



**Town of
Amherst, Virginia**

**Comprehensive Annual
Financial Report**

For the year ended June 30, 2016

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

Town of Amherst, Virginia





Table of Contents
Comprehensive Annual Financial Report

Management Discussion & Analysis	1-9
Independent Auditor's Report	10-11
Basic Financial Statements	
Government-wide Financial Statements	
Statement of Net Position	12
Statement of Activities	13
Fund Financial Statements	
Balance Sheet – Governmental Funds	14
Statement of Revenue, Expenditures & Changes in Fund Balance – Governmental Funds	15-17
Statement of Net Position - Proprietary Funds	18
Statement of Revenues, Expenses & Changes in Fund Net Assets – Proprietary Funds	19
Statement of Cash Flows-Proprietary Funds	20
Notes to Financial Statements	21-48
Required Supplemental Information	
Budget vs. Actual Statements – Governmental Funds	49-51
Statement of Treasurer's Accountability	52
Schedule of Town's Share of Net Pension Liability	53
Schedule of Town Contributions	54
Statistics	55
Notes to Required Supplemental Information	56
Compliance	
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters	57-58
Summary of Compliance Matters	59





TOWN OF AMHERST

P.O. Box 280 174 S. Main Street Amherst, VA 24521
Phone (434)946-7885 Fax (434)946-2097

November 3, 2016

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

Re: FY16 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, 2016. We encourage the Town's residents and business operators and any other interested individual to read the information presented here in conjunction with additional information furnished in the Town of Amherst's audited financial statements that follow this communication.

Community Profile

Amherst developed around the courthouse and railroad depot and incorporated in 1910. 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 and appoints the Town Manager and Police Chief.

Service Programs

FY16 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 FY16. 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 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, 2016 relative to its minimum cash reserve/cash balance earmarking policy. Much of the cash that has accumulated is due to approved water and sewer

rate increases that will be needed to fund borrowing for major water and sewer pipe replacement projects.

Problem Areas

Although masked by an improved collections effort, General Fund revenue sources remain relatively static. Water and Sewer Fund revenues have stabilized from their decline over the past several years due to rate increases. Utility rate increases to fund infrastructure replacement and keep pace with inflation have been approved for the next few 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 negative 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 \$2,000,000 "for sale" in Brockman Park.

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

Projects and Initiatives

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

- *Brockman Park* – Many lots are vacant but are ready for commercial and industrial development since all necessary road and water, sewer, electrical and internet utility infrastructure has been installed in the development. The third employer located there in FY16.
- *Wastewater Collection System* – The sewer collection system, with many manholes and miles of sewer "mains", is becoming old and deteriorated. This leads to failure in the form of pipe collapse or blockage. The Town will be spending significant levels of effort and funds to remediate these problems in the coming years. A major grant/loan financing package that will fund rehabilitation of 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 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. Amherst is working to create an Urban Development Area zone.

- *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 is the large new clinic that Centra Health is building behind Ambriar Shopping Center.

Financial Statements and Their Relationship to One Another

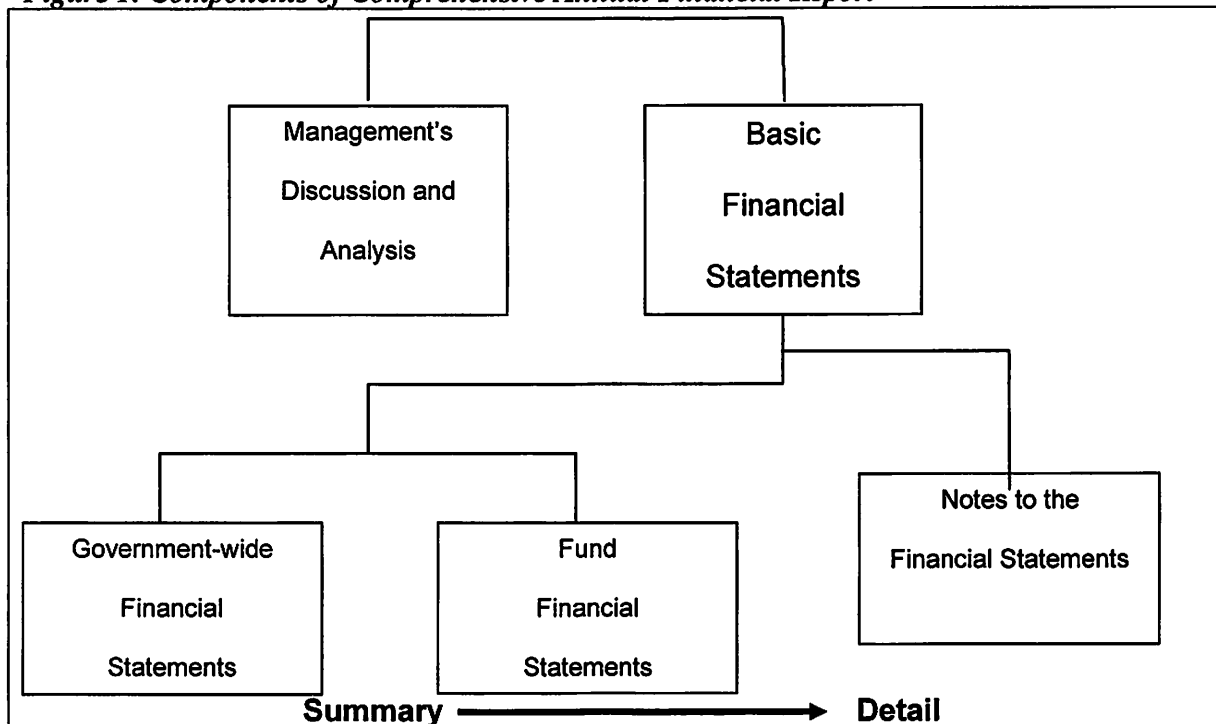
The Town accounted for its programs through four operating funds in FY16. The first is the General Fund within which the accounting for governmental services and all personnel expenses by department is maintained. The Town has three proprietary, sometimes called enterprise or business-type, funds in its Water Fund, Sewer Fund and Refuse Collection Fund. The purpose of these funds is to segregate the sources and uses of funds that are directly related to the respective water, sewer and refuse collection services. The enterprise funds can be viewed as Town subsidiaries operating under the “holding company” of the Town government. In addition to these, the Town maintains a Capital Improvement Plan to articulate sources and uses of funds for planned future major outlays.

The 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, 2016.
- *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, 2015 to June 30, 2016.
- *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.

Figure 1: Components of Comprehensive Annual Financial Report



Fiscal Highlights

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

Comparison of Current Financial Position to Prior Year with Analysis

- The assets of the Town of Amherst exceeded its liabilities (net position) at the close of the fiscal year by \$9,162,638.
- The Town’s General Fund total fund balance increased by \$317,992, due primarily to the revenues exceeding the budgeted amounts and a series of expense items that came in under budget.
- The Water Fund net position increased by \$309,224, due primarily to the increase in utility rates for the Main Street waterline project which is underway and expenses being lower than expected in many lines. The “net” figure includes depreciation/amortization charges of \$316,410.

- The Sewer Fund net position increased by \$45,746. The “net” figure includes depreciation charges of \$248,818.
- The Refuse Collection Fund net position increased by \$15,034.
- The amount of cash on hand increased from \$2,353,347 on June 30, 2015 to \$3,122,258 on June 30, 2016 for a net increase of \$768,911.

Figure 2: The Town's Net Assets						
	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
Current and other assets	\$1,265,029	\$977,180	\$2,285,838	\$1,766,917	\$3,550,867	\$2,744,097
Long-term assets	\$1,738,190	\$1,856,178	\$9,967,573	\$9,611,084	\$11,705,763	\$11,467,262
Total assets	\$3,003,219	\$2,833,358	\$12,253,411	\$11,378,001	\$15,256,630	\$14,211,359
Deferred outflows - pension	\$106,896	\$101,145	-	-	\$106,896	\$101,145
Current liabilities	\$55,147	\$82,869	\$350,607	\$224,050	\$405,754	\$306,919
Long-term liabilities	\$623,610	\$551,472	\$5,076,458	\$4,705,513	\$5,700,068	\$5,256,985
Total Liabilities	\$678,757	\$634,341	\$5,427,065	\$4,929,563	\$6,105,822	\$5,563,904
Deferred inflows - pension	\$95,066	\$207,354			\$95,066	\$207,354
Net capital assets	\$1,738,190	\$1,856,178	\$4,782,109	\$4,691,319	\$6,520,299	\$6,547,497
Unrestricted net assets	\$598,102	\$236,630	\$2,044,237	\$1,757,119	\$2,642,339	\$1,993,749
Total net assets	\$2,336,292	\$2,092,808	\$6,826,346	\$6,448,438	\$9,162,638	\$8,541,246

Capital Asset and Debt Administration

A summary of utility construction and machinery added to the asset/depreciation lists in FY 16 is below. There were no major asset deletions due to demolitions, write-downs or other reasons. The Town was actively working on the Main Street water line replacement projects as of the end of FY 16.

Water Fund

Main Street Waterline Replacement \$ 723,418

Sewer Fund

Sewer Line Rehab/PER \$ 186,000

The Town’s legal debt limit is \$17,529,460. Subtracting current long-term debt (i.e. all but payments due during FY17) totaling \$5,076,458, the Town has an unused loan capacity of \$12,453,002. This total takes into account that the Main Street water loan added \$572,083 to our total debt at June 30, 2016 and the fact that no payments are due on this loan during FY 2017. At the completion of the project the total long term debt would be \$7,144,675, which would leave an unused loan capacity of \$10,384,785. All of the Town’s long-term debts are guaranteed by “general obligation.”

Figure 3: Outstanding Indebtedness

Purpose of Loan	Bond Date	Original Amount	Balance 6/30/16	Annualized Payment	Interest Rate	Estimated Payoff Date
Sewer Plant	Sep-05	\$3,121,000	\$2,701,034	\$ 159,552	4.125%	Aug-45
WTP/UH Water Tank	Oct-10	\$2,188,523	\$1,498,412	\$ 185,208	3.280%	Oct-25
Rt. 60W Water Line	Nov-12	\$ 539,152	\$ 506,063	\$ 29,044	3.000%	Jul-44
Main Street Waterline	Dec-16	\$2,640,300	\$ 572,083	(Begins 7/17)	2.250%	Jan-47
			\$5,277,592	\$ 373,801		

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, 2016, the remaining value in the "Brockman Park Recoupment Fund" was \$2,288,595. To encourage economic development at Brockman Park and other parts of Amherst County, in FY16 the Town began discussions on merging its Industrial Development Authority with the parallel Amherst County agency.

Change in Financial Condition

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

<i>Figure 4: Comparison of General Fund Budget to Actual</i>				
	<u>Budget</u>	<u>Actual</u>		
Revenue				
Per Statement	\$ 1,731,133	\$ 1,987,330	115%	
Expense				
Administration	\$ 730,314	\$ 653,690	90%	
Police	\$ 395,458	\$ 405,066	102%	
Utilities	\$ 605,361	\$ 610,582	101%	
Per Statement	\$ 1,731,133	\$ 1,669,338	96%	
Net Income (Loss)		\$ 317,992		

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:

Major Revenue Variances

PPTRA (not budgeted)	\$ 34,912
Meals & beverage tax	43,155
Business license tax	32,142
Building & vehicle disposal	126,806
Fines revenue	(16,066)
Police grants	(7,712)
	<u>\$ 213,237</u>

Major Expense Variances

Foulke lawsuit expenses	\$(21,605)
IDA (expenses below revenues)	42,584
Extra audit expenses	(15,483)
	<u>\$ 5,496</u>

General Fund Budget \$1,731,133

		<u>% of Budget</u>
Total Major Variances	\$ 218,733	13%
Total Change in Fund Balance	<u>317,992</u>	18%
Other Variances	\$ 99,259	6%

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 income “before contributions and transfers” of \$ 309,224.

<u>Included</u>	<u>Not Included</u>
\$315,190 Depreciation	\$147,227 Payment of loan principal

The Sewer Fund shows income “before contributions and transfers” of \$ 45,746.

<u>Included</u>	<u>Not Included</u>
\$248,818 Depreciation	\$47,071 Payment of loan principal

Infrastructure Assets

From an accrual, auditor-prepared financial statement basis, we believe the FY16 Comprehensive Annual Financial Report depicts a good year. On the other hand, the Town is still suffering from low water and sewer consumption as measured by gallons of service sold. The Town needs to stay focused on maintaining its basic infrastructure. For example, if the Town has about 60 miles of water and sewer pipe, and if a pipe has a life expectancy of about 60 years (both very general figures), the Town’s construction program should include replacing at least a mile of pipe per year just to stay current. Note that the Town did not replace or refurbish any of its wastewater treatment plant, pump station or tank infrastructure during FY16. 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 FY16. The Town needs continue the infrastructure replacement effort on an ongoing basis to avoid a “balloon payment” situation.

Summary

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

Except for these factors, the effects of which are difficult to quantify from a multi-year fiscal perspective, it is my opinion that the Town has come out of the recession as well as can be expected and is better off as of June 30, 2016 than it was on June 30, 2015. Furthermore, the general state of the Town of Amherst's finances is good if compared to many other local governments, and this situation will be resolved with the recovery of the economy and higher water and sewer usage. The prospects for our community continue to be excellent.

Requests for Information

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

Sincerely,

Tracie Wright
Office Manager

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, 2016, 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, 2016, 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 48 through 50 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, statistical section, Schedule of Town's Share of Net Pension Liability, and Schedule of Town Contributions are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The introductory section, statistical section, Schedule of Town's Share of Net Pension Liability, and Schedule of Town Contributions 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 October 6, 2016, 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
October 6, 2016





Town of Amherst, Virginia
Statement of Net Position
Full Accrual Basis
June 30, 2016

	Governmental Activities	Business Type Activities	Total
Assets			
Cash and Cash Equivalents	\$ 1,001,991	\$ 915,311	\$ 1,917,302
Investments	201,044	900,000	1,101,044
Net Taxes Receivable	28,897	-	28,897
Net Other Accounts Receivable	21,759	-	21,759
Net Enterprise Accounts Receivable	-	244,080	244,080
Prepaid Expenses	11,338	-	11,338
Inventory	-	103,283	103,283
Restricted Assets:			
Cash and Cash Equivalents	-	123,164	123,164
<i>Total Current Assets</i>	<u>1,265,029</u>	<u>2,285,838</u>	<u>3,550,867</u>
Net Fixed Assets	1,738,190	9,936,536	11,674,726
Net Loan Costs	-	31,037	31,037
<i>Total Long-Term Assets</i>	<u>1,738,190</u>	<u>9,967,573</u>	<u>11,705,763</u>
<i>Total assets</i>	<u>3,003,219</u>	<u>12,253,411</u>	<u>15,256,630</u>
Deferred Outflows of Resources			
Deferred outflows - pension	106,896	-	106,896
<i>Total deferred outflows of resources</i>	<u>106,896</u>	<u>-</u>	<u>106,896</u>
Liabilities			
Accounts Payable	16,245	143,801	160,046
Accrued Liabilities	6,106	5,672	11,778
Uncompensated absences	32,796	-	32,796
Current Portion of Notes Payable	-	201,134	201,134
<i>Total current liabilities</i>	<u>55,147</u>	<u>350,607</u>	<u>405,754</u>
OPEB liability	36,312	-	36,312
Net pension liability	587,298	-	587,298
Long-Term Portion of Notes Payable	-	5,076,458	5,076,458
<i>Total long-term liabilities</i>	<u>623,610</u>	<u>5,076,458</u>	<u>5,700,068</u>
<i>Total liabilities</i>	<u>678,757</u>	<u>5,427,065</u>	<u>6,105,822</u>
Deferred Inflows of Resources			
Deferred inflows - pension	95,066	-	95,066
<i>Total deferred inflows of resources</i>	<u>95,066</u>	<u>-</u>	<u>95,066</u>
Net Position			
Invested in Capital Assets, net of related debt	1,738,190	4,782,109	6,520,299
Unrestricted	598,102	2,044,237	2,642,339
<i>Total net position</i>	<u>\$ 2,336,292</u>	<u>\$ 6,826,346</u>	<u>\$ 9,162,638</u>

See accompanying notes to the financial statements





Town of Amherst, Virginia
Statement of Activities
Full Accrual Basis
For the year ending June 30, 2016



Net (Expense) Revenue
and Changes in Net Position

	Program Expenses	Program Revenues			Primary Government		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business Type Activities	Total
Primary Government:							
Governmental activities:							
General government administration	\$ 647,463	\$ 865,220	\$ -	\$ -	\$ 217,757	\$ -	\$ 217,757
Public Safety	391,782	-	65,358	-	(326,424)	-	(326,424)
Public Works	590,206	-	-	-	(590,206)	-	(590,206)
Total Government Activities	\$ 1,629,451	\$ 865,220	\$ 65,358	\$ -	\$ (698,873)	\$ -	\$ (698,873)
Business type activities							
Water & Sewer	1,995,729	2,365,733	-	-	-	370,004	370,004
Total Primary Government	\$ 3,625,180	\$ 3,230,953	\$ 65,358	\$ -	\$ (698,873)	\$ 370,004	\$ (328,869)
General revenues:							
General property taxes					41,490	-	41,490
Other local taxes					841,184	-	841,184
Unrestricted revenues from use of money and property					24,895	-	24,895
Permits and Privilege Fees					9,522	-	9,522
Fines and Forfeitures					9,017	-	9,017
Intergovernmental revenues					24,153	-	24,153
Transfers					-	-	-
Total General Revenues and Transfers					950,261	-	950,261
Change in net position					\$ 251,388	\$ 370,004	\$ 621,392
Net position-beginning					2,084,904	6,456,342	8,541,246
Net position-ending					\$ 2,336,292	\$ 6,826,346	\$ 9,162,638

See accompanying notes to the financial statements



Town of Amherst, Virginia
Balance Sheet
Governmental Funds
Modified Accrual Basis
June 30, 2016

	<u>Governmental Activities</u>
<u>Assets</u>	
Cash and Cash Equivalents	\$ 982,739
Investments	201,044
Net Taxes Receivable	28,897
Net Other Accounts Receivable	19,295
Prepaid Expenses	<u>11,338</u>
<i>Total Current Assets</i>	<u>1,243,313</u>
 <i>Total Assets</i>	 \$ <u><u>1,243,313</u></u>
<u>Liabilities</u>	
Accounts Payable	16,245
Accrued Liabilities	6,106
Deferred Revenue	<u>28,897</u>
<i>Total Current Liabilities</i>	<u>51,248</u>
 <i>Total Liabilities</i>	 <u>51,248</u>
<u>Fund Balance</u>	
Fund Balance - Nonspendable	11,338
Fund Balance - Unassigned	<u>1,180,727</u>
<i>Total Fund Balance</i>	<u>1,192,065</u>
 <i>Total Liabilities and Fund Balance</i>	 \$ <u><u>1,243,313</u></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, 2016

Revenues

General Property Taxes

Personal Property Tax Relief	\$ 34,912
Penalties	3,787
<i>Total General Property Taxes</i>	<u>38,699</u>

Other Local Taxes

Meals	331,155
Lodging	7,783
Consumer Utility Taxes	143,699
Local Sales and Use Taxes	96,687
Business License Taxes	144,142
Motor Vehicle Licenses	43,219
Bank Stock Taxes	74,499
<i>Total Other Local Taxes</i>	<u>841,184</u>

Permits and Privilege Fees

Communications Lease	9,522
<i>Total Permits and Privilege Fees</i>	<u>9,522</u>

Fines and Forfeitures

Fines	8,934
Seized Property	84
<i>Total Fines and Forfeitures</i>	<u>9,018</u>

Revenue from Use of Money and Property

Interest Earned	20,564
<i>Total Revenue from Use of Money and Property</i>	<u>20,564</u>

Miscellaneous Revenue

Miscellaneous	48,153
Administrative Fees from Enterprise Funds	803,279
Police Security Revenue	594
Proceeds from Sale of Building/Vehicles	126,806
<i>Total Miscellaneous Revenues</i>	<u>978,832</u>

Intergovernmental Revenues

Non-Categorical Aid From the Commonwealth

Economic Development Recoupment Fee	21,307
Rolling Stock	2,846

Categorical Aid From the Commonwealth

Virginia State Police Grant	52,884
Fire Grant	10,000
VML Safety Program Grant	1,786
Police Block Grant	688
<i>Total Intergovernmental Revenues</i>	<u>89,511</u>

<i>Total Revenues</i>	<u>\$ 1,987,330</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, 2016

Expenditures

General Government Administration

Legislative

Total Mayor and Town Council	\$ 11,991
Total Legislative	<u>11,991</u>

Non-Legislative General Government

General Government Salaries	198,169
Employment Expenses	61,219
Employee Assistance Program	850
Town Attorney	27,065
Office Supplies	24,578
Office Equipment	14,727
Bank Account Fees	240
Miscellaneous	11,386
Contingency Reserve	2,262
Capital Expenditures	89,514
Property & Landscape Maintenance	18,552
Electric - Streetlights	28,011
Heat and Electricity	6,035
Telephone	16,754
Grants	26,750
Utility Service Allowance	2,005
Building Maintenance	9,959
Decorations	1,168
Insurance	47,407
Marketing	4,784
Publications and Membership	3,900
Planning & Development	3,795
Travel and Training	2,700
Audit & Accounting Services	23,883
Engineering Services	5,986
Fire Department	10,000
Total Non-Legislative General Government	<u>641,699</u>

Total General Government Administration \$ 653,690

Public Safety Expenditures

Law Enforcement and Traffic Control

Public Safety Salaries	\$ 258,666
Employment Expenses	86,066
Equipment and Uniforms	16,945
Travel and Training	3,197
Vehicles - Fuel	7,411
Vehicles - Maintenance	17,709
Miscellaneous	2,445
Supplies	9,580
Attorney fees	1,261
Police Block Grant Expense	1,786
Total Public Safety Expenditures	<u>\$ 405,066</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, 2016

Expenditures (continued)

Public Works Expenditures

Utilities

Salaries	\$ 420,930
Employment Expenses	153,179
Benefits-Contra Capital Projects	-
Heat and Electricity	2,980
Vehicles - Repair	7,083
Uniforms	3,058
Building Maintenance	646
Equipment Maintenance	6,813
Training and Education	3,703
Miscellaneous	2,929
Vehicles - Fuel	9,261

Total Public Works Expenditures 610,582

Total Expenditures 1,669,338

Excess of revenues over expenditures 317,992

Other financing sources (uses)

Transfers out -

Total other financing sources (uses) -

Change in Fund Balance \$ 317,992

Fund Balance-Beginning 874,073

Fund Balance-Ending \$ 1,192,065

See accompanying notes to the financial statements





Town of Amherst, Virginia
Statement of Net Position
Proprietary Funds
Full Accrual Basis
June 30, 2016

	Enterprise Funds			
	Water Fund	Sewer Fund	Garbage Fund	Memorandum Total
Assets				
Cash and Cash Equivalents	\$ 476,054	\$ 418,621	\$ 20,636	\$ 915,311
Investments	592,405	307,595	-	900,000
Net Enterprise Accounts Receivable	131,209	103,808	9,063	244,080
Inventory	83,947	19,336	-	103,283
Restricted Assets:				
Cash and Cash Equivalents	123,164	-	-	123,164
<i>Total Current Assets</i>	<u>1,406,779</u>	<u>849,360</u>	<u>29,699</u>	<u>2,285,838</u>
Net Fixed Assets	6,212,643	3,723,893	-	9,936,536
Net Loan Costs	31,037	-	-	31,037
<i>Total Long Term Assets</i>	<u>6,243,680</u>	<u>3,723,893</u>		<u>9,967,573</u>
Total Assets	<u><u>\$ 7,650,459</u></u>	<u><u>\$ 4,573,253</u></u>	<u><u>\$ 29,699</u></u>	<u><u>\$ 12,253,411</u></u>
Liabilities				
Accounts Payable	\$ 137,040	\$ -	\$ 6,761	\$ 143,801
Accrued Liabilities	5,672	-	-	5,672
Current Portion of Notes Payable	152,080	49,054	-	201,134
<i>Total Current Liabilities</i>	<u>294,792</u>	<u>49,054</u>	<u>6,761</u>	<u>350,607</u>
Notes Payable	2,424,478	2,651,980	-	5,076,458
<i>Total Long Term Liabilities</i>	<u>2,424,478</u>	<u>2,651,980</u>	<u>-</u>	<u>5,076,458</u>
Total Liabilities	<u><u>2,719,270</u></u>	<u><u>2,701,034</u></u>	<u><u>6,761</u></u>	<u><u>5,427,065</u></u>
Net Position				
Invested in Capital Assets, net of related debt	3,759,250	1,022,859	-	4,782,109
Unrestricted	1,171,939	849,360	22,938	2,044,237
Total Net Position	<u><u>\$ 4,931,189</u></u>	<u><u>\$ 1,872,219</u></u>	<u><u>\$ 22,938</u></u>	<u><u>\$ 6,826,346</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, 2016

	Enterprise Funds			
	Water Fund	Sewer Fund	Garbage Fund	Total
Operating Revenues				
Monthly Billing	\$ 1,156,464	\$ 866,717	\$ 105,177	\$ 2,128,358
Sprinkler Revenue	4,968	-	-	4,968
Penalties	11,683	6,970	1,395	20,048
Water Service Revenue	108,930	-	-	108,930
Grant Revenue	27,200	-	-	27,200
Miscellaneous Revenue	12,220	-	-	12,220
Availability Fees	-	-	-	-
Dormant Account Fees	3,436	4,974	-	8,410
Maintenance and Construction Revenue	7,789	73	-	7,862
Nutrient Credit Revenue	-	2,282	-	2,282
Rutledge Creek Operations	-	45,455	-	45,455
Total Operating Revenues	\$ 1,332,690	\$ 926,471	\$ 106,572	\$ 2,365,733
Operating Expenses				
Administrative Fees	\$ 415,311	\$ 377,750	\$ 10,218	\$ 803,279
Line Materials	18,144	3,475	-	21,619
Pump Stations Operations	1,533	16,811	-	18,344
Electricity	39,853	41,970	-	81,823
Water & Sewer Service	33,615	7,393	-	41,008
Curbside Garbage Collection Service	-	-	80,841	80,841
Plant Maintenance	53,449	28,832	-	82,281
Chemicals	36,554	2,696	-	39,250
Water Sampling	5,095	-	-	5,095
Laboratory	12,062	15,835	-	27,897
Miscellaneous	536	13,518	102	14,156
Watershed Management	22,137	-	-	22,137
Nutrient Expense	-	9,303	-	9,303
Water & Sewer Study & Maps	-	-	-	-
Bad Debt Expense	1,745	1,843	377	3,965
Depreciation Expense	315,190	248,818	-	564,008
Amortization Expense	1,220	-	-	1,220
Total Operating Expenses	\$ 956,444	\$ 768,244	\$ 91,538	\$ 1,816,226
Operating income (expense)	\$ 376,246	\$ 158,227	\$ 15,034	\$ 549,507
Non-operating revenues (expenses)				
Interest Expense	(67,022)	(112,481)	-	(179,503)
Total non-operating Revenues/Expenses	(67,022)	(112,481)	-	(179,503)
Income (loss) before contributions and transfers	309,224	45,746	15,034	370,004
Transfers in	-	-	-	-
Change in Net Position	309,224	45,746	15,034	370,004
Net Position-Beginning	4,621,965	1,826,473	7,904	6,456,342
Net Position-Ending	\$ 4,931,189	\$ 1,872,219	\$ 22,938	\$ 6,826,346





Town of Amherst, Virginia
Statement of Cash Flows
Proprietary Funds
Full Accrual Basis
For the Year Ended June 30, 2016

	Enterprise Funds			
	Water Fund	Sewer Fund	Garbage Fund	Memorandum Total Only
Cash flows from operating activities				
Receipts from customers	\$ 1,335,657	\$ 903,956	\$ 105,413	\$ 2,345,026
Payments to suppliers	(107,918)	(142,368)	(74,559)	(324,845)
Internal activity - payments to other funds	(415,311)	(377,750)	(10,218)	(803,279)
Net cash provided by operating activities	812,428	383,838	20,636	1,216,902
Noncapital financing activities				
Transfers in	-	-	-	-
Net cash provided by noncapital financing activities	-	-	-	-
Cash flows from Capital and Related Financing Activities				
Purchases of capital assets	(723,418)	(186,000)	-	(909,418)
Proceeds from capital debt	572,083	-	-	572,083
Loan costs related to capital debt	(12,299)	-	-	(12,299)
Principal paid on capital debt	(147,227)	(47,071)	-	(194,298)
Interest paid on capital debt	(67,022)	(112,481)	-	(179,503)
Net cash used in capital and related financing activities	(377,883)	(345,552)	-	(723,435)
Cash flows from Investing Activities				
Net sale (purchase) of investments	-	-	-	-
Net cash used in investing activities	-	-	-	-
Net Increase (Decrease) in Cash & Cash Equivalents	434,545	38,286	20,636	493,467
Cash & Cash Equivalents, beginning of year	164,673	380,335	-	545,008
Cash & Cash Equivalents, end of year	\$ 599,218	\$ 418,621	\$ 20,636	\$ 1,038,475
Reconciliation to Statement of Net Position				
Cash and cash equivalents	\$ 476,054	\$ 418,621	\$ 20,636	\$ 915,311
Restricted cash and cash equivalents	123,164	-	-	123,164
Total Cash & Cash Equivalents	\$ 599,218	\$ 418,621	\$ 20,636	\$ 1,038,475
Reconciliation of operating income (loss) to net cash provided by operating activities:				
Operating income (loss)	\$ 376,246	\$ 158,227	\$ 15,034	\$ 534,473
Adjustments to reconcile change in unrestricted net assets				
Depreciation and Amortization	316,410	248,818	-	565,228
Decrease/(Increase) in accounts receivable	(19,930)	(22,515)	(1,159)	(42,445)
Decrease/(Increase) in grant receivable	22,800	-	-	22,800
Decrease/(Increase) in inventory	2,763	491	-	3,254
(Decrease)/Increase in accounts payable	114,042	(1,183)	6,761	112,859
(Decrease)/Increase in accrued liabilities	97	-	-	97
Net cash provided by operating activities	\$ 812,428	\$ 383,838	\$ 20,636	\$ 1,196,266

See accompanying notes to the financial statements





**Town of Amherst, Virginia
Notes to the Financial Statements
For the Year Ended June 30, 2016**

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. Effective July 1, 2015, under the revised Town charter, the Town Council is responsible for appointing the Town Manager and the Police Chief. The Town Manager appoints the Treasurer.

The financial statements of 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 amended the net asset reporting requirements in GASB Statement No. 34, and changed the structure of the government balance sheet.

In March 2012, GASB issued Statement No. 65, Items Previously Reported as Assets and Liabilities. This statement amended the financial statement classification of certain items 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, 2016**

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, 2016**

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, 2016**

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, 2016**

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, 2016, 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. Effective July 1, 2014, the Town has reduced real estate and property tax assessments rates to zero.

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, 2016

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, 2016**

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.

Pensions

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

Use of Estimates

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





Town of Amherst, Virginia
Notes to the Financial Statements
For the Year Ended June 30, 2016

Note 2 – Cash and Investments

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

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

The Town maintains its cash balances including certificates of deposit at several financial institutions. The accounts at the financial institution are insured by the Federal Deposit Insurance Corporation up to \$250,000 at each institution. The cash balances in excess of the insurance limits are as follows at June 30, 2016:

Carter Bank & Trust	\$2,307,403
Bank of the James	\$ 254,948

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. Effective July 1, 2014, the Town has reduced real estate and property tax assessments rates to zero.

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 \$32,796 of accrued compensated absences at June 30, 2016.





Town of Amherst, Virginia
Notes to the Financial Statements
For the Year Ended June 30, 2016

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, 2016 the outstanding balance was \$1,498,412. Interest of \$51,534 was paid during the fiscal year. A schedule of maturities is as follows:

For the year ending June 30	Principal	Interest
2017	\$ 138,114	47,092
2018	142,713	42,493
2019	147,465	37,741
2020	152,375	32,831
2021	157,449	27,757
2022 - 2026	760,296	57,694
	<u>\$ 1,498,412</u>	<u>\$ 245,608</u>

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. 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, 2016, the outstanding balance was \$506,063. Interest of \$15,488 was paid during the fiscal year.





Town of Amherst, Virginia
Notes to the Financial Statements
For the Year Ended June 30, 2016

Note 5 – Long-Term Debt (continued)

Water Fund (continued)

The schedule of maturities is as follows:

For the year ending June 30	Principal	Interest
2017	\$ 13,966	\$ 15,078
2018	14,388	14,656
2019	14,823	14,221
2020	15,271	13,773
2021	15,733	13,311
2022 - 2026	86,090	59,130
2027 - 2031	99,911	45,309
2032 - 2036	115,950	29,269
2037 - 2041	129,931	10,655
	\$ 506,063	\$ 215,402

On February 4, 2016, 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 \$2,640,300, at 2.25% interest. The loan from VRA were used to finance the replacement of the Main Street 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 \$572,083 were received during the year ending June 30, 2016. An interest only payment on loan proceeds is due on July 1, 2017. Payments of principal and interest of \$61,476 are due semi-annually beginning January 1, 2018. At June 30, 2016, the outstanding balance was \$572,083. No interest was paid during the fiscal year.

The financing agreement with VRA contains certain restrictive covenants. Under the financing agreement, the Town is required to establish a segregated cash account called "Town of Amherst Series 2016 Reserve Fund" to be pledged as security for payment of principal and interest. The Town is required to maintain a balance equal to one year of principal and interest payments. This account is reported as "restricted cash" on the Statement of Net Position. The Town is also required to maintain rates, fees, and charges for services such that net revenues available for debt service equal at least 100% of the amount required during the fiscal year to make principal and interest payments. The Town is in compliance with these covenants as of June 30, 2016.





Town of Amherst, Virginia
Notes to the Financial Statements
For the Year Ended June 30, 2016

Note 5 – Long-Term Debt (continued)

Water Fund (continued)

The schedule of maturities is as follows once all loan proceeds are received:

For the year ending June 30	Principal	Interest
2017	\$ -	\$ -
2018	63,902	59,049
2019	65,348	57,603
2020	66,827	56,125
2021	68,339	54,613
2022 - 2026	365,601	249,158
2027 - 2031	408,876	205,882
2032 - 2036	457,275	157,483
2037 - 2041	511,403	103,356
2042 - 2046	571,937	42,822
2047	60,792	684
	<u>\$ 2,640,300</u>	<u>\$ 986,775</u>

Sewer Fund

On August 4, 2003 the Town obtained interim financing to finance the construction of a new sewer plant. The amount of financing was \$3,121,000. On August 12, 2005, the town issued a note, which replaced the August 4, 2003 interim financing, with the United States Department of Agriculture, secured by a general obligation bond issued by the Town. The obligation has a rate of interest of 4.125% and is amortized over a 40 year period. Payments of principal and interest of \$13,296 are due monthly and began on September 12, 2005. As of June 30, 2016, the outstanding balance was \$2,701,034. Interest of \$112,481 was paid during the current fiscal year.

A schedule of maturities is as follows:

For the year ending June 30	Principal	Interest
2017	\$ 49,054	\$ 110,498
2018	51,116	108,436
2019	53,265	106,287
2020	55,504	104,048
2021	57,837	101,715
2022 - 2026	327,767	469,993
2027 - 2031	402,703	395,057
2032 - 2036	494,772	302,988
2037 - 2041	607,890	189,870
2042 - 2046	601,126	53,354
	<u>\$ 2,701,034</u>	<u>\$ 1,942,246</u>





Town of Amherst, Virginia
Notes to the Financial Statements
For the Year Ended June 30, 2016

Note 5 – Long-Term Debt (continued)

The following is a summary of changes in long-term liabilities for the year ended June 30, 2016:

	Balance July 1, 2015	Issued	Retired	Balance June 30, 2016
Governmental activities	\$ -	\$ -	\$ -	\$ -
Business-type activities:				
Water Fund	2,151,702	572,083	147,227	2,576,558
Sewer Fund	2,748,105	-	47,071	2,701,034
Total Business-type activities	<u>4,899,807</u>	<u>572,083</u>	<u>194,298</u>	<u>5,277,592</u>
Total	\$ <u>4,899,807</u>	\$ <u>572,083</u>	\$ <u>194,298</u>	\$ <u>5,277,592</u>

Note 6 – Retirement Plan

Plan description

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

VRS administers three different benefit plan structures for covered employees in the VRS State Employee Retirement Plan – Plan 1, Plan 2, and Hybrid. Each of these benefit structures has a different eligibility criteria. The specific information for each plan and the eligibility for covered groups within each plan are described below:

- 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 55 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.





**Town of Amherst, Virginia
Notes to the Financial Statements
For the Year Ended June 30, 2016**

Note 6 – Retirement Plan (continued)

Plan description (continued)

- Plan 1 continued –
 - Hazardous duty members 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.
 - Members become vested in their benefits when they have at least 5 years of creditable service.
- 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. Eligible Plan 2 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014. 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.





**Town of Amherst, Virginia
Notes to the Financial Statements
For the Year Ended June 30, 2016**

Note 6 – Retirement Plan (continued)

Plan description (continued)

- Plan 2 continued –
 - 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 is 1.70% for service earned, purchased, or granted prior to January 1, 2013. For non-hazardous duty members, the multiplier is 1.65% for service earned, purchased or granted on or after January 1, 2013. 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.
 - Members become vested in their benefits when they have at least 5 years of creditable service.
- 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.
 - Members become vested in their benefits when they have at least 5 years of creditable service. Members are always 100% vested in the contributions that they make.





Town of Amherst, Virginia
Notes to the Financial Statements
For the Year Ended June 30, 2016

Note 6 – Retirement Plan (continued)

Plan description (continued)

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%. The VRS also provides death and disability benefits. Title 51.1 of the *Code of Virginia*, 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 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/2015-annual-report.pdf>.

Employees covered by benefit terms

	<u>Number</u>
Inactive members or their beneficiaries currently receiving benefits	12
Inactive members	
Vested	1
Non-vested	3
Active elsewhere in VRS	<u>3</u>
Total inactive members	7
Active members	<u>18</u>
Total covered employees	<u>37</u>

Contributions

The contribution requirement for active employees is governed by Title 51.1-145 of the *Code of Virginia*, as amended, but may be impacted as a result of funding provided to political subdivisions by the Virginia General Assembly. Employees are required to contribute 5% of their compensation toward their retirement. Prior to July 1, 2012, the 5% member contribution was paid by the employer.





Town of Amherst, Virginia
Notes to the Financial Statements
For the Year Ended June 30, 2016

Note 6 – Retirement Plan (continued)

Contributions (continued)

Beginning July 1, 2012, new employees were required to pay the 5% member contribution. In addition, for existing employees, employers were required to begin making the employee pay the 5% member contribution. This could be phased in over a period of up to 5 years and the employer is required to provide a salary increase equal to the amount of the increase in the employee-paid member contribution.

The Town's contractually required contribution rate for the year ended June 30, 2016 was 14.14% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2013. This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Town were \$106,896 for the year ended June 30, 2016.

Net pension liability

The Town's net pension liability was measured as of June 30, 2015. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2014, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2015.

Actuarial Assumptions – General Employees

The total pension liability for General Employees in the Town's Retirement Plan was based on an actuarial valuation as of June 30, 2014, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2015.

- Inflation – 2.5%
- Salary increases, including inflation - 3.5% – 5.35%
- Investment rate of return – 7%, net of pension plan investment expense, including inflation*

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





**Town of Amherst, Virginia
Notes to the Financial Statements
For the Year Ended June 30, 2016**

Note 6 – Retirement Plan (continued)

Actuarial Assumptions – General Employees (continued)

- Mortality rates: 14% of deaths are assumed to be service related
 - Non-LEOS:
 - Pre-Retirement:
 - RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set forward 4 years and females were set back 2 years.
 - Post-Retirement:
 - RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set forward 1 year.
 - Post-Disablement:
 - RP-2000 Disability Mortality Table Projected to 2020 with males set back 3 years and no provision for future mortality improvement.

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the period from July 1, 2008 through June 30, 2012. Changes to the actuarial assumptions as a result of the experience study are as follows:

- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

Actuarial Assumptions – Public Safety Employees

The total pension liability for General Employees in the Town's Retirement Plan was based on an actuarial valuation as of June 30, 2014, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2015.

- Inflation – 2.5%
- Salary increases, including inflation - 3.5% – 4.75%
- Investment rate of return – 7%, net of pension plan investment expense, including inflation*

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





**Town of Amherst, Virginia
Notes to the Financial Statements
For the Year Ended June 30, 2016**

Note 6 – Retirement Plan (continued)

Actuarial Assumptions – Public Safety Employees (continued)

- Mortality rates: 60% of deaths are assumed to be service related
 - LEOS:
 - Pre-Retirement:
 - RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set back 2 years and females were set back 2 years.
 - Post-Retirement:
 - RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set forward 1 year.
 - Post-Disablement:
 - RP-2000 Disability Mortality Table Projected to 2020 with males set back 3 years and no provision for future mortality improvement.

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the period from July 1, 2008 through June 30, 2012. Changes to the actuarial assumptions as a result of the experience study are as follows:

- Update mortality table
- Adjustment to rates of service retirement for females
- Increase in rates of withdrawal
- Decrease in male and female rates of disability

Long-term expected rate of return

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





Town of Amherst, Virginia
Notes to the Financial Statements
For the Year Ended June 30, 2016

Note 6 – Retirement Plan (continued)

Long-term expected rate of return (continued)

The target asset allocation and best estimate of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class (Strategy)	Target Allocation	Arithmetic Long-Term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return
U. S. Equity	19.50%	6.46%	1.26%
Developed Non U. S. Equity	16.50%	6.28%	1.04%
Emerging Market Equity	6.00%	10.00%	0.60%
Fixed Income	15.00%	0.09%	0.01%
Emerging Debt	3.00%	3.51%	0.11%
Rate Sensitive Credit	4.50%	3.51%	0.16%
Non Rate Sensitive Credit	4.50%	5.00%	0.23%
Convertibles	3.00%	4.81%	0.14%
Public Real Estate	2.25%	6.12%	0.14%
Private Real Estate	12.75%	7.10%	0.91%
Private Equity	12.00%	10.41%	1.25%
Cash	1.00%	-1.50%	-0.02%
Total	100.00%		5.83%
		Inflation	2.50%
	*Expected arithmetic nominal return		8.33%

Using stochastic projection results provides an expected range of real rates of return over various time horizons. Looking at one year results produces an expected real return of 8.33% but also has a high standard deviation, which means there is high volatility. Over larger time horizons the volatility declines significantly and provides a median return of 7.44%, including expected inflation of 2.50%.

Discount rate

The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2018, the rate contributed by the employer for the Town's Retirement Plan will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2018 on, participating employers are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.





Town of Amherst, Virginia
Notes to the Financial Statements
For the Year Ended June 30, 2016

Note 6 – Retirement Plan (continued)

Changes in net pension liability

	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balances at June 30, 2014	\$ 3,905,051	\$ 3,383,363	\$ 521,688
Changes for the year:			
Service cost	93,912	-	93,912
Interest	264,117	-	264,117
Differences between expected and actual experience	(5,469)	-	(5,469)
Contributions – employer	-	102,001	(102,001)
Contributions – employee	-	35,685	(35,685)
Net investment income	-	151,465	(151,465)
Benefit payments, including refunds of employee contributions	(263,893)	(263,893)	-
Administrative expenses	-	(2,170)	2,170
Other changes	-	(31)	31
Net changes	88,667	23,057	65,610
Balances at June 30, 2015	\$ 3,993,718	\$ 3,406,420	\$ 587,298

Sensitivity of the Town's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

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

	1.00% Decrease (6.00%)	Current Discount Rate (7.00%)	1.00% Increase (8.00%)
Town's proportionate share of the VRS State Employee Retirement Plan Net Pension Liability	\$ 1,086,468	\$ 587,298	\$ 168,149





Town of Amherst, Virginia
Notes to the Financial Statements
For the Year Ended June 30, 2016

Note 6 – Retirement Plan (continued)

Pension liabilities, pension expense, and deferred outflows of resources and deferred inflows of resources related to pensions

For the year ended June 30, 2016, the Town recognized pension expense of \$55,323. At June 30, 2016, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 4,251
Change in assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	90,815
Changes in proportion and differences between Employer contributions and proportionate share of contributions	-	-
Employer contributions subsequent to the measurement date	106,896	-
Total	\$ 106,896	\$ 95,066

Deferred outflows of resources related to pensions of \$106,896 reported as resulting from the Town's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

For the year ending June 30	
2017	\$ (36,881)
2018	(36,881)
2019	(36,883)
2020	15,579





Town of Amherst, Virginia
Notes to the Financial Statements
For the Year Ended June 30, 2016

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.

Membership

The number of participants at June 30, 2016 was as follows:

Actives	16
Retirees	3
Spouses/Children	<u>7</u>
Total Participants	<u>26</u>

Funding Policy

The Town currently funds postemployment health care benefits on a pay-as-you-go basis. During the year ended June 30, 2016, the Town recorded \$6,528 for the OPEB liability.





Town of Amherst, Virginia
Notes to the Financial Statements
For the Year Ended June 30, 2016

Note 8 - Other Post Employment Benefits (continued)

Annual Other Postemployment Benefit Cost and Net OPEB Obligation

The following table shows the elements of the Town's annual OPEB cost for the year the changes in the Town's net OPEB obligation for the fiscal year ended June 30, 2016.

Annual required contribution	\$ 11,100
Annual OPEB cost	11,100
Contributions made	<u>(4,572)</u>
Increase in net OPEB obligation	6,528
Net OPEB obligation - beginning of year	<u>29,784</u>
Net OPEB obligation - end of year	<u>\$ 36,312</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, 2016 are as follows.

Fiscal Year Ending	Annual OPEB Cost	Percentage of Annual OPEB Contributed		Net OPEB Obligation
6/30/2016	\$ 11,100	41 %	\$	36,312
6/30/2015	\$ 10,500	44 %	\$	29,784
6/30/2014	\$ 10,100	45 %	\$	23,856

Funding Status and Funding Progress

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

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

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





**Town of Amherst, Virginia
Notes to the Financial Statements
For the Year Ended June 30, 2016**

Note 8 - Other Post Employment Benefits (continued)

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.

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.





Town of Amherst, Virginia
Notes to the Financial Statements
For the Year Ended June 30, 2016

Note 11 – Capital Assets (continued)

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

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

Details of changes in property and equipment in the Government Fund for the fiscal year ending June 30, 2016 are as follows:

	Balance at July 1, 2015		Additions		Deletions		Balance at June 30, 2016
Land and Buildings	\$ 1,544,890	\$	-	\$	-	\$	1,544,890
Town Hall Renovations	143,966		-		(143,966)		-
Equipment	702,297		89,514		(92,494)		699,317
Subtotal	\$ 2,391,153	\$	89,514	\$	(236,460)	\$	2,244,207
Less Accumulated Depreciation	534,975		91,426		(120,384)		506,017
Net Total Capital Assets	\$ 1,856,178	\$	(1,912)	\$	(116,076)	\$	1,738,190

Details of changes in property and equipment in the Enterprise Funds for the fiscal year ending June 30, 2016 are as follows:

Proprietary Water Fund

	Balance at July 1, 2015		Additions		Deletions		Balance at June 30, 2016
Land	\$ 5,600	\$	-	\$	-	\$	5,600
Equipment	63,061		-		-		63,061
Plant and Lines	9,009,533		723,418		-		9,732,951
Subtotal	\$ 9,078,194	\$	723,418	\$	-	\$	9,801,612
Less Accumulated Depreciation	3,273,779		315,190		-		3,588,969
Net Total Capital Assets	\$ 5,804,415	\$	408,228	\$	-	\$	6,212,643

As of June 30, 2016, \$746,218 of the Proprietary Water Fund property and equipment balance is construction in progress and is not being depreciated.





Town of Amherst, Virginia
Notes to the Financial Statements
For the Year Ended June 30, 2016

Note 11 – Capital Assets (continued)

Proprietary Sewer Fund

	Balance at July 1, 2015		Additions		Deletions		Balance at June 30, 2016
Land	\$ 6,984	\$	-	\$	-	\$	6,984
Equipment	41,693		-		-		41,693
Plant and Lines	6,968,934		186,000		-		7,154,934
Subtotal	\$ 7,017,611	\$	186,000	\$	-	\$	7,203,611
Less Accumulated Depreciation	3,230,900		248,818		-		3,479,718
Net Total Capital Assets	\$ 3,786,711	\$	(62,818)	\$	-	\$	3,723,893

As of June 30, 2016, \$287,357 of the Proprietary Sewer Fund property and equipment balance is construction in progress and is not being depreciated.

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	\$ 1,192,065
When capital assets (land, buildings, equipment) that are to be used in governmental activities are purchased or constructed, the costs of those assets.	1,738,190
Accounts receivable for real estate taxes	28,897
Other receivable for proceeds from sale of vehicle	2,464
Uncompensated absence accrual	(32,796)
OPEB liability accrual	(36,312)
Net pension liability accrual	(587,298)
Certificate of deposit interest income accrual	19,252
Deferred outflow – pension	106,896
Deferred inflow - pension	(95,066)
Net Position of General Government Activities	\$ 2,336,292





Town of Amherst, Virginia
Notes to the Financial Statements
For the Year Ended June 30, 2016

Note 13 – Grants

The Town received several grants during the year. Three grants totaled \$12,474 for use in Public Safety and one grant totaled \$27,200 for use in the Water Fund. 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, 2016 was \$9,522.

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

<u>Year Ending</u>	<u>Amount</u>
2017	<u>5,127</u>
Total	\$ <u>5,127</u>

Note 15 – 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.





Town of Amherst, Virginia
Notes to the Financial Statements
For the Year Ended June 30, 2016

Note 15 – Fund Balances (continued)

The constraints placed on fund balance for the governmental funds are presented below.

Fund Balances	General Fund	Total Governmental Funds
Nonspendable:		
Prepaid expenses	\$ 11,338	\$ 11,338
Total Nonspendable	<u>11,338</u>	<u>11,338</u>
Unassigned:		
Permanent fund principal	298,099	298,099
Other unassigned	882,628	882,628
Total Unassigned	<u>1,180,727</u>	<u>1,180,727</u>
Total Fund Balances	\$ <u>1,192,065</u>	\$ <u>1,192,065</u>

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 16 – Commitments and 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 has a potential legal contingency related to out of town garbage rates.

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.

Note 17 - Subsequent Events

The Town has evaluated subsequent events through October 6, 2016, the date the report was available for issuance. One event requiring disclosure was noted. The Town received an initial funding offer from the Virginia Department of Health for a principal forgiveness loan of \$150,000 to finance the West Court Street Water Line Replacement.





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, 2016

	General Fund		
	Budget	Actual	Variances Favorable (Unfavorable)
Revenues			
<u>General Property Taxes</u>			
Personal Property Tax Relief	\$ -	\$ 34,912	\$ 34,912
Penalties	3,000	3,787	787
Total General Property Taxes	3,000	38,699	35,699
<u>Other Local Taxes</u>			
Meals	288,000	331,155	43,155
Lodging	5,200	7,783	2,583
Consumer Utility Taxes	146,000	143,699	(2,301)
Local Sales and Use Taxes	91,000	96,687	5,687
Business License Taxes	112,000	144,142	32,142
Motor Vehicle Licenses	43,500	43,219	(281)
Bank Stock Taxes	65,000	74,499	9,499
Total Other Local Taxes	750,700	841,184	90,484
<u>Permits and Privilege Fees</u>			
Communications Lease	8,790	9,522	732
Total Permits and Privilege Fees	8,790	9,522	732
<u>Fines and Forfeitures</u>			
Fines	25,000	8,934	(16,066)
Seized Property	1,000	84	(916)
Total Fines and Forfeitures	26,000	9,018	(16,982)
<u>Revenue from Use of Money and Property</u>			
Interest Earned	8,245	20,564	12,319
Total Revenue from Use of Money and Property	8,245	20,564	12,319
<u>Miscellaneous Revenue</u>			
Miscellaneous	38,599	48,153	9,554
Administrative Fees from Enterprise Funds	803,279	803,279	-
Police Security Revenue	1,800	594	(1,206)
Proceeds from Sale of Building/Vehicles	-	126,806	126,806
Total Miscellaneous Revenues	843,678	978,832	135,154
<u>Intergovernmental Revenues</u>			
<i>Non-Categorical Aid From the Commonwealth</i>			
Economic Development Recoupment Fee	16,136	21,307	5,171
Rolling Stock	2,800	2,846	46
<i>Categorical Aid From the Commonwealth</i>			
Virginia State Police Grant	52,884	52,884	-
Fire Grant	8,000	10,000	2,000
VML Safety Program Grant	2,000	1,786	(214)
Police Block Grant	8,400	688	(7,712)
Miscellaneous Grants	500	-	(500)
Total Intergovernmental Revenues	90,720	89,511	(1,209)
Total Revenues	\$ 1,731,133	\$ 1,987,330	\$ 256,197

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, 2016

	General Fund		
	Budget	Actual	Variances Favorable (Unfavorable)
Expenditures			
General Government Administration			
Legislative			
Total Mayor and Town Council	\$ 11,400	\$ 11,991	\$ (591)
Total Legislative	11,400	11,991	(591)
Non-Legislative General Government			
General Government Salaries	199,923	198,169	1,754
Employment Expenses	60,790	61,219	(429)
Employee Assistance Program	900	850	50
Town Attorney	6,000	27,065	(21,065)
Office Supplies	20,501	24,578	(4,077)
Office Equipment	24,000	14,727	9,273
Bank Account Fees	-	240	(240)
Miscellaneous	7,300	11,386	(4,086)
Contingency Reserve	-	2,262	(2,262)
Capital Expenditures	77,500	89,514	(12,014)
Property & Landscape Maintenance	28,547	18,552	9,995
Electric - Streetlights	29,000	28,011	989
Heat and Electricity	5,500	6,035	(535)
Telephone	16,000	16,754	(754)
Grants	26,750	26,750	-
Utility Service Allowance	2,200	2,005	195
Building Maintenance	9,000	9,959	(959)
Decorations	2,500	1,168	1,332
Insurance	49,000	47,407	1,593
Marketing	38,868	4,784	34,084
Publications and Membership	4,000	3,900	100
Planning and Development	1,500	3,795	(2,295)
Travel and Training	13,500	2,700	10,800
Audit & Accounting Services	8,400	23,883	(15,483)
Engineering Services	6,000	5,986	14
Fire Department	8,000	10,000	(2,000)
Bad Debt Expense	3,000	-	3,000
Reserve for Pay Adj	70,235	-	70,235
Total Non-Legislative General Government	718,914	641,699	77,215
Total General Government Administration	\$ 730,314	\$ 653,690	\$ 76,624
Public Safety Expenditures			
Law Enforcement and Traffic Control			
Public Safety Salaries	240,032	258,666	(18,634)
Employment Expenses	83,870	86,066	(2,196)
Equipment and Uniforms	24,000	16,945	7,055
Travel and Training	5,101	3,197	1,904
Vehicles - Fuel	18,000	7,411	10,589
Vehicles - Maintenance	11,000	17,709	(6,709)
Miscellaneous	5,000	2,445	2,555
Supplies	4,500	9,580	(5,080)
Attorney Fees	2,955	1,261	1,694
Police Block Grant Expense	1,000	1,786	(786)
Total Public Safety Expenditures	\$ 395,458	\$ 405,066	\$ (9,608)

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, 2016

	General Fund		
	Budget	Actual	Variances Favorable (Unfavorable)
<u>Expenditures (continued)</u>			
<u>Public Works Expenditures</u>			
<i>Utilities</i>			
Salaries	\$ 398,642	\$ 420,930	\$ (22,288)
Employment Expenses	148,519	153,179	(4,660)
Benefits-Contra Capital Projects	-	-	-
Heat and Electricity	4,500	2,980	1,520
Vehicles - Repair	5,000	7,083	(2,083)
Uniforms	4,500	3,058	1,442
Building Maintenance	2,200	646	1,554
Equipment Maintenance	16,000	6,813	9,187
Training and Education	5,500	3,703	1,797
Miscellaneous	4,500	2,929	1,571
Vehicles - Fuel	16,000	9,261	6,739
<i>Total Public Works Expenditures</i>	<u>605,361</u>	<u>610,582</u>	<u>(5,221)</u>
 <i>Total Expenditures</i>	 <u>1,731,133</u>	 <u>1,669,338</u>	 <u>61,795</u>
 <i>Excess of revenues over expenditures</i>	 <u>-</u>	 <u>317,992</u>	 <u>317,992</u>
 <u>Other financing sources (uses)</u>			
Transfers out	-	-	-
 <i>Total other financing sources (uses)</i>	 <u>-</u>	 <u>-</u>	 <u>-</u>
 Change in Fund Balance		\$ 317,992	
Fund Balance-Beginning		874,073	
Fund Balance-Ending		<u>\$ 1,192,065</u>	

See accompanying notes to the financial statements





Town of Amherst, Virginia
Required Supplemental Information
As of June 30, 2016

Statement of Treasurer's Accountability

Assets Held By Treasurer

	<u>All Funds</u>
<u>Cash</u>	
Cash on Hand	\$ 400
Bank of the James	303,904
Carter Bank & Trust	1,274,194
First National Bank of Altavista	123,164
Local Government Investment Pool	1,001
<i>Total Cash</i>	<u>1,702,663</u>
<u>Certificates of Deposit</u>	
Bank of the James	201,044
Carter Bank & Trust	1,218,551
<i>Total Certificates of Deposit</i>	<u>1,419,595</u>
 <i>Total Assets Held By Treasurer</i>	 <u><u>\$ 3,122,258</u></u>

Liabilities Held By Treasurer

<u>Cash Allocated to Funds</u>	
General Fund	1,183,783
Capital Projects Fund	-
Sewer Fund	726,216
Water Fund	1,191,623
Garbage Fund	20,636
<i>Total Cash Allocated to Funds</i>	<u>3,122,258</u>
 <i>Total Liabilities Held by Treasurer</i>	 <u><u>\$ 3,122,258</u></u>

Computation of Legal Debt Margin

Net Assessed Debt Value	\$ 175,294,600
Debt Limit Percentage	<u>10%</u>
 Debt Limit Calculated	 17,529,460
Total Long-Term Debt	5,076,458
 <i>Legal Margin for Creation of Additional Debt</i>	 12,453,002

Schedule of Funding Progress for Other Post Employment Benefits

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

See accompanying notes to the required supplemental information





Town of Amherst, Virginia
Required Supplemental Information
As of June 30, 2016

Schedule of Town's Share of Net Pension Liability and Related Ratios
For the Year Ended June 30, 2016*

	2016	2015
Total pension liability		
Service cost	\$ 93,912	\$ 92,880
Interest	264,117	254,979
Changes of benefit terms	-	-
Differences between expected and actual experience	(5,469)	-
Changes in assumptions	-	-
Benefit payments, including refunds of employee contributions	(263,893)	(170,727)
Net change in total pension liability	88,667	177,132
Total pension liability - beginning	3,905,051	3,727,919
Total pension liability - ending	<u>\$ 3,993,718</u>	<u>\$ 3,905,051</u>
Plan fiduciary net position		
Contributions - employer	\$ 102,001	\$ 111,729
Contributions - employee	35,685	36,361
Net investment income	151,465	464,398
Benefit payments, including refunds of employee contributions	(263,893)	(170,727)
Administrative expense	(2,170)	(2,497)
Other	(31)	24
Net change in plan fiduciary net position	23,057	439,288
Plan fiduciary net position - beginning	3,383,363	2,944,075
Plan fiduciary net position - ending	<u>\$ 3,406,420</u>	<u>\$ 3,383,363</u>
Town's net pension liability	<u>\$ 587,298</u>	<u>\$ 521,688</u>
Town's net position as a percentage of total pension liability	85.29%	86.64%
Town's covered-employee payroll at 6/30/15 and 6/30/14	\$ 725,562	\$ 728,195
Town's net pension liability as a percentage of its covered-employee payroll	80.94%	71.64%

**The amounts presented have a measurement date of the previous fiscal year-end.*





Town of Amherst, Virginia
Required Supplemental Information
As of June 30, 2016

Schedule of Town Contributions
VRS State Employee Retirement Plan
For the Year Ended June 30, 2016

	<u>2016</u>	<u>2015</u>
Contractually Required Contribution	\$ 107,424	\$ 102,594
Contributions in Relation to Contractually Required Contribution	\$ 106,896	\$ 101,145
Contribution Deficiency (Excess)	\$ 528	\$ 1,449
Town's covered-employee payroll at year-end	\$ 759,715	\$ 725,562
Contributions as a % of Covered Employee Payroll	14.07%	13.94%

See accompanying notes to the required supplemental information





Town of Amherst, Virginia
Required Supplemental Information
For the Year Ended June 30, 2016

	FYE June 30, 2016	FYE June 30, 2015	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
Property Tax Levies and Collections													
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	32,193	4,990	115,555	110,671	113,701	110,389	111,148	109,364	108,879	\$ 109,200	\$ 114,826	98,300	98,208
Percent of Tax Collection to Tax Levy	0.00%	0.00%	101.74%	94.74%	99.12%	99.80%	100.43%	98.74%	99.95%	104.76%	111.22%	101.21%	100.65%
Outstanding Delinquent Taxes	28,897	26,106	31,158	31,784	22,115	28,484	28,581	34,728	27,134	19,704	9,891	-	17,517
Percent of Delinquent Taxes to Tax Levy	0.00%	0.00%	27.43%	27.22%	19.26%	25.76%	25.83%	31.36%	24.91%	18.91%	9.58%	0.00%	17.95%
Assessed Value of Taxable Property													
Real Estate	174,966,200	175,294,600	177,762,200	178,088,400	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	14,756,704	14,518,455	14,311,685	14,492,793	14,056,760	12,747,503	12,713,810	12,828,564	12,404,595	13,060,155	12,131,747	10,425,000	11,372,572
Public Utility	7,695,189	7,610,219	7,715,526	7,095,686	6,787,165	6,438,670	6,838,129	6,815,354	4,180,032	4,736,689	4,736,689	4,755,969	5,608,023
Total Assessed Value	\$ 197,718,093	\$ 197,423,274	\$ 199,789,411	\$ 199,676,879	\$ 198,376,025	\$ 196,718,273	\$ 196,555,639	\$ 196,805,618	\$ 134,885,627	\$ 135,332,244	\$ 131,638,038	\$ 129,211,189	\$ 134,991,795
Property Tax Rates (per \$100 of Assessed Value)													
Real Estate	0.0%	0.0%	3.6%	3.6%	3.6%	3.6%	3.6%	5.4%	5.4%	5.4%	5.4%	5.4%	5.4%
Personal Property	0.0%	0.0%	35%	35%	35%	35%	35%	35%	35%	35%	35%	35%	35%

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



Town of Amherst, Virginia
Notes to the Required Supplemental Information
For the Year Ended June 30, 2016

Note 1 – Changes in actuarial information

Changes of benefit terms

There have been no actuarially material changes to the Virginia Retirement System (the “System”) benefit provisions since the prior actuarial valuation. The 2014 valuation includes Hybrid Retirement Plan members for the first time. The hybrid plan applies to most new employees hired on or after January 1, 2014 and not covered by enhanced hazardous duty benefits. Because this was a new benefit and the number of participants was relatively small, the impact on the liabilities as of the measurement date of June 30, 2015 are not material.

Changes of assumptions

The following changes in actuarial assumptions were made effective June 30, 2013 based on the most recent experience study of the System for the four-year period ending June 30, 2012:

Non-LEOS:

- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

LEOS:

- Update mortality table
- Adjustment to rates of service retirement for females
- Increase in rates of withdrawal
- Decrease in male and female rates of disability





**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, 2016, 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 October 6, 2016.

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 October 6, 2016.





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 & Hittner, LLC

Lynchburg, Virginia
October 6, 2016





**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.

