

TOWN OF SOUTH BOSTON, VIRGINIA
ANNUAL FINANCIAL REPORT
FISCAL YEAR ENDED JUNE 30, 2013

TOWN OF SOUTH BOSTON, VIRGINIA

COUNCIL MEMBERS AND OFFICERS

MEMBERS OF COUNCIL

W.R. Snead
Robert B. Hughes
Tina Wyatt-Younger

Edward Owens
D. Coleman Speece
L. Morris Bryant

OFFICERS

Edward Owens
T. A. Daniel
L. Erle Scott
James Binner
Alan R. Auld
Steve Phillips
Jane P. Jones

Interim Mayor
Town Manager
Director of Finance
Police Chief
Director of Public Works
Fire Chief
Clerk of Council

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FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT

To the Honorable Members of the Town Council
Town of South Boston, Virginia

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Town of South Boston, Virginia as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and *Specifications for Audits of Counties, Cities and Towns* (Specifications), issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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, each major fund, and the aggregate remaining fund information of the Town of South Boston, Virginia, as of June 30, 2013, and the respective changes in financial position 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 4-8 and 37 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 South Boston, Virginia's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements and statistical section, 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 U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

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

The introductory and statistical sections 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 November 30, 2013, on our consideration of the Town of South Boston, Virginia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town of South Boston, Virginia's internal control over financial reporting and compliance.

Harris Harvey Neal & Co. LLP

Danville, Virginia
November 30, 2013

TOWN OF SOUTH BOSTON, VIRGINIA MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2013

Our discussion and analysis of Town of South Boston, Virginia's financial performance provides an overview of the Town's financial activities for the fiscal year ended June 30, 2013. Please read it in conjunction with the Town's financial statements.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities provide information about the activities of the Town as a whole and present a longer-term view of the Town's finances. For governmental activities, fund financial statements tell how these services were financed in the short-term as well as what remains for future spending. Fund financial statements also report the Town's operations in more detail than the government-wide statements by providing information about the Town's most significant funds. The remaining statements provide financial information about activities for which the Town acts solely as an agent for the benefit of those outside of the government.

Government-Wide Financial Statements

The Statement of Net Position and the Statement of Activities include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the Town's net position and changes in them. You can think of the Town's net position—the difference between assets and liabilities—as one way to measure the Town's financial health, or financial position. Over time, increases or decreases in the Town's net position are one indicator of whether its financial health is improving or deteriorating. You will need to consider other nonfinancial factors, however, such as changes in the Town's property tax base and the condition of the Town's roads, to assess the overall health of the Town.

In the Statement of Net Position and the Statement of Activities, the Town consists of the following activity:

- **Governmental activities**—Most of the Town's basic services are reported here, including the police, fire, public works, parks departments, and general administration. Property taxes, franchise fees, and state and federal grants finance most of these activities.

Fund Financial Statements

Our analysis of the Town's major funds provides detailed information about the most significant funds—not the Town as a whole. Some funds are required to be established by State law and by bond covenants. However, the Town Council establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money. The Town has two kinds of funds—governmental and fiduciary—which use the following accounting approaches:

- **Governmental funds**—Most of the Town's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the Town's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Town's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in the reconciliation at the bottom of the fund financial statements.

**TOWN OF SOUTH BOSTON, VIRGINIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2013**

- **Fiduciary funds**—The Town is responsible for other assets that, because of a trust arrangement, can be used only for the trust beneficiaries. All of the Town's fiduciary activities are reported in a separate Statement of Fiduciary Net Position. We exclude these activities from the Town's other financial statements because the Town cannot use these assets to finance its operations. The Town is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

THE TOWN AS A WHOLE

The Town's net position increased 11.5 percent from the prior year. Our analysis below focuses on the net Position (Table 1) and changes in net Position (Table 2) of the Town's governmental activities.

Table 1
Net Position

	Governmental Activities	
	<u>2013</u>	<u>2012</u>
Current and other assets	\$ 10,830,541	\$ 11,616,315
Capital assets	<u>8,618,964</u>	<u>6,532,279</u>
Total assets	<u>\$ 19,449,505</u>	<u>\$ 18,148,594</u>
Long-term debt outstanding	\$ 12,979,764	\$ 12,353,881
Other liabilities	<u>1,148,729</u>	<u>1,021,490</u>
Total liabilities	<u>\$ 14,128,493</u>	<u>\$ 13,375,371</u>
Net position:		
Invested in capital assets, net of debt	\$ 1,690,144	\$ 249,022
Restricted	1,287,356	1,359,100
Unrestricted	<u>2,343,512</u>	<u>3,165,101</u>
Total net position	<u>\$ 5,321,012</u>	<u>\$ 4,773,223</u>

The increase in governmental net position is due to the purchase and construction of several fixed assets in the current year.

**TOWN OF SOUTH BOSTON, VIRGINIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2013**

Table 2
Changes in Net Position

	<u>Governmental Activities</u>	
	<u>2013</u>	<u>2012</u>
Revenues		
Program revenues		
Charges for services	\$ 269,400	\$ 359,873
Grants and contributions	3,944,412	3,289,667
General revenues:		
Property taxes	1,656,631	1,576,575
Other taxes	3,957,661	3,919,616
Sale of cemetery lots	45,000	33,000
Investment earnings	<u>88,197</u>	<u>66,385</u>
Total revenues	<u>9,961,301</u>	<u>9,245,116</u>
Program expenses		
General government	\$ 939,082	\$ 779,524
Public safety	3,435,549	3,269,931
Public works	3,097,704	3,321,350
Parks, recreation, and cultural	485,866	484,042
Community development	452,902	330,720
Nondepartmental	106,219	56,975
Landfill closure	46,034	70,968
Interest on long-term debt	<u>239,070</u>	<u>224,430</u>
Total expenses	<u>8,802,426</u>	<u>8,537,940</u>
Adjustment of estimated accumulated post-closure costs	<u>(611,086)</u>	<u>8,596</u>
Increase in net position	<u>\$ 547,789</u>	<u>\$ 715,772</u>

Governmental Activities

Revenues for the Town's governmental activities increased 7.7 percent, while expenses increased 3.1 percent. The revenue increase is due primarily to federal funds received in the current year for the construction of the Halifax Dental Clinic. Expenses increased from the prior year primarily due to an increase in contributions and increases in public safety salaries.

**TOWN OF SOUTH BOSTON, VIRGINIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2013**

THE TOWN'S FUNDS

As the Town completed the year, its governmental funds reported a fund balance of \$5,780,951, which is 8.2 percent lower than last year. The primary reasons for the decrease were due to the principal retirement on long-term debt.

GENERAL FUND BUDGETARY HIGHLIGHTS

The Town budgets conservatively. Revenues are budgeted based on historic trends. Expenditures are budgeted based on the previous adopted levy.

The Town Council receives monthly financial statements. The Council approves budget amendments. Budget amendments are made for encumbrances, new Council directives, or adjustments such as grants received after budget approval.

Actual disbursements were \$797,143 higher than budgeted amounts. A majority of the difference is due to amounts not budgeted for Washington Coleman building which was subsequently funded with issuance of debt. Actual revenues were \$171,141 higher than budgeted amounts due to more local tax revenue received.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The Town's investment in capital assets for its governmental activities as of June 30, 2013, amounts to \$8,618,964 (net of accumulated depreciation). This investment in capital assets includes police and fire equipment, buildings, park facilities, and improvements. This amount represents a net increase (including additions and deductions) of \$2,086,685, or 31.9 percent, above last year.

	<u>Governmental Activities</u>	
	<u>2013</u>	<u>2012</u>
Land, building and improvements	\$ 7,055,731	\$ 4,380,799
Machinery, equipment and vehicles	<u>1,563,233</u>	<u>2,151,480</u>
Totals	<u>\$ 8,618,964</u>	<u>\$ 6,532,279</u>

This year's major additions included:

Storm Water Projects, paid for with general revenue and grant revenue	\$ 971,561
Washington Coleman Center, paid for with proceeds from debt issued	883,959
Halifax Dental Clinic, paid for with grant revenue	654,999

Debt

At year-end, the Town had \$10,688,173 in bonds and notes outstanding compared to \$10,730,485 last year - a decrease of 0.4 percent as shown in the following table.

**TOWN OF SOUTH BOSTON, VIRGINIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2013**

	<u>Governmental Activities</u>	
	<u>2013</u>	<u>2012</u>
General		
obligation bonds	\$ 10,193,946	\$ 9,663,441
Notes payable	<u>494,227</u>	<u>1,067,044</u>
Totals	<u>\$ 10,688,173</u>	<u>\$ 10,730,485</u>

The Commonwealth limits the amount of general obligation debt that the Town can issue to 10.0 percent of the assessed value of all taxable property within the Town's corporate limits.

Other obligations include accrued vacation pay and sick leave. More detailed information about the Town's long-term liabilities is presented in Note 6 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Capital improvement projects for the next five years include Phase II of the Landfill Gas Control and Reclamation Project, Washington-Coleman Community Center, Closed Vessel Mulching System, and storm water management improvements.

All of these factors were considered in preparing the Town's budget for the 2014 fiscal year.

General Fund tax rates will remain the same for the 2014 fiscal year.

CONTACTING THE TOWN'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the Town's finances and to show the Town's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Town Finance Office at 436 Ferry Street, South Boston, Virginia. The Town's phone number is 434-575-4210.

BASIC FINANCIAL STATEMENTS

TOWN OF SOUTH BOSTON, VIRGINIA

STATEMENT OF NET POSITION

June 30, 2013

	Exhibit 1
ASSETS	Governmental Activities
Cash	\$ 3,081,605
Investments	227,466
Receivables (net of allowances for uncollectibles):	
Taxes, including penalties	310,921
Accounts	112,553
Notes	796,000
Due from other governmental units	5,917,525
Inventories, at cost	120,102
Cash - restricted	264,369
Fixed assets (net of accumulated depreciation)	<u>8,618,964</u>
Total assets	<u>19,449,505</u>
LIABILITIES	
Excess of checks written over funds available	875,746
Accrued interest payable	64,348
Accounts payable	208,635
Long-term obligations:	
Due within one year	1,110,995
Due beyond one year	<u>11,868,769</u>
Total liabilities	<u>14,128,493</u>
NET POSITION	
Invested in capital assets, net of related debt	1,690,144
Restricted for:	
Perpetual care:	
Expendable	255,747
Nonexpendable	767,240
Other purposes	264,369
Unrestricted	<u>2,343,512</u>
Total net position	<u>\$ 5,321,012</u>

The accompanying notes are an integral part of the financial statements.

TOWN OF SOUTH BOSTON, VIRGINIA

STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2013

Exhibit 2

Functions/Programs	Expenses	Program Revenues			Net Revenue (Expense) and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government Governmental Activities
Primary government:					
Governmental activities:					
General government	\$ 939,082	\$ 179,042	\$ 295,432	\$ -	\$ (464,608)
Public safety	3,435,549	63,969	610,978	-	(2,760,602)
Public works	3,097,704	10,013	2,187,718	-	(899,973)
Parks, recreation, and cultural	485,866	16,376	-	-	(469,490)
Community development	452,902	-	-	724,000	271,098
Nondepartmental	106,219	-	-	-	(106,219)
Landfill closure	46,034	-	126,284	-	80,250
Interest on long-term debt	239,070	-	-	-	(239,070)
Total governmental activities	<u>\$ 8,802,426</u>	<u>\$ 269,400</u>	<u>\$ 3,220,412</u>	<u>\$ 724,000</u>	<u>\$ (4,588,614)</u>
General Revenues:					
					\$ 1,656,631
Property taxes					
Other taxes and revenues					3,957,661
Sale of cemetery lots					45,000
Unrestricted investment earnings					88,197
Total general revenues					<u>5,747,489</u>
Change in net position					1,158,875
Net position - beginning					4,773,223
Adjustment of estimated accumulated post-closure costs					<u>(611,086)</u>
Net position - ending					<u>\$ 5,321,012</u>

The accompanying notes are an integral part of the financial statements.

TOWN OF SOUTH BOSTON, VIRGINIA

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2013

Exhibit 3

ASSETS	<u>General</u>	Other Governmental <u>Funds</u>	Total Governmental <u>Funds</u>
Cash	\$ 2,449,714	\$ 631,891	\$ 3,081,605
Investments	-	227,466	227,466
Receivables (net of allowances for uncollectibles):			
Taxes, including penalties	310,921	-	310,921
Accounts	112,553	-	112,553
Notes	796,000	-	796,000
Due from other funds	62,341	-	62,341
Due from other governmental units	2,095,824	-	2,095,824
Inventories, at cost	120,102	-	120,102
Cash - restricted	<u>264,369</u>	<u>-</u>	<u>264,369</u>
Total assets	<u>\$ 6,211,824</u>	<u>\$ 859,357</u>	<u>\$ 7,071,181</u>
 LIABILITIES AND FUND BALANCES			
Liabilities:			
Excess of checks written over funds available	\$ 875,746	\$ -	\$ 875,746
Accounts payable	208,635	-	208,635
Deferred revenue	<u>205,849</u>	<u>-</u>	<u>205,849</u>
Total liabilities	<u>1,290,230</u>	<u>-</u>	<u>1,290,230</u>
Fund balances:			
Nonspendable:			
Inventories	120,102	-	120,102
Restricted for:			
Perpetual care	-	859,357	859,357
Landfill closure	495,356	-	495,356
Assigned to:			
Construction of capital assets	264,369	-	264,369
Unassigned:			
Undesignated	<u>4,041,767</u>	<u>-</u>	<u>4,041,767</u>
Total fund balances	<u>4,921,594</u>	<u>859,357</u>	<u>5,780,951</u>
Total liabilities and fund balances	<u>\$ 6,211,824</u>	<u>\$ 859,357</u>	

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. 8,618,964

Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the governmental funds. 141,501

Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds. (9,220,404)

Net position of governmental activities \$ 5,321,012

The accompanying notes are an integral part of the financial statements.

TOWN OF SOUTH BOSTON, VIRGINIA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2013

	Exhibit 4		
	General Fund	Other Governmental Funds	Total Governmental Funds
Revenues:			
General property taxes	\$ 1,982,751	\$ -	\$ 1,982,751
Other local taxes	3,922,316	-	3,922,316
Permits, privilege fees, and regulatory licenses	2,170	-	2,170
Fines and forfeitures	63,969	-	63,969
Interest and investment revenue	84,326	3,870	88,196
Charges for service	26,390	-	26,390
Miscellaneous	253,118	910	254,028
Recovered costs	674,822	-	674,822
Sale of cemetery lots	-	45,000	45,000
Intergovernmental	3,266,002	220,039	3,486,041
Total revenues	<u>10,275,864</u>	<u>269,819</u>	<u>10,545,683</u>
Expenditures:			
Current:			
General government administration	800,712	157,381	958,093
Public safety	3,053,360	220,039	3,273,399
Public works	3,805,801	-	3,805,801
Parks, recreation, and cultural	472,571	-	472,571
Community development	258,682	-	258,682
Nondepartmental	242,818	-	242,818
Capital projects	1,538,958	6,782	1,545,740
Landfill closure	35,822	-	35,822
Debt service:			
Principal retirement	2,288,975	-	2,288,975
Interest and fiscal charges	427,896	-	427,896
Total expenditures	<u>12,925,595</u>	<u>384,202</u>	<u>13,309,797</u>
(Deficiency) of revenues (under) expenditures	<u>(2,649,731)</u>	<u>(114,383)</u>	<u>(2,764,114)</u>
Other financing sources (uses):			
Long-term debt issued	2,246,663	-	2,246,663
Operating transfers in (out)	<u>(146,020)</u>	<u>146,020</u>	<u>-</u>
Total other financing sources and uses	<u>2,100,643</u>	<u>146,020</u>	<u>2,246,663</u>
Net change in fund balances	(549,088)	31,637	(517,451)
Fund balance at beginning of year	<u>5,470,682</u>	<u>827,720</u>	<u>6,298,402</u>
Fund balance at end of year	<u><u>\$ 4,921,594</u></u>	<u><u>\$ 859,357</u></u>	<u><u>\$ 5,780,951</u></u>

The accompanying notes are an integral part of the financial statements.

TOWN OF SOUTH BOSTON, VIRGINIA

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2013

Exhibit 5

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

Net change in fund balances - total governmental funds	\$ (517,451)
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	2,086,685
Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds.	(30,688)
Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. This is the amount by which proceeds exceeded repayments.	(327,097)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	<u>(52,574)</u>
Change in net position of governmental activities	<u><u>\$ 1,158,875</u></u>

The accompanying notes are an integral part of the financial statements.

TOWN OF SOUTH BOSTON, VIRGINIA
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
June 30, 2013

Exhibit 6

ASSETS	<u>Agency Fund</u>
Cash and cash equivalents	\$ 11,930
Land and buildings	2,697,933
Accounts receivable	<u>39,365</u>
 Total assets	 <u>2,749,228</u>
 LIABILITIES	
Accounts payable	1,000
Due to other governmental units	1,164,831
Note payable	<u>1,583,397</u>
 Total liabilities	 <u>2,749,228</u>
 NET POSITION	 <u>\$ -</u>

The accompanying notes are an integral part of the financial statement

TOWN OF SOUTH BOSTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

The Town of South Boston, Virginia (the primary government) is a municipal corporation governed by a seven-member council. The Town's major operations include police and fire protection, parks, library and recreation, public works, and general administrative services.

The Town's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements. Although the Town has the option to apply FASB pronouncements issued after that date to its business-type activities and enterprise funds, the Town has chosen not to do so. The more significant accounting policies established in GAAP and used by the Town are discussed below.

Basic Financial Statements - Government-Wide Statements

The Town's Government-Wide Financial Statements include a Statement of Net Position and a Statement of Activities. These statements present summaries of the Governmental Activities for the Town. Fiduciary activities of the Town are not included in these statements.

These statements are presented on an "economic resources" measurement focus and the accrual basis of accounting. Accordingly, all of the Town's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, including capital assets and long-term liabilities, are included in the accompanying Statement of Net Position. The Statement of Activities presents changes in net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred, regardless of the timing of related cash flows. The types of transactions reported as program revenues for the Town are reported in three categories: 1) charges for services, 2) operating grants and contributions, and 3) capital grants and contributions.

Certain eliminations have been made to interfund activities, payables, and receivables. All internal balances in the Statement of Net Position have been eliminated. In the Statement of Activities, internal service fund transactions have been eliminated.

TOWN OF SOUTH BOSTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

The Town does not allocate indirect costs.

This government-wide focus is more on the sustainability of the Town as an entity and the change in the Town's net position resulting from the current year's activities.

Basic Financial Statements—Fund Financial Statements

The financial transactions of the Town are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues, and expenditures/expenses. The various funds are reported by generic classification within the financial statements.

The following fund types are used by the Town:

1. Governmental Funds:

The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. The following is a description of the governmental funds of the Town:

- a. General fund is the general operating fund of the Town. It is used to account for all financial resources except those required to be accounted for in another fund.
- b. Special revenue funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

TOWN OF SOUTH BOSTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

2. Fiduciary Funds:

Fiduciary funds are used to report assets held in a trustee or agency capacity for others and, therefore, are not available to support Town programs. The reporting focus is on net Position and changes in net position, which are reported using accounting principles similar to proprietary funds. The Town's fiduciary funds are presented in the fiduciary fund financial statements by type (permanent and agency). These funds consist of the Cemetery Fund, which is a permanent fund and the Industrial Development Authority Fund, which is an agency fund. Since by definition, these assets are being held for the benefit of a third party and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide statements.

Basis of Accounting

Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

1. Accrual:

The governmental activities in the government-wide financial statements and the fiduciary fund financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

2. Modified Accrual:

The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or within 60 days after year-end. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term debt, if any, is recognized when due.

TOWN OF SOUTH BOSTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

Financial Statement Amounts

1. Cash and Cash Equivalents:

The Town has defined cash and cash equivalents to include cash on hand, demand deposits, and cash with fiscal agents. Additionally, each fund's equity in the Town's investment pool is treated as a cash equivalent because the funds can deposit or effectively withdraw cash at any time without prior notice or penalty.

2. Investments:

Investments, including deferred compensation funds, are stated at fair value (quoted market price or the best available estimate).

3. Allowances for Uncollectible Accounts:

The Town calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. The allowances amounted to \$78,152 in the Governmental Activities at June 30, 2013.

4. Inventories:

Inventories in the general fund consist of expendable supplies held for the Town's use and are carried at cost using the first-in, first-out method.

5. Capital Assets:

Capital assets purchased or acquired with an original cost of \$5,000 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Buildings	20–50 years
Machinery and equipment	5–10 years
Improvements	10–20 years
Other infrastructure	10–50 years

GASB Statement No. 34 requires the Town to report and depreciate new infrastructure assets. No new infrastructure assets were constructed or purchased during the year. Infrastructure assets include roads, bridges, underground pipe (other than related to utilities), etc. These infrastructure assets are likely to be the largest asset class of the Town. Neither their historical cost nor related depreciation has historically been reported in the financial statements.

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

6. Revenues:

Substantially all governmental fund revenues are accrued. Property taxes are billed and collected within the same period in which the taxes are levied. Subsidies and grants to proprietary funds, which finance either capital or current operations, are reported as non-operating revenue based on GASB Statement No. 33. In applying GASB Statement No. 33 to grant revenues, the provider recognizes liabilities and expenses and the recipient recognizes receivables and revenue when the applicable eligibility requirements, including time requirements, are met. Resources transmitted before the eligibility requirements are met are reported as advances by the provider and deferred revenue by the recipient.

7. Expenditures:

Expenditures are recognized when the related fund liability is incurred. Inventory costs are reported in the period when inventory items are used, rather than in the period purchased.

8. Compensated Absences:

The Town accrues accumulated unpaid vacation and sick leave and associated employee-related costs when earned (or estimated to be earned) by the employee. The non-current portion (the amount estimated to be used in subsequent fiscal years) for governmental funds is maintained separately and represents a reconciling item between the fund and government-wide presentations.

9. Bonds and Related Premiums, Discounts and Issuance Costs:

In the government-wide financial statements, bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

In governmental fund financial statements, bond premiums, discounts and issuance costs are recognized in the current period. The face amount of the debt is reported as other financing sources. Premiums received on debt issuance are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt issuance expenditures.

Note 2. Deposits and Investments

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

NOTES TO FINANCIAL STATEMENTS

Note 2. Deposits and Investments (Continued)

Investments

Statutes authorize local governments and other public bodies to invest in obligations of the United States or agencies thereof, obligations of the Commonwealth of Virginia or political subdivisions thereof, obligations of the International Bank for Reconstruction and Development (World Bank), the Asian Development Bank, the African Development Bank, “prime quality” commercial paper and certain corporate notes, banker’s acceptances, repurchase agreements, the State Treasurer’s Local Government Investment Pool (LGIP).

Investments are categorized below to give an indication of the level of risk assumed by the entity at year-end. Category 1 includes investments that are insured or registered or for which the securities are held by the Town or its safekeeping agent in the Town’s name. Category 2 includes uninsured or unregistered investments for which the securities are held by the broker, or dealer bank’s trust department, or safekeeping agent in the Town’s name. Category 3 includes uninsured and unregistered investments for which the securities are held by the broker or dealer, or by its trust department, or safekeeping agent but not in the Town’s name.

At year-end, the Town’s investment balances were as follows:

	<u>Category 2</u>	<u>Carrying Amount</u>	<u>Market Value</u>
*45 Shares of Common Stock –			
U.S. Steel Corporation	\$ 2,019	\$ 2,019	\$ 1,713
Alliance U.S. Bond Fund	<u>218,131</u>	<u>218,131</u>	<u>225,753</u>
Total Investments	<u>\$220,150</u>	<u>\$220,150</u>	<u>\$227,466</u>

Note: *These shares of stock were donated to the Town in a prior year.

Note 3. Property Taxes Receivable

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

NOTES TO FINANCIAL STATEMENTS

Note 4. Due From Other Governmental Units

Consisted of the following at June 30, 2013:

	General <u>Fund</u>	Nonmajor Governmental <u>Funds</u>	Total Governmental <u>Activities</u>
County of Halifax:			
Contribution reimbursement	\$ 735,559	\$ -	\$ 735,559
Halifax County Service Authority	4,697,449	-	4,697,449
Local sales taxes	37,475	-	37,475
Communications tax	126,524	-	126,524
Commonwealth of Virginia:			
VDOT revenue sharing	<u>320,518</u>	<u>-</u>	<u>320,518</u>
Total	<u>\$5,917,525</u>	<u>\$ -</u>	<u>\$5,917,525</u>

Note 5. Capital Assets

Capital asset activity for the year ended June 30, 2013, was as follows:

	Balance <u>7/1/12</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>6/30/13</u>
Governmental activities:				
Capital assets, being depreciated:				
Land, buildings and improvements	\$ 6,156,829	\$ 2,822,123	\$ -	\$ 8,978,952
Equipment	<u>5,439,274</u>	<u>98,563</u>	<u>(112,730)</u>	<u>5,425,107</u>
Total capital assets being depreciated	<u>11,596,103</u>	<u>2,920,686</u>	<u>(112,730)</u>	<u>14,404,059</u>
Less accumulated depreciation for:				
Buildings and improvements	1,776,030	147,191	-	1,923,221
Equipment	<u>3,287,794</u>	<u>686,810</u>	<u>(112,730)</u>	<u>3,861,874</u>
Total accumulated depreciation	<u>5,063,824</u>	<u>834,001</u>	<u>(112,730)</u>	<u>5,785,095</u>
Governmental activities capital assets, net	<u>\$ 6,532,279</u>	<u>\$ 2,086,685</u>	<u>\$ -</u>	<u>\$ 8,618,964</u>

NOTES TO FINANCIAL STATEMENTS

Note 5. Capital Assets (Continued)

Depreciation expense was charged to governmental functions as follows:

Governmental activities:	
General government	\$ 12,444
Public safety	277,523
Public works	416,133
Parks, recreation, and cultural	10,783
Community development	97,148
Landfill closure	10,211
Cemetery	<u>9,759</u>
Total depreciation expense-governmental act	<u><u>\$ 834,001</u></u>

Note 6. Long-Term Debt

Governmental activities:

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

General Obligation Bond – Series 2001

Year Ending <u>June 30,</u>	Public Improvements Bond 17.20 Percent to General Fund <u>82.80 Percent Landfill Closure Fund</u>	
	<u>Principal</u>	<u>Interest</u>
2014	\$ 55,000	\$ 26,637
2015	60,000	23,970
2016	60,000	20,910
2017	65,000	17,850
2018	65,000	14,535
2019	70,000	11,220
2020	75,000	7,650
2021	<u>75,000</u>	<u>3,825</u>
Total	<u><u>\$525,000</u></u>	<u><u>\$126,597</u></u>

TOWN OF SOUTH BOSTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 6. Long-Term Debt (Continued)

Revenue Bonds Series 2006B

On July 13, 2006, the Town of South Boston entered into a refunding bond issue of \$5,105,000, for the purpose of refunding the Town's Bond Anticipation Note, Series 2004A and to fund various public utility, street improvements, and landfill closure costs and to pay the redemption price and issuance costs related thereto. Interest is payable at 3.65 percent to 5.00 percent. Installments of principal are due annually on August 1, through August 1, 2026. Installments of interest are due on each August 1 and February 1, through August 1, 2026. 31.02 percent is allocable to the General Fund, 40.00 percent is allocable to the Landfill Closure Fund and 28.98 percent is allocable to the former Water and Sewer Fund which will be reimbursed by the Halifax County Service Authority.

Year Ending June 30,			Governmental <u>Activities</u> General Fund 40.00 Percent		Business-type <u>Activities</u> 28.98 Percent	
	<u>Principal</u>	<u>Interest</u>	<u>Landfill Closure Fund</u> <u>Principal</u>	<u>Interest</u>	<u>Water and Sewer Fund</u> <u>Principal</u>	<u>Interest</u>
2014	\$ 210,000	\$ 180,411	\$ 149,134	\$ 128,121	\$ 60,866	\$ 52,290
2015	220,000	171,460	156,235	121,764	63,765	49,696
2016	230,000	161,953	163,337	115,013	66,663	46,940
2017	240,000	151,906	170,438	107,878	69,562	44,028
2018	250,000	141,246	177,540	100,307	72,460	40,939
2019	260,000	129,896	184,642	92,247	75,358	37,649
2020	275,000	117,858	195,294	83,698	79,706	34,160
2021	285,000	104,545	202,396	74,244	82,604	30,301
2022	300,000	90,670	213,048	64,390	86,952	26,280
2023	315,000	76,675	223,700	54,452	91,300	22,223
2024	330,000	61,840	234,353	43,916	95,647	17,924
2025	345,000	45,625	245,005	32,401	99,995	13,224
2026	360,000	28,000	255,658	19,884	104,342	8,116
2027	378,979	9,500	268,825	6,747	110,154	2,753
	<u>\$3,998,979</u>	<u>\$1,471,585</u>	<u>\$2,839,605</u>	<u>\$1,045,062</u>	<u>\$1,159,374</u>	<u>\$ 426,523</u>

TOWN OF SOUTH BOSTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 6. Long-Term Debt (Continued)

General Obligation Refunding Bond – Series 2006C

On December 1, 2006, the Town of South Boston entered into a refunding bond issue of \$3,305,000, for the purpose of refunding a portion of the Town's General Obligations Bonds, Series 2000A and to pay the redemption price and issuance costs related thereto. Interest is payable at 3.80 percent to 4.74 percent. Installments of principal are due annually on October 1, through October 1, 2019. Installments of interest are due on each October 1 and April 1, through October 1, 2019. This bond will be reimbursed by the Halifax County Service Authority.

Year Ending June 30,	<u>Water and Sewer Fund</u>		
	<u>Revenue Bonds</u>		
	Public Improvement Bonds		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 325,000	\$ 114,841	\$ 439,841
2015	335,000	99,421	434,421
2016	355,000	83,269	438,269
2017	370,000	66,256	436,256
2018	385,000	48,473	433,473
2019	405,000	29,781	434,781
2020	<u>425,000</u>	<u>10,078</u>	<u>435,078</u>
Total	<u>\$2,600,000</u>	<u>\$ 452,119</u>	<u>\$3,052,119</u>

General Obligation Refunding Bond – Series 2008

On April 17, 2008, the Town of South Boston entered into a refunding bond issue of \$1,500,000 for the purpose of refunding the Town's line of credit. Interest is payable at 4.00 percent. Installments of principal and interest are due annually on April 1, through April 1, 2018.

<u>Year Ending</u> <u>June 30,</u>	<u>General Fund Revenue Bonds</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$152,004	\$ 32,932	\$184,936
2015	158,084	26,852	184,936
2016	164,408	20,528	184,936
2017	170,984	13,952	184,936
2018	<u>177,824</u>	<u>7,113</u>	<u>184,937</u>
Total	<u>\$823,304</u>	<u>\$101,377</u>	<u>\$924,681</u>

TOWN OF SOUTH BOSTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 6. Long-Term Debt (Continued)

General Obligation Public Improvement and Refunding Bond – Series 2013A

On June 5, 2013, the Town of South Boston entered into a refunding bond issue of \$2,246,663, for the purpose of refunding the Town's 2011 Bond Anticipation note and to reimburse the Town's costs already incurred and paid from the general fund to finance certain capital improvements of the Washington Coleman School Building. Interest is payable at 2.49 percent to 4.89 percent. Installments of principal are due annually on October 1, through October 1, 2037. Installments of interest are due on each October 1 and April 1, through October 1, 2037.

<u>Year Ending</u> <u>June 30,</u>	<u>General Obligation</u> <u>Public Improvement and</u> <u>Refunding Bond</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 65,467	\$ 75,609	\$ 141,076
2015	60,467	82,275	142,742
2016	60,467	80,637	141,104
2017	60,467	79,100	139,567
2018	65,467	77,285	142,752
2019-2023	352,335	348,301	700,636
2024-2028	427,335	274,391	701,726
2029-2033	527,335	179,520	706,855
2034-2038	<u>627,323</u>	<u>64,044</u>	<u>691,367</u>
Total	<u>\$2,246,663</u>	<u>\$ 1,261,162</u>	<u>\$3,507,825</u>

Notes Payable

On September 6, 2011, the Town of South Boston borrowed funds in the amount of \$653,392, for the purpose of purchasing various public works vehicles and equipment. Interest is payable at 2.96 percent. Installments of combined principal and interest are due on each September 6, December 6, March 6, and June 6, through June 6, 2016.

<u>Year Ending</u> <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>
2014	\$ 129,605	\$ 10,434
2015	133,487	6,553
2016	<u>137,484</u>	<u>2,554</u>
Total	<u>\$ 400,576</u>	<u>\$ 19,541</u>

TOWN OF SOUTH BOSTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 6. Long-Term Debt (Continued)

On September 6, 2011, the Town of South Boston borrowed funds in the amount of \$275,000, for the purpose of purchasing eight police cars. Interest is payable at 2.90 percent. Installments of combined principal and interest are due on each September 6, December 6, March 6, and June 6 through June 6, 2014.

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2014	<u>\$ 93,651</u>	<u>\$ 1,704</u>

Changes in Long-Term Debt:

The following is a summary of long-term debt transactions of the Town for the year ended June 30, 2013:

	<u>Payable at 7/1/12</u>	<u>Plus Additions</u>	<u>Less Retirements</u>	<u>Payable at 6/30/13</u>	<u>Due within One year</u>
Governmental activities:					
Bonds and notes payable:					
Bonds-Public Improvement					
06/27/01 Issue	\$ 580,000	\$ -	\$ 55,000	\$ 525,000	\$ 55,000
07/13/06 Refunding issue	2,985,188	-	145,583	2,839,605	149,134
Bond Anticipation Note:					
07/28/11	1,000,000	-	1,000,000	-	-
General obligation bonds:					
07/13/06	1,218,791	-	59,417	1,159,374	60,866
12/01/06	2,910,000	-	310,000	2,600,000	325,000
04/17/08	969,462	-	146,158	823,304	152,004
06/05/13	-	2,246,663	-	2,246,663	65,467
Notes payable:					
09/06/11	526,412	-	125,836	400,576	129,605
09/06/11	184,632	-	90,981	93,651	93,651
04/30/12	<u>356,000</u>	<u>-</u>	<u>356,000</u>	<u>-</u>	<u>-</u>
 Total bonds and notes payable	 <u>10,730,485</u>	 <u>2,246,663</u>	 <u>2,288,975</u>	 <u>10,688,173</u>	 <u>1,030,727</u>
Other liabilities:					
Compensated absences	346,027	80,275	23,166	403,136	80,268
Landfill post-closure care	<u>1,277,369</u>	<u>611,086</u>	<u>-</u>	<u>1,888,455</u>	<u>-</u>
Total other liabilities	<u>1,623,396</u>	<u>691,361</u>	<u>23,166</u>	<u>2,291,591</u>	<u>80,268</u>
Governmental activities long-term liabilities	<u>\$ 12,353,881</u>	<u>\$ 2,938,024</u>	<u>\$ 2,312,141</u>	<u>\$ 12,979,764</u>	<u>\$ 1,110,995</u>

TOWN OF SOUTH BOSTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 6. Long-Term Debt (Continued)

Details of Long-Term Indebtedness

Governmental Activities:

Amount
Outstanding

\$1,000,000 authorized and issued - Public improvement/landfill improvement bonds, issued 06/27/01, maturing annually with interest payable semi-annually. 17.20 percent applies to General Fund and 82.80 percent applies to Landfill Closure Fund.

Bonds bearing interest at 4.10 to 5.10 percent maturing on April 1, 2021 \$ 525,000

\$5,105,000 authorized and issued – General obligation bond issued 07/13/06, maturing annually with interest payable semi-annually, proceeds allocated between the General Fund and Landfill Closure Fund - \$2,839,605 and Water and Sewer Fund - \$1,159,374.

Bonds bearing interest at 3.65 to 5.00 percent maturing on August 1, 2026 2,839,605

\$5,105,000 authorized and issued – General obligation bond issued 07/13/06, maturing annually with interest payable semi-annually, proceeds allocated between the General Fund - \$2,839,605 and Water and Sewer Fund - \$1,159,374. This bond will be reimbursed by Halifax County Service Authority.

Bonds bearing interest at 3.65 to 5.00 percent maturing on August 1, 2026 1,159,374

\$3,305,000 authorized and issued – General obligation public improvement refunding bond issued 12/01/06, maturing annually with interest payable semi-annually. This bond will be reimbursed by Halifax County Service Authority.

Bonds bearing interest at 3.80 to 4.74 percent maturing on October 1, 2019 2,600,000

TOWN OF SOUTH BOSTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 6. Long-Term Debt (Continued)

Details of Long-Term Indebtedness

\$1,500,000 authorized and issued - General Obligation Refunding Bond issued 04/17/08, maturing annually with interest payable annually.

Bonds bearing interest at 4.00 percent maturing on April 1, 2018	\$ 823,304
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\$2,246,663 authorized and issued – General Obligation Public Improvement And Refunding Bond issued 06/5/13, maturing semi-annually.

Bonds bearing interest at 2.49 to 4.89 percent maturing October 1. 2037	2,246,663
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\$653,392 authorized note payable issued 09/06/11, maturing quarterly with principal and interest payable quarterly.

Note bearing interest at 2.96 percent and maturing on June 6, 2016	400,576
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\$275,000 authorized note payable issue 09/06/11, maturing quarterly with principal and interest payable quarterly.

Note bearing interest at 2.90 percent and maturing on June 6, 2014	93,651
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Compensated absences:

Vacation and sick leave	403,136
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Landfill closure and post-closure care	<u>1,888,455</u>
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\$12,979,764

Note 7. Fund Balances – Governmental Funds

The Town of South Boston, Virginia implemented GASB No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, in fiscal year 2011. In the fund financial statements, governmental funds report the following classifications of fund balance:

- Nonspendable – includes amounts that cannot be spent because they are either not spendable in form or are legally or contractually required to be maintained intact.
- Restricted – includes amounts restricted by external sources (creditors, laws of other governments, etc.) or by constitutional provision or enabling legislation.
- Committed – includes amounts that can only be used for specific purposes. Committed fund balance is reported pursuant to ordinances passed by the Town Council, the Town's highest level of decision making authority. Commitments may be modified or rescinded only through ordinances approved by the Town's Council. The Town has not reported any amounts that are committed in the current year.
- Assigned – includes amounts that the Town intends to use for a specific purpose, but do not meet the definition of restricted or committed fund balance.

TOWN OF SOUTH BOSTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 7. Fund Balances – Governmental Funds (continued)

- Unassigned – includes amounts that have not been assigned to other funds or restricted, committed or assigned to a specific purpose within the General Fund.

The details of the fund balances are included in the Governmental Funds Balance Sheet. Restricted funds are used first as appropriate. Assigned funds are reduced to the extent that expenditure authority has been budgeted by Council or the assignment has been changed by the Mayor. Decreases to fund balance first reduce unassigned fund balance; in the event that unassigned fund balance becomes zero, then assigned and committed fund balances are used in that order.

Note 8. Defined Benefit Pension Plan

A. Plan Description

The Town of South Boston, Virginia contributes to the Virginia Retirement System (VRS), an agent and cost-sharing multiple-employer defined benefit pension plan administered by the Virginia Retirement System (System). All full-time, salaried permanent employees of participating employers are automatically covered by VRS upon employment. Benefits vest after five years of service credit. Members earn one month of service credit for each month they are employed and their employer is paying into the VRS. Members are eligible to purchase prior public service, active duty military service, certain periods of leave and previously refunded VRS service as credit in their plan.

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

- Members hired before July 1, 2010 and who have service credits before July 1, 2010 are covered under Plan 1. Non-hazardous duty members are eligible for an unreduced retirement benefit beginning at age 65 with at least five years of service credit or age 50 with at least 30 years of service credit. They may retire with a reduced benefit as early as age 55 with at least five years of service credit or age 50 with at least 10 years of service credit.
- Members hired or rehired on or after July 1, 2010 and who have no service credits before July 1, 2010 are covered under Plan 2. Non-hazardous duty members are eligible for an unreduced benefit beginning at their normal Social Security retirement age with at least five 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 five years of service credit.
- Eligible hazardous duty members in Plan 1 and Plan 2 are eligible for an unreduced benefit beginning at age 60 with at least 5 years of service credit or age 50 with at least 25 years of service credit. These members include sheriffs, deputy sheriffs and hazardous duty employees of political subdivisions that have elected to provide enhanced coverage for hazardous duty service. They may retire with a reduced benefit as early as age 50 with at least five years of service credit. All other provisions of the member's plan apply.

TOWN OF SOUTH BOSTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 8. Defined Benefit Pension Plan (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 1, average final compensation is the average of the member's 36 consecutive months of highest compensation. Under Plan 2, average final compensation is the average of the member's 60 consecutive months of highest compensation. The retirement multiplier for non-hazardous duty members is 1.70%. The retirement multiplier for sheriffs and regional jail superintendents is 1.85%. The retirement multiplier for eligible political subdivision hazardous duty employees other than sheriffs and jail superintendents is 1.70% or 1.85% as elected by the employer. The multiplier for Plan 2 members was reduced to 1.65% effective January 1, 2013, unless they are hazardous duty employees and their employer has elected the enhanced retirement multiplier. 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 5.00%; under Plan 2, the COLA cannot exceed 3.00%. During years of no inflation or deflation, the COLA is 0.00%. The VRS also provides death and disability benefits. Title 51.1 of the Code of Virginia (1950), as amended, assigns the authority to establish and amend benefit provisions to the General Assembly of Virginia.

The System issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for VRS. A copy of the most recent report may be obtained from the VRS Web site at <http://www.varetire.org/Pdf/Publications/2012-annual-report.pdf> or obtained by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

B. Funding Policy

Plan members are required by Title 51.1 of the Code of Virginia (1950), as amended, to contribute 5.00% of their annual salary toward their retirement. The employer may assume this 5.00% member contribution. Beginning July 1, 2012 new employees were required to pay the 5.00% member contribution. In addition, for existing employees, employers were required to begin making the employee pay the 5.00% member contribution. This could be phased in over a period of up to 5 years and the employer is required to provide a salary increase equal to the amount of the increase in the employee-paid member contribution. In addition, the Town of South Boston, Virginia is required to contribute the remaining amounts necessary to fund its participation in the VRS using the actuarial basis specified by the *Code of Virginia* and approved by the VRS Board of Trustees. The Town's contribution rate for the fiscal year ended June 30, 2013 was 16.90% of annual covered payroll.

TOWN OF SOUTH BOSTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 8. Defined Benefit Pension Plan (Continued)

C. Annual Pension Cost

For fiscal year 2013, the Town of South Boston's, Virginia's annual pension cost of \$507,518 was equal to the Town's required and actual contributions. The required contribution was determined as part of the June 30, 2011 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions at June 30, 2011 included (a) an investment rate of return (net of administrative expenses) of 7.00%, (b) projected salary increases ranging from 3.75% to 5.60% per year for general government employees and 3.50% to 4.75% per year for employees eligible for enhanced benefits available to law enforcement officers, firefighters, and sheriffs, and (c) a cost-of-living adjustment of 2.50% per year for Plan 1 employees and 2.25% for Plan 2 employees. Both the investment rate of return and the projected salary increases also include an inflation component of 2.50%. The actuarial value of the Town of Chatham, Virginia's assets is equal to the modified market value of assets. This method uses techniques that smooth the effects of short-term volatility in the market value of assets over a five-year period. Town of South Boston, Virginia's unfunded actuarial accrued liability is being amortized as level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2012 for the Unfunded Actuarial Accrued Liability (UAAL) was 29 years.

For fiscal year 2013, the Town of South Boston's annual pension cost of \$507,518 was equal to the Town's required and actual contributions.

Three-Year Trend Information for the Town of South Boston

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
June 30, 2011	\$ 454,616	100%	\$ -
June 30, 2012	488,932	100%	-
June 30, 2013	507,518	100%	-

D. Funded Status and Funding Progress

The most recent actuarial valuation date was as of June 30, 2011 which shows 100.00% of the annual pension costs contributed. The actuarial accrued liability for benefits was \$18,601,219 and the actuarial value of assets was \$13,634,353, resulting in the plan being underfunded in the amount of \$4,966,866. The covered payroll (annual payroll of active employees covered by the plan) was \$2,835,179, and ratio of the UAAL to the covered payroll was 175.19%.

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

TOWN OF SOUTH BOSTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 8. Defined Benefit Pension Plan (Continued)

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Funding Progress for the Town of South Boston

	(a)	(b)	(b-a)	(a/b)	(c)	((b-a)/c)
Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
June 30, 2010	\$13,748,819	\$16,916,430	\$ 3,167,611	81.27%	\$2,666,335	118.80%
June 30, 2011	13,821,420	17,954,132	4,132,712	76.98%	2,662,941	155.19%
June 30, 2012	13,634,353	18,601,219	4,966,866	73.30%	2,835,179	175.19%

Note 9. Contingent Liabilities

The Town participates in federally-assisted grant programs. These programs are subject to program compliance audits by the grantors or their representatives. The audits of these programs for and including the year ended June 30, 2013, and previous years have been conducted by the grantors or their representatives.

Note 10. Industrial Development Authority

The Industrial Development Authority of the Town of South Boston was created on July 15, 1977, as a political subdivision of the Commonwealth with such public and corporate powers as are set forth in the Industrial Development and Revenue Bond Act, Chapter 33, Title 15.1 Code of Virginia. The Authority was created for the specific purpose of promoting and developing commercial, industrial, and manufacturing enterprises and encouraging employment within the boundaries of the Town. The seven members of the Board of Directors are all appointed by Town Council.

The law authorizes the Authority to issue industrial development bonds to qualified applicants after approval by the Town Council. The bonds do not constitute indebtedness of either the Town or the Commonwealth and are secured solely by the assets of the commercial organizations on whose behalf the bonds are issued. The Town assumes no responsibility for the day-to-day operating expenses of the Authority; such expenses are financed by fees charged to the commercial enterprises. Beginning in the year ended June 30, 1991, the Town started acting in a fiduciary capacity for the Authority, which is now included as an Agency Fund in these financial statements.

Note 11. Legal Compliance

Expenditures did not exceed appropriations in any of the Government Fund types.

TOWN OF SOUTH BOSTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 12. Surety Bonds

VML –	
Erle Scott – Director of Finance	\$350,000
VML –	
Blanket Bond – All Town Employees	250,000
Forgery Bond – All Town Employees	250,000

Note 13. Government Services Provided by Authorities/Organizations

The Town also participates with Halifax County in the Regional Library. During the year, the Town contributed \$75,000 to the Library.

Note 14. Municipal Solid Waste Landfill

State and federal laws and regulations require the county to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. Although closure and post closure care costs will be paid only near or after the date that the landfill stops accepting waste, the Town records a liability for a portion of these closure and post closure care costs in each period based on landfill capacity used as of each balance sheet date. Closure of the County's landfill site is complete. The \$1,888,455 reported as landfill post closure care liability at June 30, 2013, represents the cumulative amount reported based on the use of 100% percent of the estimated capacity of the landfill. These amounts are based on what it would cost to perform all post closure care in 2013. Actual cost may be higher due to inflation, changes in technology, or changes in regulation. The Town intends to fund these costs from tipping fee revenues and from any fund accumulated for this purpose. The Town demonstrates financial assurance for potential corrective action costs of \$295,124. The Town also has demonstrated financial assurance requirements for closure and post closure care, and corrective action costs through the submission of a Local Government Financial Test to the Virginia Department of Environmental Quality in accordance with Section 9VA-20-70 of the Virginia Administrative Code.

Note 15. Transfer of Water and Sewer Fund

On June 30, 2007 a comprehensive agreement was made between the Town of South Boston, Virginia, the Town of Halifax, Virginia, the County of Halifax, Virginia and the Halifax County Service Authority. These localities concluded that a full service water and wastewater authority would be the best vehicle for ensuring the citizens of the localities the most reliable means of providing water and wastewater treatment.

The localities agreed to sell, assign, transfer, convey, and deliver to the Authority all real property and equipment, together with any easements or any other interests in land owned by the localities, personal property, cash, securities, software, inventories, intangible assets, and accounts receivable, including amounts on deposit. The authority agreed to assume the liabilities and obligations of the localities. The authority also agreed to pay to the Town of South Boston the amount of negative cash position payments as of the date of the agreement.

TOWN OF SOUTH BOSTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 15. Transfer of Water and Sewer Fund (Continued)

The debt that was transferred to the Authority remains in the name of each locality and the Authority pays the localities five working days before the due date of the payment. A receivable has been recorded to offset the debt payments.

The effective date of the agreement was January 1, 2008.

Note 16. Subsequent Events

Management has evaluated subsequent events through November 30, 2013, the date which the financial statements were available for issue.

REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF SOUTH BOSTON, VIRGINIA
BUDGETARY COMPARISON SCHEDULE - MAJOR FUNDS
GENERAL FUND
For the Year ended June 30, 2013

Exhibit 7

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive (Negative)
Revenues:				
General property taxes	\$ 1,789,482	\$ 1,789,482	\$ 1,982,751	\$ 193,269
Other local taxes	3,670,600	3,670,600	3,922,316	251,716
Permits, privilege fees, and regulatory licenses	1,500	1,500	2,170	670
Fines and forfeitures	51,025	51,025	63,969	12,944
Interest and investment revenue	56,723	56,723	84,326	27,603
Charges for service	16,300	16,300	26,390	10,090
Miscellaneous	224,000	224,000	253,118	29,118
Recovered costs	832,820	832,820	674,822	(157,998)
Intergovernmental	<u>2,862,273</u>	<u>3,462,273</u>	<u>3,266,002</u>	<u>(196,271)</u>
Total revenues	<u>9,504,723</u>	<u>10,104,723</u>	<u>10,275,864</u>	<u>171,141</u>
Expenditures:				
Current:				
General government administration	760,533	825,533	800,712	24,821
Public safety	3,131,067	3,131,067	3,053,360	77,707
Public works	2,732,473	2,944,061	3,805,801	(861,740)
Parks, recreation, and cultural	511,044	511,044	472,571	38,473
Community development	223,513	223,513	258,682	(35,169)
Nondepartmental	185,246	235,246	242,818	(7,572)
Capital projects	2,139,958	2,748,801	1,538,958	1,209,843
Landfill closure	29,650	29,650	35,822	(6,172)
Debt service:				
Principal retirement	1,065,812	1,065,812	2,288,975	(1,223,163)
Interest and fiscal charges	<u>413,725</u>	<u>413,725</u>	<u>427,896</u>	<u>(14,171)</u>
Total expenditures	<u>11,193,021</u>	<u>12,128,452</u>	<u>12,925,595</u>	<u>(797,143)</u>
(Deficiency) of revenues				
(under) expenditures	<u>(1,688,298)</u>	<u>(2,023,729)</u>	<u>(2,649,731)</u>	<u>(626,002)</u>
Other financing sources (uses):				
Long-term debt issued	850,000	850,000	2,246,663	1,396,663
Operating transfers (out)	(154,302)	(154,302)	(146,020)	8,282
Transfer to reserve funds	<u>992,600</u>	<u>1,707,600</u>	<u>-</u>	<u>(1,707,600)</u>
Total other financing sources	<u>1,688,298</u>	<u>2,403,298</u>	<u>2,100,643</u>	<u>(302,655)</u>
Net change in fund balances			(549,088)	
Fund balance at beginning of year			<u>5,470,682</u>	
Fund balance at end of year			<u><u>\$ 4,921,594</u></u>	

The accompanying notes are an integral part of the financial statements.

OTHER SUPPLEMENTARY INFORMATION

TOWN OF SOUTH BOSTON, VIRGINIA

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2013

Exhibit 8

		<u>Permanent Fund</u>	
	Virginia Alcohol Safety Action <u>Program Fund</u>	Perpetual <u>Care</u>	Total Nonmajor Governmental <u>Funds</u>
ASSETS			
Cash	\$ -	\$ 631,891	\$ 631,891
Investments	<u>-</u>	<u>227,466</u>	<u>227,466</u>
Total assets	<u>\$ -</u>	<u>\$ 859,357</u>	<u>\$ 859,357</u>
LIABILITIES AND FUND BALANCES			
Liabilities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total liabilities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Fund balances:			
Reserved for:			
Perpetual care	<u>\$ -</u>	<u>\$ 859,357</u>	<u>\$ 859,357</u>
Total fund balances	<u>-</u>	<u>859,357</u>	<u>859,357</u>
Total liabilities and fund balances	<u>\$ -</u>	<u>\$ 859,357</u>	<u>\$ 859,357</u>

The accompanying notes are an integral part of the financial statements.

TOWN OF SOUTH BOSTON, VIRGINIA

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES-NONMAJOR GOVERNMENTAL FUNDS

For the Year Ended June 30, 2013

Exhibit 9

	<u>Special Revenue</u>	<u>Permanent Fund</u>	
	Virginia Alcohol Safety Action <u>Program Fund</u>	Perpetual <u>Care</u>	Total Nonmajor Governmental <u>Funds</u>
Revenues:			
Interest and investment revenue	\$ -	\$ 3,870	\$ 3,870
Miscellaneous	-	910	910
Sale of cemetery lots	-	45,000	45,000
Intergovernmental	<u>220,039</u>	<u>-</u>	<u>220,039</u>
 Total revenues	 <u>220,039</u>	 <u>49,780</u>	 <u>269,819</u>
Expenditures:			
Current:			
General government administration	-	157,381	157,381
Public safety	220,039	-	220,039
Capital projects	<u>-</u>	<u>6,782</u>	<u>6,782</u>
 Total expenditures	 <u>220,039</u>	 <u>164,163</u>	 <u>384,202</u>
 (Deficiency) of revenues (under) expenditures	 <u>-</u>	 <u>(114,383)</u>	 <u>(114,383)</u>
Other financing sources:			
Operating transfers in	<u>-</u>	<u>146,020</u>	<u>146,020</u>
 Total other financing sources	 <u>-</u>	 <u>146,020</u>	 <u>146,020</u>
 Net change in fund balances	 -	 31,637	 31,637
 Fund balance at beginning of year	 <u>-</u>	 <u>827,720</u>	 <u>827,720</u>
 Fund balance at end of year	 <u>\$ -</u>	 <u>\$ 859,357</u>	 <u>\$ 859,357</u>

The accompanying notes are an integral part of the financial statements.

STATISTICAL SECTION

TOWN OF SOUTH BOSTON, VIRGINIA

GENERAL GOVERNMENTAL EXPENDITURES BY FUNCTION
LAST TEN FISCAL YEARS

Schedule 1

Fiscal <u>Year</u>	General Government <u>Administration</u>	Public <u>Safety</u>	Public <u>Works</u>	Parks, Recreation and Cultural	Community <u>Development</u>	Non- <u>Departmental</u>	Capital <u>Projects</u>	Landfill <u>Closure</u>	Debt <u>Service</u>	<u>Total</u>
2003-04	\$ 520,472	\$ 2,240,346	\$ 2,091,496	\$ 269,748	\$ 872,069	\$ 388,763	\$ 1,306,307	\$ 72,488	\$ 374,803	\$ 8,136,492
2004-05	544,979	2,327,236	2,167,014	264,723	194,811	481,761	1,732,274	103,658	395,532	8,211,988
2005-06	593,914	2,646,892	2,355,010	281,472	234,450	533,280	791,194	120,043	338,795	7,895,050
2006-07	635,986	2,607,644	2,769,804	292,189	750,620	607,628	1,109,188	124,527	2,127,067	11,024,653
2007-08	586,128	2,712,575	2,394,312	334,193	638,104	345,140	123,214	1,603,757	729,642	9,467,065
2008-09	622,052	2,822,703	2,608,782	377,574	1,010,935	333,224	31,159	396,495	1,360,500	9,563,424
2009-10	599,453	2,734,042	2,631,000	384,692	266,502	166,964	376,842	105,922	1,354,666	8,620,083
2010-11	615,168	2,923,180	2,336,213	447,727	384,136	205,051	777,864	72,815	1,335,556	9,097,710
2011-12	623,122	3,202,458	3,456,263	483,269	156,176	189,012	1,677,154	60,757	1,837,146	11,685,357
2012-13	800,712	3,053,360	3,805,801	472,571	258,682	242,818	1,538,958	35,822	2,716,871	12,925,595

TOWN OF SOUTH BOSTON, VIRGINIA

GENERAL GOVERNMENTAL REVENUES BY SOURCE
LAST TEN FISCAL YEARS

Schedule 2

Fiscal <u>Year</u>	General Property <u>Taxes</u>	Other Local <u>Taxes</u>	Permits, Privilege Fees, and Regulatory <u>Licenses</u>	Fines and <u>Forfeitures</u>	Revenues From Use of Money and <u>Property</u>	Charges for <u>Service</u>	<u>Miscellaneous</u>	Recovered <u>Costs</u>	Inter- <u>Governmental</u>	<u>Total</u>
2003-04	\$ 1,453,875	\$ 2,658,153	\$ 6,200	\$ 49,657	\$ 97,393	\$ 664,739	\$ 240,754	\$ 325,192	\$ 1,689,338	\$ 7,185,301
2004-05	1,480,956	2,694,764	7,222	46,057	141,344	696,956	382,359	340,109	1,790,305	7,580,072
2005-06	1,540,197	3,065,260	8,840	50,365	186,238	807,019	265,332	357,186	1,909,638	8,190,075
2006-07	1,707,983	3,181,531	7,927	35,199	211,391	970,955	154,812	354,119	2,343,684	8,967,601
2007-08	1,704,069	3,505,014	3,815	46,077	226,259	259,832	189,452	215,131	2,509,093	8,658,742
2008-09	1,791,271	3,573,451	3,700	63,986	111,938	26,521	329,838	815,230	3,066,444	9,782,379
2009-10	1,776,489	3,548,211	2,962	69,452	101,570	20,484	242,219	751,537	2,178,925	8,691,849
2010-11	1,888,643	3,640,816	3,528	57,985	68,703	18,948	308,994	819,953	2,877,105	9,684,675
2011-12	1,878,613	3,895,332	2,192	63,370	52,633	22,158	359,085	1,159,212	2,608,069	10,040,664
2012-13	1,982,751	3,922,316	2,170	63,969	84,326	26,390	253,118	674,822	3,266,002	10,275,864

TOWN OF SOUTH BOSTON, VIRGINIA

PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS

Schedule 3

Fiscal <u>Year</u>	Total Tax (1) <u>Levy</u>	Current Tax (1) <u>Collections</u>	Percent of Levy <u>Collected</u>	Delinquent (1) Tax (2) <u>Collections (3)</u>	Total Tax <u>Collections</u>	Percent of Total Tax Collections To Tax <u>Levy</u>	Outstanding Delinquent <u>Taxes</u>	Percent of Delinquent Taxes to Tax Levy <u>Tax Levy</u>
2003-04	\$ 1,170,865	\$ 1,083,320	92.52	\$ 31,446	\$ 1,114,766	95.21	\$ 116,264	9.93
2004-05	1,219,445	1,155,372	94.75	36,034	1,191,406	97.70	105,075	8.62
2005-06	1,214,858	1,155,353	95.10	36,101	1,191,454	98.07	107,976	8.89
2006-07	1,416,779	1,325,674	93.57	21,415	1,347,089	95.08	157,187	11.09
2007-08	1,407,515	1,306,462	92.82	58,264	1,364,726	96.96	185,537	13.18
2008-09	1,506,577	1,385,602	91.97	61,074	1,446,676	96.02	248,010	16.46
2009-10	1,436,986	1,331,415	92.65	73,770	1,405,185	97.79	243,219	16.93
2010-11	1,468,948	1,356,554	92.35	96,283	1,452,837	98.90	268,652	18.29
2011-12	1,500,446	1,386,699	92.42	86,838	1,473,537	98.21	268,369	17.89
2012-13	1,516,431	1,417,036	93.45	74,709	1,491,745	98.37	286,129	18.87

TOWN OF SOUTH BOSTON, VIRGINIA

ASSESSED VALUE OF TAXABLE PROPERTY
LAST TEN FISCAL YEARS

Schedule 4

Fiscal <u>Year</u>	Real <u>Estate</u>	Personal <u>Property</u>	Mobile <u>Homes</u>	Machinery <u>and Tools</u>	<u>Public Utility</u>		<u>Total</u>
					<u>Real Estate</u>	<u>Personal Property</u>	
2003-04	\$ 396,602,015	\$ 49,999,675	\$ 1,484,720	\$ 2,218,400	\$ 18,534,138	\$ 267,978	\$ 469,106,926
2004-05	398,105,607	50,425,000	1,140,360	2,105,400	17,575,314	203,760	469,555,441
2005-06	430,632,481	41,899,500	1,079,700	2,256,400	16,674,730	180,519	492,723,330
2006-07	366,171,492	41,656,000	1,072,600	2,560,800	17,810,306	180,519	429,451,717
2007-08	434,775,650	41,215,825	1,067,600	2,658,000	17,822,407	191,164	497,730,646
2008-09	486,915,503	41,815,600	985,400	2,706,500	18,470,335	257,001	551,150,339
2009-10	492,542,837	36,742,900	960,300	2,693,100	19,662,785	325,169	552,927,091
2010-11	496,514,382	37,885,100	858,300	2,724,600	20,147,486	277,351	558,407,219
2011-12	498,617,530	39,511,825	810,500	2,558,600	20,253,247	374,136	562,125,838
2012-13	475,693,486	41,394,725	797,900	2,190,600	22,388,621	1,143,392	543,608,724

PROPERTY TAX RATES
LAST TEN FISCAL YEARS

Fiscal <u>Year</u>	Real <u>Estate</u>	Personal <u>Property</u>	Mobile <u>Homes</u>	Machinery <u>and Tools</u>	<u>Public Utility</u>	
					<u>Real Estate</u>	<u>Personal Property</u>
2003-04	0.19	1.42	0.19	0.31	0.19	1.42
2004-05	0.19	1.42	0.19	0.31	0.19	1.42
2005-06	0.19	1.42	0.19	0.31	0.19	1.42
2006-07	0.19	2.00	0.19	0.31	0.19	2.00
2007-08	0.19	2.00	0.19	0.31	0.19	2.00
2008-09	0.19	2.00	0.19	0.31	0.19	2.00
2009-10	0.19	2.00	0.19	0.31	0.19	2.00
2010-11	0.19	2.00	0.19	0.31	0.19	2.00
2011-12	0.19	2.00	0.19	0.31	0.19	2.00
2012-13	0.19	2.00	0.19	0.31	0.19	2.00

NOTE: Public service corporation assessments and tax rates are regulated by the State Corporation Commission.

TOWN OF SOUTH BOSTON, VIRGINIA

RATIO OF NET GENERAL OBLIGATION DEBT
TO ASSESSED VALUE AND NET DEBT PER CAPITA
LAST TEN FISCAL YEARS

Schedule 5

<u>Fiscal Year</u>	<u>Population (1)</u>	<u>Assessed Value of All Taxable Property (In Thousands)</u>	<u>Gross Bonded Debt (2)</u>	<u>Less: Debt Payable From Enterprise Revenues</u>	<u>Net Bonded Debt</u>	<u>Ratio of Net Bonded Debt to Assessed Value</u>	<u>Net Bonded Debt per Capita</u>
2003-04	8,491	\$ 469,107	\$ 11,350,863	\$ 139,209	\$ 11,211,654	.024:1	1,320
2004-05	8,491	469,555	10,726,420	128,352	10,598,068	.023:1	1,248
2005-06	8,491	492,723	10,077,125	117,167	9,959,958	.020:1	1,173
2006-07	8,491	429,104	11,502,400	105,645	11,396,755	.027:1	1,342
2007-08	8,491	497,730	12,110,113	93,774	12,016,339	.024:1	1,415
2008-09	8,491	551,150	11,382,754	81,544	11,301,210	.021:1	1,331
2009-10	8,491	552,927	10,631,221	68,945	10,562,276	.019:1	1,244
2010-11	8,142	558,407	9,840,862	55,965	9,784,897	.017:1	1,202
2011-12	8,142	562,126	10,730,485	-	10,730,485	.019:1	1,318
2012-13	8,142	543,609	10,688,173	-	10,688,173	.019:1	1,312

NOTE: (1) Tayloe Murphy Institute at the University of Virginia

(2) Includes all long-term general obligation debt.

TOWN OF SOUTH BOSTON, VIRGINIA

COMPUTATION OF LEGAL DEBT MARGIN

June 30, 2013

Schedule 6

The Constitution of the Commonwealth of Virginia authorizes a town in Virginia to issue bonds secured by a pledge of its full faith and credit, subject to a limitation. Certain classes of indebtedness may be excluded, such as: revenue anticipation notes maturing in one year or less and referendum-approved general obligation bonds payable from a specified revenue producing undertaking for as long as the undertaking is self-supporting.

Assessed value of taxable real property (as of January 1, 2013)	\$ <u>543,608,724</u>
Legal debt limit (10% of assessed value)	\$ 54,360,872
Gross debt issued and outstanding	\$ 10,688,173
Less deduction for self-supporting revenue bonds	<u>-</u>
Total net debt chargeable to current debt limit	<u>10,688,173</u>
Current debt-incurring capacity	<u>\$ 43,672,699</u>

TOWN OF SOUTH BOSTON, VIRGINIA

STATEMENT OF THE TREASURER'S ACCOUNTABILITY

June 30, 2013

Schedule 7

Assets held by the Treasurer:

Cash on hand	\$ 404
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Cash in banks:

Checking:

SunTrust Bank	2,425,115
Carter Bank and Trust	655,962
Virginia State Non-Arbitrage Program	264,494

Investments:

Common stock – 45 shares of U. S. Steel Corporation	1,713
Alliance U. S. Bond Fund	<u>225,753</u>

Total assets	<u>\$ 3,573,441</u>
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Liabilities of the Treasurer:

Balance of Town Funds	<u>\$ 3,573,441</u>
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Total liabilities	<u>\$ 3,573,441</u>
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TOWN OF SOUTH BOSTON, VIRGINIA

INDUSTRIAL DEVELOPMENT AUTHORITY OF SOUTH BOSTON AGENCY FUND
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
June 30, 2013

Schedule 8

	Balance <u>July 01, 2012</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>June 30, 2013</u>
ASSETS				
Cash	\$ 92,626	\$ 343,138	\$ 423,834	\$ 11,930
Land and buildings (net of accumulated depreciation)	2,538,465	213,911	54,443	2,697,933
Accounts receivable	<u>154,694</u>	<u>-</u>	<u>115,329</u>	<u>39,365</u>
Total assets	<u>\$ 2,785,785</u>	<u>\$ 557,049</u>	<u>\$ 593,606</u>	<u>\$ 2,749,228</u>
LIABILITIES				
Account payable	\$ -	\$ 1,000	\$ -	\$ 1,000
Deferred revenue	4,385	-	4,385	-
Due to other governmental units	1,094,169	70,662	-	1,164,831
Notes payable	<u>1,687,231</u>	<u>-</u>	<u>103,834</u>	<u>1,583,397</u>
Total liabilities	<u>\$ 2,785,785</u>	<u>\$ 71,662</u>	<u>\$ 108,219</u>	<u>\$ 2,749,228</u>

COMPLIANCE SECTION

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

To the Honorable Members of the Town Council
Town of South Boston, Virginia

We have audited, in accordance with the 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, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Town of South Boston, Virginia, as of and for the year ended, June 30, 2013, and the related notes to the financial statements, which collectively comprise Town of South Boston, Virginia's basic financial statements, and have issued our report thereon dated November 30, 2013.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Town of South Boston, Virginia's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, 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 that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Harris Harvey Neal & Co. LLP

Danville, Virginia
November 30, 2013

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY
OMB CIRCULAR A-133

To the Honorable Members of the Town Council
Town of South Boston, Virginia

Report on Compliance for Major Federal Program

We have audited the Town of South Boston, Virginia's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Town of South Boston, Virginia's major federal programs for the year ended June 30, 2013. The Town of South Boston, Virginia'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 requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for the Town of South Boston, Virginia major federal program 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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 South Boston, Virginia'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 Town of South Boston, Virginia's compliance.

Opinion on Major Federal Program

In our opinion, the Town of South Boston, Virginia, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

Report on Internal Control Over Compliance

Management of the Town of South Boston, Virginia, 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 South Boston, Virginia'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 OMB Circular A-133, 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 South Boston, Virginia'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 a 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.

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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Dennis Harvey Neal & Co. LLP

Danville, Virginia
November 30, 2013

TOWN OF SOUTH BOSTON, VIRGINIA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended June 30, 2013

Federal Granting Agency/Recipient State Agency <u>Grant Program/Grant Number</u>	Federal CFDA <u>Number</u>	Expenditures of Federal <u>Awards</u>
<u>DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>		
Virginia Department of Housing and Community Development: Community Development Block Grant	14.228	\$ 724,000
<u>DEPARTMENT OF JUSTICE</u>		
Virginia Department of Criminal Justice Services Justice Assistance Act Program	16.738	6,520
<u>DEPARTMENT OF TRANSPORTATION</u>		
Virginia Department of Motor Vehicles Justice Assistance Act Program	20.601	<u>12,926</u>
Total		<u>\$ 743,446</u>

See Independent Auditors' Report

NOTE: This schedule has been prepared using the modified accrual basis of accounting.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

A. Summary of Audit Results

1. The auditor's report expresses an unqualified report on the financial statements of Town of South Boston, Virginia.
2. No significant deficiencies relating to the audit of the financial statements are reported in the 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.
3. No instances of noncompliance material to the financial statements of Town of South Boston, Virginia, which would be required to be reported in accordance with Government Auditing Standards, were disclosed during the audit.
4. No control deficiencies relating to the audit of the major federal award programs are reported in the Independent Auditors' Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133.
5. The auditor's report on compliance for the major federal award programs for Town of South Boston, Virginia expresses an unqualified opinion on all major federal programs.
6. Audit findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133 are reported in this Schedule.
7. The programs tested as major programs included: Department of Housing and Urban Development Community Development Block Grant (CFDA #14.228).
8. The threshold for distinguishing Type A and B major programs was \$300,000.
9. Town of South Boston, Virginia did not qualify as a low-risk auditee.

B. Findings Related to the Financial Statements Required to be Reported Under GAGAS

1. The audit disclosed no findings which are required to be reported under GAGAS.

C. Findings and Questioned Costs for Major Federal Award Programs

1. The audit disclosed no findings or questioned costs in relation to the major award programs.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

A. Status of Prior Audit Findings

1. There were no audit findings reported in the prior year's audit schedule of findings and questioned costs.