



**Town of  
Amherst, Virginia**

**Comprehensive Annual  
Financial Report**

**For the year ended June 30, 2017**

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

Town of Amherst, Virginia





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# TOWN OF AMHERST

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

January 10, 2018

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

Re: FY17 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, 2017. We encourage the Town's residents and business operators and any other interested individual to read the information presented here in conjunction with additional information furnished in the Town of Amherst's audited financial statements that follow this communication.

## **Community Profile**

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

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

The Town of Amherst has a five-member Town Council and an independent mayor, 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**

FY17 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 FY17. The environment was protected by the safe and efficient operation of Amherst's sewer plant. Sanitation was maintained by the collection and proper disposal of municipal solid waste.
- *Economic Development* – Amherst continues its efforts to increase the local tax base, to provide more and better jobs for residents, and to diversify the local economy with its sponsorship of the L. Barnes Brockman, Sr. Business and Industrial Park and work to improve and promote the downtown and Ambriar commercial districts.
- *Community Development* – Amherst sponsors land use planning and regulation programs and continues to make capital investments in its utility infrastructure to guide, direct and support new development. These activities are intended to steer the community through the growth 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.

### Strengths

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

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

Amherst had an adequate overall cash reserve on hand as of June 30, 2017 relative to its minimum cash reserve/cash balance earmarking policy. Much of the cash that has accumulated is due to approved water and sewer rate increases that will be needed to fund major water treatment plant, water distribution, sewer collection and sewer treatment plant projects.



### **Problem Areas**

General Fund revenue sources remain relatively static. Water, Sewer and Refuse Collection Fund revenues have stabilized from their decline over the past several years due to rate increases. Utility rate increases to fund infrastructure replacement and keep pace with inflation have been approved but will need to be revisited in the next few years.

### **Opportunities**

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

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

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

### **Projects and Initiatives**

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

- *Brockman Park* – Many lots are vacant but are ready for commercial and industrial development since all necessary road and water, sewer, electrical and internet utility infrastructure has been installed in the development.
- *Wastewater Collection System* – The sewer collection system, with many manholes and miles of sewer “mains”, is becoming old and deteriorated. This leads to failure in the form of pipe collapse or blockage. The Town will be spending significant levels of effort and funds to remediate these problems in the coming years. A major grant/loan financing package that will fund rehabilitation of approximately half of the Town’s 20-mile sanitary sewer system has been approved.
- *Growth Management* – The Town continues its work in planning the growth of the community. The Town has worked through updates and improvements to the Comprehensive Plan and revisions to the Zoning and Subdivision Ordinance. Discussion on ways to revitalize the Town’s central business district may result in altered zoning regulations, general marketing or other promotion, physical improvements to private and public structures and lands, and/or promotion of downtown events is ongoing.
- *South Main Street Development Area* – The Town’s comprehensive plan indicates the redevelopment and development of the South Main Street area, from the library to Ambriar Shopping Center, as a local business zone. The Town has recently rezoned much of the area and installed sidewalk there in support of this initiative. Recent planning processes have established the Town’s plan to support the development of the Ambriar area and work toward better integration of land use, transportation infrastructure and utility systems. The Town plans to encourage the development and promotion of the downtown area, and it is apparent that this initiative will receive heightened attention from the Town in the coming years.

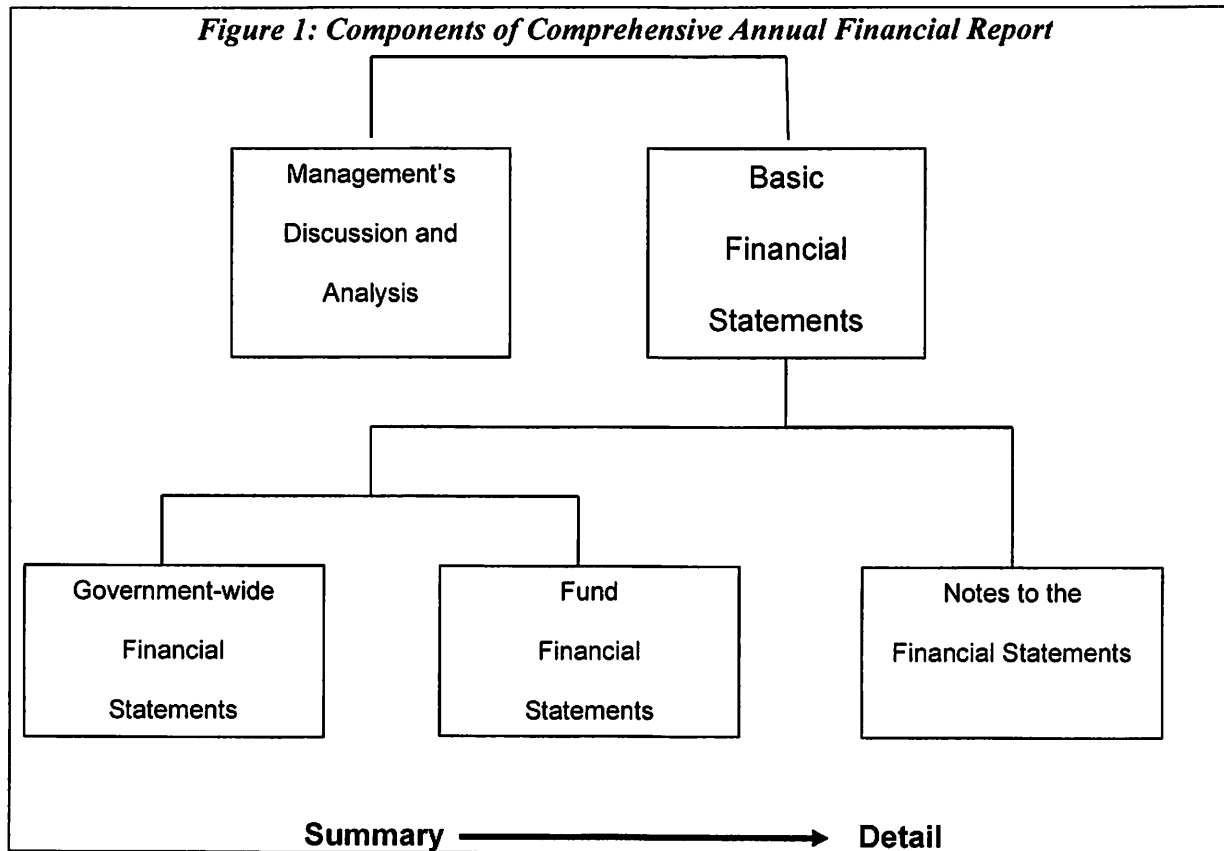
### **Financial Statements and Their Relationship to One Another**

The Town accounted for its programs through four operating funds in FY17. The first is the General Fund within which the accounting for governmental services and all personnel expenses by department is maintained. The Town has three proprietary, sometimes called enterprise or business-type, funds in its Water Fund, Sewer Fund and Refuse Collection Fund. The purpose of these funds is to segregate the sources and uses of funds that are directly related to the respective water, sewer and refuse collection services. The enterprise funds can be viewed as Town subsidiaries operating under the “holding company” of the Town government. In addition to these, the Town maintains a Capital Improvement Plan to articulate sources and uses of funds for planned future major outlays.

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

- *Balance Sheets* – The balance sheet for each fund or group of funds shows assets (things that the Town has in its possession), liabilities (what the Town owes other parties) and net worth (also called “fund equity” or “retained earnings”). This statement is a snapshot of the Town’s fiscal position taken as of the close of business on June 30, 2017.
- *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, 2016 to June 30, 2017.
- *Income Statements* – An income statement is also known as a “Statement of Revenues, Expenditures, and Changes in Fund Balance”. The income statements based largely on cash flow statements but are adjusted to reflect depreciation charges, amounts “due to” or “due from” when the actual cash receipts or disbursements will occur in other fiscal years, and other adjustments to make the income statement an “accrual” document. The difference between revenue (sources of funds) and expenses (uses of funds), all adjusted per accrual accounting rules, is net income (“Change in Net Position”).
- *Notes to the Financial Statements* – The notes provide additional and detailed information that is essential for a full understanding of the data provided in the government-wide and fund financial statements.

Balance sheets and income statements for all funds are presented based on full accrual accounting. However, the statements for the General Fund are also shown on a “modified accrual” (cash basis with some adjustments) basis. Adjustments to cash based accounting include accounts payable but not paid as of June 30, accounts receivable but not received, depreciation on equipment, utilities and property owned by the Town and similar adjustments needed to provide citizens with a true picture of the Town’s financial health.



### **Fiscal Highlights**

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

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

- The assets of the Town of Amherst exceeded its liabilities (net position) at the close of the fiscal year by \$9,532,150.
- The Town’s General Fund total fund balance increased by \$265,990, 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 \$67,014, due primarily to the increase in utility rates for the Main Street waterline project and expenses being lower than expected in many lines. The “net” figure includes depreciation/amortization adjustment of \$315,190.
- The Sewer Fund net position increased by \$47,849. The “net” figure includes depreciation charges of \$248,708.
- The Refuse Collection Fund net position increased by \$10,272.
- The amount of cash on hand increased from \$3,122,258 on June 30, 2016 to \$3,795,178 on June 30, 2017 for a net increase of \$672,920.

<b>Figure 2: The Town's Net Assets</b>			
	Governmental Activities	Business-Type Activities	Total
	2017	2017	2017
Current and other assets	\$1,541,698	\$2,676,276	\$4,218,974
Long-term assets	\$1,743,561	\$11,125,700	\$12,869,261
Total assets	\$3,285,259	\$13,802,976	\$17,088,235
Deferred outflows - pension	\$354,108		\$354,108
Current liabilities	\$60,802	\$410,484	\$471,286
Long-term liabilities	\$994,863	\$6,441,011	\$7,435,874
Total Liabilities	\$1,055,665	\$6,851,495	\$7,907,160
Deferred inflows - pension	\$3,033		\$3,033
Net capital assets	\$1,743,561	\$4,506,411	\$6,249,972
Unrestricted net assets	\$837,108	\$2,445,070	\$3,282,178
Total net assets	\$2,580,669	\$6,951,481	\$9,532,150

### Capital Asset and Debt Administration

A summary of utility construction and machinery added to the asset/depreciation lists in FY 17 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 17.

#### Water Fund

#### Sewer Fund

Main Street Waterline Replacement	\$1,652,529	Sewer Line Rehab/PER	\$2,150
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The Town’s legal debt limit is \$17,529,460. Subtracting current long-term debt (i.e. all but payments due during FY18) totaling \$6,441,011, the Town has an unused loan capacity of \$11,088,449. This total takes into account that the Main Street water loan added \$1,636,675 to our total debt at June 30, 2017 and the fact that only interest is due in FY 2018. All of the Town’s long-term debts are guaranteed by “general obligation.”

<i>Figure 3: Outstanding Indebtedness</i>						
<b>Purpose of Loan</b>	<b>Bond Date</b>	<b>Original Amount</b>	<b>Balance 6/30/17</b>	<b>Annualized Payment</b>	<b>Interest Rate</b>	<b>Estimated Payoff Date</b>
Sewer Plant	Sep-05	\$3,121,000	\$2,651,985	\$ 159,552	4.125%	Aug-45
WTP/UH Water Tank	Oct-10	\$2,188,523	\$1,360,290	\$ 185,206	3.280%	Nov-25
Rt. 60W Water Line	Nov-12	\$ 539,152	\$ 492,097	\$ 29,044	3.000%	Jul-41
Main Street Waterline	Dec-17	\$2,640,300	\$2,208,758	\$122,952	2.250%	Jan-47
			<u>\$6,713,130</u>	<u>\$ 496,754</u>		

On October 2, 2001 the Town Council of the Town of Amherst and the Amherst County Board of Supervisors adopted resolutions which effected an arrangement whereby all revenues associated with Brockman Park - including county taxes, town taxes, land sales, and grants - would be routed to the Town until the Town's original \$3,000,000 investment in the project, which will primarily benefit the county, is "paid down." As of June 30, 2017, the remaining value in the "Brockman Park Recoupment Fund" was \$2,262,537. To encourage economic development at Brockman Park and other parts of Amherst County, in FY17 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>	
<b>Revenue</b>				
	Per Statement	\$ 2,063,531	\$ 2,122,892	103%
<b>Expense</b>				
Administration		\$ 907,493	\$ 729,945	80%
Police		\$ 438,112	\$ 466,260	106%
Utilities		\$ 717,926	\$ 660,697	92%
	Per Statement	\$ 2,063,531	\$ 1,856,902	90%
<b>Net Income (Loss)</b>			<b>\$ 265,990</b>	

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)	\$17,456
Meals & beverage tax	48,872
Business license tax	(9,998)
Sale of Machine Gun	19,000
Fines revenue	(16,751)
Cap Stock Tax on Banks	<u>(8,578)</u>
	\$ 50,001

**Major Expense Variances**

BP Marketing	\$43,114
Town Attorney	(16,853)
Uniforms & Equipment	(40,199)
Office Supplies	\$(10,693)
Contingency Res	66,252
Reserve for Pay	70,000
Tuition Reimbursement	10,000
Christmas Lights	<u>(15,649)</u>
	\$105,972

		<u>% of Budget</u>
Total Major Variances	\$ 155,973	8%
Total Change in Fund Balance	<u>265,990</u>	13%
Other Variances	\$ 110,017	5%

Note: The General Fund Budget is \$2,063,531

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

The Water Fund shows income “before contributions and transfers” of \$ 67,014.

<u>Included</u>	<u>Not Included</u>
\$315,190 Depreciation	\$152,088 Payment of loan principal

The Sewer Fund shows income “before contributions and transfers” of \$ 47,849.

<u>Included</u>	<u>Not Included</u>
\$248,708 Depreciation	\$49,049 Payment of loan principal

**Infrastructure Assets**

From an accrual, auditor-prepared financial statement basis, we believe the FY17 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 FY17. 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 FY17. The Town needs continue the infrastructure replacement effort on an ongoing basis to avoid facing major expenses when treatment facilities, pipes and control equipment begins to fail and needs to be renovated or placed.

#### **Summary**

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

Except for these factors, the effects of which are difficult to quantify from a multi-year fiscal perspective, it is my opinion that the Town has come out of the recession as well as can be expected and is better off as of June 30, 2017 than it was on June 30, 2016. 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

Peter Huber  
Interim Town Manager



DAVIDSON, DOYLE & HILTON  
CERTIFIED PUBLIC ACCOUNTANTS

### **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, 2017, 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, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.





## 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 9 and 52 through 54 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*

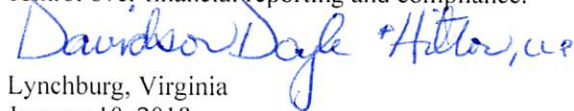
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Amherst's basic financial statements. The introductory section, statistical section, Schedule of Town's Share of Net Pension Liability, and Schedule of Town Contributions are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

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

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 January 10, 2018, 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 the effectiveness of the Town of Amherst's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Amherst's internal control over financial reporting and compliance.

  
Lynchburg, Virginia  
January 10, 2018





Town of Amherst, Virginia  
Statement of Net Position  
Full Accrual Basis  
June 30, 2017

	Governmental Activities	Business Type Activities	Total
<b><u>Assets</u></b>			
Cash and Cash Equivalents	\$ 1,295,196	\$ 1,606,120	\$ 2,901,316
Investments	203,573	600,000	803,573
Net Taxes Receivable	24,412	-	24,412
Net Other Accounts Receivable	5,318	-	5,318
Net Enterprise Accounts Receivable	-	250,689	250,689
Prepaid Expenses	13,199	-	13,199
Inventory	-	96,810	96,810
Restricted Assets:			
Cash and Cash Equivalents	-	123,657	123,657
<i>Total Current Assets</i>	<u>1,541,698</u>	<u>2,677,276</u>	<u>4,218,974</u>
Net Fixed Assets	1,743,561	11,095,883	12,839,444
Net Loan Costs	-	29,817	29,817
<i>Total Long-Term Assets</i>	<u>1,743,561</u>	<u>11,125,700</u>	<u>12,869,261</u>
<i>Total assets</i>	<u>3,285,259</u>	<u>13,802,976</u>	<u>17,088,235</u>
<b><u>Deferred Outflows of Resources</u></b>			
Deferred outflows - pension	354,108	-	354,108
<i>Total deferred outflows of resources</i>	<u>354,108</u>	<u>-</u>	<u>354,108</u>
<b><u>Liabilities</u></b>			
Accounts Payable	19,426	132,834	152,260
Accrued Liabilities	6,437	5,531	11,968
Uncompensated absences	34,939	-	34,939
Current Portion of Notes Payable	-	272,119	272,119
<i>Total current liabilities</i>	<u>60,802</u>	<u>410,484</u>	<u>471,286</u>
OPEB liability	43,188	-	43,188
Net pension liability	951,675	-	951,675
Long-Term Portion of Notes Payable	-	6,441,011	6,441,011
<i>Total long-term liabilities</i>	<u>994,863</u>	<u>6,441,011</u>	<u>7,435,874</u>
<i>Total liabilities</i>	<u>1,055,665</u>	<u>6,851,495</u>	<u>7,907,160</u>
<b><u>Deferred Inflows of Resources</u></b>			
Deferred inflows - pension	3,033	-	3,033
<i>Total deferred inflows of resources</i>	<u>3,033</u>	<u>-</u>	<u>3,033</u>
<b><u>Net Position</u></b>			
Invested in Capital Assets, net of related debt	1,743,561	4,506,411	6,249,972
Unrestricted	837,108	2,445,070	3,282,178
<i>Total net position</i>	<u>\$ 2,580,669</u>	<u>\$ 6,951,481</u>	<u>\$ 9,532,150</u>

See accompanying notes to the financial statements





Town of Amherst, Virginia  
Statement of Activities  
Full Accrual Basis  
For the year ending June 30, 2017



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
<b>Primary Government:</b>							
Governmental activities:							
General government administration	\$ 741,464	\$ 1,139,448	\$ 2,500	\$ -	\$ 400,484	\$ -	\$ 400,484
Public Safety	475,533	-	66,588	-	(408,945)	-	(408,945)
Public Works	671,149	-	-	-	(671,149)	-	(671,149)
<b>Total Government Activities</b>	<b>\$ 1,888,146</b>	<b>\$ 1,139,448</b>	<b>\$ 69,088</b>	<b>\$ -</b>	<b>\$ (679,610)</b>	<b>\$ -</b>	<b>\$ (679,610)</b>
Business type activities							
Water, Sewer & Garbage	2,319,921	2,445,056	-	-	-	125,135	125,135
<b>Total Primary Government</b>	<b>\$ 4,208,067</b>	<b>\$ 3,584,504</b>	<b>\$ 69,088</b>	<b>\$ -</b>	<b>\$ (679,610)</b>	<b>\$ 125,135</b>	<b>\$ (554,475)</b>
General revenues:							
General property taxes					22,142	-	22,142
Other local taxes					820,158	-	820,158
Unrestricted revenues from use of money and property					33,713	-	33,713
Permits and Privilege Fees					9,046	-	9,046
Fines and Forfeitures					9,007	-	9,007
Intergovernmental revenues					29,921	-	29,921
Transfers					-	-	-
<b>Total General Revenues and Transfers</b>					<b>923,987</b>	<b>-</b>	<b>923,987</b>
Change in net position					\$ 244,377	\$ 125,135	\$ 369,512
Net position-beginning					2,336,292	6,826,346	9,162,638
Net position-ending					<b>\$ 2,580,669</b>	<b>\$ 6,951,481</b>	<b>\$ 9,532,150</b>

See accompanying notes to the financial statements



Town of Amherst, Virginia  
Balance Sheet  
Governmental Funds  
Modified Accrual Basis  
June 30, 2017

	<u>Governmental Activities</u>
<b><u>Assets</u></b>	
Cash and Cash Equivalents	\$ 1,261,828
Investments	203,573
Net Taxes Receivable	24,412
Net Other Accounts Receivable	5,318
Prepaid Expenses	<u>13,199</u>
<i>Total Current Assets</i>	<u>1,508,330</u>
 <b><i>Total Assets</i></b>	 \$ <u><u>1,508,330</u></u>
<b><u>Liabilities</u></b>	
Accounts Payable	19,426
Accrued Liabilities	6,437
Deferred Revenue	<u>24,412</u>
<i>Total Current Liabilities</i>	<u>50,275</u>
 <b><i>Total Liabilities</i></b>	 <u>50,275</u>
<b><u>Fund Balance</u></b>	
Fund Balance - Nonspendable	13,199
Fund Balance - Unassigned	<u>1,444,856</u>
<i>Total Fund Balance</i>	<u>1,458,055</u>
 <b><i>Total Liabilities and Fund Balance</i></b>	 \$ <u><u>1,508,330</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, 2017

**Revenues**

General Property Taxes

Personal Property Tax Relief	\$ 17,456
Penalties	9,171
<i>Total General Property Taxes</i>	<u>26,627</u>

Other Local Taxes

Meals	348,872
Lodging	7,965
Consumer Utility Taxes	142,172
Local Sales and Use Taxes	100,048
Business License Taxes	105,001
Motor Vehicle Licenses	39,678
Bank Stock Taxes	76,422
<i>Total Other Local Taxes</i>	<u>820,158</u>

Permits and Privilege Fees

Communications Lease	9,046
<i>Total Permits and Privilege Fees</i>	<u>9,046</u>

Fines and Forfeitures

Fines	8,249
Seized Property	758
<i>Total Fines and Forfeitures</i>	<u>9,007</u>

Revenue from Use of Money and Property

Interest Earned	19,597
<i>Total Revenue from Use of Money and Property</i>	<u>19,597</u>

Miscellaneous Revenue

Miscellaneous	37,522
Administrative Fees from Enterprise Funds	1,081,660
Police Security Revenue	1,266
Proceeds from Sale of Building/Vehicles	19,000
<i>Total Miscellaneous Revenues</i>	<u>1,139,448</u>

Intergovernmental Revenues

*Non-Categorical Aid From the Commonwealth*

Economic Development Recoupment Fee	27,386
Rolling Stock	2,535

*Categorical Aid From the Commonwealth*

Virginia State Police Grant	54,588
Fire Grant	10,000
VML Safety Program Grant	2,000
Miscellaneous Grant	2,500
<i>Total Intergovernmental Revenues</i>	<u>99,009</u>

**Total Revenues**

**\$ 2,122,892**

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, 2017

**Expenditures**

General Government Administration

*Legislative*

Total Mayor and Town Council	\$ 10,625
Total Legislative	<u>10,625</u>

*Non-Legislative General Government*

General Government Salaries	227,652
Employment Expenses	74,346
Employee Assistance Program	850
Town Attorney	22,853
Office Supplies	31,114
Office Equipment	24,148
Bank Account Fees	70
Miscellaneous	3,573
Contingency Reserve	21,696
Capital Expenditures	87,808
Property & Landscape Maintenance	15,844
Electric - Streetlights	25,863
Heat and Electricity	4,830
Telephone	18,255
Grants	33,150
Utility Service Allowance	2,944
Building Maintenance	9,702
Decorations	20,904
Insurance	48,753
Marketing	5,228
Publications and Membership	4,125
Planning & Development	2,270
Travel and Training	5,568
Audit & Accounting Services	11,774
Engineering Services	6,000
Fire Department	10,000
Total Non-Legislative General Government	<u>719,320</u>

Total General Government Administration	<u>\$ 729,945</u>
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Public Safety Expenditures

*Law Enforcement and Traffic Control*

Public Safety Salaries	\$ 272,072
Employment Expenses	91,394
Equipment and Uniforms	64,699
Travel and Training	6,873
Vehicles - Fuel	9,120
Vehicles - Maintenance	7,913
Miscellaneous	7,905
Supplies	4,624
Attorney fees	1,660
Total Public Safety Expenditures	<u>\$ 466,260</u>





Town of Amherst, Virginia  
Statement of Revenues, Expenditures, and Changes in Fund Balance  
Governmental Funds  
Modified Accrual Basis  
For the Year Ended June 30, 2017

**Expenditures (continued)**

**Public Works Expenditures**

*Utilities*

Salaries	\$ 434,689
Employment Expenses	159,164
Benefits-Contra Capital Projects	-
Heat and Electricity	4,756
Vehicles - Repair	7,248
Uniforms	3,240
Building Maintenance	2,454
Equipment Maintenance	32,994
Training and Education	3,765
Miscellaneous	2,957
Vehicles - Fuel	9,430

<i>Total Public Works Expenditures</i>	<u>660,697</u>
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<i>Total Expenditures</i>	<u>1,856,902</u>
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<i>Excess of revenues over expenditures</i>	<u>265,990</u>
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**Other financing sources (uses)**

Transfers out	<u>-</u>
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<i>Total other financing sources (uses)</i>	<u>-</u>
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Change in Fund Balance	\$ 265,990
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Fund Balance-Beginning	1,192,065
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Fund Balance-Ending	<u><u>\$ 1,458,055</u></u>
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See accompanying notes to the financial statements





Town of Amherst, Virginia  
Statement of Net Position  
Proprietary Funds  
Full Accrual Basis  
June 30, 2017

	Enterprise Funds			
	Water Fund	Sewer Fund	Garbage Fund	Memorandum Total
<b>Assets</b>				
Cash and Cash Equivalents	\$ 944,062	\$ 638,603	\$ 23,455	\$ 1,606,120
Investments	292,405	307,595	-	600,000
Net Enterprise Accounts Receivable	119,418	121,516	9,755	250,689
Inventory	78,596	18,214	-	96,810
Restricted Assets:				
Cash and Cash Equivalents	123,657	-	-	123,657
<i>Total Current Assets</i>	<u>1,558,138</u>	<u>1,085,928</u>	<u>33,210</u>	<u>2,677,276</u>
Net Fixed Assets	7,608,300	3,487,583	-	11,095,883
Net Loan Costs	29,817	-	-	29,817
<i>Total Long Term Assets</i>	<u>7,638,117</u>	<u>3,487,583</u>		<u>11,125,700</u>
<b>Total Assets</b>	<u><u>\$ 9,196,255</u></u>	<u><u>\$ 4,573,511</u></u>	<u><u>\$ 33,210</u></u>	<u><u>\$ 13,802,976</u></u>
<b>Liabilities</b>				
Accounts Payable	\$ 131,376	\$ 1,458	\$ -	\$ 132,834
Accrued Liabilities	5,531	-	-	5,531
Current Portion of Notes Payable	221,003	51,116	-	272,119
<i>Total Current Liabilities</i>	<u>357,910</u>	<u>52,574</u>	<u>-</u>	<u>410,484</u>
Notes Payable	3,840,142	2,600,869	-	6,441,011
<i>Total Long Term Liabilities</i>	<u>3,840,142</u>	<u>2,600,869</u>	<u>-</u>	<u>6,441,011</u>
<b>Total Liabilities</b>	<u><u>4,198,052</u></u>	<u><u>2,653,443</u></u>	<u><u>-</u></u>	<u><u>6,851,495</u></u>
<b>Net Position</b>				
Invested in Capital Assets, net of related debt	3,670,812	835,599	-	4,506,411
Unrestricted	1,327,391	1,084,469	33,210	2,445,070
<b>Total Net Position</b>	<u><u>\$ 4,998,203</u></u>	<u><u>\$ 1,920,068</u></u>	<u><u>\$ 33,210</u></u>	<u><u>\$ 6,951,481</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, 2017

	Enterprise Funds			
	Water Fund	Sewer Fund	Garbage Fund	Total
<b>Operating Revenues</b>				
Monthly Billing	\$ 1,116,563	\$ 967,525	\$ 105,810	\$ 2,189,898
Sprinkler Revenue	4,968	-	-	4,968
Penalties	16,126	10,853	1,461	28,440
Water Service Revenue	109,470	-	-	109,470
Grant Revenue	31,400	-	-	31,400
Miscellaneous Revenue	17,607	-	-	17,607
Dormant Account Fees	3,512	5,059	-	8,571
Maintenance and Construction Revenue	-	-	-	-
Nutrient Credit Revenue	-	1,344	-	1,344
Rutledge Creek Operations	-	53,358	-	53,358
<b>Total Operating Revenues</b>	<b>\$ 1,299,646</b>	<b>\$ 1,038,139</b>	<b>\$ 107,271</b>	<b>\$ 2,445,056</b>
<b>Operating Expenses</b>				
Administrative Fees	\$ 561,027	\$ 504,154	\$ 15,304	\$ 1,080,485
Line Materials	18,438	3,455	-	21,893
Pump Stations Operations	2,130	3,421	-	5,551
Electricity	38,736	39,416	-	78,152
Water & Sewer Service	41,882	9,410	-	51,292
Curbside Garbage Collection Service	-	-	81,506	81,506
Plant Maintenance	21,219	24,485	-	45,704
Chemicals	33,770	2,266	-	36,036
Water Sampling	9,409	-	-	9,409
Laboratory	8,620	19,024	-	27,644
Miscellaneous	935	19,721	132	20,788
Watershed Management	25,111	-	-	25,111
Nutrient Expense	-	2,949	-	2,949
Water & Sewer Study & Maps	60,025	1,875	-	61,900
Bad Debt Expense	1,079	904	57	2,040
Depreciation Expense	315,190	248,708	-	563,898
Amortization Expense	1,220	-	-	1,220
<b>Total Operating Expenses</b>	<b>\$ 1,138,791</b>	<b>\$ 879,788</b>	<b>\$ 96,999</b>	<b>\$ 2,115,578</b>
<b>Operating income (expense)</b>	<b>\$ 160,855</b>	<b>\$ 158,351</b>	<b>\$ 10,272</b>	<b>\$ 329,478</b>
<b>Non-operating revenues (expenses)</b>				
Interest Expense	(93,841)	(110,502)	-	(204,343)
<b>Total non-operating Revenues/Expenses</b>	<b>(93,841)</b>	<b>(110,502)</b>	<b>-</b>	<b>(204,343)</b>
<b>Income (loss) before contributions and transfers</b>	<b>67,014</b>	<b>47,849</b>	<b>10,272</b>	<b>125,135</b>
Transfers in	-	-	-	-
<b>Change in Net Position</b>	<b>67,014</b>	<b>47,849</b>	<b>10,272</b>	<b>125,135</b>
Net Position-Beginning	4,931,189	1,872,219	22,938	6,826,346
<b>Net Position-Ending</b>	<b>\$ 4,998,203</b>	<b>\$ 1,920,068</b>	<b>\$ 33,210</b>	<b>\$ 6,951,481</b>





Town of Amherst, Virginia  
Statement of Cash Flows  
Proprietary Funds  
Full Accrual Basis  
For the Year Ended June 30, 2017

	Enterprise Funds			
	Water Fund	Sewer Fund	Garbage Fund	Memorandum Total Only
<b>Cash flows from operating activities</b>				
Receipts from customers	\$ 1,311,296	\$ 1,020,431	\$ 106,579	\$ 2,438,306
Payments to suppliers	(261,667)	(124,346)	(88,456)	(474,469)
Internal activity - payments to other funds	(561,027)	(504,154)	(15,304)	(1,080,485)
Net cash provided by operating activities	<u>488,602</u>	<u>391,931</u>	<u>2,819</u>	<u>883,352</u>
<b>Noncapital financing activities</b>				
Transfers in	-	-	-	-
Net cash provided by noncapital financing activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Cash flows from Capital and Related Financing Activities</b>				
Purchases of capital assets	(1,710,847)	(12,398)	-	(1,723,245)
Proceeds from capital debt	1,636,675	-	-	1,636,675
Principal paid on capital debt	(152,088)	(49,049)	-	(201,137)
Interest paid on capital debt	(93,841)	(110,502)	-	(204,343)
Net cash used in capital and related financing activities	<u>(320,101)</u>	<u>(171,949)</u>	<u>-</u>	<u>(492,050)</u>
<b>Cash flows from Investing Activities</b>				
Net sale (purchase) of investments	300,000	-	-	300,000
Net cash used in investing activities	<u>300,000</u>	<u>-</u>	<u>-</u>	<u>300,000</u>
Net Increase (Decrease) in Cash & Cash Equivalents	468,501	219,982	2,819	691,302
Cash & Cash Equivalents, beginning of year	599,218	418,621	20,636	1,038,475
Cash & Cash Equivalents, end of year	<u>\$ 1,067,719</u>	<u>\$ 638,603</u>	<u>\$ 23,455</u>	<u>\$ 1,729,777</u>
<b>Reconciliation to Statement of Net Position</b>				
Cash and cash equivalents	\$ 944,062	\$ 638,603	\$ 23,455	\$ 1,606,120
Restricted cash and cash equivalents	123,657	-	-	123,657
Total Cash & Cash Equivalents	<u>\$ 1,067,719</u>	<u>\$ 638,603</u>	<u>\$ 23,455</u>	<u>\$ 1,729,777</u>
<b>Reconciliation of operating income (loss) to net cash provided by operating activities:</b>				
Operating income (loss)	\$ 160,855	\$ 158,351	\$ 10,272	\$ 329,478
Adjustments to reconcile change in unrestricted net assets				
Depreciation and Amortization	316,410	248,708	-	\$ 565,118
Decrease/(Increase) in accounts receivable	11,791	(17,708)	(692)	\$ (6,609)
Decrease/(Increase) in grant receivable	-	-	-	\$ -
Decrease/(Increase) in inventory	5,351	1,122	-	\$ 6,473
(Decrease)/Increase in accounts payable	(5,664)	1,458	(6,761)	\$ (10,967)
(Decrease)/Increase in accrued liabilities	(141)	-	-	\$ (141)
Net cash provided by operating activities	<u>\$ 488,602</u>	<u>\$ 391,931</u>	<u>\$ 2,819</u>	<u>\$ 883,352</u>

See accompanying notes to the financial statements





**Town of Amherst, Virginia  
Notes to the Financial Statements  
For the Year Ended June 30, 2017**

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

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The Town of Amherst, Virginia ("Town") is governed by an elected Town Council. The Town Council is responsible for appointing the Town Manager and Treasurer. 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, 2017**

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

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**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, 2017**

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

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**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, 2017**

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

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**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, 2017**

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

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**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, 2017, and is composed of real estate and personal property accounts.

Property is assessed at its value on January 1. Property taxes attach as an enforceable lien on property as of January 1. Taxes are payable on December 5<sup>th</sup>. The Town bills and collects its own property taxes. 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, 2017**

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

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**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, 2017**

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

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**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.

**New Accounting Pronouncements**

GASB Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions", was issued in June 2015. This statement addresses accounting and financial reporting for other postemployment benefits. This statement is effective for reporting periods beginning after June 15, 2017. GASB Statement No. 85, "Omnibus 2017," was issued in March 2017. This statement addresses a variety of topics including pensions and other postemployment benefits (OPEB). This statement is effective for reporting periods beginning after June 15, 2017.





**Town of Amherst, Virginia  
Notes to the Financial Statements  
For the Year Ended June 30, 2017**

**Note 2 – Cash and Investments**

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

Investments: Statutes authorize the Town to invest in obligations of the United States or agencies thereof, obligations of the Commonwealth of Virginia or political subdivisions thereof, obligations of the International Bank for Reconstruction and Development (World Bank) and Asian Development Bank, commercial Paper Record, banker's acceptances, repurchase agreements and state Treasurers Local Government Investment Pool (LGIP). Pursuant to Sec 2.1-234.7 of the Code of Virginia, the Treasury Board of the Commonwealth sponsors the LGIP and has delegated certain functions to the State Treasurer. The LGIP reports to the Treasury Board at their regularly schedule monthly meetings and the fair value of the position in LGIP is the same as the value of the pool shares (i.e., the LGIP maintains a stable net asset value of \$1 per share). The Town's investment in LGIP consists of underlying cash investments held for less than twelve months and is reported as cash. The Town's investment in LGIP as of 6/30/17 was \$1,328,692.

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, 2017:

Carter Bank & Trust	\$1,686,999
Bank of the James	\$ 257,950

**Note 3 – Property Taxes Receivable**

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Property is assessed at its value on January 1. Property taxes attach as an enforceable lien on property as of January 1. Taxes are payable on December 5. The Town bills and collects its own property taxes. Effective July 1, 2014, the Town has reduced real estate and property tax assessments rates to zero.

**Note 4 – Fair Value Measurements**

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In accordance with GASB Statement No. 72, "Fair Value Measurement and Application", The Town categorizes its investments within the fair value hierarchy established by generally accepted accounting principles. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).







**Town of Amherst, Virginia  
Notes to the Financial Statements  
For the Year Ended June 30, 2017**

**Note 4 – Fair Value Measurements (continued)**

The three levels of the fair value hierarchy are described as follows:

Level 1	Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the plan has the ability to access.
Level 2	Inputs to the valuation methodology include <ul style="list-style-type: none"> <li>• quoted prices for similar assets or liabilities in active markets;</li> <li>• quoted prices for identical or similar assets or liabilities in inactive markets;</li> <li>• inputs other than quoted prices that are observable for the asset or liability;</li> <li>• inputs that are derived principally from or corroborated by observable market data by correlation or other means.</li> </ul> <p>If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.</p>
Level 3	Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2017.

*Certificates of Deposit:* Valued at the face amount of cash deposited plus earned and accrued interest.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the plan believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table sets forth by level, within the fair value hierarchy, the plan's assets at fair value as of June 30, 2017:

	<b>Assets at Fair Value as of June 30, 2017</b>			
	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Certificates of deposit	\$ <u>803,573</u>	\$ <u>803,573</u>	\$ <u>-</u>	\$ <u>-</u>
<b>Total</b>	\$ <u>803,573</u>	\$ <u>803,573</u>	\$ <u>-</u>	\$ <u>-</u>

**Note 5 – 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 \$34,939 of accrued compensated absences at June 30, 2017.





**Town of Amherst, Virginia**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2017**

**Note 6 – Long-Term Debt**

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**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, 2017 the outstanding balance was \$1,360,290. Interest of \$47,084 was paid during the fiscal year. A schedule of maturities is as follows:

For the year ending June 30	Principal	Interest
2018	\$ 142,713	42,493
2019	147,465	37,741
2020	152,375	32,831
2021	157,449	27,757
2022	162,691	22,514
2023 - 2026	597,597	35,188
	<u>\$ 1,360,290</u>	<u>\$ 198,524</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, 2017, the outstanding balance was \$492,097. Interest of \$15,078 was paid during the fiscal year.





**Town of Amherst, Virginia  
Notes to the Financial Statements  
For the Year Ended June 30, 2017**

**Note 6 – Long-Term Debt (continued)**

**Water Fund (continued)**

The schedule of maturities is as follows:

For the year ending June 30	Principal	Interest
2018	\$ 14,388	14,656
2019	14,823	14,221
2020	15,271	13,773
2021	15,733	13,311
2022	16,208	12,836
2023 - 2027	88,692	56,528
2028 - 2032	102,930	42,289
2033 - 2037	119,455	25,765
2038 - 2041	104,597	6,945
	<u>\$ 492,097</u>	<u>\$ 200,324</u>

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 \$1,636,675 and \$572,083 were received during the years ending June 30, 2017 and 2016, respectively. An interest only payment on loan proceeds due on July 1, 2017 was made during the year ending June 30, 2017. Payments of principal and interest of \$61,476 are due semi-annually beginning January 1, 2018. At June 30, 2017, the outstanding balance was \$2,208,758. Interest of \$31,679 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, 2017.







**Town of Amherst, Virginia**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2017**

**Note 6 – 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
2018	\$ 63,902	59,049
2019	65,348	57,603
2020	66,827	56,125
2021	68,339	54,613
2022	69,885	53,066
2023 - 2027	373,873	240,886
2028 - 2032	418,128	196,630
2033 - 2037	467,622	147,137
2037 - 2042	522,974	91,785
2043 - 2047	523,402	29,881
	\$ <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, 2017, the outstanding balance was \$2,651,985. Interest of \$110,502 was paid during the current fiscal year.

A schedule of maturities is as follows:

For the year ending June 30	Principal	Interest
2018	\$ 51,116	108,436
2019	53,265	106,287
2020	55,504	104,048
2021	57,837	101,715
2022	60,269	99,283
2023 - 2027	341,546	456,214
2028 - 2032	419,633	378,127
2033 - 2037	515,572	282,188
2037 - 2042	633,445	164,316
2043 - 2045	463,798	31,130
	\$ <u>2,651,985</u>	\$ <u>1,831,744</u>





**Town of Amherst, Virginia**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2017**

**Note 6 – Long-Term Debt (continued)**

The following is a summary of changes in long-term liabilities for the year ended June 30, 2017:

	Balance July 1, 2016	Issued	Retired	Balance June 30, 2017
Governmental activities	\$ -	\$ -	\$ -	\$ -
Business-type activities:				
Water Fund	2,576,558	1,636,675	152,088	4,061,145
Sewer Fund	2,701,034	-	49,049	2,651,985
Total Business-type activities	<u>5,277,592</u>	<u>1,636,675</u>	<u>201,137</u>	<u>6,713,130</u>
Total	\$ <u>5,277,592</u>	\$ <u>1,636,675</u>	\$ <u>201,137</u>	\$ <u>6,713,130</u>

**Note 7 – 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, 2017**

**Note 7 – Retirement Plan (continued)**

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**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, 2017**

**Note 7 – Retirement Plan (continued)**

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**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, 2017**

**Note 7 – Retirement Plan (continued)**

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**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/2016-annual-report.pdf>.

**Employees covered by benefit terms**

	<u>Number</u>
Inactive members or their beneficiaries currently receiving benefits	14
Inactive members	
Vested	1
Non-vested	3
Active elsewhere in VRS	<u>2</u>
Total inactive members	6
Active members	<u>18</u>
Total covered employees	<u>38</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, 2017**

**Note 7 – Retirement Plan (continued)**

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**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, 2017 was 16.91% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015. This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Town were \$132,263 for the year ended June 30, 2017.

**Net pension liability**

The Town's net pension liability was measured as of June 30, 2016. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2015, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2016.

**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, 2015, 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, 2016.

- 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, 2017**

**Note 7 – Retirement Plan (continued)**

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**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, 2015 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 Public Safety Employees in the Town's Retirement Plan was based on an actuarial valuation as of June 30, 2015, 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, 2016.

- 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, 2017**

**Note 7 – Retirement Plan (continued)**

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**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 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, 2015 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, 2017**

**Note 7 – 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, 2017**

**Note 7 – Retirement Plan (continued)**

**Changes in net pension liability**

	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balances at June 30, 2015	\$ 3,993,718	\$ 3,406,420	\$ 587,298
Changes for the year:			
Service cost	119,138	-	119,138
Interest	271,142	-	271,142
Differences between expected and actual experience	173,815	-	173,815
Contributions – employer	-	106,869	(106,869)
Contributions – employee	-	37,381	(37,381)
Net investment income	-	57,637	(57,637)
Benefit payments, including refunds of employee contributions	(240,510)	(240,510)	-
Administrative expenses	-	(2,144)	2,144
Other changes	-	(25)	25
Net changes	323,585	(40,792)	364,377
Balances at June 30, 2016	\$ 4,317,303	\$ 3,365,628	\$ 951,675

**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	\$ 1,465,890	\$ 951,675	\$ 519,854





**Town of Amherst, Virginia**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2017**

**Note 7 – 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, 2017, the Town recognized pension expense of \$157,368. At June 30, 2017, 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	\$ 135,103	\$ 3,033
Change in assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	86,742	-
Changes in proportion and differences between Employer contributions and proportionate share of contributions	-	-
Employer contributions subsequent to the measurement date	132,263	-
Total	\$ 354,108	\$ 3,033

Deferred outflows of resources related to pensions of \$132,263 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, 2018. 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	
2018	\$ 37,304
2019	37,302
2020	89,764
2021	54,442







**Town of Amherst, Virginia  
Notes to the Financial Statements  
For the Year Ended June 30, 2017**

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**Note 8 - Defined contribution retirement plan**

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

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**Note 9 - Other Post Employment Benefits**

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

**Plan Description**

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

**Benefits Provided**

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

**Membership**

The number of participants at June 30, 2017 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, 2017, the Town recorded \$6,876 for the OPEB liability.





**Town of Amherst, Virginia**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2017**

**Note 9 - 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, 2017.

Annual required contribution	\$ 11,700
Annual OPEB cost	11,700
Contributions made	(4,824)
Increase in net OPEB obligation	6,876
Net OPEB obligation - beginning of year	36,312
Net OPEB obligation - end of year	\$ 43,188

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, 2017 are as follows.

Fiscal Year Ending	Annual OPEB Cost	Percentage of Annual OPEB Contributed	Net OPEB Obligation
6/30/2017	\$ 11,700	41 %	\$ 43,188
6/30/2016	\$ 11,100	41 %	\$ 36,312
6/30/2015	\$ 10,500	44 %	\$ 29,784

**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, 2017**

**Note 9 - Other Post Employment Benefits (continued)**

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**Actuarial Methods and Assumptions**

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

**Note 10 – Surety Bonds**

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

**Note 11 – Risk Management**

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

The Town contracts with a private carrier for health insurance coverage for its employees.

**Note 12 – Capital Assets**

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

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

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

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







**Town of Amherst, Virginia**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2017**

**Note 12 – 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, 2017 are as follows:

	Balance at July 1, 2016		Additions		Deletions		Balance at June 30, 2017
Land and Buildings	\$ 1,544,890	\$	-	\$	-	\$	1,544,890
Equipment	699,317		87,808		-		787,125
Subtotal	\$ 2,244,207	\$	87,808	\$	-	\$	2,332,015
Less Accumulated Depreciation	506,017		82,437		-		588,454
Net Total Capital Assets	\$ 1,738,190	\$	5,371	\$	-	\$	1,743,561

Details of changes in property and equipment in the Enterprise Funds for the fiscal year ending June 30, 2017 are as follows:

**Proprietary Water Fund**

	Balance at July 1, 2016		Additions		Deletions		Balance at June 30, 2017
Land	\$ 5,600	\$	-	\$	-	\$	5,600
Equipment	63,061		-		-		63,061
Plant and Lines	9,732,951		1,710,847		-		11,443,798
Subtotal	\$ 9,801,612	\$	1,710,847	\$	-	\$	11,512,459
Less Accumulated Depreciation	3,588,969		315,190		-		3,904,159
Net Total Capital Assets	\$ 6,212,643	\$	1,395,657	\$	-	\$	7,608,300

As of June 30, 2017, \$2,457,064 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, 2017**

**Note 12 – Capital Assets (continued)**

**Proprietary Sewer Fund**

	Balance at July 1, 2016		Additions		Deletions		Balance at June 30, 2017
Land	\$ 6,984	\$	-	\$	-	\$	6,984
Equipment	41,693		-		-		41,693
Plant and Lines	7,154,934		12,398		-		7,167,332
Subtotal	\$ 7,203,611	\$	12,398	\$	-	\$	7,216,009
Less Accumulated Depreciation	3,479,718		248,708		-		3,728,426
Net Total Capital Assets	\$ 3,723,893	\$	(236,310)	\$	-	\$	3,487,583

As of June 30, 2017, \$299,755 of the Proprietary Sewer Fund property and equipment balance is construction in progress and is not being depreciated.

**Note 13 – 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	\$ 1,458,055
When capital assets (land, buildings, equipment) that are to be used in governmental activities are purchased or constructed, the costs of those assets.	1,743,561
Accounts receivable for real estate taxes	24,412
Uncompensated absence accrual	(34,939)
OPEB liability accrual	(43,188)
Net pension liability accrual	(951,675)
Certificate of deposit interest income accrual	33,368
Deferred outflow – pension	354,108
Deferred inflow - pension	(3,033)
Net Position of General Government Activities	\$ 2,580,669







**Town of Amherst, Virginia**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2017**

**Note 14 – Grants**

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The Town received several grants during the year. Three grants totaled \$12,000 for use in Public Safety, one miscellaneous pass-through grant totaled \$2,500, and one grant totaled \$31,400 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 15 – Lease Income**

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The Town leases land to a corporation, which is used by the corporation for the purpose of operating telecommunications equipment. The commencement date of the lease was March 7, 1997, with addendums on March 17, 2000 and December 29, 2009. The initial lease term was for ten years, with six automatic five year renewal terms. The lease agreement provides for monthly rent to be adjusted when the lease is renewed. Current monthly rent income under the agreement is \$783.63 per month. Annual lease income for the year ended June 30, 2017 was \$9,046.

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

<u>Year Ending</u>	<u>Amount</u>
2018	9,404
2019	9,404
2020	9,404
2021	9,404
2022	<u>5,485</u>
Total	\$ <u>43,101</u>

**Note 16 – Fund Balances**

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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, 2017**

**Note 16 – 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	\$ 13,199	\$ 13,199
Total Nonspendable	<u>13,199</u>	<u>13,199</u>
Unassigned:		
Permanent fund principal	318,434	318,434
Other unassigned	<u>1,126,422</u>	<u>1,126,422</u>
Total Unassigned	<u>1,444,856</u>	<u>1,444,856</u>
Total Fund Balances	\$ <u>1,458,055</u>	\$ <u>1,458,055</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 17 – 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.

In August 2014, the Town Council approved a loan resolution supporting the USDA-financed sewer slip-lining project. The resolution allows for the issuance of bonds in the principal amount up to \$3,017,000 and allows for the acceptance of a grant not to exceed \$1,076,000.

In June 2016, 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. In May 2017, the Town received an initial funding offer from the Virginia Department of Health for a principal forgiveness loan of \$150,000 to finance the WTP Sedimentation Basins Improvement project.

**Note 18 - Subsequent Events**

The Town has evaluated subsequent events through January 10, 2018, the date the report was available for issuance. One event requiring disclosure was noted. The Town Manager gave notice of resignation in August 2017.





Town of Amherst, Virginia  
Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2017

<u>Federal Grantor/Pass-through Grantor/Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Pass-through Entity Identifying Number</u>	<u>Total Federal Expenditures</u>
<b>U.S. Environmental Protection Agency</b>			
Pass-through programs from:			
Virginia Department of Health/Virginia Resources Authority:			
Capitalization Grant for Drinking Water State Revolving Funds	66.468	WSL-002-15	\$ 1,652,528
Capitalization Grant for Drinking Water State Revolving Funds	66.468	PF# 309-16	<u>31,400</u>
<b>Total U.S. Environmental Protection Agency</b>			<u>1,683,928</u>
<b>Total expenditures of federal awards</b>			<u><b>\$ 1,683,928</b></u>





**Town of Amherst, Virginia**  
**Notes to Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2017**

**Note 1 – Basis of Presentation**

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The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of the Town of Amherst under programs of the federal government for the year ended June 30, 2017. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Town of Amherst, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Town of Amherst.

**Note 2 – Summary of Significant Accounting Policies**

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**Expenditures**

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

**Note 3 – Indirect Cost Rate**

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The Town of Amherst has elected not to use the ten percent de minimis indirect cost rate allowed under the Uniform Guidance.







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, 2017

	General Fund		
	Budget	Actual	Variances Favorable (Unfavorable)
<b>Revenues</b>			
<u>General Property Taxes</u>			
Personal Property Tax Relief	\$ -	\$ 17,456	\$ 17,456
Penalties	7,000	9,171	2,171
<b>Total General Property Taxes</b>	<b>7,000</b>	<b>26,627</b>	<b>19,627</b>
<u>Other Local Taxes</u>			
Meals	300,000	348,872	48,872
Lodging	9,000	7,965	(1,035)
Consumer Utility Taxes	144,000	142,172	(1,828)
Local Sales and Use Taxes	91,000	100,048	9,048
Business License Taxes	115,000	105,001	(9,999)
Motor Vehicle Licenses	45,000	39,678	(5,322)
Bank Stock Taxes	85,000	76,422	(8,578)
<b>Total Other Local Taxes</b>	<b>789,000</b>	<b>820,158</b>	<b>31,158</b>
<u>Permits and Privilege Fees</u>			
Communications Lease	8,790	9,046	256
<b>Total Permits and Privilege Fees</b>	<b>8,790</b>	<b>9,046</b>	<b>256</b>
<u>Fines and Forfeitures</u>			
Fines	25,000	8,249	(16,751)
Seized Property	-	758	758
<b>Total Fines and Forfeitures</b>	<b>25,000</b>	<b>9,007</b>	<b>(15,993)</b>
<u>Revenue from Use of Money and Property</u>			
Interest Earned	8,245	19,597	11,352
<b>Total Revenue from Use of Money and Property</b>	<b>8,245</b>	<b>19,597</b>	<b>11,352</b>
<u>Miscellaneous Revenue</u>			
Miscellaneous	47,308	37,522	(9,786)
Administrative Fees from Enterprise Funds	1,080,485	1,081,660	1,175
Police Security Revenue	1,800	1,266	(534)
Proceeds from Sale of Building/Vehicles	-	19,000	19,000
<b>Total Miscellaneous Revenues</b>	<b>1,129,593</b>	<b>1,139,448</b>	<b>9,855</b>
<u>Intergovernmental Revenues</u>			
<i>Non-Categorical Aid From the Commonwealth</i>			
Economic Development Recoupment Fee	25,916	27,386	1,470
Rolling Stock	2,900	2,535	(365)
<i>Categorical Aid From the Commonwealth</i>			
Virginia State Police Grant	54,587	54,588	1
Fire Grant	8,000	10,000	2,000
VML Safety Program Grant	2,000	2,000	-
Police Block Grant	-	-	-
Miscellaneous Grants	2,500	2,500	-
<b>Total Intergovernmental Revenues</b>	<b>95,903</b>	<b>99,009</b>	<b>3,106</b>
<b>Total Revenues</b>	<b>\$ 2,063,531</b>	<b>\$ 2,122,892</b>	<b>\$ 59,361</b>

See accompanying notes to the financial statements





Town of Amherst, Virginia  
Statement of Revenue, Expenditures, and Changes in Fund Balance - Budget Versus Actual  
Governmental Funds  
Modified Accrual Basis  
For the Year Ended June 30, 2017

	General Fund		
	Budget	Actual	Variances Favorable (Unfavorable)
<b>Expenditures</b>			
<u>General Government Administration</u>			
<i>Legislative</i>			
Total Mayor and Town Council	\$ 11,400	\$ 10,625	\$ 775
Total Legislative	11,400	10,625	775
<i>Non-Legislative General Government</i>			
General Government Salaries	235,668	227,652	8,016
Employment Expenses	77,268	74,346	2,922
Employee Assistance Program	900	850	50
Town Attorney	6,000	22,853	(16,853)
Office Supplies	20,500	31,114	(10,614)
Office Equipment	24,000	24,148	(148)
Bank Account Fees	-	70	(70)
Miscellaneous	15,000	3,573	11,427
Contingency Reserve	87,948	21,696	66,252
Capital Expenditures	77,500	87,808	(10,308)
Property & Landscape Maintenance	16,582	15,844	738
Electric - Streetlights	29,000	25,863	3,137
Heat and Electricity	5,500	4,830	670
Telephone	16,000	18,255	(2,255)
Grants	32,650	33,150	(500)
Utility Service Allowance	2,200	2,944	(744)
Building Maintenance	9,000	9,702	(702)
Decorations	5,255	20,904	(15,649)
Insurance	51,000	48,753	2,247
Marketing	48,342	5,228	43,114
Publications and Membership	4,000	4,125	(125)
Planning and Development	4,780	2,270	2,510
Travel and Training	13,500	5,568	7,932
Audit & Accounting Services	13,500	11,774	1,726
Engineering Services	6,000	6,000	-
Fire Department	8,000	10,000	(2,000)
Bad Debt Expense	3,000	-	3,000
Reserve for Pay Adj	70,000	-	70,000
Town Financial Advisor	8,000	-	8,000
Digital Records Creation	5,000	-	5,000
Total Non-Legislative General Government	896,093	719,320	176,773
Total General Government Administration	\$ 907,493	\$ 729,945	\$ 177,548
<u>Public Safety Expenditures</u>			
<i>Law Enforcement and Traffic Control</i>			
Public Safety Salaries	266,654	272,072	(5,418)
Employment Expenses	96,003	91,394	4,609
Equipment and Uniforms	24,500	64,699	(40,199)
Travel and Training	5,500	6,873	(1,373)
Vehicles - Fuel	18,000	9,120	8,880
Vehicles - Maintenance	11,000	7,913	3,087
Miscellaneous	7,500	7,905	(405)
Supplies	5,000	4,624	376
Attorney Fees	2,955	1,660	1,295
Police Block Grant Expense	1,000	-	1,000
Total Public Safety Expenditures	\$ 438,112	\$ 466,260	\$ (28,148)

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, 2017

	General Fund		
	Budget	Actual	Variances Favorable (Unfavorable)
<b><u>Expenditures (continued)</u></b>			
<b><u>Public Works Expenditures</u></b>			
<i>Utilities</i>			
Salaries	\$ 476,230	\$ 434,689	\$ 41,541
Employment Expenses	176,946	159,164	17,782
Benefits-Contra Capital Projects	-	-	-
Heat and Electricity	4,500	4,756	(256)
Vehicles - Repair	7,000	7,248	(248)
Uniforms	4,500	3,240	1,260
Building Maintenance	2,200	2,454	(254)
Equipment Maintenance	19,000	32,994	(13,994)
Training and Education	6,000	3,765	2,235
Miscellaneous	4,550	2,957	1,593
Vehicles - Fuel	17,000	9,430	7,570
<i>Total Public Works Expenditures</i>	<u>717,926</u>	<u>660,697</u>	<u>57,229</u>
<b><i>Total Expenditures</i></b>	<u>2,063,531</u>	<u>1,856,902</u>	<u>206,629</u>
<b><i>Excess of revenues over expenditures</i></b>	<u>-</u>	<u>265,990</u>	<u>265,990</u>
<b><u>Other financing sources (uses)</u></b>			
Transfers out	-	-	-
<b><i>Total other financing sources (uses)</i></b>	<u>-</u>	<u>-</u>	<u>-</u>
Change in Fund Balance		\$ 265,990	
Fund Balance-Beginning		1,192,065	
Fund Balance-Ending		<u>\$ 1,458,055</u>	

See accompanying notes to the financial statements





Town of Amherst, Virginia  
Required Supplemental Information  
As of June 30, 2017

**Statement of Treasurer's Accountability**

**Assets Held By Treasurer**

**All Funds**

Cash

Cash on Hand	\$ 400
Bank of the James	304,376
Carter Bank & Trust	934,480
First National Bank of Altavista	123,657
Local Government Investment Pool	1,328,692
<i>Total Cash</i>	<u>2,691,605</u>

Certificates of Deposit

Bank of the James	203,573
Carter Bank & Trust	900,000
<i>Total Certificates of Deposit</i>	<u>1,103,573</u>

*Total Assets Held By Treasurer*

\$ 3,795,178

**Liabilities Held By Treasurer**

Cash Allocated to Funds

General Fund	1,465,401
Capital Projects Fund	-
Sewer Fund	946,198
Water Fund	1,360,124
Garbage Fund	23,455
<i>Total Cash Allocated to Funds</i>	<u>3,795,178</u>

*Total Liabilities Held by Treasurer*

\$ 3,795,178

**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	6,441,011
<i>Legal Margin for Creation of Additional Debt</i>	11,088,449

**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
<i>UAAL as a Percent of Payroll</i>	15.9%

See accompanying notes to the required supplemental information







Town of Amherst, Virginia  
Required Supplemental Information  
As of June 30, 2017

**Schedule of Town's Share of Net Pension Liability and Related Ratios  
For the Year Ended June 30, 2017\***

	2017	2016
Total pension liability		
Service cost	\$ 119,138	\$ 93,912
Interest	271,142	264,117
Changes of benefit terms	-	-
Differences between expected and actual experience	173,815	(5,469)
Changes in assumptions	-	-
Benefit payments, including refunds of employee contributions	(240,510)	(263,893)
Net change in total pension liability	323,585	88,667
 Total pension liability - beginning	 3,993,718	 3,905,051
Total pension liability - ending	<u>\$ 4,317,303</u>	<u>\$ 3,993,718</u>
 Plan fiduciary net position		
Contributions - employer	\$ 106,869	\$ 102,001
Contributions - employee	37,381	35,685
Net investment income	57,637	151,465
Benefit payments, including refunds of employee contributions	(240,510)	(263,893)
Administrative expense	(2,144)	(2,170)
Other	(25)	(31)
Net change in plan fiduciary net position	(40,792)	23,057
 Plan fiduciary net position - beginning	 3,406,420	 3,383,363
Plan fiduciary net position - ending	<u>\$ 3,365,628</u>	<u>\$ 3,406,420</u>
 Town's net pension liability	<u>\$ 951,675</u>	<u>\$ 587,298</u>
 Town's net position as a percentage of total pension liability	 77.96%	 85.29%
 Town's covered-employee payroll at 6/30/16 and 6/30/15	 \$ 759,715	 \$ 725,562
 Town's net pension liability as a percentage of its covered-employee payroll	 125.27%	 80.94%

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





Town of Amherst, Virginia  
Required Supplemental Information  
As of June 30, 2017

**Schedule of Town Contributions  
VRS State Employee Retirement Plan  
For the Year Ended June 30, 2017**

	2017	2016	2015
Contractually Required Contribution	\$ 111,087	\$ 107,424	\$ 102,594
Contributions in Relation to Contractually Required Contribution	\$ 132,263	\$ 106,896	\$ 101,145
Contribution Deficiency (Excess)	\$ (21,176)	\$ 528	\$ 1,449
Town's covered-employee payroll at year-end	\$ 785,624	\$ 759,715	\$ 725,562
Contributions as a % of Covered Employee Payroll	16.84%	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, 2017

	Property Tax Levies and Collections													
	FYE June 30, 2017	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
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	21,845	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%	0.00%	101.74%	94.74%	99.12%	99.80%	100.43%	98.74%	99.95%	104.79%	111.22%	101.21%	100.65%
Outstanding Delinquent Taxes	24,412	28,897	29,106	31,158	31,794	22,115	28,494	28,581	34,728	27,134	19,704	9,891	-	17,517
Percent of Delinquent Taxes to Tax Levy	0.00%	0.00%	0.00%	27.43%	27.22%	19.28%	25.76%	25.83%	31.36%	24.91%	18.91%	9.58%	0.00%	17.95%
Assessed Value of Taxable Property														
Real Estate	177,422,200	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	15,423,985	14,756,704	14,518,455	14,311,665	14,492,793	14,056,760	12,747,503	12,713,910	12,628,564	12,404,595	13,060,155	12,131,747	10,425,000	11,372,572
Public Utility	7,934,880	7,995,189	7,610,219	7,715,526	7,095,686	6,787,165	6,438,670	6,939,129	6,815,354	4,180,032	4,736,689	4,736,689	4,755,960	5,608,023
Total Assessed Value	\$ 200,781,065	\$ 197,718,093	\$ 197,423,274	\$ 199,789,411	\$ 199,676,879	\$ 198,376,025	\$ 196,718,273	\$ 196,655,639	\$ 198,605,618	\$ 134,685,627	\$ 135,332,244	\$ 131,636,036	\$ 129,211,169	\$ 134,991,795
Property Tax Rates (per \$100 of Assessed Value)														
Real Estate	0.0%	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%	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, 2017**

**Note 1 – Changes in actuarial information**

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**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, 2016 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, 2017, 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 January 10, 2018.

**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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether 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 January 10, 2018.



### **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.

A handwritten signature in blue ink that reads "Davidson Doyle" followed by a stylized flourish.

Lynchburg, Virginia  
January 10, 2018





**Independent Auditor's Report Compliance for Each Major Program and  
on Internal Control over Compliance Required by The Uniform Guidance**

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

**Report on Compliance for Each Major Federal Program**

We have audited Town of Amherst's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Town of Amherst's major federal programs for the year ended June 30, 2017. Town of Amherst's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

Management is responsible for compliance with the federal statutes, regulations, terms and conditions of its federal awards applicable to its federal programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of the Town of Amherst's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Town of Amherst's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Town of Amherst's compliance.

**Opinion on Each Major Federal Program**

In our opinion, the Town of Amherst complied, in all material respects, with the types of compliance referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.





## **Report on Internal Control over Compliance**

Management of the Town of Amherst is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Town of Amherst's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town of Amherst's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

### **Purpose of this Report**

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report 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.

A handwritten signature in blue ink that reads "David Wayne Hittler, Jr.".

Lynchburg, Virginia  
January 10, 2018







**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.





**Town of Amherst, Virginia  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2017**

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**Section I- Summary of Auditor's Results**

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**Financial Statements**

- The auditor's report expresses an unmodified opinion on the financial statements of the Town of Amherst.
- No significant deficiencies related to the audit of the financial statements were reported.
- No instances of noncompliance material to the financial statements were disclosed.

**Federal Awards**

- No significant deficiencies relating to the audit of the major federal award programs were reported in the Independent Auditor's Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance.
- The auditor's report on compliance for the major federal award programs for the Town of Amherst expresses an unmodified opinion.
- The audit disclosed no audit findings relating to major programs.

**Identification of Major Programs/Programs Tested**

- The program tested as a major program was:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
66.468	U.S. Environmental Protection Agency – Capitalization Grant for Drinking Water State Revolving Funds

- The threshold used for distinguishing between Type A and Type B programs was \$750,000.
- The auditee was determined to be a high-risk auditee.





**Town of Amherst, Virginia  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2017**

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**Section II- Financial Statement Findings**

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No reportable findings noted.

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**Section III- Federal Award Findings and Questioned Costs**

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No reportable findings noted.

