Significant Accounting Policies (continued)

Net Position

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

Fund Balance

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

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

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

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





**Town of Amherst, Virginia
Notes to the Financial Statements
For the Year Ended June 30, 2014**

Note 1: Summary of Significant Accounting Policies (continued)

Fund Balance (continued)

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

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

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

Use of Estimates

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

Note 2 – Cash and Investments

Deposits: All cash of the primary government and its discretely presented component unit is maintained in accounts collateralized in accordance with the Virginia Security for Public Deposits Act, Section 2.2-4400 et. Seq. of the Code of Virginia (a multiple financial institution collateral pool) or covered by federal depository insurance. Under the act, banks holding public deposits in excess of the amounts insured by FDIC must pledge collateral in the amounts of 50% of excess deposits to a collateral pool in the name of the State Treasury Board. Savings and Loans institutions are required to collateralize 100% of deposits in excess of FDIC limits. Deposits covered by the Act are considered insured since the Treasury Board is authorized to make additional assessments.

Investments: Statutes authorize the Town to invest in obligations of the United States or agencies thereof, obligations of the Commonwealth of Virginia or political subdivisions thereof, obligations of the International Bank for Reconstruction and Development (World Bank) and Asian Development Bank, commercial Paper Record, banker's acceptances, repurchase agreements and state Treasurers Local Government Investment Pool (LGIP).





**Town of Amherst, Virginia
Notes to the Financial Statements
For the Year Ended June 30, 2014**

Note 2 – Cash and Investments (continued)

The Town maintains its cash balances including certificates of deposit at several financial institutions. The accounts at the financial institution are insured by the Federal Deposit Insurance Corporation up to \$250,000 at each institution. The cash balances in excess of the insurance limits are as follows at June 30, 2014:

Carter Bank & Trust	\$1,482,409
Bank of the James	\$ 52,754

Note 3 – Property Taxes Receivable

Property is assessed at its value on January 1. Property taxes attach as an enforceable lien on property as of January 1. Taxes are payable on December 5. The Town bills and collects its own property taxes.

Note 4 – Claims, Judgments and Compensated Absences

In accordance with GASB 16, the Town has accrued liabilities arising from outstanding claims, judgments and compensated absences. Town employees are paid all unused vacation, holiday due and compensatory time upon termination. The Town has \$26,632 of accrued compensated absences at June 30, 2014.

Note 5 – Long-Term Debt

Water Fund

On October 29, 2010, the Town issued a general obligation bond to Suntrust Bank and concurrently signed a note with the bank for \$2,188,523, at 3.28% interest to refinance the 1995 note with the United States Department of Agriculture and the 2007 note with Carter Bank & Trust, both of which were used to finance water system improvement programs. The note is secured by the general obligation bond issued by the Town. Payments of principal and interest of \$15,434 are due monthly and began on December 15, 2010. At June 30, 2014 the outstanding balance was \$1,761,446. Interest of \$60,011 was paid during the fiscal year. A schedule of maturities is as follows:

For the year ending June 30	Principal	Interest
2015	\$ 129,356	55,850
2016	133,663	51,542
2017	138,114	47,092
2018	142,713	42,493
2019	147,465	37,741
2020 - 2024	814,329	111,698
2025 - 2026	255,806	6,344
	\$ 1,761,446	\$ 352,760





**Town of Amherst, Virginia
Notes to the Financial Statements
For the Year Ended June 30, 2014**

Note 5 – Long-Term Debt (continued)

Water Fund (continued)

On November 1, 2012, the Town issued a general obligation bond to Virginia Water Supply Revolving Fund (VWSRF), which is administered by the Virginia Resources Authority (VRA) and concurrently signed a financing agreement with VRA not to exceed \$565,935, at 3% interest. The financing agreement also included a principal forgiveness loan not to exceed \$565,935. The loans from VRA were used to finance the replacement of the Route 60 West waterline. VRA disbursed the loan proceeds to the Town on a reimbursement basis, upon receipt of the appropriate requisition and documentation of project costs. Loan proceeds of \$267,171 and principal forgiveness proceeds of \$267,171 were received during the year ending June 30, 2014. The total amount borrowed under the agreement was \$539,152 and the total amount of principal forgiveness was \$539,152. An interest only payment on loan proceeds was made on January 1, 2014. Payments of principal and interest of \$14,522 are due semi-annually beginning July 1, 2014. At June 30, 2014, the outstanding balance was \$532,778. Interest of \$16,690 was paid during the fiscal year. The schedule of maturities is as follows:

For the year ending June 30	Principal	Interest
2015	\$ 13,159	15,885
2016	13,556	15,488
2017	13,966	15,078
2018	14,388	14,656
2019	14,823	14,221
2020 - 2024	81,112	64,107
2025 - 2029	94,134	51,085
2030 - 2034	109,247	35,973
2035 - 2039	126,785	18,435
2040 - 2041	51,608	1,847
	\$ 532,778	\$ 246,775

Sewer Fund

On August 4, 2003 the Town obtained interim financing to finance the construction of a new sewer plant. The amount of financing was \$3,121,000. On August 12, 2005, the town issued a note, which replaced the August 4, 2003 interim financing, with the United States Department of Agriculture, secured by a general obligation bond issued by the Town. The obligation has a rate of interest of 4.125% and is amortized over a 40 year period. Payments of principal and interest of \$13,296 are due monthly and began on September 12, 2005. As of June 30, 2014, the outstanding balance was \$2,793,277. Interest of \$116,203 was paid during the current fiscal year.





**Town of Amherst, Virginia
Notes to the Financial Statements
For the Year Ended June 30, 2014**

Note 5 – Long-Term Debt (continued)

Sewer Fund (continued)

A schedule of maturities is as follows:

For the year ending June 30	Principal	Interest
2015	\$ 45,175	114,376
2016	47,075	112,477
2017	49,054	110,498
2018	51,116	108,436
2019	53,265	106,287
2020 - 2024	301,855	495,905
2025 - 2029	370,866	426,894
2030 - 2034	455,656	342,104
2035 - 2039	559,831	237,929
2040 - 2044	687,823	109,938
2045 - 2046	171,561	4,228
	\$ 2,793,277	\$ 2,169,072

The following is a summary of changes in long-term liabilities for the year ended June 30, 2014:

	Balance July 1, 2013	Issued	Retired	Balance June 30, 2014
Governmental activities	\$ -	\$ -	\$ -	\$ -
Business-type activities:				
Water Fund	2,158,622	267,171	131,569	2,158,622
Sewer Fund	2,836,627	-	43,350	2,836,627
Total Business-type activities	4,995,249	267,171	174,919	5,087,501
Total	\$ 4,995,249	\$ 267,171	\$ 174,919	\$ 5,087,501





**Town of Amherst, Virginia
Notes to the Financial Statements
For the Year Ended June 30, 2014**

Note 6 – Retirement Plan

Plan Description

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

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

VRS administers three different benefit plans for local government employees - Plan 1, Plan 2, and Hybrid:

- Plan 1 – VRS Plan 1 is a defined benefit plan that covers members hired before July 1, 2010 and who were vested as of January 1, 2013. Nonhazardous 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. Retirement eligibility and benefits under the plan is as follows:
 - Non-hazardous duty members are eligible for an unreduced retirement benefit beginning at age 65 with at least 5 years of service credit or age 50 with at least 30 years of service credit. They may retire with a reduced benefit as early as age 55 with at least 5 years of service credit or age 50 with at least 10 years of service credit.
 - Hazardous duty are eligible for an unreduced benefit beginning at age 60 with at least 5 years of service credit or age 50 with at least 25 years of service credit. These members include sheriffs, deputy sheriffs and hazardous duty employees of political subdivisions that have elected to provide enhanced coverage for hazardous duty service. They may retire with a reduced benefit as early as age 50 with at least 5 years of service credit.
 - The VRS Basic Benefit is a lifetime monthly benefit based on a retirement multiplier as a percentage of the member's average final compensation multiplied by the member's total service credit. Under Plan 1, average final compensation is the average of the member's 36 consecutive months of highest compensation. The retirement multiplier for non-hazardous duty members is 1.70%. The retirement multiplier for sheriffs and regional jail superintendents is 1.85%. The retirement multiplier for eligible political subdivision hazardous duty employees other than sheriffs and jail superintendents is 1.70% or 1.85% as elected by the employer.





**Town of Amherst, Virginia
Notes to the Financial Statements
For the Year Ended June 30, 2014**

Note 6 – Retirement Plan (continued)

Plan Description (continued)

- Plan 2 – VRS Plan 2 is a defined benefit plan that covers members hired or rehired on or after July 1, 2010 and who were not vested as of January 1, 2013. Nonhazardous 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. Retirement eligibility and benefits under the plan is as follows:
 - Non-hazardous duty members are eligible for an unreduced benefit beginning at their normal Social Security retirement age with at least 5 years of service credit or when the sum of their age and service equals 90. They may retire with a reduced benefit as early as age 60 with at least 5 years of service credit.
 - Hazardous duty are eligible for an unreduced benefit beginning at age 60 with at least 5 years of service credit or age 50 with at least 25 years of service credit. These members include sheriffs, deputy sheriffs and hazardous duty employees of political subdivisions that have elected to provide enhanced coverage for hazardous duty service. They may retire with a reduced benefit as early as age 50 with at least 5 years of service credit.
 - The VRS Basic Benefit is a lifetime monthly benefit based on a retirement multiplier as a percentage of the member's average final compensation multiplied by the member's total service credit. Under Plan 2, average final compensation is the average of the member's 60 consecutive months of highest compensation. The multiplier for Plan 2 members was reduced to 1.65% effective January 1, 2013 unless they are hazardous duty employees and their employer has elected the enhanced retirement multiplier.





**Town of Amherst, Virginia
Notes to the Financial Statements
For the Year Ended June 30, 2014**

Note 6 – Retirement Plan (continued)

Plan Description (continued)

- Hybrid Retirement Plan – VRS Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan and covers members who were hired on or after January 1, 2014, as well as VRS Plan 1 and Plan 2 members that opted into the plan during a special election window. Retirement eligibility and benefits under the plan is as follows:
 - Under the defined benefit component, members are eligible for an unreduced benefit beginning at their normal Social Security retirement age with at least 5 years of service credit or when the sum of their age and service equals 90. They may retire with a reduced benefit as early as age 60 with at least 5 years of service credit.
 - Under the defined benefit component, the VRS Basic Benefit is a lifetime monthly benefit based on a retirement multiplier as a percentage of the member's average final compensation multiplied by the member's total service credit. Under the Hybrid Plan, average final compensation is the average of the member's 60 consecutive months of highest compensation. The retirement multiplier for Hybrid Plan members is 1.0%
 - Under the defined contribution component, members are eligible to receive distributions upon leaving employment, subject to restrictions.
 - Under the defined contribution component, 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.

At retirement, members can elect the Basic Benefit, the Survivor Option, a Partial Lump-Sum Option Payment (PLOP) or the Advance Pension Option. A retirement reduction factor is applied to the Basic Benefit amount for members electing the Survivor Option, PLOP or Advance Pension Option or those retiring with a reduced benefit.

Retirees are eligible for an annual cost-of-living adjustment (“COLA”) effective July 1 of the second calendar year of retirement. Under Plan 1, the COLA cannot exceed 5%; under Plan 2, the COLA cannot exceed 3%. During years of no inflation or deflation, the COLA is 0%. The VRS also provides death and disability benefits. Title 51.1 of the Code of Virginia (1950), as amended, assigns the authority to establish and amend benefit provisions to the General Assembly of Virginia.

The System issues a publicly available comprehensive annual financial report (CAFR) that includes financial statements and required supplementary information for the plans administered by VRS. A copy of the report may be obtained by writing to the System's Chief Financial Officer, P.O. Box 2500, Richmond, VA 23218 or from the VRS website at <http://www.varetire.org/Pdf/Publications/2013-annual-report.pdf>.





**Town of Amherst, Virginia
Notes to the Financial Statements
For the Year Ended June 30, 2014**

Note 6 – Retirement Plan (continued)

Funding Policy

Plan members are required by Title 51.1 of the Code of Virginia (1950), as amended, to contribute 5% of their compensation toward their retirement. All or part of the 5% member contribution may be 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 being making the employee pay the 5% 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. In addition, the Town is required to contribute the remaining amounts necessary to fund its participation in the VRS using the actuarial basis specified by the Code of Virginia and approved by the VRS Board of Trustees. The Town’s contribution rate for the fiscal year ended June 30, 2014 was 15.35% of annual covered payroll.

Annual Pension Cost

For the fiscal year ended June 30, 2014, the Town's annual pension cost of \$86,804 for VRS was not equal to the required and actual contributions. The actual contributions for the fiscal year ended June 30, 2014 was \$89,723.

Three-Year Trend Information

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/2012	\$ 89,667	97%	\$ 2,716
6/30/2013	\$ 83,362	109%	\$ -
6/30/2014	\$ 86,804	103%	\$ -

The FY 2014 required contribution was determined as part of the June 30, 2011 actuarial valuation using entry age actuarial cost method. The actuarial assumptions at June 30, 2011 included (a) an investment rate of return (net of administrative expenses) of 7%, (b) projected salary increases ranging from 3.75% – 5.6% per year for general government employees and 3.5% and 4.75% per year for employees eligible for enhanced benefits available to law enforcement officers, firefighters, and sheriffs, (c) a cost of living adjustment of 2.5% per year for Plan 1 employees and 2.25% for Plan 2 employees. Both the investment rate of return and the projected salary increases also include an inflation component of 2.50%. The actuarial value of the Town’s assets is equal to the modified market value of assets. This method uses techniques that smooth the effects of short-term volatility in the market value of assets over a five-year period. The Town’s unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at June 30, 2013 for the Unfunded Actuarial Accrued liability (UAAL) was 30 years.





**Town of Amherst, Virginia
Notes to the Financial Statements
For the Year Ended June 30, 2014**

Note 6 – Retirement Plan (continued)

Funding Status and Funding Progress

As of June 30, 2013, the most recent actuarial valuation date, the plan was 75.09% funded. The actuarial accrued liability for benefits was \$3,727,919, and the actuarial value of assets was \$2,799,172, resulting in an unfunded actuarial accrued liability (UAAL) of \$928,747. The covered payroll (annual payroll of active employees covered by the plan) was \$719,822, and the ratio of the UAAL to the covered payroll was 129.02%.

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

Note 7 - 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 contributions to the plan.

Note 8 - Other Post Employment Benefits

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

Plan Description

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

Benefits Provided

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





**Town of Amherst, Virginia
Notes to the Financial Statements
For the Year Ended June 30, 2014**

Note 8 - Other Post Employment Benefits (continued)

Membership

The number of participants at June 30, 2014 was as follows:

Actives	16
Retirees	1
Spouses	<u>2</u>
 Total Participants	 <u>19</u>

Funding Policy

The Town currently funds postemployment health care benefits on a pay-as-you-go basis. During the year ended June 30, 2014, the Town recorded \$5,528 for the OPEB liability.

Annual Other Postemployment Benefit Cost and Net OPEB Obligation

The following table shows the elements of the Town's annual OPEB cost for the year the changes in the Town's net OPEB obligation for the fiscal year ended June 30, 2014.

Annual required contribution	\$ <u>10,100</u>
Annual OPEB cost	10,100
Contributions made	<u>(4,572)</u>
Increase in net OPEB obligation	5,528
Net OPEB obligation - beginning of year	<u>18,328</u>
Net OPEB obligation - end of year	<u>\$ 23,856</u>

The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the year ended June 30, 2014 are as follows.

Fiscal Year Ending	Annual OPEB Cost	Percentage of Annual OPEB Contributed	Net OPEB Obligation
6/30/2014	\$ 10,100	46 %	\$ 23,856
6/30/2013	\$ 9,700	47 %	\$ 18,328
6/30/2012	\$ 9,300	49 %	\$ 13,200





**Town of Amherst, Virginia
Notes to the Financial Statements
For the Year Ended June 30, 2014**

Note 8 - Other Post Employment Benefits (continued)

Funding Status and Funding Progress

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

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

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

Actuarial Methods and Assumptions

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

Note 9 – Surety Bonds

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

Note 10 – Risk Management

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

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





Town of Amherst, Virginia
Notes to the Financial Statements
For the Year Ended June 30, 2014

Note 11 – Capital Assets

Capital assets, which include property, plant and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the Town as land, buildings, road registered vehicles, and equipment with an initial individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Property and Equipment is stated at cost or estimated cost. Donated property is recorded at market value prevailing at the date of donation. Depreciation on property and equipment commences on the first of the fiscal year following the date initially placed into service.

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

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

Details of changes in property and equipment in the Government Fund for the fiscal year ending June 30, 2014 are as follows:

	Balance at July 1, 2013	Additions	Deletions	Balance at June 30, 2014
Land and Buildings	\$ 1,058,370	\$ 479,711	\$ -	\$ 1,538,081
Town Hall Renovations	143,966	-	-	143,966
Equipment	547,794	103,720	-	651,514
Subtotal	\$ 1,750,130	\$ 583,431	\$ -	\$ 2,333,561
Less Accumulated Depreciation	372,441	72,481	-	444,922
Net Total Capital Assets	\$ <u>1,377,689</u>	\$ <u>510,950</u>	\$ <u>-</u>	\$ <u>1,888,639</u>





Town of Amherst, Virginia
Notes to the Financial Statements
For the Year Ended June 30, 2014

Note 11 – Capital Assets (continued)

Details of changes in property and equipment in the Enterprise Funds for the fiscal year ending June 30, 2014 are as follows:

Proprietary Water Fund

	Balance at July 1, 2013	Additions	Deletions	Balance at June 30, 2014
Land	\$ 5,600	\$ -	\$ -	\$ 5,600
Equipment	63,061	-	-	63,061
Plant and Lines	7,133,593	1,642,724	-	8,776,317
Subtotal	\$ 7,202,254	\$ 1,642,724	\$ -	\$ 8,844,978
Less Accumulated Depreciation	2,737,473	238,959	-	2,976,432
Net Total Capital Assets	\$ <u>4,464,781</u>	\$ <u>1,403,765</u>	\$ <u>-</u>	\$ <u>5,868,546</u>

As of June 30, 2014, \$1,247,417 of the Proprietary Water Fund property and equipment balance is construction in progress and is not being depreciated.

Proprietary Sewer Fund

	Balance at July 1, 2013	Additions	Deletions	Balance at June 30, 2014
Land	\$ 6,984	\$ -	\$ -	\$ 6,984
Equipment	41,693	-	-	41,693
Plant and Lines	6,837,793	68,629	-	6,906,422
Subtotal	\$ 6,886,470	\$ 68,629	\$ -	\$ 6,955,099
Less Accumulated Depreciation	2,732,900	248,851	-	2,981,751
Net Total Capital Assets	\$ <u>4,153,570</u>	\$ <u>(180,222)</u>	\$ <u>-</u>	\$ <u>3,973,348</u>





**Town of Amherst, Virginia
Notes to the Financial Statements
For the Year Ended June 30, 2014**

Note 12 – Reconciliation of Fund Balances to Governmental Net Position

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

Fund Balance-Total	\$	601,716
When capital assets (land, buildings, equipment) that are to be used in governmental activities are purchased or constructed, the costs of those assets.		1,888,639
Accounts receivable for real estate taxes		31,158
Uncompensated absence accrual		(26,633)
OPEB liability accrual		(23,856)
Certificate of deposit interest income accrual		<u>77,157</u>
Net Position of General Government Activities	\$	<u>2,548,181</u>

Note 13 – Grants

The Town received several grants during the year. Two grants totaled \$11,105 for use in Public Safety. The grant expenses are included in the Statement of Revenue, Expenditures and Changes in Fund Balance. If the use of grants is for capital equipment, the expenditure is reclassified as a Capital Asset and depreciated.

Note 14 – 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 \$732.48 per month. Annual lease income for the year ended June 30, 2014 was \$8,057.

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

Year Ending	Amount
2015	9,522
2016	8,790
2017	<u>5,860</u>
Total	\$ <u>24,172</u>





**Town of Amherst, Virginia
Notes to the Financial Statements
For the Year Ended June 30, 2014**

Note 15 – Lease Obligations

The Town leases office space for the police department. The lease commenced on August 1, 2008 and ended on July 31, 2012. Subsequent to July 31, 2012, the lease is operating on a month-to-month basis. The monthly rental amount is \$300. Annual rental expense for the year ended June 30, 2014 was \$3,600 for rent and \$343 for utilities.

Note 16 - Transfers To/From Other Funds

Interfund transfers for the year ending June 30, 2014 were as follows:

	Transfers to:		
	Proprietary Funds		
	Water Fund	Sewer Fund	Total Proprietary Funds
Transfers from:			
Governmental Funds:			
General Fund	\$ 856,557	\$ -	\$ 856,557

The transfer was made to fund a capital project.

Note 17 – Fund Balances

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

Fund Balances	General Fund	Total Governmental Funds
Nonspendable:		
Prepaid expenses	\$ 13,468	\$ 13,903
Total Nonspendable	13,468	13,903
Unassigned:		
Permanent fund principal	291,987	282,451
Other unassigned	296,261	1,268,777
Total Unassigned	588,248	1,551,228
Total Fund Balances	\$ 601,716	\$ 1,565,131





**Town of Amherst, Virginia
Notes to the Financial Statements
For the Year Ended June 30, 2014**

Note 17 – Fund Balances (continued)

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

Note 18 - Contingency

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.

The Town Council members approved the fiscal year 2014-15 budget and schedule of local levy with no real estate or property tax assessments. The fees for water and sewer usage have been increased but the financial impact is unknown.

Note 19 - Subsequent Events

The Town has evaluated subsequent events through September 29, 2014, the date the report was available for issuance. Two events requiring disclosure were noted. In August 2014, the Town Council approved a loan resolution supporting the USDA-financed sewer slip-lining project. The resolution allows for the issuance of bonds in the principal amount up to \$3,017,000 and allows for the acceptance of a grant not to exceed \$1,076,000. In September 2014, Town Council approved two contracts for a road reconstruction project that will be funded using Town cash. The two contracts were approved in the amounts of \$126,000 and \$14,000.





Town of Amherst, Virginia
Statement of Revenue, Expenditures, and Changes in Fund Balance - Budget Versus Actual
Governmental Funds
Modified Accrual Basis
For the Year Ended June 30, 2014

	General Fund		
	Budget	Actual	Variances Favorable (Unfavorable)
Revenues			
<u>General Property Taxes</u>			
Real Property Taxes	\$ 63,000	\$ 64,070	\$ 1,070
Personal Property Taxes	30,000	34,029	4,029
Personal Property Tax Relief	17,456	17,456	-
Penalties	4,000	7,764	3,764
<i>Total General Property Taxes</i>	<u>114,456</u>	<u>123,319</u>	<u>8,863</u>
<u>Other Local Taxes</u>			
Meals	275,000	279,860	4,860
Lodging	4,000	5,701	1,701
Consumer Utility Taxes	144,900	146,501	1,601
Local Sales and Use Taxes	85,000	91,042	6,042
Business License Taxes	100,000	117,205	17,205
Motor Vehicle Licenses	41,000	43,812	2,812
Bank Stock Taxes	55,000	66,735	11,735
<i>Total Other Local Taxes</i>	<u>704,900</u>	<u>750,856</u>	<u>45,956</u>
<u>Permits and Privilege Fees</u>			
Communications Lease	8,784	8,057	(727)
<i>Total Permits and Privilege Fees</i>	<u>8,784</u>	<u>8,057</u>	<u>(727)</u>
<u>Fines and Forfeitures</u>			
Fines	21,000	59,635	38,635
Seized Property	-	270	270
<i>Total Fines and Forfeitures</i>	<u>21,000</u>	<u>59,905</u>	<u>38,905</u>
<u>Revenue from Use of Money and Property</u>			
Interest Eamed	16,750	14,242	(2,508)
<i>Total Revenue from Use of Money and Property</i>	<u>16,750</u>	<u>14,242</u>	<u>(2,508)</u>
<u>Miscellaneous Revenue</u>			
Trash Curbside	89,736	90,359	623
Miscellaneous	39,795	80,232	40,437
Administrative Fees from Enterprise Funds	737,057	737,057	-
Police Security Revenue	1,500	1,649	149
<i>Total Miscellaneous Revenues</i>	<u>868,088</u>	<u>909,297</u>	<u>41,209</u>
<u>Intergovernmental Revenues</u>			
<i>Non-Categorical Aid From the Commonwealth</i>			
Economic Development Recoupment Fee	9,943	14,013	4,070
Rolling Stock	2,400	2,903	503
<i>Categorical Aid From the Commonwealth</i>			
Virginia State Police Grant	52,884	52,884	-
Fire Grant	8,000	9,800	1,800
VML Safety Program Grant	-	1,305	1,305
Miscellaneous Grants	500	-	(500)
<i>Total Intergovernmental Revenues</i>	<u>73,727</u>	<u>80,905</u>	<u>7,178</u>
Total Revenues	\$ 1,807,705	\$ 1,948,581	\$ 138,876

See accompanying notes to the financial statements





Town of Amherst, Virginia
Statement of Revenue, Expenditures, and Changes in Fund Balance - Budget Versus Actual
Governmental Funds
Modified Accrual Basis
For the Year Ended June 30, 2014

	General Fund		
	Budget	Actual	Variances Favorable (Unfavorable)
Expenditures			
<u>General Government Administration</u>			
<i>Legislative</i>			
Total Mayor and Town Council	\$ 1,300	\$ 1,300	\$ -
Total Legislative	1,300	1,300	-
<i>Non-Legislative General Government</i>			
General Government Salaries	176,967	176,226	741
Employment Expenses	57,773	56,711	1,062
Employee Assistance Program	1,200	825	375
Town Attorney	8,000	2,620	5,380
Office Supplies	19,000	17,809	1,191
Office Equipment	17,000	12,969	4,031
Miscellaneous	17,000	6,488	10,512
Contingency Reserve	165,893	6,308	159,585
Capital Expenditures	61,906	583,431	(521,525)
Property & Landscape Maintenance	19,422	13,974	5,448
Electric - Streetlights	27,000	26,957	43
Heat and Electricity	4,300	6,245	(1,945)
Telephone	14,000	13,298	702
Grants	26,750	26,750	-
Utility Service Allowance	1,560	2,329	(769)
Building Maintenance	2,000	368	1,632
Decorations	1,900	4,572	(2,672)
Insurance	52,000	52,645	(645)
Marketing	34,216	25,097	9,119
Publications and Membership	4,500	3,120	1,380
Planning and Development	5,000	3,795	1,205
Trash Contract Collection	80,000	80,843	(843)
Travel and Training	3,500	2,537	963
Audit & Accounting Services	10,000	11,700	(1,700)
Engineering Services	6,000	6,000	-
Fire Department	8,000	9,800	(1,800)
Bad Debt	3,000	-	3,000
Total Non-Legislative General Government	827,887	1,153,417	(325,530)
Total General Government Administration	\$ 829,187	\$ 1,154,717	\$ (325,530)
<u>Public Safety Expenditures</u>			
<i>Law Enforcement and Traffic Control</i>			
Public Safety Salaries	236,048	239,088	(3,040)
Employment Expenses	89,434	82,665	6,769
Equipment and Uniforms	17,504	11,575	5,929
Travel and Training	5,100	2,917	2,183
Vehicles - Fuel	20,000	15,086	4,914
Vehicles - Maintenance	8,075	12,659	(4,584)
Miscellaneous	4,100	1,049	3,051
Rent	3,900	3,943	(43)
Supplies	3,000	2,944	56
Attorney Fees	2,955	2,124	831
Total Public Safety Expenditures	\$ 390,116	\$ 374,050	\$ 16,066

See accompanying notes to the financial statements





Town of Amherst, Virginia
Statement of Revenue, Expenditures, and Changes in Fund Balance - Budget Versus Actual
Governmental Funds
Modified Accrual Basis
For the Year Ended June 30, 2014

	General Fund		
	Budget	Actual	Variances Favorable (Unfavorable)
Expenditures (continued)			
Public Works Expenditures			
<i>Utilities</i>			
Salaries	\$ 377,377	\$ 373,542	\$ 3,835
Employment Expenses	148,485	142,159	6,326
Benefits-Contra Capital Projects	-	(58,250)	58,250
Heat and Electricity	4,000	4,788	(788)
Vehicles - Repair	5,000	14,545	(9,545)
Uniforms	4,500	2,397	2,103
Building Maintenance	2,200	1,020	1,180
Equipment Maintenance	16,000	17,951	(1,951)
Training and Education	6,000	4,328	1,672
Miscellaneous	5,340	3,315	2,025
Vehicles - Fuel	19,500	18,877	623
<i>Total Public Works Expenditures</i>	<u>588,402</u>	<u>524,672</u>	<u>63,730</u>
 <i>Total Expenditures</i>	 <u>1,807,705</u>	 <u>2,053,439</u>	 <u>(245,734)</u>
 <i>Excess of expenditures over revenues</i>	 <u>-</u>	 <u>(106,858)</u>	 <u>384,610</u>
 Other financing sources (uses)			
Transfers out	<u>-</u>	<u>(856,557)</u>	<u>856,557</u>
 <i>Total other financing sources (uses)</i>	 <u>-</u>	 <u>(856,557)</u>	 <u>856,557</u>
 Change in Fund Balance		 \$ (963,415)	
Fund Balance-Beginning		1,565,131	
Fund Balance-Ending		<u>\$ 601,716</u>	

See accompanying notes to the financial statements





Town of Amherst, Virginia
Required Supplemental Information
As of June 30, 2014

Statement of Treasurer's Accountability

<u>Assets Held By Treasurer</u>	<u>All Funds</u>
<u>Cash</u>	
Cash on Hand	\$ 400
BB & T	9,237
Bank of the James	302,754
Carter Bank & Trust	354,652
First National Bank of Altavista	6,209
<i>Total Cash</i>	673,252
<u>Certificates of Deposit</u>	
Carter Bank & Trust	1,320,475
<i>Total Certificates of Deposit</i>	1,320,475
Total Assets Held By Treasurer	\$ 1,993,727
<u>Liabilities Held By Treasurer</u>	
<u>Cash Allocated to Funds</u>	
General Fund	616,805
Capital Projects Fund	-
Sewer Fund	574,783
Water Fund	802,139
<i>Total Cash Allocated to Funds</i>	1,993,727
Total Liabilities Held by Treasurer	\$ 1,993,727

Computation of Legal Debt Margin

Net Assessed Debt Value	\$ 177,762,200
Debt Limit Percentage	10%
Debt Limit Calculated	17,776,220
Total Long-Term Debt	4,899,811
<i>Legal Margin for Creation of Additional Debt</i>	12,876,409

Schedule of Funding Progress for Defined Pension Benefit Plan

Actuarial Valuation Date	June 30, 2013	June 30, 2012	June 30, 2011
Actuarial Value of Assets	\$ 2,799,172	\$ 2,697,602	\$ 2,736,681
Actuarial Accrued Liability	3,727,919	3,677,179	3,585,579
Unfunded Actuarial Accrued Liability (UAAL)	(928,747)	(979,577)	(848,898)
<i>Funded Ratio</i>	75%	73%	76%
Annual Covered Payroll	719,822	643,751	669,320
<i>UAAL as a Percent of Payroll</i>	129.0%	152.2%	126.8%

Schedule of Funding Progress for Other Post Employment Benefits

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

See accompanying notes to the financial statements





Town of Amherst, Virginia
 Required Supplemental Information
 For the Year Ended June 30, 2014

	Property Tax Levies and Collections										
	FYE June 30, 2014	FYE June 30, 2013	FYE June 30, 2012	FYE June 30, 2011	FYE June 30, 2010	FYE June 30, 2009	FYE June 30, 2008	FYE June 30, 2007	FYE June 30, 2006	FYE June 30, 2005	FYE June 30, 2004
Total Tax Levy	\$ 113,578	\$ 116,810	\$ 114,714	\$ 110,614	\$ 110,668	\$ 110,754	\$ 108,934	\$ 104,209	\$ 103,239	\$ 97,126	\$ 97,574
Total Tax Collection	115,555	110,871	113,701	110,389	111,748	109,364	108,879	109,200	114,826	99,300	99,208
Percent of Tax Collection to Tax Levy	101.74%	94.74%	99.12%	99.86%	100.43%	98.74%	99.95%	104.76%	111.22%	101.21%	100.65%
Outstanding Delinquent Taxes	31,159	31,784	22,115	28,484	28,591	34,728	27,134	19,704	9,881	-	17,517
Percent of Delinquent Taxes to Tax Levy	27.43%	27.22%	19.28%	25.76%	25.83%	31.36%	24.91%	18.91%	9.58%	0.00%	17.95%
Assessed Value of Taxable Property											
Real Estate	177,762,200	178,008,400	177,532,100	177,532,100	177,002,600	177,161,700	118,101,000	117,535,400	114,767,600	\$ 114,030,200	\$ 118,011,200
Personal Property	14,311,685	14,482,783	14,056,760	12,747,503	12,713,910	12,828,564	12,404,595	13,060,155	12,131,747	10,425,000	11,372,572
Public Utility	7,715,526	7,095,686	6,787,165	6,438,670	6,938,129	6,815,354	4,100,032	4,736,869	4,736,869	4,755,060	5,698,023
Total Assessed Value	\$ 199,789,411	\$ 199,586,869	\$ 198,376,025	\$ 196,718,273	\$ 196,655,639	\$ 196,805,618	\$ 134,605,627	\$ 135,332,244	\$ 131,636,239	\$ 129,211,169	\$ 134,991,795
Property Tax Rates (per \$100 of Assessed Value)											
Real Estate	3.6%	3.6%	3.6%	3.6%	3.6%	5.4%	5.4%	5.4%	5.4%	5.4%	5.4%
Personal Property	35%	35%	35%	35%	35%	35%	35%	35%	35%	35%	35%

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



**Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance
and Other Matters Based on an Audit of Financial Statements Performed in Accordance
with *Government Auditing Standards***

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and the Specifications for Audit of Counties, Cities and Towns, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the accompanying financial statements of the governmental activities and the business-type activities of the Town of Amherst as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Town of Amherst's basic financial statements and have issued our report thereon dated September 29, 2014.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town of Amherst'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 the Town of Amherst's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of Amherst'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 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 the Town of Amherst's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

We noted certain matters that we reported to management of the Town of Amherst, in a separate letter dated September 29, 2014.





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.

Restriction on Use

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

Davidson Doyle & Hiltner, LLP
Lynchburg, Virginia
September 29, 2014





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

As more fully described in the Independent Auditor's 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*, we performed tests of the Town of Amherst's compliance with certain provisions of the laws, regulations, contracts, and grants shown below.

State Compliance Matters

Code of Virginia

Budget and Appropriation Laws

Cash and Investments Laws

Conflicts of Interest Act

Local Retirement Systems

Debt Provisions

Procurement Laws

Uniform Disposition of Unclaimed Property Act

Federal Compliance Matters

Compliance Supplement for Single Audits of State and Local Governments

Provisions and conditions of agreements related to federal programs selected for testing.

