

TOWN OF SOUTH BOSTON, VIRGINIA

ANNUAL FINANCIAL REPORT

Fiscal Year Ended June 30, 2011

TOWN OF SOUTH BOSTON, VIRGINIA

COUNCIL MEMBERS AND OFFICERS

MEMBERS OF COUNCIL

Carroll Thackston

W.R. Snead
Mark J. Morris
Connie S. Manning

Edward Owens
D. Coleman Speece
L. Morris Bryant

OFFICERS

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

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

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FINANCIAL SECTION



Harris, Harvey, Neal & Co., LLP

Certified Public Accountants

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Fletcher D. Harris, CPA
1928-2003
Loyd R. Harvey, CPA
1915-2000
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Alvin L. Moss, CPA
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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of South Boston, Virginia, as of and for the year ended June 30, 2011, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town's management. Our responsibility is to express an opinion 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, issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the 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, 2011, and the respective changes in financial position, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated November 30, 2011 on our consideration of the Town of South Boston, Virginia's internal control over financial reporting and 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, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 7 and 35, 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 the 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.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Town of South Boston, Virginia's financial statements as a whole. The introductory section, combining and individual nonmajor fund financial statements, and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for the 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 not a required part of the financial statements. The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements taken 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 express no opinion or provide any assurance on them.

Harris Harvey Neal & Co. LLP

Danville, Virginia
November 30, 2011

TOWN OF SOUTH BOSTON, VIRGINIA MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2011

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, 2011. 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 Assets 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 Assets 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 assets and changes in them. You can think of the Town's net assets—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 assets 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 Assets 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 Assets 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, 2011**

- **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 Assets. 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 assets increased 52.2 percent from the prior year. Our analysis below focuses on the net assets (Table 1) and changes in net assets (Table 2) of the Town's governmental activities.

Table 1
Net Assets

	Governmental Activities	
	<u>2011</u>	<u>2010</u>
Current and other assets	\$ 13,295,153	\$ 13,078,324
Capital assets	<u>4,539,364</u>	<u>3,712,614</u>
Total assets	<u><u>\$ 17,834,517</u></u>	<u><u>\$ 16,790,938</u></u>
Long-term debt outstanding	\$ 11,465,134	\$ 12,320,446
Other liabilities	<u>1,311,401</u>	<u>1,146,844</u>
Total liabilities	<u><u>\$ 12,776,535</u></u>	<u><u>\$ 13,467,290</u></u>
Net assets:		
Invested in capital assets, net of debt	\$ 491,501	\$ 904,328
Restricted	893,025	785,223
Unrestricted	<u>3,673,456</u>	<u>1,634,097</u>
Total net assets	<u><u>\$ 5,057,982</u></u>	<u><u>\$ 3,323,648</u></u>

The increase in governmental net assets is due to increases in ongoing revenues exceeding ongoing expenses and capital grants received for the purchase and construction of fixed assets.

**TOWN OF SOUTH BOSTON, VIRGINIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2011**

Table 2
Changes in Net Assets

		Governmental Activities	
		<u>2011</u>	<u>2010</u>
Revenues			
Program revenues			
	Charges for services	\$ 273,911	\$ 200,554
	Grants and contributions	3,565,327	2,817,892
General revenues:			
	Property taxes	1,670,013	1,470,852
	Other taxes	3,683,761	3,581,555
	Sale of cemetery lots	57,500	47,250
	Investment earnings	<u>86,080</u>	<u>139,702</u>
	Total revenues	<u>9,336,592</u>	<u>8,257,805</u>
Program expenses			
	General government	\$ 796,568	\$ 789,782
	Public safety	3,124,086	3,072,957
	Public works	2,678,185	2,831,178
	Parks, recreation, and cultural	456,629	391,697
	Community development	185,636	294,900
	Nondepartmental	56,577	40,861
	Landfill closure	83,027	95,810
	Interest on long-term debt	<u>226,555</u>	<u>242,357</u>
	Total expenses	<u>7,607,263</u>	<u>7,759,542</u>
Adjustment of estimated accumulated post-closure costs		<u>5,005</u>	<u>(222,700)</u>
	Increase in net assets	<u>\$ 1,734,334</u>	<u>\$ 275,563</u>

Governmental Activities

Revenues for the Town's governmental activities increased 13.1 percent, while expenses decreased 2.0 percent. The revenue increase is due primarily to federal funds received in the current year for the Landfill Energy Project and the Advanced Technology Program. Expenses decreased from the prior year primarily due the Town enacting cost savings measures.

**TOWN OF SOUTH BOSTON, VIRGINIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2011**

THE TOWN'S FUNDS

As the Town completed the year, its governmental funds reported a fund balance of \$6,842,070, which is 6.9 percent higher than last year. The primary reasons for the increase mirror those highlighted in the analysis of governmental activities.

GENERAL FUND BUDGETARY HIGHLIGHTS

The budget was not changed from the original to the final.

Actual disbursements were \$1,625,757 lower than budgeted amounts. A majority of the difference is due to amounts budgeted for federal grant money that was not received. Actual revenues were \$585,414 lower than budgeted amounts due to amounts budgeted for federal grant projects.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The Town's investment in capital assets for its governmental activities as of June 30, 2011, amounts to \$4,539,364 (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 \$826,750, or 22.3 percent, above last year.

Governmental Activities

	<u>2011</u>	<u>2010</u>
Land, Building and Improvements	\$ 3,139,074	\$ 2,434,295
Machinery, Equipment and Vehicles	<u>1,400,290</u>	<u>1,278,319</u>
Totals	<u>\$ 4,539,364</u>	<u>\$ 3,712,614</u>

This year's major additions included:

Landfill Gas to Energy Project, paid for with grant revenue	\$ 472,434
Vehicles, paid for with revenues	223,718
Farmer's Market Expansion, paid for with revenues	110,848
Advanced Technology Center equipment, paid for with grant revenue	293,159

Debt

At year-end, the Town had \$9,840,862 in bonds and notes outstanding compared to \$10,702,744 last year - a decrease of 8.0 percent as shown in the following table.

**TOWN OF SOUTH BOSTON, VIRGINIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2011**

Governmental Activities

	<u>2011</u>	<u>2010</u>
General		
obligation bonds	\$ 9,784,897	\$ 10,562,276
Revenue bonds	55,965	68,945
Notes payable	<u>-</u>	<u>71,523</u>
Totals	<u>\$ 9,840,862</u>	<u>\$ 10,702,744</u>

The Commonwealth limits the amount of general obligation debt that the Town can issue to 10 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 2012 fiscal year.

General Fund tax rates will remain the same for the 2012 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 ASSETS

June 30, 2011

	Exhibit 1
ASSETS	Governmental Activities
Cash	\$ 4,681,542
Investments	227,503
Receivables (net of allowances for uncollectibles):	
Taxes, including penalties	268,652
Accounts	121,102
Notes	600,000
Due from other governmental units	7,289,666
Inventories, at cost	106,688
Fixed assets (net of accumulated depreciation)	<u>4,539,364</u>
Total assets	<u>17,834,517</u>
LIABILITIES	
Excess of checks written over funds available	977,475
Accrued interest payable	78,432
Accounts payable	255,494
Long-term obligations:	
Due within one year	871,607
Due beyond one year	<u>10,593,527</u>
Total liabilities	<u>12,776,535</u>
NET ASSETS	
Invested in capital assets, net of related debt	491,501
Restricted for:	
Perpetual care:	
Expendable	222,802
Nonexpendable	668,404
Other purposes	1,819
Unrestricted	<u>3,673,456</u>
Total net assets	<u>\$ 5,057,982</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, 2011

Exhibit 2

Functions/Programs	<u>Expenses</u>	<u>Program Revenues</u>			Net (Expense) Revenue and Changes in Net Assets
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Primary Government Governmental Activities</u>
Primary government:					
Governmental activities:					
General government	\$ 796,568	\$ 196,978	\$ 295,432	\$ -	\$ (304,158)
Public safety	3,124,086	57,985	678,048	-	(2,388,053)
Public works	2,678,185	7,332	1,770,499	393,252	(507,102)
Parks, recreation, and cultural	456,629	11,616	-	-	(445,013)
Community development	185,636	-	-	299,599	113,963
Nondepartmental	56,577	-	-	-	(56,577)
Landfill closure	83,027	-	128,497	-	45,470
Interest on long-term debt	<u>226,555</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(226,555)</u>
Total governmental activities	<u>\$ 7,607,263</u>	<u>\$ 273,911</u>	<u>\$ 2,872,476</u>	<u>\$ 692,851</u>	<u>\$ (3,768,025)</u>
General Revenues:					
Property taxes					\$ 1,670,013
Other taxes and revenues					3,683,761
Sale of cemetery lots					57,500
Unrestricted investment earnings					<u>86,080</u>
Total general revenues					<u>5,497,354</u>
Change in net assets					1,729,329
Net assets - beginning					3,323,648
Adjustment of estimated accumulated post-closure costs					<u>5,005</u>
Net assets - ending					<u>\$ 5,057,982</u>

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

TOWN OF SOUTH BOSTON, VIRGINIA

BALANCE SHEET
GOVERNMENTAL FUNDS

June 30, 2011

Exhibit 3

ASSETS	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Cash	\$ 4,113,340	\$ 568,584	\$ 4,681,924
Investments	-	227,503	227,503
Receivables (net of allowances for uncollectibles):			
Taxes, including penalties	268,652	-	268,652
Accounts	121,104	-	121,104
Notes	600,000	-	600,000
Due from other funds	62,341	-	62,341
Due from other governmental units	2,249,794	-	2,249,794
Inventories, at cost	<u>106,688</u>	<u>-</u>	<u>106,688</u>
 Total assets	 <u>\$ 7,521,919</u>	 <u>\$ 796,087</u>	 <u>\$ 8,318,006</u>
 LIABILITIES AND FUND BALANCES			
Liabilities:			
Excess of checks written over funds available	\$ 977,475	\$ -	\$ 977,475
Accounts payable	255,497	-	255,497
Deferred revenue	<u>242,964</u>	<u>-</u>	<u>242,964</u>
 Total liabilities	 <u>1,475,936</u>	 <u>-</u>	 <u>1,475,936</u>
Fund balances:			
Restricted for:			
Inventories	106,688	-	106,688
Perpetual care	-	796,087	796,087
Drug force	1,819	-	1,819
Landfill closure	560,077	-	560,077
Unassigned:			
Undesignated	<u>5,377,399</u>	<u>-</u>	<u>5,377,399</u>
 Total fund balances	 <u>6,045,983</u>	 <u>796,087</u>	 <u>6,842,070</u>
 Total liabilities and fund balances	 <u>\$ 7,521,919</u>	 <u>\$ 796,087</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.			4,539,365
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the governmental funds.			164,532
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds.			<u>(6,487,985)</u>
 Net assets of governmental activities			 <u>\$ 5,057,982</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
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2011

	Exhibit 4		
	General Fund	Other Governmental Funds	Total Governmental Funds
Revenues:			
General property taxes	\$ 1,888,643	\$ -	\$ 1,888,643
Other local taxes	3,640,816	-	3,640,816
Permits, privilege fees, and regulatory licenses	3,528	-	3,528
Fines and forfeitures	57,985	-	57,985
Interest and investment revenue	68,703	17,377	86,080
Charges for service	18,948	-	18,948
Miscellaneous	308,994	670	309,664
Recovered costs	819,953	-	819,953
Sale of cemetery lots	-	57,500	57,500
Intergovernmental	<u>2,877,105</u>	<u>212,838</u>	<u>3,089,943</u>
Total revenues	<u>9,684,675</u>	<u>288,385</u>	<u>9,973,060</u>
Expenditures:			
Current:			
General government administration	615,168	220,873	836,041
Public safety	2,923,180	212,838	3,136,018
Public works	2,336,213	-	2,336,213
Parks, recreation, and cultural	447,727	-	447,727
Community development	384,136	-	384,136
Nondepartmental	205,051	-	205,051
Capital projects	777,864	-	777,864
Landfill closure	72,815	-	72,815
Debt service:			
Principal retirement	861,919	-	861,919
Interest and fiscal charges	<u>473,637</u>	<u>-</u>	<u>473,637</u>
Total expenditures	<u>9,097,710</u>	<u>433,711</u>	<u>9,531,421</u>
Excess (deficiency) of revenues over (under) expenditures	<u>586,965</u>	<u>(145,326)</u>	<u>441,639</u>
Other financing sources (uses):			
Operating transfers in (out)	<u>(201,782)</u>	<u>201,782</u>	<u>-</u>
Net change in fund balances	<u>385,183</u>	<u>56,456</u>	<u>441,639</u>
Fund balance at beginning of year	<u>5,660,800</u>	<u>739,631</u>	<u>6,400,431</u>
Fund balance at end of year	<u><u>\$ 6,045,983</u></u>	<u><u>\$ 796,087</u></u>	<u><u>\$ 6,842,070</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, 2011

Exhibit 5

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

Net change in fund balances - total governmental funds (page 12)	\$ 441,639
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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.	826,750
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds.	76,802
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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 assets. This is the amount by which repayments exceeded proceeds.	391,537
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Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	<u>(7,399)</u>
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Change in net assets of governmental activities	<u><u>\$ 1,729,329</u></u>
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The accompanying notes are an integral part of the financial statements.

TOWN OF SOUTH BOSTON, VIRGINIA
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
June 30, 2011

Exhibit 6

ASSETS	<u>Agency Fund</u>
Cash and cash equivalents	\$ 44,570
Land and buildings	2,519,828
Accounts receivable	<u>45,055</u>
Total assets	<u>2,609,453</u>
 LIABILITIES	
Accounts payable	80,400
Due to other governmental units	847,459
Note payable	<u>1,675,540</u>
Total liabilities	<u>2,603,399</u>
 NET ASSETS	 <u>\$ -</u>

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

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.

The Town follows GASB Statement 34 (GASB 34), Basic Financial Statements – Management's Discussion and Analysis – for State and Local Governments. This statement requires the following financial statement components:

A Management Discussion and Analysis (MD&A) section providing an analysis of the Town's overall financial position and results of operations.

Financial statements prepared using full accrual accounting for all of the Town's activities, including infrastructure (roads, bridges, etc.).

A change in the fund financial statements to focus on the major funds.

These and other changes are reflected in the accompanying financial statements (including notes to financial statements).

Basic Financial Statements - Government-Wide Statements

The Town's basic financial statements include both government-wide (reporting the Town as a whole) and fund financial statements (reporting the Town's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business-type. The Town's police and fire protection, parks, library and recreation, public works, and general administrative services are classified as governmental activities. The Town no longer has business-type activities.

TOWN OF SOUTH BOSTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

In the government-wide Statement of Net Assets, governmental activities columns (a) are presented on a consolidated basis by column, (b) and are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The Town's net assets are reported in three parts—invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets. The Town first utilizes restricted resources to finance qualifying activities.

The government-wide Statement of Activities reports both the gross and net cost of each of the Town's functions (police, fire, public works, etc.). The functions are also supported by general government revenues (property, sales and use taxes, certain intergovernmental revenues, fines, permits, charges, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating, and capital grants. Program revenues must be directly associated with the function (police, public works, etc.) Operating grants include operating-specific and discretionary (either operating or capital) grants, while the capital grants column reflects capital-specific grants.

The net costs (by function) are normally covered by general revenue (property, sales taxes, intergovernmental revenues, interest income, etc).

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 assets 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.

TOWN OF SOUTH BOSTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

- b. Special revenue funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

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 assets and changes in net assets, 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.

The emphasis in fund financial statements is on the major funds in either the governmental or business-type activities categories. Nonmajor funds by category are summarized into a single column. GASB No. 34 sets forth minimum criteria (percentage of the assets, liabilities, revenues, or expenditures/expenses of either fund category or the governmental and enterprise combined) for the determination of major funds. The Town electively added funds, as major funds, which either had debt outstanding or specific community focus. The nonmajor funds are combined in a column in the fund financial 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 \$74,303 in the Governmental Activities at June 30, 2011.

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.

TOWN OF SOUTH BOSTON, VIRGINIA

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.

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% to 130% of excess deposits. Accordingly, all deposits are considered fully collateralized

TOWN OF SOUTH BOSTON, VIRGINIA

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	\$ 2,785
Alliance U.S. Bond Fund	<u>218,131</u>	<u>218,131</u>	<u>224,718</u>
Total Investments	<u>\$220,150</u>	<u>\$220,150</u>	<u>\$224,718</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.

TOWN OF SOUTH BOSTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 4. Due From Other Governmental Units

Consisted of the following at June 30, 2011:

	General Fund	Nonmajor Governmental Funds	Total Governmental Activities
County of Halifax:			
Contribution reimbursement	\$ 806,065	\$ -	\$ 806,065
Halifax County Service Authority	6,017,346	-	6,017,346
Commonwealth of Virginia:			
Grant revenue	299,599		299,599
Local sales taxes	34,619	-	34,619
Communications tax	124,065	-	124,065
Vehicle rental tax	<u>7,972</u>	<u>-</u>	<u>7,972</u>
Total	<u>\$7,289,666</u>	<u>\$ -</u>	<u>\$7,289,666</u>

Note 5. Capital Assets

Capital asset activity for the year ended June 30, 2011, was as follows:

	Balance 7/1/10	Additions	Deletions	Balance 6/30/11
Governmental activities:				
Capital assets, being depreciated:				
Land, buildings and improvements	\$ 3,947,667	\$ 831,235	\$ -	\$ 4,778,902
Equipment	<u>3,993,481</u>	<u>418,906</u>	<u>(188,936)</u>	<u>4,223,451</u>
Total capital assets being depreciated	<u>7,941,148</u>	<u>1,250,141</u>	<u>(188,936)</u>	<u>9,002,353</u>
Less accumulated depreciation for:				
Buildings and improvements	1,513,372	126,456	-	1,639,828
Equipment	<u>2,715,162</u>	<u>296,935</u>	<u>(188,936)</u>	<u>2,823,161</u>
Total accumulated depreciation	<u>4,228,534</u>	<u>423,391</u>	<u>(188,936)</u>	<u>4,462,989</u>
Governmental activities capital assets, net	<u>\$ 3,712,614</u>	<u>\$ 826,750</u>	<u>\$ -</u>	<u>\$ 4,539,364</u>

TOWN OF SOUTH BOSTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 5. Capital Assets (Continued)

Depreciation expense was charged to governmental functions as follows:

Governmental activities:

General government	\$ 3,293
Public safety	184,420
Public works	209,928
Parks, recreation, and cultural	7,532
Landfill closure	10,211
Cemetery	<u>8,007</u>

Total depreciation expense-governmental activities	<u>\$ 423,391</u>
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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

<u>Year Ending June 30,</u>	<u>Public Improvements Bond 17.2 Percent to General Fund 82.8 Percent Landfill Closure Fund</u>	
	<u>Principal</u>	<u>Interest</u>
2012	\$ 50,000	\$ 31,730
2013	55,000	29,305
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>\$630,000</u>	<u>\$187,632</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 Activities 31.02 Percent General Fund 40.00 Percent		Business-type Activities 28.98 Percent	
	Principal	Interest	Landfill Closure Fund Principal	Interest	Water and Sewer Fund Principal	Interest
2012	\$ 195,000	\$ 196,842	\$ 138,481	\$ 139,789	\$ 56,519	\$ 57,053
2013	205,000	188,842	145,583	134,108	59,417	54,734
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	<u>378,964</u>	<u>9,500</u>	<u>268,832</u>	<u>6,747</u>	<u>110,146</u>	<u>2,753</u>
	<u>\$4,398,964</u>	<u>\$1,857,269</u>	<u>\$3,123,676</u>	<u>\$1,318,959</u>	<u>\$1,275,302</u>	<u>\$538,310</u>

TOWN OF SOUTH BOSTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 6. Long-Term Debt (Continued)

General Obligation Refunding Bond – Series 2003

On February 14, 2003, the Town of South Boston entered into a refunding bond issue of \$1,215,778, for the purpose of refunding the Town's General Obligations Bonds, Series 1994 and 1995 and to pay the redemption price and issuance costs related thereto. Interest is payable at 3.17 percent. Installments of principal are due annually on August 1, through August 1, 2015. Installments of interest are due on each August 1 and February 1, through August 1, 2015. 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>
2012	\$110,716	\$ 12,223	\$122,939
2013	114,256	8,657	122,913
2014	117,907	4,977	122,884
2015	<u>98,042</u>	<u>1,554</u>	<u>99,596</u>
Total	<u>\$440,921</u>	<u>\$ 27,411</u>	<u>\$468,332</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>
2012	\$ 295,000	\$ 143,526	\$ 438,526
2013	310,000	129,561	439,561
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>\$3,205,000</u>	<u>\$ 725,206</u>	<u>\$3,930,206</u>

TOWN OF SOUTH BOSTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 6. Long-Term Debt (Continued)

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.

Year Ending <u>June 30,</u>	<u>General Fund Revenue Bonds</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 140,536	\$ 44,400	\$ 184,936
2013	146,158	38,778	184,936
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>\$1,109,998</u>	<u>\$184,555</u>	<u>\$1,294,553</u>

Water and Sewer Fund Revenue Bonds – Series 1995

On June 1, 1995, the Town of South Boston entered into an agreement with the Virginia Water Facilities Revolving Fund to borrow \$220,000 to finance, in part, improvements to the Town's water and sewer system. This bond is equally and ratably secured on a parity with the outstanding principal amount of the Town's \$1,046,146 taxable Water and Sewer System Revenue Bond, Series of 1994. Interest is payable at 3.00 percent. Installments of combined principal and interest of \$14,952 are payable on each May 1 and November 1, through May 1, 2015. This bond will be reimbursed by the Halifax County Service Authority.

Year Ending <u>June 30,</u>	<u>Public Improvement Bonds</u>	
	<u>Principal</u>	<u>Interest</u>
2012	\$ 13,373	\$ 1,579
2013	13,777	1,175
2014	14,193	759
2015	<u>14,622</u>	<u>330</u>
Total	<u>\$ 55,965</u>	<u>\$ 3,843</u>

TOWN OF SOUTH BOSTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 6. Long-Term Debt (Continued)

Changes in Long-Term Debt

The following is a summary of long-term debt transactions of the Town for the year ended June 30, 2011:

	Payable at <u>7/1/10</u>	Plus <u>Additions</u>	Less <u>Retirements</u>	Payable at <u>6/30/11</u>	Due within <u>One year</u>
Governmental activities:					
Bonds and notes payable:					
Bonds-Public Improvement					
06/27/01 Issue	\$ 680,000	\$ -	\$ 50,000	\$ 630,000	\$ 50,000
07/13/06 Refunding issue	3,258,615	-	134,939	3,123,676	138,481
General obligation bonds:					
03/01/00	270,000	-	270,000	-	-
02/14/03	548,207	-	107,286	440,921	110,716
07/13/06	1,330,364	-	55,062	1,275,302	56,519
12/01/06	3,230,000	-	25,000	3,205,000	295,000
04/17/08	1,245,090	-	135,092	1,109,998	140,536
Bonds-Public Improvement					
06/01/95	68,945	-	12,980	55,965	12,694
Note payable	<u>71,523</u>	<u>-</u>	<u>71,523</u>	<u>-</u>	<u>-</u>
Total bonds and notes payable	<u>10,702,744</u>	<u>-</u>	<u>861,882</u>	<u>9,840,862</u>	<u>803,946</u>
Other liabilities:					
Compensated absences	326,732	62,125	50,550	338,307	67,661
Landfill post-closure care	<u>1,290,970</u>	<u>-</u>	<u>5,005</u>	<u>1,285,965</u>	<u>-</u>
Total other liabilities	<u>1,617,702</u>	<u>62,125</u>	<u>55,555</u>	<u>1,624,272</u>	<u>67,661</u>
Governmental activities long-term liabilities	<u>\$ 12,320,446</u>	<u>\$ 62,125</u>	<u>\$ 912,432</u>	<u>\$ 11,465,134</u>	<u>\$ 871,607</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. 17.2 percent applies to General Fund and 82.8 percent applies to Landfill Closure Fund.

Bonds bearing interest at 4.10 to 5.10 percent maturing on April 1, 2021 \$ 630,000

\$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 - \$3,625,367 and Water and Sewer Fund - \$1,479,633.

Bonds bearing interest at 3.65 to 5.00 percent maturing on August 1, 2026 3,123,676

\$1,215,778 authorized and issued - General Obligation Refunding Bond issued 02/14/03, maturing annually with interest payable semi-annually. This bond will be reimbursed by Halifax County Service Authority.

Bonds bearing interest at 3.17 percent maturing on August 1, 2015 440,921

\$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 - \$3,625,367 and Water and Sewer Fund - \$1,479,633. 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 1,275,302

\$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 3,205,000

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	\$1,109,998
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\$220,000 authorized and issued - Public Improvement Bonds issued 06/01/95, maturing annually with interest payable semi-annually. This bond will be reimbursed by Halifax County Service Authority

Bonds bearing interest at 3.00 percent and maturing on May 1, 2015	55,965
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Compensated absences:

Vacation and sick leave	338,307
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Landfill closure and post-closure care	<u>1,285,965</u>
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\$11,465,134

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. The Town has not reported any amounts that are not spendable in form or 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.
- 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.

TOWN OF SOUTH BOSTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

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 10 years of service credit or age 50 with at least five 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. 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 6.00%. 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 report may be obtained from the VRS Web site at <http://www.varetire.org/Pdf/Publications/2010-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% of their compensation toward their retirement. All or part of the 5% member contribution may be assumed by the employer. In addition, the Town of South Boston is required to contribute the remaining amounts necessary to fund its participation in the VRS using the actuarial basis specified by the statute and approved by the VRS Board of Trustees. The Town of South Boston's contribution rate for the fiscal year ended June 30, 2011 was 12.19% 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 2011, the Town of South Boston's annual pension cost of \$454,616 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, 2009	\$ 434,635	100%	\$ -
June 30, 2010	420,850	100%	-
June 30, 2011	454,616	100%	-

The required contribution was determined as part of the June 30, 2009 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) an investment rate of return (net of administrative expenses) of 7.5%, (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) 2.50% per year cost-of-living adjustments. Both (a) and (b) included an inflation component of 2.50%. The actuarial value of the Town of South Boston's assets is equal to the modified market value of assets. This method uses techniques that smooth the effects of short-term volatility in the market value of assets over a five-year period. The Town of South Boston's unfunded actuarial accrued liability is being amortized as a level percentage of project payroll on an open basis. The remaining amortization period at June 30, 2009 for the Unfunded Actuarial Accrued Liability (UAAL) was 20 years.

D. Funded Status and Funding Progress

The most recent actuarial valuation date was as of June 30, 2010 which shows 100.00% of the annual pension costs contributed. The actuarial accrued liability for benefits was \$16,916,430 and the actuarial value of assets was \$13,748,819, resulting in the plan being underfunded in the amount of \$3,167,611. The covered payroll (annual payroll of active employees covered by the plan) was \$2,666,335, and ratio of the UAAL to the covered payroll was 118.80%.

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, 2008	\$14,162,815	\$14,709,228	\$546,413	96.29%	\$2,487,303	21.972%
June 30, 2009	13,937,375	15,758,707	1,821,332	88.44%	2,616,285	69.62%
June 30, 2010	13,748,819	16,916,430	3,167,611	81.27%	2,666,335	118.80%

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, 2011, 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 –	
Earl 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 \$62,000 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 postclosure 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 postclosure 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 \$1,285,965 reported as landfill postclosure care liability at June 30, 2011, 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 postclosure care in 2011. 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 \$247,828. The Town also has demonstrated financial assurance requirements for closure and postclosure 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 due. 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, 2011, the date which the financial statements are available for issue.

REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF SOUTH BOSTON, VIRGINIA

BUDGETARY COMPARISON SCHEDULE - MAJOR FUNDS

GENERAL FUND

For the Year ended June 30, 2011

Exhibit 7

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive (Negative)
Revenues:				
General property taxes	\$ 1,709,732	\$ 1,709,732	\$ 1,888,643	\$ 178,911
Other local taxes	3,134,600	3,134,600	3,640,816	506,216
Permits, privilege fees, and regulatory licenses	2,050	2,050	3,528	1,478
Fines and forfeitures	42,725	42,725	57,985	15,260
Interest and investment revenue	73,953	73,953	68,703	(5,250)
Charges for service	17,000	17,000	18,948	1,948
Miscellaneous	205,000	205,000	308,994	103,994
Recovered costs	837,837	837,837	819,953	(17,884)
Intergovernmental	<u>4,247,192</u>	<u>4,247,192</u>	<u>2,877,105</u>	<u>(1,370,087)</u>
Total revenues	<u>10,270,089</u>	<u>10,270,089</u>	<u>9,684,675</u>	<u>(585,414)</u>
Expenditures:				
Current:				
General government administration	602,053	602,053	615,168	(13,115)
Public safety	2,732,795	2,732,795	2,923,180	(190,385)
Public works	2,265,107	2,265,107	2,336,213	(71,106)
Parks, recreation, and cultural	489,484	489,484	447,727	41,757
Community development	913,495	913,495	384,136	529,359
Nondepartmental	543,926	543,926	205,051	338,875
Capital projects	1,800,000	1,800,000	777,864	1,022,136
Landfill closure	40,780	40,780	72,815	(32,035)
Debt service:				
Principal retirement	863,511	863,511	861,919	1,592
Interest and fiscal charges	<u>472,316</u>	<u>472,316</u>	<u>473,637</u>	<u>(1,321)</u>
Total expenditures	<u>10,723,467</u>	<u>10,723,467</u>	<u>9,097,710</u>	<u>1,625,757</u>
Excess of revenues over expenditures	<u>(453,378)</u>	<u>(453,378)</u>	<u>586,965</u>	<u>1,040,343</u>
Other financing sources (uses):				
Operating transfers out	(121,086)	(121,086)	(201,782)	(80,696)
Operating transfers in	224,464	224,464	-	(224,464)
Transfer to reserve funds	<u>350,000</u>	<u>350,000</u>	<u>-</u>	<u>(350,000)</u>
Total other financing sources (uses)	<u>453,378</u>	<u>453,378</u>	<u>(201,782)</u>	<u>(655,160)</u>
Net change in fund balances			385,183	
Fund balance at beginning of year			<u>5,660,800</u>	
Fund balance at end of year			<u><u>\$ 6,045,983</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, 2011

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	\$ -	\$ 568,584	\$ 568,584
Investments	<u>-</u>	<u>227,503</u>	<u>227,503</u>
Total assets	<u>\$ -</u>	<u>\$ 796,087</u>	<u>\$ 796,087</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>\$ 796,087</u>	<u>\$ 796,087</u>
Total fund balances	<u>-</u>	<u>796,087</u>	<u>796,087</u>
Total liabilities and fund balances	<u>\$ -</u>	<u>\$ 796,087</u>	<u>\$ 796,087</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, 2011

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	\$ -	\$ 17,377	\$ 17,377
Miscellaneous	-	670	670
Sale of cemetery lots	-	57,500	57,500
Intergovernmental	<u>212,838</u>	<u>-</u>	<u>212,838</u>
Total revenues	<u>212,838</u>	<u>75,547</u>	<u>288,385</u>
Expenditures:			
Current:			
General government administration	-	220,873	220,873
Public safety	<u>212,838</u>	<u>-</u>	<u>212,838</u>
Total expenditures	<u>212,838</u>	<u>220,873</u>	<u>433,711</u>
(Deficiency) of revenues (under) expenditures	<u>-</u>	<u>(145,326)</u>	<u>(145,326)</u>
Other financing sources:			
Operating transfers in	<u>-</u>	<u>201,782</u>	<u>201,782</u>
Total other financing sources	<u>-</u>	<u>201,782</u>	<u>201,782</u>
Net change in fund balances	-	56,456	56,456
Fund balance at beginning of year	<u>-</u>	<u>739,631</u>	<u>739,631</u>
Fund balance at end of year	<u>\$ -</u>	<u>\$ 796,087</u>	<u>\$ 796,087</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>	Recreation <u>and Cultural</u>	Community <u>Development</u>	Non- <u>Departmental</u>	Capital <u>Projects</u>	Landfill <u>Closure</u>	Debt <u>Service</u>	<u>Total</u>
2001-02	\$ 469,630	\$ 2,335,581	\$ 1,870,373	\$ 249,552	\$ 225,059	\$ 346,826	\$ 1,619,142	\$ 176,141	\$ 82,782	\$ 7,375,086
2002-03	512,893	2,286,972	2,072,602	249,215	1,762,088	399,106	1,454,893	532,306	362,248	9,632,323
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

TOWN OF SOUTH BOSTON, VIRGINIA

GENERAL GOVERNMENTAL REVENUES BY SOURCE
LAST TEN FISCAL YEARS

Schedule 2

Fiscal Year	General Property Taxes	Other Local Taxes	Permits, Privilege Fees, and Regulatory Licenses	Fines and Forfeitures	Revenues From Use of Money and Property	Charges for Service	Miscellaneous	Recovered Costs	Inter- Governmental	Total
2001-02	\$ 1,532,741	\$ 2,607,538	\$ 24,362	\$ 72,312	\$ 110,478	\$ 543,542	\$ 307,873	\$ 603,570	\$ 1,783,754	\$ 7,586,170
2002-03	1,549,246	2,679,220	16,166	71,912	92,246	874,491	220,929	388,191	3,238,685	9,131,086
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

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 Taxes	Percent of Delinquent Taxes to Tax Levy
2001-02	\$ 1,202,280	\$ 1,139,049	94.74	\$ 54,992	\$ 1,194,041	99.31	\$ 176,729	14.70
2002-03	1,168,511	1,117,887	95.67	73,324	1,191,211	101.94	128,151	10.97
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

TOWN OF SOUTH BOSTON, VIRGINIA

ASSESSED VALUE OF TAXABLE PROPERTY
LAST TEN FISCAL YEARS

Schedule 4

Fiscal Year	Real Estate	Personal Property	Mobile Homes	Machinery and Tools	Public Utility		Total
					Real Estate	Personal Property	
2001-02	\$ 342,021,276	\$ 57,012,900	\$ 1,418,764	\$ 2,480,000	\$ 11,643,710	\$ 208,974	\$ 414,785,624
2002-03	341,951,515	55,246,025	1,376,364	2,448,400	15,946,510	1,481,638	418,450,452
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

PROPERTY TAX REATES
LAST TEN FISCAL YEARS

Fiscal Year	Real Estate	Personal Property	Mobile Homes	Machinery and Tools	Public Utility	
					Real Estate	Personal Property
2001-02	0.19	1.42	0.19	0.31	0.19	1.42
2002-03	0.19	1.42	0.19	0.31	0.19	1.42
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

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</u> <u>Year</u>	<u>Population (1)</u>	<u>Assessed</u> <u>Value of</u> <u>All Taxable</u> <u>Property</u> <u>(In Thousands)</u>	<u>Gross</u> <u>Bonded</u> <u>Debt (2)</u>	<u>Less:</u> <u>Debt</u> <u>Payable</u> <u>From</u> <u>Enterprise</u> <u>Revenues</u>	<u>Net</u> <u>Bonded</u> <u>Debt</u>	<u>Ratio of</u> <u>Net</u> <u>Bonded</u> <u>Debt to</u> <u>Assessed</u> <u>Value</u>	<u>Net</u> <u>Bonded</u> <u>Debt per</u> <u>Capita</u>
2001-02	8,491	\$ 414,786	\$ 11,045,671	\$ 1,994,575	\$ 9,051,096	.022:1	1,066
2002-03	8,491	418,450	8,971,381	1,863,712	7,107,669	.017:1	837
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

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, 2011

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, 2011)		\$ <u>558,407,219</u>
Legal debt limit (10% of assessed value)		\$ 55,840,722
Gross debt issued and outstanding	\$ 9,840,862	
Less deduction for self-supporting revenue bonds	<u>(55,965)</u>	
Total net debt chargeable to current debt limit		<u>9,784,897</u>
Current debt-incurring capacity		<u>\$ 46,055,825</u>

TOWN OF SOUTH BOSTON, VIRGINIA

STATEMENT OF THE TREASURER'S ACCOUNTABILITY

June 30, 2011

Schedule 7

Assets held by the Treasurer:

Cash on hand	\$ 404
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Cash in banks:

Checking:

SunTrust Bank	2,445,191
Community National Bank	654,308

Cash reserved for debt service:

Virginia State Nonarbitrage Fund	16,063
Virginia State Arbitrage Fund	52,045

Investments:

Common stock – 45 shares of U. S. Steel Corporation	1,746
Alliance U. S. Bond Fund	<u>220,373</u>

Total assets	<u>\$ 3,390,130</u>
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Liabilities of the Treasurer:

Balance of Town Funds	<u>\$ 3,390,130</u>
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Total liabilities	<u>\$ 3,390,130</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, 2011

Schedule 8

	Balance <u>July 01, 2010</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>June 30, 2011</u>
ASSETS				
Cash	\$ 63,728	\$ 766,336	\$ 785,494	\$ 44,570
Land and buildings (net of accumulated depreciation)	1,958,961	579,173	18,306	2,519,828
Accounts receivable	<u>1,557</u>	<u>43,498</u>	<u>-</u>	<u>45,055</u>
Total assets	<u>\$ 2,024,246</u>	<u>\$ 1,389,007</u>	<u>\$ 803,800</u>	<u>\$ 2,609,453</u>
LIABILITIES				
Account payable	\$ 80,400	\$ -	\$ -	\$ 80,400
Deferred revenue	-	6,054	-	6,054
Due to other governmental units	808,153	185,499	146,193	847,459
Notes payable	<u>1,135,693</u>	<u>599,977</u>	<u>60,130</u>	<u>1,675,540</u>
Total liabilities	<u>\$ 2,024,246</u>	<u>\$ 791,530</u>	<u>\$ 206,323</u>	<u>\$ 2,609,453</u>

COMPLIANCE SECTION

L. Samuel Saunders, CPA
Jerry A. Foster, CPA
Brad S. Reynolds, CPA
Vaden L. Wright, CPA
Katherine D. McDaniel, CPA
John R. Neal, CPA
Mark W. Foster, CPA
Stephen M. Gay, CPA

James P. Barts, Jr., CPA
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1928-2003
Loyd R. Harvey, CPA
1915-2000
Robert L. Neal, III, CPA
1935-1988
A.K. Anderson, CPA
1924-2000
Alvin L. Moss, CPA
Retired

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 the financial statements of the business-type activities of Town of South Boston, Virginia, as of and for the year ended June 30, 2011, and have issued our report thereon dated November 30, 2011. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Town of South Boston, Virginia's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements and schedules, but not for the purpose of expressing an opinion on the effectiveness of Town of South Boston, Virginia's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Town of South Boston, Virginia's internal control over financial reporting.

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.

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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.

This report is intended for the information of the audit committee, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

Harris Harvey Neal & Co. LLP

Danville, Virginia
November 30, 2011

L. Samuel Saunders, CPA
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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

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

Compliance

We have audited the compliance of Town of South Boston, Virginia, with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2011. 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. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Town of South Boston, Virginia's management. Our responsibility is to express an opinion on Town of South Boston, Virginia's compliance based on our audit.

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 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. Our audit does not provide a legal determination of Town of South Boston, Virginia's compliance with those requirements.

In our opinion, Town of South Boston, Virginia complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2011.

Internal Control Over Compliance

The management of Town of South Boston, Virginia is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Town of South Boston, Virginia's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, 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 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.

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 deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information of the audit committee, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Harris Harvey Neal & Co. LLP

Danville, Virginia
November 10, 2011

TOWN OF SOUTH BOSTON, VIRGINIA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended June 30, 2011

Federal Granting Agency/Recipient State Agency/ <u>Grant Program/Grant Number</u>	<u>Federal CFDA Number</u>	<u>Expenditures of Federal Awards</u>
<u>DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>		
Virginia Department of Housing and Community Development:		
Community Development Block Grant	14.228	\$ 299,598
Community Development Block Grant	14.228	3,000
<u>DEPARTMENT OF ENERGY</u>		
Virginia Department of Mines, Mineral and Energy:		
Energy Efficiency and Conservation Block Grant		
American Recovery and Reinvestment Act of 2009 funds	81.128	393,252
<u>DEPARTMENT OF JUSTICE</u>		
Virginia Department of Criminal Justice Services		
Justice Assistance Act Program	16.738	33,300
<u>DEPARTMENT OF HOMELAND SECURITY</u>		
Virginia Department of Emergency Services		
Disaster Grant - Public Assistance	97.036	20,066
<u>DEPARTMENT OF TRANSPORTATION</u>		
Virginia Department of Motor Vehicles		
Justice Assistance Act Program	20.601	<u>13,144</u>
 Total		 \$ <u><u>762,360</u></u>

See Independent Auditors' Report

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

THE TOWN OF SOUTH BOSTON, VIRINGIA
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) and ARRA - Department of Energy – Energy Efficiency and Conservation Block Grant (CFDA #81.228).
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.

THE TOWN OF SOUTH BOSTON, VIRGINIA
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.