

**DANVILLE**  
**VIRGINIA**  
**CITY GOVERNMENT**  
**COMPREHENSIVE**  
**ANNUAL FINANCIAL REPORT**



**"A WORLD CLASS  
ORGANIZATION"**

**FOR THE FISCAL YEAR  
JULY 1, 2006 TO JUNE 30, 2007**

CITY OF DANVILLE, VIRGINIA  
COMPREHENSIVE ANNUAL FINANCIAL REPORT  
For the Fiscal Year Ended  
June 30, 2007

Prepared by:

The Department of Finance



City of Danville, Virginia  
Comprehensive Annual Financial Report  
For the Fiscal Year Ended June 30, 2007

TABLE OF CONTENTS

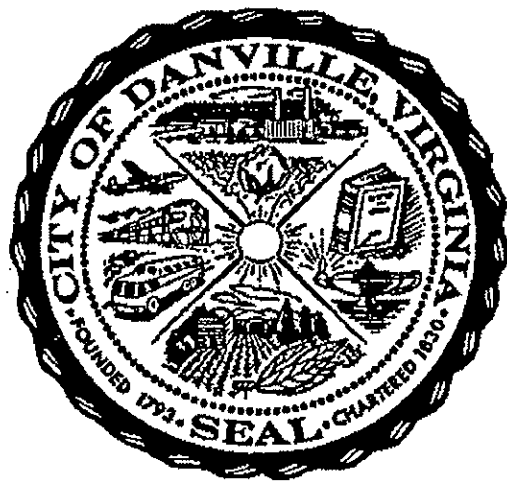
	<u>Exhibit</u>	<u>Page</u>
<b>I. INTRODUCTORY SECTION</b>		
Letter of Transmittal		2
Certificate of Achievement for Excellence		11
Organizational Chart		12
Official Directory-City		13
Official Directory-Danville Public Schools		14
<b>II. FINANCIAL SECTION</b>		
Report of Independent Auditors		16
<b>A. MANAGEMENT'S DISCUSSION AND ANALYSIS</b>		20
<b>B. FINANCIAL STATEMENTS</b>		
<b>Government-wide Financial Statements</b>		
Statement of Net Assets	A	40
Statement of Activities	B	41
<b>Fund Financial Statements</b>		
<b>Governmental Fund Financial Statements</b>		
Balance Sheet	C	42
Reconciliation of the Balance Sheet to the Statement of Net Assets	C	43
Statement of Revenues, Expenditures, and Changes in Fund Balances	D	44
Reconciliation of the Revenues, Expenditures to the Statement of Activities	D	45
<b>Enterprise Fund Financial Statements</b>		
Statement of Net Assets	E	46
Statement of Revenues, Expenses, and Changes in Fund Net Assets	F	47
Statement of Cash Flows	G	48
<b>Fiduciary Fund Financial Statements</b>		
Statement of Net Assets	H	50
Statement of Changes in Net Assets	I	51
<b>Component Units Financial Statements</b>		
Statement of Net Assets	J	52
Statement of Activities	K	53
<b>C. NOTES TO THE FINANCIAL STATEMENTS</b>		56

**City of Danville, Virginia  
Comprehensive Annual Financial Report  
For the Fiscal Year Ended June 30, 2007**

	<u><b>Exhibit</b></u>	<u><b>Page</b></u>
<b>D. REQUIRED SUPPLEMENTARY INFORMATION OTHER THAN MD&amp;A</b>		
Comparative Schedule of Revenues and Expenditures -		
Budget and Actual - General Fund	L & M	92
Notes to Required Supplementary Information		103
<b>E. OTHER SUPPLEMENTARY INFORMATION</b>		
<b>Nonmajor Governmental Funds</b>		
Balance Sheet	1	107
Statement of Revenues, Expenditures, and Changes in Fund Balance	2	108
<b>Nonmajor Enterprise Funds</b>		
Combining Balance Sheet	3	110
Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets	4	111
Combining Statement of Cash Flows	5	112
<b>Internal Service Funds</b>		
Combining Statement of Net Assets	6	114
Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets	7	115
Combining Statement of Cash Flows	8	116
<b>Capital Assets</b>		
Schedule by Function and Activity	9	117
Schedule of Changes by Function and Activity	10	118
Schedule by Source	11	119
<b>III. STATISTICAL SECTION</b>		
Net Assets by Component		123
Changes in Net Assets		124
Governmental Activities Tax Revenues by Source		126
Fund Balances of Governmental Funds		127
Changes in Fund Balances of Governmental Funds		128
Major Enterprise Funds - Charges for Services		129
Schedule of Assessed Property Values		130
Principal Real Estate Tax Payers		131
Real Property Tax Levies and Collections		132
Personal Property Tax Levies and Collections		133
Ratios of Outstanding Debt by Type		134
Ratios of Bonded Debt to Assessed Values and Bonded Debt Per Capita		135
Legal Debt Margin Information		136
Schedule of Utility Revenue Bond Coverage		137
Demographic and Economic Statistics		138
Principal Employers		139
Full-time Equivalent City Government Employees by Function		140
Operating Indicators and Capital Asset Statistics by Function		141

**City of Danville, Virginia  
Comprehensive Annual Financial Report  
For the Fiscal Year Ended June 30, 2007**

	<b><u>Page</u></b>
<b>IV. SINGLE AUDIT</b>	
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	144
Report on Compliance with Requirements Applicable to Each Major Federal Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133	146
Report on Compliance with Commonwealth of Virginia's Laws, Regulations, Contracts and Grants	148
Schedule of Expenditures of Federal Awards	150
Notes to Schedule of Expenditures of Federal Awards	153
Schedule of Findings and Questioned Costs	154



# INTRODUCTORY SECTION





# *City of Danville Virginia*

*"A World Class Organization"*

*November 19, 2007*

To the Honorable Mayor, Members of the City Council, and the Citizens of the City of Danville:

State law requires all local governments to file, annually with the Auditor of Public Accounts, a detailed statement prepared according to the Auditor's specifications showing the amount of revenues, expenditures, and fund balances of the locality for the preceding fiscal year, accompanied by the locality's audited financial report. Pursuant to that requirement, we hereby issue the Comprehensive Annual Financial Report of the City of Danville, Virginia for the fiscal year ended June 30, 2007.

The Comprehensive Annual Financial Report consists of management's representations concerning the finances of the City of Danville. The financial reporting entity includes all of the funds of the City, as well as all of its component units for which the City is financially accountable. Management assumes full responsibility for the completeness and reliability of all the information presented in this report, based upon a comprehensive framework of internal control that it has established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner that presents fairly the financial position and results of operations of the various funds and component units of the City of Danville. All disclosures necessary to enable the reader to gain an understanding of the City of Danville's financial activities have been included.

Goodman & Company, licensed certified public accountants, has audited the City of Danville's financial statements. The goal of the independent audit is to provide reasonable assurance that the financial statements are free of material misstatement. Tests were made of the City's internal control structure and of its compliance with applicable laws and regulations. The audit of the financial statements of the City of Danville for the fiscal year ending June 30, 2007, disclosed no material internal control weaknesses or material violations of laws and regulations.

The City of Danville is required to undergo an annual single audit in conformity with the provisions of the Single Audit Amendments of 1996, U. S. Office of Management and Budget's Circular A-133, and the specifications of *Audits of Counties, Cities, and Towns* issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Information related to this single audit, including a schedule of expenditures of federal awards, the independent auditor's reports on internal controls and compliance with applicable laws and

regulations, and a schedule of findings and questioned cost are included in the single audit section of this report.

Governmental Accounting Standards Board Statement No. 34 requires management to provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). The purpose of the transmittal letter is to compliment the MD&A and should be read in conjunction with it. The City's MD&A starts on page 20 of this report.

## **Profile of the Government**

The City of Danville was founded in 1793, chartered in 1830, and is located on the Dan River in the southern part of the state. The City covers an area of approximately 44 square miles and has a population of approximately 45,586.

A council-manager form of government operates the City of Danville. Policymaking and legislative authority is vested in the City Council, which consist of nine members including a mayor and vice-mayor. Council members are elected at large on a nonpartisan basis to serve four-year terms. The elections are held biennially with five members being elected in one biennium and four in the next. Members of the council elect the mayor and vice-mayor from its membership. The City Council is responsible for passing ordinances, adopting the budget, appointing committee and board members, and hiring the City Manager and City Attorney. The City Manager is the chief executive and is responsible for carrying out the policies and ordinances of City Council, overseeing the day-to-day operations of the City, and appointing department heads.

The City provides a full range of services including police and fire protection; sanitation services; the construction and maintenance of highways, streets, and infrastructure; recreational activities; and cultural events. In addition to the general government activities, the City provides mass transit, water and wastewater treatment, gas, and electric services. Discretely presented component units are reported in a separate column in the combined financial statements to emphasize they are legally separate from the primary government and to differentiate their financial position and results of operations and cash flows from those of the primary government. They are the Danville School Board and the Industrial Development Authority.

The City of Danville's annual budget serves as the foundation for financial planning and control. The object of these controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the City Council. Departments are required to submit requests for appropriations to the Budget Director by mid-January of each year. The Budget Director uses these requests as a starting point for developing a work budget. The Budget Director and Finance Director then present this work budget to the City Manager. Once the City Manager approves the work budget, he presents his recommended budget to the City Council by April 1st for review and deliberation. After City Council's approval, an introduction budget is prepared and presented to them by May 1st. The introduction budget contains all of the changes and amendments made by the City

Council during its budget workshops. It is the introduction budget that is submitted for public hearing. City Council is required to adopt a final budget by June 30th each year.

Activities of the General Fund are included in the annual appropriations budget. Project-length budgets are adopted for management control for the Enterprise and Internal Service Funds. The City Manager has the authority to transfer appropriations within funds. Inter-fund transfers and appropriations from fund balance/net assets require City Council approval. The General Fund is the only governmental fund that has a legally adopted budget; therefore, a budget-to-actual comparison is provided.

## **Local Economy**

Danville is currently experiencing a renaissance. Although there is still more work to be done, the investment and new jobs announced during 2007 are continuing. We are seeing progress across all sectors of the economy. In traditional and high-value manufacturing, housing, service and retail sectors we are experiencing new investment and solidifying Danville as the regional hub for employment, entertainment, education, the arts, and shopping. Additionally, we are seeing existing businesses making new investment and hiring to keep pace with a changing global economy.

While we can be very pleased with our progress thus far, a critical area that must be addressed is workforce and preparing potential employees for the jobs that will soon be available. The trend for the foreseeable future is for companies to continue to invest in automation. As the manufacturing process continues to become increasingly automated, the workforce will be required to keep pace. To keep Danville moving forward, new ways of developing and training our vast labor surplus will be critical.

Another key to our success has been our regional cooperation. The joint investment in the Cane Creek Centre by the City of Danville and Pittsylvania County was instrumental in the success of recruiting Swedwood, an IKEA Company.

Shorewood Packaging Corporation invested \$15 million in their operation at Airside Industrial Park.

Nestle has expanded their operation in Airside Industrial Park by investing \$20 million and expanded their current workforce by 50.

Building material giant US Components announced the purchase of River City Roof Truss in Riverview Industrial Park and invested more than \$1.5 million in renovating and up fitting the factory. They plan to expand the workforce by adding 50 new employees.

The continued support of Essel Propack to Danville was demonstrated when the company announced yet another expansion in their short time in the US. Essel Propack is spending more than \$14 million on equipment and renovations and plans to add 25 employees.

The investment in downtown appears to be paying off. Horizontech, Inc. announced plans to do over \$1 million dollars in renovations in the Tobacco Warehouse District and to hire 100 employees for their data processing operation.

Since March 2004, the City of Danville has announced 18 new projects and 10 expansions and 1 acquisition. This unprecedented activity accounts for nearly 6,000 jobs announced and more than half a billion dollars in new investment.

The Institute for Advanced Learning & Research (IALR) officially opened in June 2004. The IALR represents a regional collaboration of the City of Danville, Pittsylvania County, The Future of the Piedmont Foundation, Averett University, Danville Community College, and Virginia Tech. The Institute serves as a catalyst for economic and community transformation through developing the technologies, human infrastructures, and capital necessary to participate in the innovation economy. Virginia Tech is committed to developing a handful of key research areas.

The Institute for Advanced Learning and Research received a Governor's Technology Award on September 11, 2006 at the Commonwealth of Virginia Innovative Technology Symposium (COVITS) 2006. In its seventh year, the Governor's Technology Awards program honors outstanding achievements and recognizes innovative technology initiatives in the public sector throughout the Commonwealth of Virginia.

Virginia Governor, Timothy M. Kaine states, "The Institute is a great symbol of the vision and innovation that have been hallmarks of Virginia for 400 years. In just a few short years, the Institute has become a critical driver of the economic revitalization occurring across Southside, and its importance to this region and to the entire Commonwealth will only continue to grow." More information on the Institute and the Danville Office of Economic Development Incentive Programs can be found at [www.discoverdanville.com](http://www.discoverdanville.com).

Over the past three years, the City of Danville has been working on a project that will provide broadband access to every household and business in the city. The City has worked to connect 100 school and municipal buildings with fiber optic cable through its nDanville network. The network provides each location with a 155-megabits-per-second Internet connection. This was the first phase of the project. Subsequent phases include bringing fiber to businesses and residents.

Phase two expands the nDanville fiber optic network to businesses located in downtown, the Historic Tobacco Warehouse District, areas near Danville Regional Medical Center, and city industrial parks. Phase three includes bringing the network to the homes of Danville. With the resulting number of customers, an array of private Internet service providers could be attracted to the region.

### **Long-term Financial Planning**

The City prepares a five-year Capital Improvements Plan (CIP), with the first year funding appropriated and the remaining four years for planning purposes only. Total projects included in the plan are as follows: General Fund Capital Improvements of \$3,076,315; Sewer and Wastewater Capital Improvements of \$1,450,000; Gas Capital Improvements of \$1,540,000; and Electric Capital Improvements of \$7,264,418. A pay-as-you-go philosophy has been in effect since fiscal year 2001-2002.

A regional effort between the City of Danville and Pittsylvania County has resulted in the organization of the Danville-Pittsylvania Regional Industrial Facility Authority (Facility

Authority). The Facility Authority has created an approximately 300-acre technology park anchored by the Institute for Advanced Learning and Research (IALR) and the Regional Center for Applied Technology and Training. The park, called the Cyber Park, has state-of-the-art infrastructure for unparalleled reliability including a High Reliability Distribution System. The first private sector investment has been made in the Cyber Park. EIT Inc. officially opened its doors on August 1, 2005. The newest addition to the Cyber Park has been the Research Building. The construction and build-out of the Research addition is in its final stage.

In late summer 2005, the Facility Authority issued \$7.3 million in revenue bonds to finance the construction of the 1,000-acre industrial park. The Facility Authority is currently developing this industrial park known as Cane Creek Centre (formerly referred to as Danville/Pittsylvania County Regional Industrial Park).

Yorktowne Cabinetry became the first company to locate inside the Cane Creek Centre investing \$19 million and creating 540 jobs in their 240,000 square foot facility. Yorktowne is a manufacturer of semi-custom cabinets. Yorktowne's first cabinet manufactured at the Cane Creek facility came off the line on March 14, 2006. In October 2006, Swedwood North America announced it would invest \$281 million to locate its first U. S. manufacturing facility in the Cane Creek Centre. Swedwood North America is a furniture manufacturer and a subdivision of the IKEA Group. The company will create 740 new jobs over the next ten years with their one million square foot facility. Swedwood will begin manufacturing in January of 2008.

Danville is also committed to preserving and increasing the quality of life for our citizens. The Crossing at the Dan, once a bustling Southern Railroad rail yard, has been transformed into educational, entertainment, and recreational facilities.

The success of the Crossing at the Dan has been the catalyst for the revitalization effort currently underway in the Tobacco Warehouse District (TWD), which is conveniently located next to the Crossing. Over the previous 12 months, this district has attracted the interest and the investment of many local, state, and national developers because of its abundance of available tobacco warehouse space, proximity to Danville's tourist destination – Crossing at the Dan, and presence of quality of life issues such as the Riverwalk Trail and breathtaking views of the Dan River.

The TWD, nestled between the waterfront and the Downtown Historic District, is home to residential, office, mixed-use, and hi-tech development. With over 1 million square feet of available space, this district has become the primary focus for many experienced developers and investors. Three major residential projects underway include the adaptive re-use of former warehouse space into apartments, lofts, or condominiums. A brief description is listed below:

- The Burton – a \$4M adaptive use project transforming the former Davis Warehouse #6 into 28 market-rate condominiums with 12 unique designs. Prices range from \$149,000 - \$285,000. To date 17 units have been sold.
- Lindsay Lofts at the Dan – a \$2M adaptive use project of the former

Link Watson Hardware Store into 21 market-rate lofts. Prices range from \$124,000 - \$179,000. With completion expected this winter, five units have been pre-sold.

- Lynn St. Lofts – a \$3M adaptive re-use project transforming a former warehouse into 37 affordable living apartments. Completion is scheduled for January 2008.

In addition to the residential component, the TWD is home to other major investments and improvements. Horizontech, Inc., an international document scanning and storage company, announced plans to expand its headquarters in the district. With a completion date set for November 2007, this \$1.1M project will locate in the former Richmond Cedar Works Warehouse and will boast over 100 new jobs for the district.

To date, seven other key impact buildings in the TWD have recently sold and are slated to future mixed-use, office, or residential development. To accommodate this future development, the City is constructing a 400 space parking area on a Brownfield site. This former junkyard is being converted through the use of the Tobacco Commission, an EPA Brownfield Grant, and City funding. The project, having a component of the south side trail system crossing it, is also being funded through existing Enhancement funds. Construction plans for this phase of the project have been submitted with plans to tentatively begin construction in the spring of 2008.

Adjacent to the TWD is the Downtown Historic District, which is benefiting greatly from the success and the synergy currently underway in the TWD. Highlights include:

- Eleven new businesses have opened, relocated, or expanded in the downtown in the previous 12 months. Included are two anchor stores, Dixie Bags and Lou's Antiques
- Six storefronts have been improved through the facade program resulting in \$150,000 in public/private improvements.
- Implementation of the Trolley Program

Combined, the Downtown and TWD have seen over \$54M in public/private improvements and investment over the previous 36 months. Local, state, and federal incentives play a major role in the recruitment of new projects to both districts. Incentives include:

- Facade Program - a local incentive that matches dollar for dollar up to \$30,000 for façade renovations. 31 storefronts have been improved in the previous 24 months resulting in over \$1M in public/private improvements.
- Real Estate Tax Abatement Program – a local incentive where the real estate exemption shall be equal to the increase in assessed value, resulting from rehabilitation and shall be for a period of up to 15 years.

- VA Enterprise Zone Program – Real Property Investment Grant and Job Grants - a state program that provides a grant for job creation and building improvements
- State and Federal Historic Rehabilitation Tax Credits – tax credits for improvements to historic structures
- SBA Hubzone
- New Markets Tax Credits – both districts are located in an area eligible for these credits.

The Utilities Department completed its 2007-2008 biennial rate study for the City's water, wastewater, gas, and electric utilities this year. The Danville City Council approved the following rate increase recommendations produced by the study and endorsed by the Danville Utility Commission:

Utility Rate Adjustments\*  
for Fiscal Years Ending June 30

	<u>2008</u>	<u>2009</u>
Electric	0.0%	3.0%
Gas	6.0%	0.0%
Wastewater	18.0%	18.0%

\* Average across all rate classes

With the exception of wastewater rate increases, retail rates are beginning to stabilize following several significant rate increases over the past few years. The Utilities Department is now focusing efforts on achieving greater rate stabilization for its customers. A 20-year prepaid natural gas contract was secured with MuniGas that will provide access to discounted wholesale gas supplies over the long term. This discount will produce an estimated annual cost savings for our Danville customers of \$1.2 million.

In April 2007, Danville's Utility Department renewed its gas supply contract with British Petroleum. The Utility Department regained control of its gas storage assets under the new agreement and is using them to hold natural gas purchased at discounted summer prices for City use or resale to the wholesale market during winter months. This is expected to produce combined cost savings and revenue totaling \$852,000.

The City started receiving its electric power from American Municipal Power – Ohio (AMP-Ohio) on July 1, 2006. Danville is now the second largest of the 122-member agency. The City is participating in three new AMP-Ohio power generation projects and will eventually own a share in each. Through shared ownership in these AMP-Ohio facilities, the City hopes to increase its current 15-megawatt power generation capabilities to over 147 megawatts beginning in 2012. Access to power produced by these generation projects

should allow the City to extend savings of at least 10 percent to retail customers compared to rates that would have been charged if the power were purchased on the wholesale market.

To stabilize wastewater rates, the City plans to retrofit its wastewater treatment plant to enable it to function more efficiently with flows reduced through significant industrial customer losses. Originally designed and constructed to accommodate 24 millions gallons per day, the Northside Wastewater Treatment Plant is now processing one quarter of that amount. Modifications to the plant will preserve its processing capacity for the future while allowing it to operate cost-effectively at current flow rates.

### **Cash Management Policies and Practices**

Cash temporarily idle during the year (for all funds except the Employees' Retirement System and unexpended bond funds) is invested in U.S. Agency obligations, an interest bearing account with American National Bank, and the Local Government Investment Pool, a pool administered by the State Treasurer. The maturities of the investments range from one day to five years. Unexpended bond funds are invested utilizing the State Non-Arbitrage Program administered by the State Treasurer.

### **Risk Management**

The City of Danville utilizes an Internal Service Insurance Fund to provide for payment of premiums, cost of self-insured claims, and accumulation of resource funds for catastrophic losses and future claims. The fund balance of the Insurance Fund at June 30, 2007, was \$4,220,583.

The City of Danville has coverage in force for the more significant risk areas with the exception of workers' compensation. The workers' compensation outstanding liability at June 30, 2007, was \$3,064,000. This is a decrease of \$177,000 from June 30, 2006. The primary reason for this increase in liability relates to two individuals, with long-term claims, who are expected to require further, ongoing treatment. The City's general liability, automobile, public officials' liability, and law enforcement liability are provided through participation in the Virginia Municipal Liability Pool.

### **Pension and other Post Employment Benefits**

The City of Danville participates in two public employee retirement systems, the Employees' Retirement System of the City of Danville (ERS) and the Virginia Retirement System (VRS). The City makes all contributions to both plans.

ERS acts as an administrator of a single, employee-defined, benefit pension plan. The ERS's Board of Trustees, based on actuarial estimates of future plan benefits to be paid, provides the contribution requirements for consideration by City Council. The majority of City employees are covered by ERS. Constitutional employees of the City and employees of the Danville School Board are covered by VRS.



City employees are covered by ERS. Constitutional employees of the City and employees of the Danville School Board are covered by VRS.

Additional information concerning both retirement plans can be found in Note 11 of the Notes to the Financial Statements.

### **Awards and Acknowledgements**

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Danville for its Comprehensive Annual Financial Report (CAFR), for the fiscal year ended June 30, 2006. This was the twenty-first consecutive year the City of Danville has received this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized Comprehensive Annual Financial Report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.


A Certificate of Achievement is valid for a period of one year. We believe that our current Comprehensive Annual Financial Report continues to meet the Certificate of Achievement Program's requirement, and we are submitting it to the GFOA to determine its eligibility for another certificate.

The timely preparation for this Comprehensive Annual Financial Report was made possible by the dedicated service of the entire staff of the Finance Department. Each member of the department has our sincere appreciation for their assistance and contributions in the preparation of this report. Credit must also be given to the leadership of the governing City Council and their support for maintaining sound financial management.

Respectfully submitted,



Jerry L. Gwaltney  
City Manager



Barbara A. Dameron  
Director of Finance



Michael L. Adkins  
Deputy Director of Finance

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Danville  
Virginia

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
June 30, 2006

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



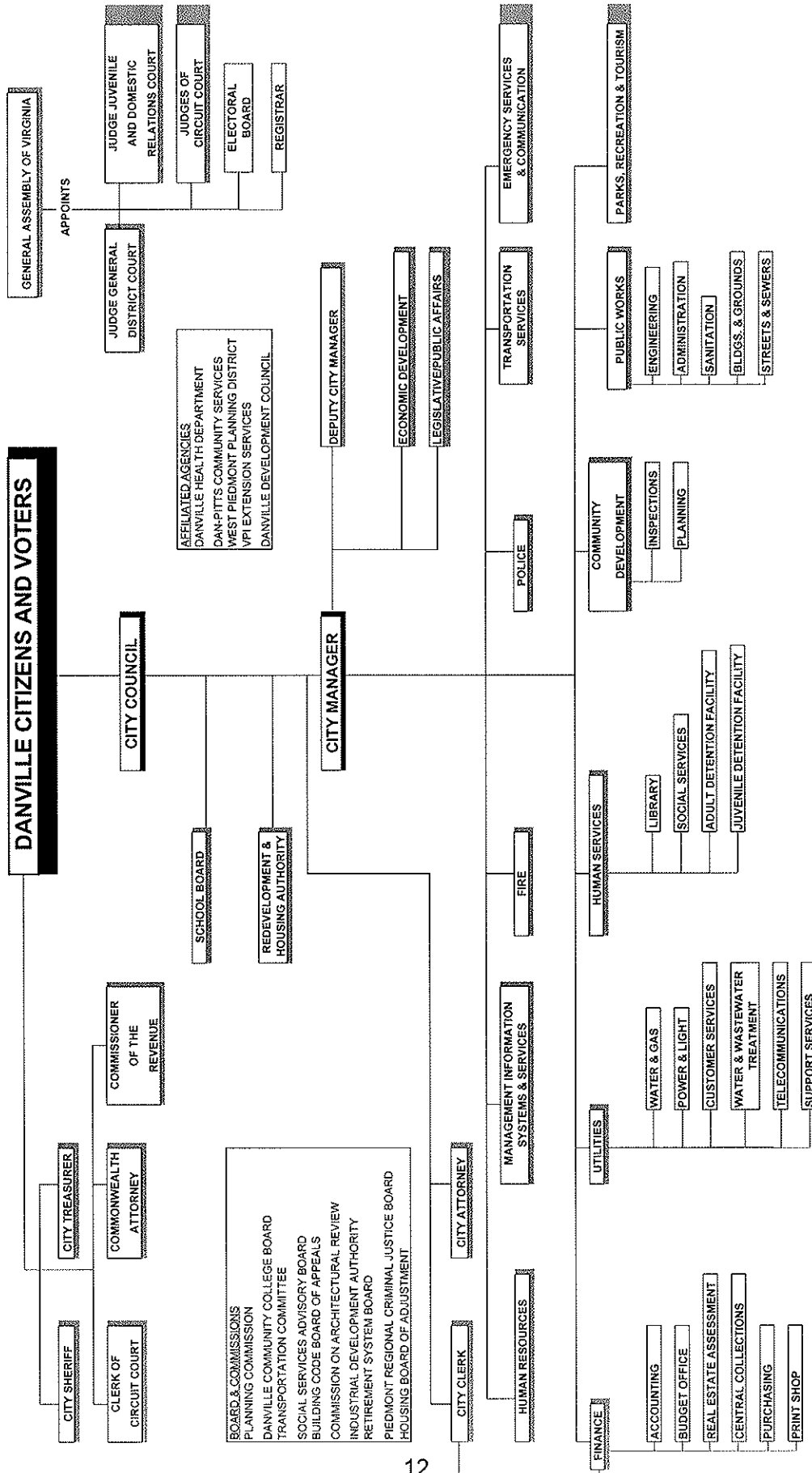
*Oliver S. Cox*

President

*Jeffrey R. Ennis*

Executive Director

## ORGANIZATIONAL STRUCTURE



**CITY OF DANVILLE**  
**OFFICIAL DIRECTORY**

**CITY COUNCIL**

R. Wayne Williams, Jr., MD  
Mayor  
Ruby B. Archie  
E. Stokes Daniels, Jr.  
T. David Luther

Sherman M. Saunders  
Vice-Mayor  
Peter A. Castiglione, Jr.  
John C. Hamlin  
T. Wayne Oakes

Adam J. Tomer

**LEGISLATIVE STAFF**

W. Clarke Whitfield, Jr.  
Annette Y. Crane

City Attorney  
City Clerk

**ADMINISTRATIVE OFFICIALS**

Jerry L. Gwaltney  
M. Lyle Lacy, III  
Joseph C. King  
Cynthia L. Thomasson  
Ronald Bunch  
Marc D. Adelman  
Barbara A. Dameron  
Richard Drazenovich  
Gwendolyn M. Edwards  
Gerald L. Fischer  
Kerry Goode  
David R. Eagle  
Philip A. Broadfoot  
Andrea W. Haley  
Douglas R. Young  
William O. Sgrinia

City Manager  
Deputy City Manager  
Assistant City Manager for Utilities  
Budget Director  
Director of Economic Development  
Director of Transportation Services  
Director of Finance  
Director of Public Works  
Director of Human Services  
Director of Community Development  
Director of Information Technology  
Fire Chief  
Chief of Police  
Director of Human Resources  
Director of Emergency Services  
Director of Parks, Recreation, and Tourism

**CONSTITUTIONAL OFFICERS**

James E. Dooley  
William H. Fuller, III  
Gerald A. Gibson  
James M. Gillie  
Lynda K. McDowell

City Sheriff  
Commonwealth Attorney  
Clerk of Circuit Court  
Commissioner of the Revenue  
City Treasurer

## **SCHOOL OFFICIALS**

### **SCHOOL BOARD**

George M. Wilson  
Chairman

Malcom W. Huckabee

Edward C. Polhamus

Rebecca L. Bolton  
Vice Chairman

O. Renee' Hughes

Alonzo L. Jones

R. Helm Dobbins

### **ADMINISTRATIVE OFFICIALS**

Dr. Sue B. Davis

Dr. Kathy J. Osborne

Carrie H. Merricks

Dr. Juliet C. Jennings

Andrew W. Tyrrell

Superintendent

Assistant Superintendent for  
Administrative Services

Clerk of School Board

Assistant Superintendent for Human  
Resource Services

Assistant Superintendent for  
Instruction

## **EMPLOYEES' RETIREMENT SYSTEM OFFICIALS**

### **BOARD OF TRUSTEES**

#### City Employee Members

Carolyn B. Evans  
Chairman

Kenneth D. Fitzgerald

David H. Patterson

#### Citizen Members

James A. Motley  
Retired, American National Bank

Edward B. Baucom  
Retired, Danville Regional Medical Center

E. Linwood Wright, III  
Retired, Dan River, Inc.

### **EX-OFFICIO MEMBERS**

T. Wayne Oakes  
Mayor Designee

Jerry L. Gwaltney  
City Manager

Barbara A. Dameron  
Director of Finance

## FINANCIAL SECTION



Certified Public Accountants  
Specialized Services  
Business Solutions

## *Report of Independent Auditors*

The Honorable Mayor and Members of the City Council  
*City of Danville, Virginia*

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the *City of Danville, Virginia* as of and for the year ended June 30, 2007, which collectively comprise the *City of Danville, Virginia's* basic financial statements as listed in the table of contents. These financial statements are the responsibility of the *City of Danville, Virginia's* management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America; and *Specifications for Audits of Counties, Cities and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards and specifications 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 the 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 respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the *City of Danville, Virginia* as of June 30, 2007, and the respective changes in financial position and cash flows, where applicable, 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 December 4, 2007 on our consideration of the *City of Danville, Virginia's* internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 important for assessing the results of our audit.

Management's Discussion and Analysis and the budgetary comparison schedules in the Financial Section of the accompanying table of contents are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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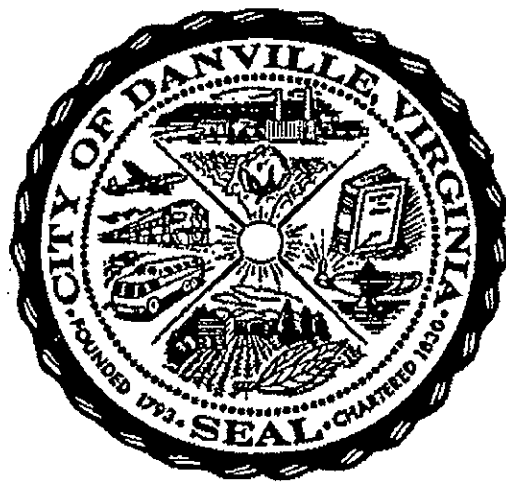
Our audit was made for the purpose of forming opinions on the financial statements that collectively comprise the *City of Danville, Virginia's* basic financial statements. The information identified as the Other Supplementary Information section, the Single Audit Section, and the Legal Debt Margin Information in the Statistical Section of the accompanying table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements of the *City of Danville, Virginia*. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements, and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The Introductory and Statistical Sections of the report are presented for the purposes of additional analysis and are not required parts of the basic financial statements of the *City of Danville, Virginia*. Such additional information, except as described in the preceding paragraph, has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

*Goodman & Company, LLP*

Danville, Virginia  
December 4, 2007





# MANAGEMENT'S DISCUSSION AND ANALYSIS

## **Management's Discussion and Analysis**

The City of Danville, Virginia's (the "City") management presents this discussion and analysis for the purpose of: (a) assisting the reader in understanding significant financial issues, (b) providing an overview of the City's financial activity, and (c) identifying changes in the City's financial position. We encourage readers to read the transmittal letter, the basic financial statements, and the notes to the financial statements along with this discussion and analysis.

## **Financial Highlights**

### **Government-wide Financial Statements**

- At the close of the fiscal year, the assets of the City exceeded its liabilities by \$321,734,775 (total net assets - government-wide). Of this amount, \$81,471,870 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- Net assets of the City's business-type activities as of June 30, 2007 were \$235,671,923, an increase of \$16,968,893 from net assets of \$218,703,030 reported at June 30, 2006. Net assets of \$34,299,631 are reported as unrestricted, a \$3,873,776 increase from unrestricted net assets reported at June 30, 2006.
- As of June 30, 2007, the City's governmental activities for government-wide statements reported net assets of \$86,062,852, an increase of \$11,996,880 over the beginning net assets of \$74,065,972. Net assets of \$47,172,244 at June 30, 2007, are reported as unrestricted and available to meet the government's obligations to citizens and creditors.

### **Fund Financial Statements**

- As of the close of the current fiscal year, the City's governmental funds reported a combined ending fund balance of \$42,675,510, an increase of \$4,957,597 in comparison to the fund balance reported at June 30, 2006 of \$37,717,913. Sixty-three percent of the total fund balance at June 30, 2007, \$26,742,599, is available for spending at the government's discretion (unreserved fund balance).
- At the end of the current fiscal year, the unreserved fund balance for the General Fund was \$26,731,939, or thirty-one percent of total fund expenditures.

Fund statements utilize the current financial resource measurement focus and modified accrual basis of accounting, which focuses on transactions and events that effect the financial resources available for current spending during the period and reflect near-term inflows or outflows of cash. Government-wide statements use the economic resource measurement and accrual basis of accounting, which focuses on transactions and events that effect the fund's total economic resources; i.e., increase or decrease in net assets during the period regardless of the timing of the related cash inflows or outflows. Fund statements do not include capital or other long-term assets that are not available to finance current period expenditures nor do they include long-term liabilities that will not use current resources. These items must be added (assets) or deducted (liabilities) to/from the fund balances of governmental funds to obtain the

net assets of the governmental activities for government-wide reporting. In addition, the assets and liabilities of internal service funds are included in the governmental activities in the statement of activities, and the combined governmental fund balances from the fund financial statements must be adjusted accordingly. All of these factors add another \$43,387,342 to the combined balances of governmental funds when converting to net assets of governmental activities. The reconciliation presented on pages 43 and 45 of this report offer summarized details of the conversion from governmental fund statements to government-wide statements for governmental activities.

The combined fund balances of the governmental funds report an unreserved fund balance of \$26,742,599 and a reserved fund balance of \$15,932,911. Government-wide net assets for governmental activities report total restricted assets of \$10,031,903 and unrestricted net assets of \$47,172,244. The conversion from the unreserved fund balance to unrestricted net assets can be shown as follows:

Unreserved fund balance (fund statement)	\$ 26,742,599
Deferred revenue for fund statements no longer deferred for government-wide	13,351,367
Internal Service Funds noncapital assets merged into governmental activities for government-wide statements	4,132,337
Workers' compensation, accrued interest, and other compensated absences	(4,167,650)
Encumbrances not restricted externally	3,850,678
Prepaid expenses, restricted only for fund statements	<u>3,262,913</u>
Unrestricted net assets – per government-wide governmental activities	<u>\$ 47,172,244</u>

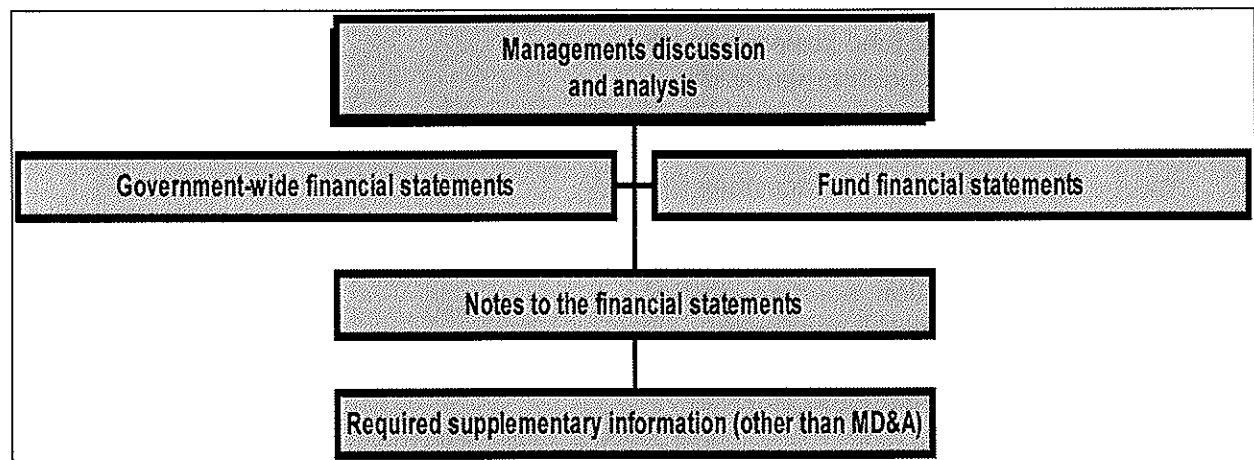
The conversion from reserved fund balance to restricted net assets can be shown as follows:

Reserved fund balance (fund statement)	\$ 15,932,911
Reserved for Pension Assets	1,212,583
Prepaid expenses, restricted for fund statements	(3,262,913)
Encumbrances that do not meet GASB Statement 34 definition of restricted	<u>(3,850,678)</u>
Restricted net assets - governmental activities	<u>\$ 10,031,903</u>

The Statement of Net Assets - Enterprise Funds does not require a conversion to the Statement of Net Assets Government-wide reporting of Business-type Activities because enterprise funds already use the economic resource measurement focus and the accrual basis of accounting. From a management-reporting viewpoint, there are significant differences in the reporting of fund balance. These differences in reporting the composition of fund balance between the government-wide statements for business-type activities and the fund statements for enterprise funds are discussed in the Business-type Activities section of the Government-wide financial analysis discussion.

### **Overview of the Financial Statements**

The following is a narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2007. This discussion and analysis is intended to serve as an introduction to the City's basic financial statements, which have the following components: (a) management's discussion and analysis (MD&A), (b) government-wide financial statements, (c) fund financial statements, and (d) notes to the basic financial statements.



### **Government-wide Financial Statements**

The government-wide financial statements are designed to provide readers with a broad overview of the City's finances using the accrual basis of accounting, similar to the accounting found in private sector businesses. Government-wide financial reporting consists of two statements: the Statement of Net Assets and the Statement of Activities.

### **The Statement of Net Assets**

The Statement of Net Assets presents information on all the City's assets and liabilities. The difference between assets and liabilities is reported as net assets. Net assets are presented in three categories: invested in capital assets – net of related debt, restricted, and unrestricted. Over time, the increases or decreases in the City's net assets can be an indicator as to whether the financial position of the City is improving or deteriorating. To accurately use changes in net assets as an indicator of the City's overall health, the underlying factors contributing to the increase or decrease must be analyzed, as well as other nonfinancial factors (such as changes in the property tax base and the condition of infrastructure and other fixed assets).

## **The Statement of Activities**

The Statement of Activities presents information showing how the net assets changed during the year. As mentioned earlier, government-wide statements use the accrual basis of accounting. Therefore, changes in net assets are recognized when an underlying event occurs regardless of the timing of the related cash flow. As a result, revenues and expenses are reported in this statement for some items that will not impact cash flows until future fiscal periods.

In the Statement of Net Assets and the Statement of Activities, the City of Danville is divided into three types of activities:

**Governmental Activities** - Most of the City's basic services are reported here: Police, Fire, Economic Development, Recreation, Social Services, Community Development, and the General Administration. These activities are supported primarily by property taxes, other local taxes, state and federal grants, and contributions from the City's Utility Department (Wastewater, Water, Gas, Electric, and Telecommunications).

**Business-Type Activities** - The City has eight business-type activities: (1) Wastewater, (2) Water, (3) Gas, (4) Electric, (5) Telecommunications, (6) Transportation, (7) Sanitation, and (8) Cemetery Operations. The City charges a fee to customers to cover all or most of the cost associated with providing these services.

**Component Units** - The City of Danville has two component units: (1) the Danville Public School System and (2) the Industrial Development Authority. While these represent legally separate entities, the City of Danville is financially accountable for them. These component units are combined and presented in a separate column on the government-wide statements to emphasize they are legally separate from the primary government.

## **Fund Financial Statements**

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Danville, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with legal requirements. The City of Danville has three types of funds:

### **Governmental Funds**

The Governmental Funds report essentially the same functions as the governmental activities in the government-wide financial statements. The governmental fund financial statements focus on the near-term cash inflows and outflows and the amount of spendable resources available at the end of the fiscal year. This information is useful when evaluating the City's near-term financing needs. Because the focus of the fund statements is narrower than that of the government-wide statements, it is useful to compare the information presented in both the fund and the government-wide statements. A reconciliation from the fund statements to the government-wide statements is provided to facilitate this comparison.

The City of Danville maintains five individual governmental funds. Information is presented separately in the Balance Sheet-Governmental Funds and in the Statement of Revenues, Expenditures, and Changes in Fund Balances-Governmental Funds for the General Fund, the Community Development Fund, and the Capital Projects Fund. These funds are considered major funds. The Special Revenue Fund and the Cemetery Maintenance Fund are considered nonmajor funds. The data for these two funds are combined in a single column for the Balance Sheet-Governmental Fund and the Statement of Revenues, Expenditures, and Changes in Fund Balances Governmental Fund.

### **Proprietary Funds**

The City of Danville maintains two types of proprietary funds: (a) utility enterprise funds and (b) internal services funds. Utility funds are used to report the same functions as the business-type activities in the government-wide financial statements. Wastewater, Water, Gas, and Electric are presented on the statements individually as major funds. Telecommunications, Transportation, Sanitation, and Cemetery Operations are combined as nonmajor funds. Utility funds are used to account for operations: (1) that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is the cost of providing goods or services to the general public on a continuing basis to be financed or recovered primarily through user charges or (2) where the governing body has decided that periodic determination of net income is appropriate for accountability purposes.

Internal service funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the City, or to other governments on a cost reimbursement basis. The City of Danville has three internal service funds providing services to other City departments as follows:

1. Motorized Equipment – acquires and maintains all vehicles used by the various departments of the City. The Fire Department purchases and maintains large equipment independent of motorized equipment.
2. Central Services – provides office supplies and printing services for all of the City's departments.
3. Insurance – provides general insurance coverage to all City departments, including areas such as workers' compensation where the City is completely self-insured, and insurance coverage purchased from outside insurance companies.

### **Fiduciary Funds**

Fiduciary funds are used to report assets held in a trustee or agency capacity for others and cannot be used to support the government's own programs. The City of Danville maintains two fiduciary funds, a Pension Trust Fund and an Agency fund, the Veterans Memorial Fund.

The Employees' Retirement System of the City of Danville functions as an investment and administrative agent for the City's retirement plan. These activities are excluded from the government-wide financial statements because the City cannot use these assets to finance its operations.

The Veterans Memorial Fund accounts for money held in trust to complete a memorial to our local veterans. This activity is also excluded from the government-wide financial statements because the City cannot use these assets to finance its operations.

## **Notes to the financial statements**

The notes to the financial statements are an integral part of the statements and should be read in conjunction with the basic financial statements, Management's Discussion and Analysis, and the other required supplementary information.

## **Government-wide Financial Analysis**

City of Danville  
Summary Statement of Net Assets  
June 30, 2007

	Governmental Activities		Business-type Activities		Total	
	2007	2006	2007	2006	2007	2006
Current and Other Assets	\$ 65,239,186	\$ 59,871,675	\$ 75,968,978	\$ 69,639,534	\$ 141,208,164	\$ 129,511,209
Capital Assets	67,956,149	69,866,176	217,237,489	206,822,289	285,193,638	276,688,465
Total Assets	\$ 133,195,335	\$ 129,737,851	\$ 293,206,467	\$ 276,461,823	\$ 426,401,802	\$ 406,199,674
Long-Term Liabilities Outstanding	\$ 43,022,051	\$ 49,107,342	\$ 45,880,807	\$ 45,668,570	\$ 88,902,858	\$ 94,775,912
Other Liabilities	4,110,432	6,564,537	11,653,737	12,090,223	15,764,169	18,654,760
Total Liabilities	\$ 47,132,483	\$ 55,671,879	\$ 57,534,544	\$ 57,758,793	\$ 104,667,027	\$ 113,430,672
Net Assets:						
Invested in Capital Assets, Net of Related Debt	\$ 28,858,705	\$ 24,811,422	\$ 172,325,000	\$ 162,072,054	\$ 201,183,705	\$ 186,883,476
Restricted for Pension Asset	1,212,583	1,726,932	334,069	-	1,546,652	1,726,932
Restricted for Cemetery Maintenance	2,504,847	2,475,562	-	-	2,504,847	2,475,562
Restricted for Capital Projects	4,931,135	2,711,088	28,713,223	26,205,121	33,644,358	28,916,209
Restricted for Special Programs	662,725	968,016	-	-	662,725	968,016
Restricted for Debt Service	720,613	721,223	-	-	720,613	721,223
Unrestricted	47,172,244	40,651,729	34,299,631	30,425,855	81,471,875	71,077,584
Total Net Assets	\$ 86,062,852	\$ 74,065,972	\$ 235,671,923	\$ 218,703,030	\$ 321,734,775	\$ 292,769,002

The City's combined net assets at June 30, 2007 of \$321,734,775, represents an increase of \$28,965,773 from combined net assets at June 30, 2006. Twenty-five percent of total net assets (\$81,471,855) is unrestricted and available for providing services to the citizens of the City of Danville and satisfying creditors. Sixty-three percent of total net assets is invested in capital assets (land, buildings, machinery, and equipment), less any related outstanding debt used to acquire these assets. These assets are used in providing services to the citizens; consequently, these assets are not available for future spending. Although the City of Danville's investment in capital assets is reported net of related outstanding debt, it should be noted that the resources needed to repay this debt must be provided from other sources. Ten percent of total net assets is restricted for capital improvement projects. Invested in Capital Assets Net of Related Debt and restricted for Capital Projects combined represent seventy-three percent of total net assets. The remaining two percent of net assets (\$5,434,837) is



restricted for other special projects (grants), debt service, net pension assets, and the perpetual care of the municipal cemetery. The composition of fund balance at June 30, 2006 was as follows: Unrestricted net assets - 24%, Invested in Capital Assets net of related debt - 64%, Restricted for Capital Projects - 10% (Invested in Capital Assets and Restricted for Capital Projects combined - 74%), and the remaining 2% is restricted for other purposes. Despite the economic stresses locally, the City of Danville reported positive balances in all three categories of net assets for the government as a whole. Unrestricted fund balance declined, while fund balance restricted for investment in capital assets net of related debt and restricted for capital projects increased.

City of Danville  
Changes in Net Assets  
June 30, 2007

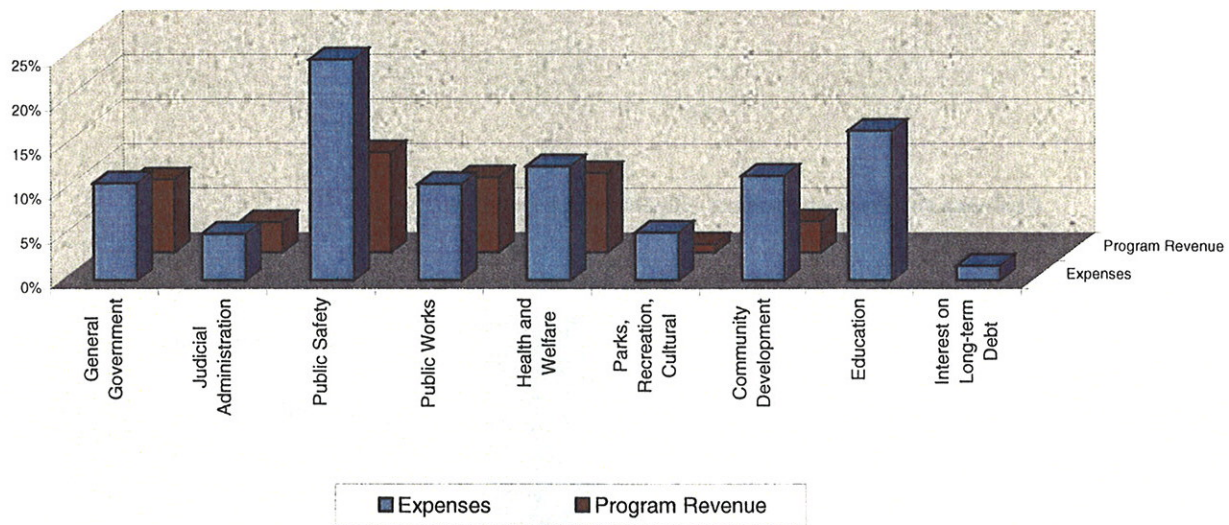
	Governmental Activities		Business-type Activities		Total Primary Government	
	2007	2006	2007	2006	2007	2006
Revenues:						
Program Revenues:						
Charges for Services	\$ 7,616,876	\$ 6,102,754	\$ 135,621,466	\$ 125,243,760	\$ 143,238,342	\$ 131,346,514
Operating Grants and Contributions	38,205,373	36,552,849	355,921	500,546	38,561,294	37,053,395
Capital Grants and Contributions	4,055,930	1,596,539	1,741,248	3,335,490	5,797,178	4,932,029
General Revenues:						
Real Estate and Personal Property	25,930,246	25,453,656	-	-	25,930,246	25,453,656
Other Taxes (See Exhibit B for detail)	21,971,995	22,967,650	-	-	21,971,995	22,967,650
Interest on Investments	885,861	701,529	3,452,939	1,481,092	4,338,800	2,182,621
Miscellaneous	1,047,591	775,157	1,856,551	823,241	2,904,142	1,598,398
Total Revenues	\$ 99,713,872	\$ 94,150,134	\$ 143,028,125	\$ 131,384,129	\$ 242,741,997	\$ 225,534,263
Expenses:						
General Government	\$ 10,978,148	\$ 10,706,147	\$ -	\$ -	\$ 10,978,148	\$ 12,847,037
Judicial Administration	5,218,767	4,803,342	-	-	5,218,767	4,803,342
Public Safety	24,929,011	25,172,041	-	-	24,929,011	25,172,041
Public Works	10,844,833	11,832,496	-	-	10,844,833	11,832,496
Health and Welfare	12,844,409	12,285,520	-	-	12,844,409	12,285,520
Parks, Recreation, and Culture	5,367,886	5,009,150	-	-	5,367,886	5,009,150
Community Development	11,796,198	7,392,661	-	-	11,796,198	7,392,661
Education (payment to school district)	16,903,673	20,143,175	-	-	16,903,673	20,143,175
Interest on Long Term Debt	1,617,511	1,665,956	-	-	1,617,511	1,665,956
Wastewater	-	-	6,561,949	6,464,670	6,561,949	6,464,670
Water	-	-	4,739,464	4,598,119	4,739,464	4,598,119
Gas	-	-	23,320,491	31,008,668	23,320,491	31,008,668
Electric	-	-	72,817,037	61,160,771	72,817,037	61,160,771
Transportation	-	-	1,159,824	1,139,731	1,159,824	1,139,731
Telecommunication	-	-	506,775	470,951	506,775	470,951
Sanitation	-	-	3,356,786	3,186,701	3,356,786	3,186,701
Cemetery Operations	-	-	813,462	596,258	813,462	596,258
Total Expenses	\$ 100,500,436	\$ 99,010,488	\$ 113,275,788	\$ 108,625,869	\$ 213,776,224	\$ 207,636,357
Subtotal Revenue over Expenses	\$ (786,564)	\$ (4,860,354)	\$ 29,752,337	\$ 22,758,260	\$ 28,965,773	\$ 17,897,906
Transfers	12,783,444	12,326,398	(12,783,444)	(12,326,398)	-	-
Increase in Net Assets	11,996,880	7,466,044	16,968,893	10,431,862	28,965,773	17,897,906
Beginning Net Assets	74,065,972	66,599,928	218,703,030	208,271,168	292,769,002	274,871,096
Ending Net Assets	\$ 86,062,852	\$ 74,065,972	\$ 235,671,923	\$ 218,703,030	\$ 321,734,775	\$ 292,769,002

## Governmental Activities

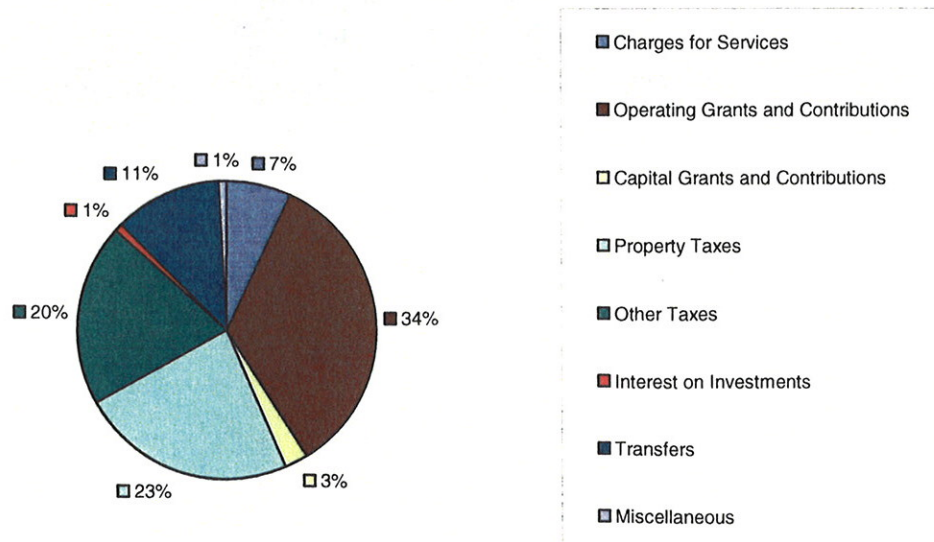
## Governmental Activities

Governmental activities increased the City of Danville's net assets by \$11,996,880. Revenues (including transfers) from governmental activities totaled \$112,497,316, with Property Taxes 23%, Other Taxes 20%, Operating Grants and Contributions 34%, and Transfers 11%, representing 88% of the City's revenues. Expenses for governmental activities totaled \$100,500,436, of which 50% was supported from program revenues and the remaining 50% from general revenues. Expenses for Public Safety 25%, Education 17%, Health & Welfare 13%, General Government 11%, Public Works 11%, and Interest on Long-Term Debt 2% make up 79% of the total governmental expenses.

Expenses and Program Revenue - Governmental Activities



Revenue by Source - Governmental Activities

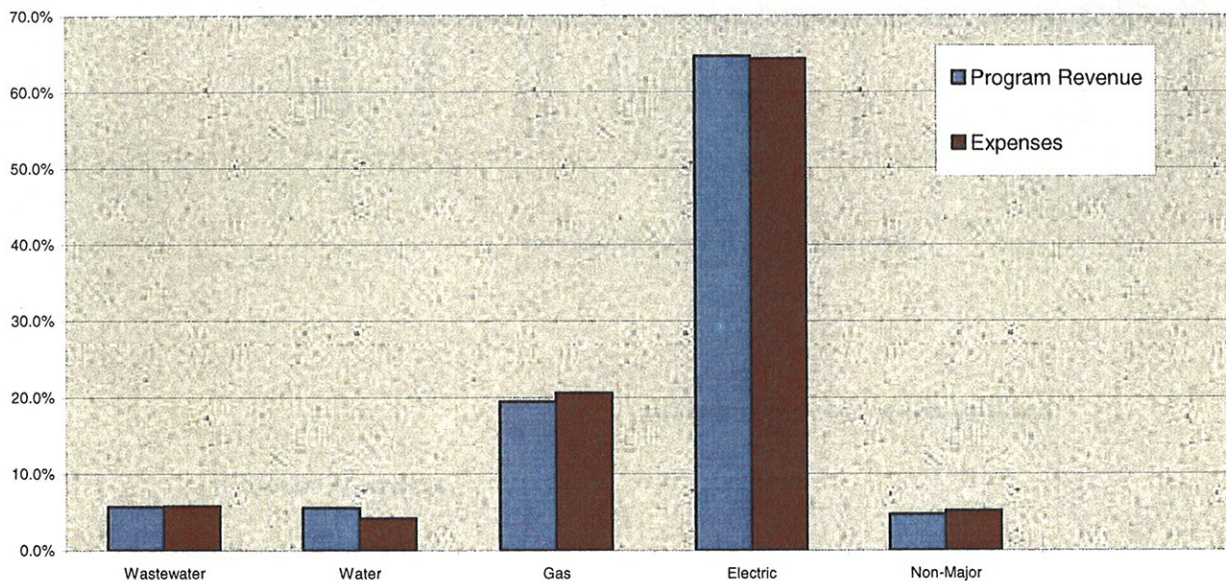




## **Business-type Activities**

Business-type activities increased the City's net assets by \$16,968,893 compared to last year's increase in net assets of \$10,431,862. At June 30, 2007, total net assets were \$235,671,923 of which \$28,713,223 was restricted for capital improvement projects and \$34,299,631 was unrestricted. GASB Statement 34 requires that restricted assets have external restrictions imposed (grantors, contributions, and debt covenants). Revenues for business-type activities were \$143,028,125 of which 95% was from Charges for Services. For further examination of the enterprise funds, please refer to the Enterprise Funds section of the Financial Analysis of the Fund Financial Statements found on page 32.

**Expenses and Program Revenue - Business-type Activities**



## Financial Analysis of the Fund Financial Statements

### Governmental Funds

Governmental funds reported a combined ending fund balance of \$42,675,510, an increase of \$4,957,597 when compared with the combined restated fund balance at June 30, 2006 of \$37,717,913. The Construction in Progress (CIP) fund balance increased \$1,718,574. Of the \$10,151,916 expended in the CIP fund, \$5,005,030 was expended in economic development. Grant funds of \$219,257 were expended for repayment of debt for school renovations and \$2,581,706 was expended for improvements to various public buildings, facilities, and equipment.

Sixty-three percent (\$26,742,599) of the combined governmental funds balance is unreserved fund balance, which is available for spending at the government's discretion. The remaining thirty-seven percent (\$15,932,911) of combined fund balance is reserved and not available for new spending, because it has already been committed to encumbrances (\$3,493,408); perpetual care of the municipal cemetery (\$2,504,847); debt service (\$720,613); prepaid expenses (\$1,767,481); and specific projects (\$7,446,562).

The General Fund, which is the chief operating fund of the City, reports a combined fund balance at June 30, 2007 of \$33,974,398. This is an increase of \$3,604,231 compared to last year's fund balance of \$30,370,167. The General Fund reported an unreserved fund balance of \$26,731,939, an increase of \$1,888,726 from the June 30, 2006 unreserved fund balance of \$24,843,213. The ability of the General Fund to generate cash on demand can be calculated by comparing both the unreserved fund balance and total fund balance to total funds expended. Unreserved fund balance represents 31% of total General Fund expenditures while total fund balance represents 39% of total fund expenditures. When transfers out of \$7,987,982 are added to expenditures, then unreserved fund balance is 28% percent of expenditures and transfers out. The following table represents General Fund support shown as transfers out:

Support of CIP Projects	\$6,832,800
Support of Grants	869,246
Support of Cemetery	89,457
Support of Motorized Equipment	17,850
Support of Wastewater	7,230
Support of Transportation	171,399
	<hr/>
	\$7,987,982

The increase in fund balance of \$3,604,231 resulted from \$9,570,986 unexpended budget and \$3,113,056 unanticipated revenue; offset by prior year encumbrance carryforwards of \$4,548,011; and \$4,531,800 in supplemental appropriations from fund balance.

Some key factors of unexpended appropriations are as follows:

- City Support of Public Schools had an unexpended balance of \$3,946,185. The unencumbered portion of this amount is reserved as a carryforward for fiscal 2008.

- Nondepartmental spending was under budget by \$989,914 primarily related to the City's cost of health benefits for employees.
- Public Safety expenditures were under budget by \$1,151,594. This was mainly due to expenditures being less than anticipated for regular salaries, overtime pay, part-time pay, and workers' compensation claims in all of the various public safety divisions.
- Public Works spending was also under budget by \$1,101,953. This savings was realized through various repairs and maintenance jobs performed throughout the fiscal year on streets, bridges, and sidewalks.

Some key factors of unanticipated revenue are as follows:

- General Property Tax collections were \$290,246 over budget. The primary components of this variance exist in the following areas:

Real Estate	\$ 191,696
Personal Property	\$ (5,937)
Public Service	\$ (43,771)
Penalties & Interest	\$ 148,258

- Real Estate realized additional revenues due to increased efforts in collecting delinquent taxes. This is also reflected in increased collections of penalty and interest. Collections of personal property and public service taxes were under budget by minimal amounts.
- Other Local Taxes were under the estimated budget of \$22,655,375 by \$683,380. This is primarily due to reclassification. The new Virginia Telecommunications Tax replaced local taxes for telephone excise, E-911, and cable franchise. This revenue stream was budgeted as local taxes, but was recorded as Non-categorical aid from the Commonwealth. Local Sales Taxes were collected at 104% of budget, Business Licenses were collected at 110% of budget, Hotel Taxes were at 101% of budget, and Prepared Meals Tax collections also surpassed estimates at 105% of budget. Areas contributing to the budget variance include:

Business Licenses	\$ 422,218
Prepared Meals Tax	\$ 239,923
Bank Stock Taxes	\$ (145,955)
Local Sales Tax	\$ 295,496
Communication Taxes	\$ (1,416,603)

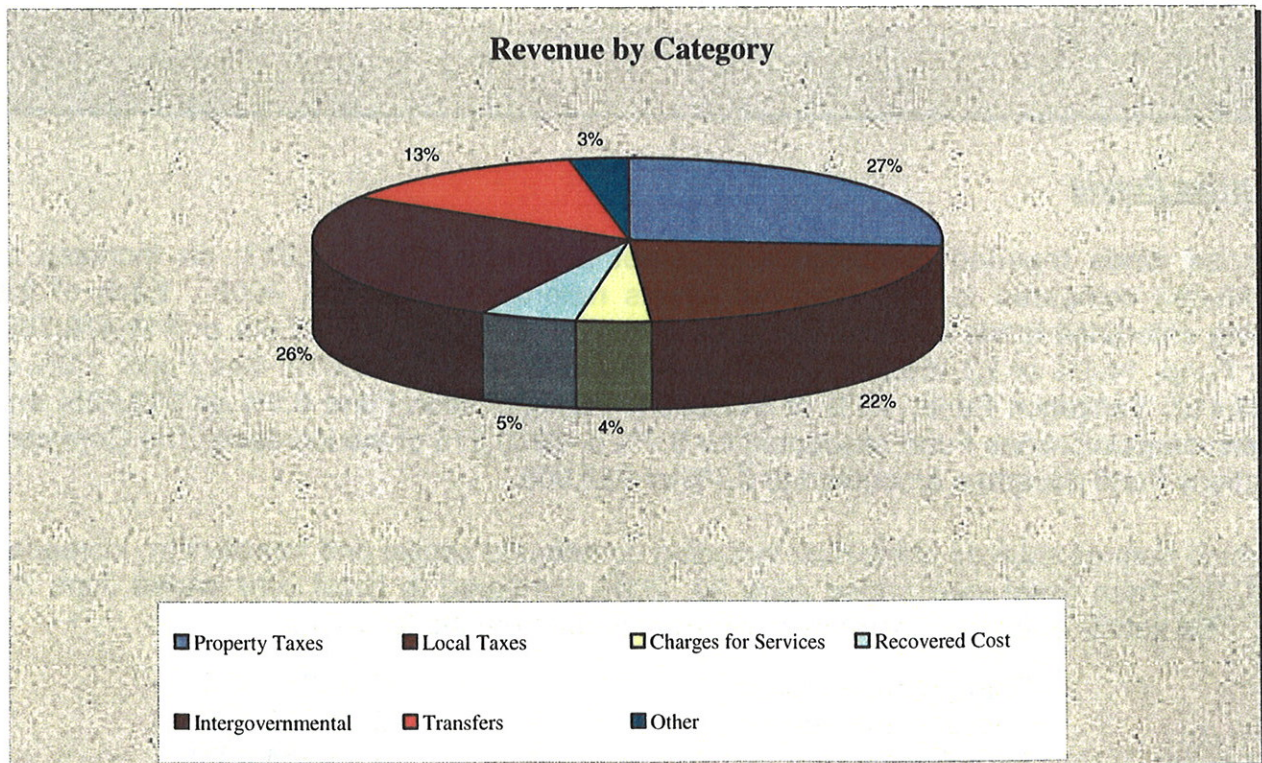
- The additional collections of Business Licenses, Local Sales Tax, and Prepared Meals Tax are indicative of the additional retail stores, restaurants, and other businesses



opening over the past year or two. The shortfall in Bank Stock Tax relates to decreases in the various banks' net capital.

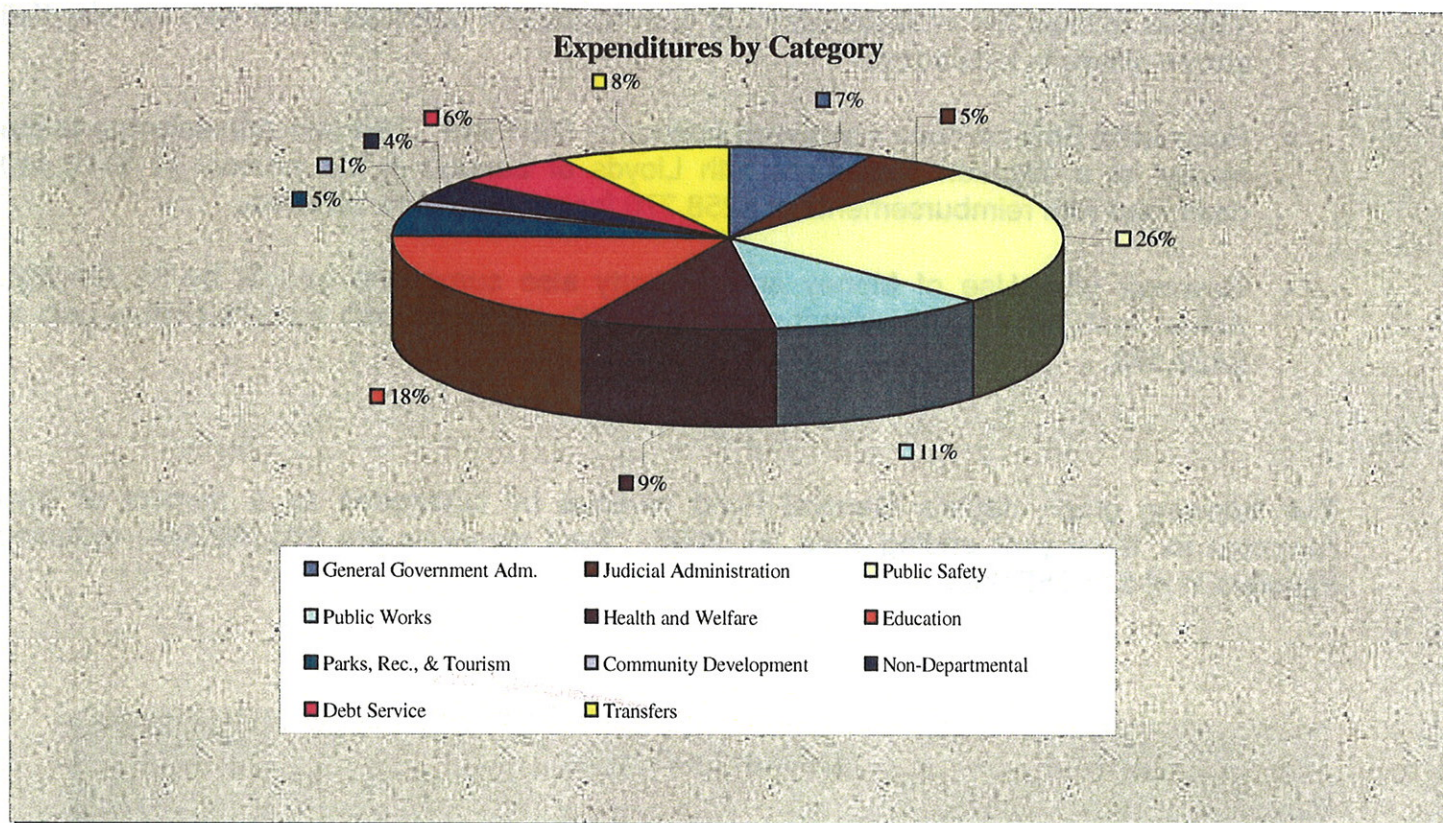
- A positive variance of \$1,396,958 in Non-categorical aid from the Commonwealth of Virginia reflects the reclassification of communication taxes as noted with the shortfall shown above in local taxes.
- Recovered Cost revenue surpassed budget by \$957,699. This was primarily due to the receipt of a litigation settlement with Lloyds of London in the amount of \$370,440 combined with reimbursements of \$258,770 for special police services.
- Revenue from Use of Money and Property also surpassed budget by \$1,308,982. Actual cash receipts of interest were \$886,410, combined with a market value gain of \$422,572.

The following graph depicts General Fund revenue by categories as a percent of total revenues for fiscal year ending June 30, 2007. Total revenues are \$98,092,544, including transfers in of \$12,955,000.





The next graph shows General Fund expenditures by category as a percent of total expenditures for fiscal year ending June 30, 2007. Total expenditures are \$94,488,313, including transfers out of \$7,987,982.



### **Enterprise Funds**

Enterprise funds reported combined ending net assets of \$235,671,923; an increase of \$16,968,893 compared to combined net assets reported at June 30, 2006. Each of the following enterprise funds contributed to this increase: Electric Fund, 67.6% or \$11,479,780; Water Fund, 14.5% or \$2,456,201; Wastewater Fund, 3.9% or \$669,010; Gas Fund, 7.2% or \$1,233,412; Sanitation Fund, 1.1% or \$179,994; Transportation Fund 0.1% or \$12,725; and the Telecommunications Fund accounted for 5.7% or \$960,576 of the increase. The Cemetery Operations Fund decrease amounted to 0.1% or \$22,805.

Revenues from all sources combined, including contributed capital and transfers in, increased \$9,930,983 from fiscal year ended June 30, 2006 compared to fiscal year ended June 30, 2007. The details of this net increase in revenue result from the following:

Charges for Services	\$ 10,377,706
Capital Contributions	\$ (1,620,408)
Transfers In	\$ (1,954,838)
Interest Income	\$ 2,099,136
Recoveries & Gain on Sale of Fixed Asset	\$ 751,074
Sales/Jobbing/Rental/Grants/Inkind	\$ 278,313

Charges for Services increased in the Electric Fund \$16,158,559 reflecting rate increases related to higher purchased power costs. Gas Fund Charges for Services decreased

\$7,124,235 in response to the milder temperatures experienced in the past winter. The Wastewater and Water departments had a combined increase of \$1,171,969 and Nonmajor Funds (Transportation, Sanitation, Cemetery, and Telecommunication) were fairly stable with an increase of \$171,413.

The decrease in Capital Contributions reflects the prior year transfer of a pump station to the Wastewater Fund from the Regional Industrial Facility Authority. The decrease in Transfers In resulted from the creation of the new Telecommunications Fund in the prior year that occurred through a transfer from the Electric Fund. Operating income for all enterprise funds combined increased \$5,741,371.

The Utilities contributed \$12,955,000 in transfers to the General Fund for fiscal year ending June 30, 2007. Enterprise Funds' net assets of \$235,671,923 include \$34,633,695 unrestricted, \$28,713,223 restricted for incomplete projects, and \$172,325,000 invested in capital assets, net of related debt.

### **General Budgetary Highlights**

City of Danville  
General Fund Budget  
Year Ended June 30, 2007

	Original Budget	Amended Budget	Actual
Revenues, Transfers, and Other Financial Sources			
Taxes	\$48,340,375	\$48,340,375	\$47,902,241
Intergovernmental	35,590,067	37,191,597	38,404,888
Other	10,938,457	9,740,322	11,785,415
Total	94,868,899	95,272,294	98,092,544
Expenditures, Transfers, and Other Financial Uses			
Expenditures	91,660,506	95,565,205	86,500,331
Transfers and other	3,208,393	7,916,670	7,987,982
Total	94,868,899	103,481,875	94,488,313
Change in Fund Balance	\$ -	\$ (8,209,581)	\$ 3,604,231

Differences between the City's original operating budget for expenditures and transfers and the final amended budget resulted from carryforwards and prior year encumbrances of \$3,677,781 and additional appropriations totaling \$4,935,195. \$403,395 of the additional appropriations had matching revenues and \$4,531,800 was appropriated from fund balance, represented as follows:



Appropriations with matching revenue:

Police – Forfeited Funds	\$ 105,883
Child Daycare, Welfare & Foster Care Grants	\$ 91,156
Health Department Building Improvements	\$ 65,191
Juvenile Detention – Electronic Monitoring	\$ 118,827
Hazardous Material Response	\$ 9,000
Project Lifesaver	\$ 11,250
Public Safety Grants & Donations	\$ 2,088

Appropriations from fund balance:

Economic Development Incentives	\$ 3,299,300
Collins Drive Bridge Construction	\$ 670,000
Municipal Building Renovations	\$ 500,000
Trail Development	\$ 62,500

Revenues exceeded budget primarily because of the increases in tax revenue from additional businesses, interest income, and recoveries related to special police services and legal settlement. The positive budget variance in expenditures resulted primarily from a decrease in health insurance costs, decreased spending in Public Safety and Public Works, and decreased transfers to the Danville City School System. The school funds have been encumbered and will be transferred during fiscal 2008 as needed.

**Capital Assets and Debt Administration**

**Capital Assets**

As of June 30, 2007, the City of Danville's capital assets investment for its governmental and business-type activities amounts to \$285,193,638 (net of accumulated depreciation). Capital assets include land, buildings and improvements, machinery and equipment, park facilities, roads, highways, and bridges. For further analysis of capital assets, please refer to note 5 in the notes to the financial statements.

Major capital asset events during the current fiscal year included the following:

- Implementation of financial software, at the end of June 30, 2007, had current year expenditures of \$2,089,094 and total expenditures of \$2,544,931. This is Phase II of the City's Enterprise Resource Project that deals with billing and collections systems. The budget for this phase is \$3,490,000 and it is funded by the Electric Fund. Phase I of this project included the implementation of general ledger, budgeting, and payroll. Phase I is complete.

- Economic development incentives totaling \$5,634,300 were granted to Nestle, Inc., Corning, Inc., North American Properties, Swedwood, and Horizon Tech. \$2,075,000 was from Governor Opportunity Funds and \$375,000 was obtained through the Tobacco Regional Opportunity Fund. The remaining \$3,184,300 came from General Fund balance.
- Improvements in the amount of \$1,549,616 were made to the infrastructure at Cain Creek Centre during the fiscal year.

City of Danville  
Capital Assets (net of depreciation)  
June 30, 2007

	Governmental Activities	Business-type Activities	Total
Land	\$ 6,736,072	\$ 1,294,270	\$ 8,030,342
Building & Improvements	21,617,653	161,444,886	183,062,539
Machinery & Equipment	1,579,701	21,175,676	22,755,377
Infrastructure	11,163,854	-	11,163,854
Construction in Progress	7,651,608	33,322,657	40,974,265
Subtotal	48,748,888	217,237,489	265,986,377
Assets Transferred from School Board	19,207,261	-	19,207,261
Total	\$ 67,956,149	\$ 217,237,489	\$ 285,193,638

### Long-term debt

At the end of the current fiscal year, the City of Danville had total outstanding general obligation and revenue bonded debt of \$75,457,441, capital lease revenue bonded debt of \$11,047,929, and notes payable of \$2,260,000 for a total of \$88,765,370.

City of Danville's Outstanding Debt  
Bonds and Related Loans

	Governmental Activities		Business-type Activities		Total	
	2006-07	2005-06	2006-07	2005-06	2006-07	2005-06
General Obligation Bonds	\$ 28,488,093	\$ 32,105,970	\$ 38,073,432	\$ 37,001,542	\$ 66,561,525	\$ 69,107,512
Revenue Bonds	-	-	5,708,574	6,349,929	5,708,574	6,349,929
Capital Lease Revenue Bonds	10,230,058	11,047,929	-	-	10,230,058	11,047,929
Notes Payable	400,000	600,000	1,060,000	1,660,000	1,460,000	2,260,000
Total	\$ 39,118,151	\$ 43,753,899	\$ 44,842,006	\$ 45,011,471	\$ 83,960,157	\$ 88,765,370

Notes payable is comprised an inter-fund loan between Electric and Telecommunications and Section 108 loans. The inter-fund loan balance was \$1,060,000 at June 30, 2007. The Section 108 loan was solely for the development of the Riverview Industrial Park and is being repaid with Community Development Block Grant Entitlement money. The lease-revenue bonds cover three items: (1) addition and renovation to the courts and jail, (2) expansion of the juvenile detention home, and (3) renovation of the Social Services building, which houses the Social Services departments.

During the 2006-2007 fiscal year, the City made principal payments of \$9,205,214. A new debt issue of \$5 million in general obligation bonds in the Electric Fund. This was done to finance the capital costs for improving electric infrastructure. No refunding occurred in fiscal year 2007.

At the time of the City's last bond rating review, we received an "A3" rating from Moody's for general obligation and revenue bond debt. The City of Danville's debt management policy states total general obligation net debt will not exceed 7.5% of the assessed valuation of the real property in the City of Danville, which is less than the 10% debt limit required by the Commonwealth of Virginia's Constitution. At June 30, 2007, net debt for the City of Danville was 2.29%.

Additional information on the City of Danville's long-term debt can be found in note 7 of the notes to the financial statements.

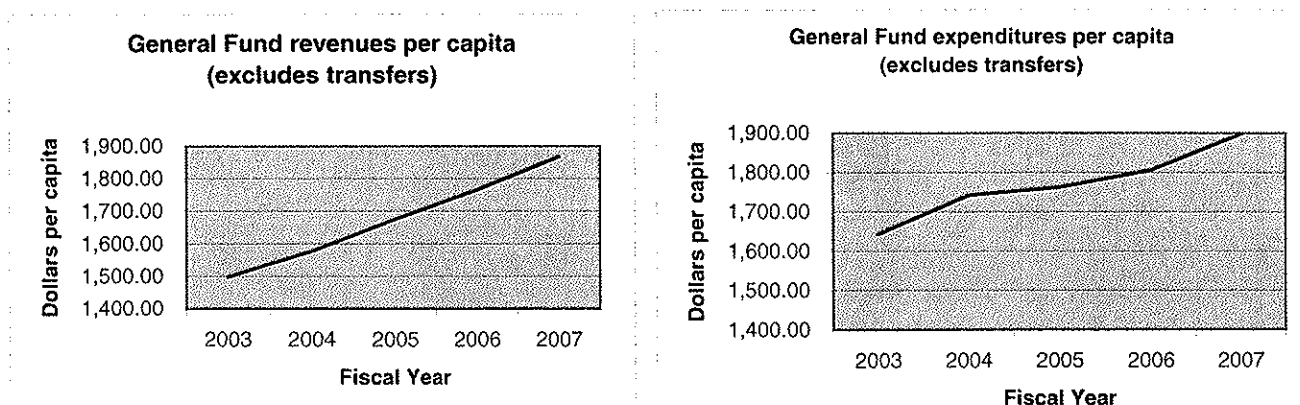
### **Economic Factors and Next Year's Budget and Rates**

- As of September 30, 2007, the average unemployment rate for the City of Danville was 6.1 percent, which is a decrease from a rate of 7.4 percent at September 30, 2006. This compares to the Commonwealth's average unemployment rate of 2.8 percent and the national average rate of 4.7 percent.
- Danville witnessed the return of double-digit unemployment by the end of the 2005 fiscal year, and experienced numerous permanent layoffs primarily related to closings at Dan River, Inc., DIMON, and Diebold. Danville is rebuilding itself with essential steps towards biotechnology; air and land-based robotics research, nanotechnology, aerospace, engineering, and advanced polymers research. The goal of the City of Danville is to shift from a traditional agricultural and textile-dependent economy to a knowledge-based economy. Results of this can be seen in the falling unemployment rate from last September to this September. Continued successes in the City's economic development efforts are hoped to eventually bring Danville's unemployment more in line with that of the Commonwealth and nation.
- Danville continues to make excellent strides in its fight against unemployment. Since March 2004, the City of Danville has announced 18 new projects and 10 expansions and 1 acquisition. This unprecedented activity accounts for nearly 6,000 jobs announced and more than half a billion dollars in new investment.
- During fiscal year 2007-2008, management's goal is to stabilize utility rates for electric services charged to its consumers. Utility rates have increased over the past two years in response to dramatic increases in purchased power costs for gas and electricity and the falling demand for water and wastewater services resulting from loss of industry. There were no changes in tax rates for fiscal 2007-2008; however, rates for gas and wastewater services were increased 6% and 18%, respectively. City Council must approve all tax and rate increases recommended by management.
- Danville has an estimated population of 45,586, based on the 2000 census.

- Danville has a per capita income of \$25,037. The Commonwealth per capita income is \$37,552.
- Danville is located in the southern region of the United States. According to the consumer price index, Danville and the southern region have a lower cost of living compared to other regions in the United States.

Primary revenue sources for the City's General Fund are property taxes, sales taxes, business and occupational licenses, meals taxes, state revenues, and contributions from the City's Utility Departments. In establishing the budget, historical and trend data are analyzed. In addition to analyzing historical data, economic indicators and the impact the economy will have on the historical data is taken into consideration. Throughout the year, management monitors revenues and economic indicators to determine if they are on target with the analysis used to develop the budget.

### **Other Financial Indicators**



General Fund revenues and expenditures per capita have both trended upward over the last five years. Although the increase in revenue per capita is partially attributable to a declining population, there has been a 17% increase in revenues from 2003 to 2007. The leveling of expenditures prior to FY 2007 demonstrates management's excellent efforts in containing costs. Expenditures in FY 2007 increased about \$7 million due to spending related to economic development. Danville's population has shown decreases over the past fiscal years. It is anticipated that through the economic development efforts, the City will see the population stabilize and begin to increase in the future.

### **Requests for Information**

This financial report is designed to provide a general overview of the City of Danville's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City of Danville, Director of Finance, 427 Patton Street, Danville, Virginia 24541.



# FINANCIAL STATEMENTS

## STATEMENT OF NET ASSETS

June 30, 2007

	Primary Government			
	Governmental	Business-type		Component
	Activities	Activities	Total	Units
ASSETS				
Cash and investments				
Restricted expendable permanently	\$ -	\$ 27,593,848	\$ 27,593,848	\$ -
Unrestricted	38,510,524	28,731,473	67,241,997	1,899,349
Cash and investments - held by fiscal agents	785,603	14,000	799,603	3,288,266
Receivables - net	16,723,273	15,303,161	32,026,434	132,864
Due from business-type activities	1,428,989	(1,428,989)	-	-
Due from the City	-	-	-	856,863
Due from other governments	4,451,556	339,027	4,790,583	3,850,815
Prepayments	1,791,524	-	1,791,524	143,846
Inventories	335,134	5,060,820	5,395,954	817,323
Pension asset	1,212,583	355,638	1,568,221	-
Capital assets:				
Land and Construction in Progress	14,387,680	32,334,539	46,722,219	4,440,915
Other capital assets - net	53,568,469	184,902,950	238,471,419	19,467,077
<b>Total assets</b>	<b>133,195,335</b>	<b>293,206,467</b>	<b>426,401,802</b>	<b>34,897,318</b>
LIABILITIES				
Accounts payable	2,232,215	8,847,059	11,079,274	431,861
Accrued salaries	134,647	-	134,647	3,522,766
Accrued payroll taxes	-	-	-	266,856
Accrued interest	244,083	478,206	722,289	-
Accrued expenses	-	-	-	8,382
Loan escrow	37,308	-	37,308	-
Due to City of Danville	-	-	-	34,972
Due to component unit	856,863	-	856,863	-
Due to other governments	185,068	-	185,068	-
Refundable deposits	179,305	2,291,215	2,470,520	-
Pension liability	-	37,257	37,257	-
Unearned revenue	240,943	-	240,943	-
Long-term liabilities:				
Due within one year	6,563,207	5,969,619	12,532,826	1,543,687
Due in more than one year	36,458,844	39,911,188	76,370,032	13,353,872
<b>Total liabilities</b>	<b>47,132,483</b>	<b>57,534,544</b>	<b>104,667,027</b>	<b>19,162,396</b>
NET ASSETS				
Invested in capital assets - net of related debt	28,858,705	172,325,000	201,183,705	11,805,022
Restricted for:				
Insurance payments	-	-	-	3,288,266
Pension asset	1,212,583	334,069	1,546,652	-
Cemetery maintenance	2,504,847	-	2,504,847	-
Capital projects	4,931,135	28,713,223	33,644,358	-
Special programs	662,725	-	662,725	-
Debt service	720,613	-	720,613	-
Unrestricted	47,172,244	34,299,631	81,471,875	641,634
<b>Total net assets</b>	<b>\$ 86,062,852</b>	<b>\$ 235,671,923</b>	<b>\$ 321,734,775</b>	<b>\$ 15,734,922</b>

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

## STATEMENT OF ACTIVITIES

Year Ended June 30, 2007

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Charges For Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
					Governmental Activities	Business-Type Activities	Total	Component Units
Primary Government:								
Government activities:	\$ 10,978,148	\$ 5,685,591	\$ 3,501,963	\$ -	\$ (1,790,594)	\$ -	\$ (1,790,594)	\$ -
General government	5,218,767	1,489,794	2,286,764	-	(1,442,209)	-	(1,442,209)	-
Judicial administration	24,929,011	231,309	12,374,982	-	(12,322,720)	-	(12,322,720)	-
Public safety	10,844,833	-	8,976,989	460,942	(1,406,892)	-	(1,406,892)	-
Public works	12,844,409	-	9,992,869	-	(2,851,520)	-	(2,851,520)	-
Health and welfare	5,367,886	210,182	778,467	-	(4,379,237)	-	(4,379,237)	-
Parks, recreation, cultural	11,796,198	-	293,309	3,594,988	(7,907,901)	-	(7,907,901)	-
Community development	16,903,673	-	-	-	(16,903,673)	-	(16,903,673)	-
Education	1,617,511	-	-	-	(1,617,511)	-	(1,617,511)	-
Interest on long-term debt	100,500,436	7,616,876	38,205,373	4,095,930	(50,622,257)	-	(50,622,257)	-
Total governmental activities								
Business-type activities:								
Wastewater	6,561,949	7,805,221	-	54,053	-	1,297,325	1,297,325	-
Water	4,739,464	7,012,772	-	645,389	-	2,918,697	2,918,697	-
Gas	23,320,491	26,290,132	-	472,777	-	3,442,418	3,442,418	-
Electric	72,817,037	88,910,376	-	91,319	-	16,184,658	16,184,658	-
Nonmajor	5,836,847	5,602,965	355,921	477,710	-	599,749	599,749	-
Total business-type activities	113,275,768	135,621,466	355,921	1,741,248	-	24,442,847	24,442,847	-
Total primary government	213,776,224	143,238,342	38,561,294	5,797,178	(50,622,257)	24,442,847	(26,179,410)	-
Component Units:								
Danville Public Schools	66,779,397	1,077,877	23,280,658	3,134,248	-	-	-	(39,286,614)
Industrial Development Authority	3,711,553	855,760	-	3,069,387	-	-	-	213,594
Total component units	\$ 70,490,950	\$ 1,933,637	\$ 23,280,658	\$ 6,203,635	-	-	-	(39,073,020)
General Revenues - unrestricted:								
Real estate and personal property taxes					25,930,246	-	25,930,246	-
Other taxes -								
Sales and use taxes					7,595,496	-	7,595,496	-
Business license taxes					4,572,218	-	4,572,218	-
Utility taxes					2,657,549	-	2,657,549	-
Hotel and meals taxes					5,165,368	-	5,165,368	-
Recordation and bank stock taxes					946,397	-	946,397	-
Auto license and recordation taxes					1,034,967	-	1,034,967	-
Payments from City of Danville					-	-	-	17,359,484
State aid - unrestricted					885,861	3,452,939	4,338,800	24,338,729
Investment income					1,047,591	1,856,551	2,904,142	218,928
Miscellaneous - gifts and donations					12,783,444	(12,783,444)	-	513,570
Transfers - net					62,619,137	(7,473,954)	55,145,183	42,430,711
Total general revenues, transfers and miscellaneous					11,996,890	16,968,893	28,965,773	3,357,691
Change in net assets								
Net assets - beginning of year					74,065,972	218,703,030	292,769,002	12,377,231
Net assets - end of year					\$ 86,062,852	\$ 235,671,923	\$ 321,734,775	\$ 15,734,922

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



## BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2007

	General	Community Development	Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
<b>ASSETS</b>					
Cash and investments	\$ 27,407,191	\$ 425,527	\$ 4,001,035	\$ 2,504,847	\$ 34,338,600
Cash and investments - held by fiscal agent	720,613	5,000	-	-	725,613
Receivables - net	10,666,423	-	-	-	10,666,423
Taxes and licenses	283,803	-	192,346	153,723	629,872
Accounts	697,270	-	-	-	697,270
Accrued interest	-	4,702,849	-	24,057	4,726,906
Loans	1,428,989	-	-	-	1,428,989
Due from enterprise fund	528,300	-	-	-	528,300
Due from other funds	1,956,417	174,390	1,158,213	1,162,536	4,451,556
Due from other governments	1,667,683	99,798	-	-	1,767,481
Prepayments	234,131	-	-	-	234,131
Inventories	-	-	-	-	-
<b>Total assets</b>	<b>\$ 45,590,820</b>	<b>\$ 5,407,564</b>	<b>\$ 5,351,594</b>	<b>\$ 3,845,163</b>	<b>\$ 60,195,141</b>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>LIABILITIES</b>					
Accounts payable	\$ 1,511,797	\$ 41,990	\$ 420,459	\$ 185,554	\$ 2,159,800
Accrued salaries	134,647	-	-	-	134,647
Loan escrow held for others	-	37,308	-	-	37,308
Due to other funds	-	-	-	528,300	528,300
Due to component unit	741,581	-	-	-	741,581
Due to other governments	146,380	-	-	-	146,380
Refundable deposits	179,305	-	-	-	179,305
Deferred revenue	8,902,712	4,665,541	-	24,057	13,592,310
<b>Total liabilities</b>	<b>11,616,422</b>	<b>4,744,839</b>	<b>420,459</b>	<b>737,911</b>	<b>17,519,631</b>
<b>FUND BALANCES</b>					
Reserved for:					
Encumbrances	1,591,250	935	1,309,478	591,745	3,493,408
Cemetery maintenance	-	-	-	2,504,847	2,504,847
Debt service	720,613	-	-	-	720,613
Specific projects	3,262,913	561,992	3,621,657	-	7,446,562
Prepayments	1,667,683	99,798	-	-	1,767,481
Unreserved:					
General fund	26,731,939	-	-	-	26,731,939
Special grants fund	-	-	-	10,660	10,660
<b>Total fund balances</b>	<b>33,974,398</b>	<b>662,725</b>	<b>4,931,135</b>	<b>3,107,252</b>	<b>42,675,510</b>
<b>Total liabilities and fund balances</b>	<b>\$ 45,590,820</b>	<b>\$ 5,407,564</b>	<b>\$ 5,351,594</b>	<b>\$ 3,845,163</b>	<b>\$ 60,195,141</b>

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

**Reconciliation of the Governmental Funds Balance Sheet  
to the Statement of Net Assets****June 30, 2007**

<b>Total fund balances - governmental funds</b>	<b>\$</b>	<b>42,675,510</b>
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Amount 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.

Capital assets - primary government	\$ 65,623,187	
Capital assets - internal services	<u>2,332,962</u>	
		67,956,149

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

Unearned revenue	\$ 13,351,367	
Pension asset - governmental funds	1,182,391	
Pension asset - internal services	30,192	
Accrued interest	<u>(243,043)</u>	
		14,320,907

Internal service funds are used by management to charge the costs  
of certain activities, such as insurance, printing, and communications,  
to individual funds. The assets and liabilities of certain internal service  
funds are included in governmental activities in the Statement of Net  
Assets.

Internal services - Exhibit E	\$ 6,378,337	
Less - capital assets shown above	(2,332,962)	
Less - pension asset- shown above	(30,192)	
Add - long-term debt shown below	<u>117,154</u>	
		4,132,337

Long-term liabilities, including bonds payable, are not due and  
payable in the current period and therefore are not reported as liabilities  
in the governmental funds.

Long-term debt - primary government	\$ (42,904,897)	
Long-term debt - internal services	<u>(117,154)</u>	
		<u>(43,022,051)</u>

<b>Total net assets-governmental activities</b>	<b>\$</b>	<b><u>86,062,852</u></b>
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*The accompanying notes are an integral part of these financial statements.*

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

Year Ended June 30, 2007

	General	Community Development	Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
<b>REVENUES</b>					
Property taxes	\$ 25,930,246	\$ -	\$ -	\$ -	25,930,246
Local taxes	21,971,995	-	-	-	21,971,995
Fines and forfeitures	541,399	-	-	-	541,399
Permits, privilege fees, and regulatory licenses	235,358	-	-	-	235,358
Revenue from use of money and property	2,040,504	52,470	101,345	-	2,194,319
Charges for services	3,770,733	-	-	-	3,770,733
Miscellaneous	73,169	308,305	1,118,874	338,199	1,838,547
Recovered costs	5,124,252	17,570	31,859	-	5,173,681
Intergovernmental	25,449,888	1,144,988	3,889,082	3,852,368	34,136,326
<b>Total revenues</b>	<b>85,137,544</b>	<b>1,523,333</b>	<b>4,941,160</b>	<b>4,190,587</b>	<b>95,792,604</b>
<b>EXPENDITURES</b>					
Current:					
General government	6,431,119	-	5,761,705	12,300	12,205,124
Judicial administration	5,082,880	-	-	45,804	5,128,684
Public safety	23,519,769	-	525,404	628,522	24,673,695
Public works	10,217,681	-	-	190,239	10,407,920
Health and welfare	8,843,200	-	2,718,460	3,791,015	15,352,675
Education	17,150,771	-	219,257	-	17,370,028
Parks, recreation, and cultural	4,793,902	-	927,090	423,846	6,144,838
Community development	1,169,769	-	-	28,004	3,026,397
Nondepartmental	3,542,949	-	-	-	3,542,949
Debt service:					
Principal	4,181,152	-	-	-	4,181,152
Interest	1,567,139	-	-	-	1,567,139
<b>Total expenditures</b>	<b>86,500,331</b>	<b>1,828,624</b>	<b>10,151,916</b>	<b>5,119,730</b>	<b>103,600,601</b>
<b>Deficiency of revenues over expenditures</b>	<b>(1,362,787)</b>	<b>(305,291)</b>	<b>(5,210,756)</b>	<b>(929,163)</b>	<b>(7,807,997)</b>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	12,955,000	-	6,929,330	869,246	20,753,576
Transfers out	(7,987,982)	-	-	-	(7,987,982)
<b>Total other financing sources (uses)</b>	<b>4,967,018</b>	<b>-</b>	<b>6,929,330</b>	<b>869,246</b>	<b>12,765,594</b>
<b>Net change in fund balances</b>	<b>3,604,231</b>	<b>(305,291)</b>	<b>1,718,574</b>	<b>(59,917)</b>	<b>4,957,597</b>
<b>Fund balances - beginning of year</b>	<b>30,370,167</b>	<b>968,016</b>	<b>3,212,561</b>	<b>3,167,169</b>	<b>37,717,913</b>
<b>Fund balances- end of year</b>	<b>\$ 33,974,398</b>	<b>\$ 662,725</b>	<b>\$ 4,931,135</b>	<b>\$ 3,107,252</b>	<b>\$ 42,675,510</b>

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

**Reconciliation of the Statement of Revenues, Expenditures, and Changes in  
Fund Balances of the Governmental Funds to the Statement of Activities**

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**Year Ended June 30, 2007**

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**Net change in fund balances - total governmental funds** **\$ 4,957,597**Amount reported for governmental activities in the  
Statement of Activities are different because:

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation.

Capital Outlay - City	\$ 2,993,314	
Depreciation - City	(3,002,769)	
Depreciation - Schools	<u>(1,923,440)</u>	
		(1,932,895)

Repayment of debt principal and other long-term assets is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.

Principal payments on long-term debt	\$ 5,790,125	
Reduction of pension asset	<u>(503,000)</u>	
		5,287,125

Some expenses reported in the Statement of Activities, such as changes in compensated absences and worker's compensation do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Changes in workers' compensation	\$ 192,000	
Changes in compensated absences	<u>64,379</u>	
		256,379

Some revenues and expenditures are not accrued in the governmental funds but are shown as liabilities in the Statement of Net Assets.

Decrease in unearned revenue	\$ 3,224,849	
Increase in accrued interest	<u>(50,372)</u>	
		3,174,477

Internal service funds are used by management to charge the cost of certain activities, such as insurance and printing, to individual funds. The net revenue of certain internal service funds is reported with governmental activities.

254,197**Changes in net assets of governmental activities** **\$ 11,996,880***The accompanying notes are an integral part of these financial statements.*

## STATEMENT OF NET ASSETS - ENTERPRISE FUNDS

June 30, 2007

	Wastewater	Water	Gas	Electric	Nonmajor Enterprise Funds	Total	Governmental Internal Service Funds
<b>ASSETS</b>							
<b>Current assets</b>							
Cash and investments	\$ -	\$ 914,780	\$ 4,746,169	\$ 19,715,922	\$ 3,354,802	\$ 28,731,473	\$ 4,171,924
Cash and investments - held by fiscal agents	-	-	-	14,000	-	14,000	59,990
Receivables - net	952,411	840,896	1,285,844	12,213,698	10,312	15,303,161	2,802
Due from other governments	-	-	-	-	339,027	339,027	-
Inventories	-	346,939	2,361,580	2,216,708	135,593	5,080,820	101,003
Prepayments	-	-	-	-	-	-	24,043
Pension asset	-	70,600	30,844	184,867	69,727	355,638	30,192
<b>Total current assets</b>	<b>952,411</b>	<b>2,173,215</b>	<b>8,424,237</b>	<b>34,344,995</b>	<b>3,909,261</b>	<b>49,804,119</b>	<b>4,389,954</b>
<b>Noncurrent assets</b>							
Restricted cash and investments	-	5,126,388	1,959,171	20,508,289	-	27,593,848	-
Capital assets:							
Land and improvements	63,945	60,477	14,847	645,769	509,232	1,294,270	-
Construction in progress	2,348,892	3,215,837	1,708,031	23,767,509	-	31,040,269	-
Buildings, structures, and improvements	39,016,561	38,045,801	37,170,737	131,132,853	4,938,439	250,304,391	-
Equipment	31,677,569	12,139,701	1,400,672	6,196,209	1,805,760	53,219,931	9,675,099
Less - accumulated depreciation	(26,298,154)	(20,594,394)	(13,285,110)	(55,495,407)	(2,968,307)	(118,621,372)	(7,342,137)
<b>Total noncurrent assets - net</b>	<b>46,808,833</b>	<b>37,993,810</b>	<b>28,988,348</b>	<b>126,755,222</b>	<b>4,285,124</b>	<b>244,831,337</b>	<b>2,332,962</b>
<b>Total assets</b>	<b>47,761,244</b>	<b>40,167,025</b>	<b>37,412,585</b>	<b>161,100,217</b>	<b>8,194,385</b>	<b>294,635,456</b>	<b>6,722,916</b>
<b>LIABILITIES</b>							
<b>Current liabilities</b>							
Accounts payable	23,449	385,118	1,542,718	6,731,903	163,871	8,847,059	72,415
Accrued interest	171,466	111,753	16,869	177,449	669	478,206	1,040
Due to primary government	1,365,143	-	-	-	63,846	1,428,989	-
Due to other governments	-	-	-	-	-	-	153,970
Refundable deposits	-	-	-	2,291,215	-	2,291,215	-
Pension liability	16,260	-	-	-	20,997	37,257	-
Long-term liabilities - due within one year	1,924,095	1,490,860	262,542	1,668,351	623,771	5,969,619	113,659
<b>Total current liabilities</b>	<b>3,500,413</b>	<b>1,987,731</b>	<b>1,822,129</b>	<b>10,868,918</b>	<b>873,154</b>	<b>19,052,345</b>	<b>341,084</b>
<b>Noncurrent liabilities</b>							
Long-term liabilities - due in more than one year	11,865,124	7,439,356	1,252,176	17,889,378	498,834	38,942,868	3,495
Compensated absences	-	118,318	200,882	548,203	100,917	968,320	-
<b>Total noncurrent liabilities</b>	<b>11,865,124</b>	<b>7,557,674</b>	<b>1,453,058</b>	<b>18,437,581</b>	<b>599,751</b>	<b>39,911,188</b>	<b>3,495</b>
<b>Total liabilities</b>	<b>15,365,537</b>	<b>9,545,405</b>	<b>3,275,187</b>	<b>29,306,499</b>	<b>1,470,905</b>	<b>58,963,533</b>	<b>344,579</b>
<b>NET ASSETS</b>							
Invested in capital assets - net of related debt	33,019,615	23,937,206	25,514,460	86,689,200	3,164,519	172,325,000	2,332,962
Restricted for incomplete capital projects	785,306	5,126,388	1,959,171	20,508,289	334,069	28,713,223	-
Unrestricted	(1,409,214)	1,558,026	6,683,767	24,596,229	3,224,892	34,633,700	4,045,375
<b>Total net assets</b>	<b>\$ 32,395,707</b>	<b>\$ 30,621,620</b>	<b>\$ 34,137,398</b>	<b>\$ 131,793,718</b>	<b>\$ 6,723,480</b>	<b>\$ 235,671,923</b>	<b>\$ 6,378,337</b>

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

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS -  
ENTERPRISE FUNDS

Year Ended June 30, 2007

	Wastewater	Water	Gas	Electric	Nonmajor Enterprise Funds	Total	Governmental Internal Service Funds
<b>OPERATING REVENUES</b>							
Charges for services	\$ 7,805,221	\$ 7,012,772	\$ 26,290,132	\$ 88,910,376	\$ 5,802,965	\$ 135,621,466	\$ 5,323,688
<b>OPERATING EXPENSES</b>							
Purchased services	-	-	18,869,927	59,625,738	-	78,515,665	-
Production	-	-	-	583,038	-	583,038	-
Transmission	3,063,877	1,316,044	-	1,024,190	-	5,404,111	-
Engineering	-	112,973	372,271	622,475	-	1,107,719	-
Distribution	809,890	642,002	578,660	2,206,865	-	4,237,217	-
Services	83,853	101,226	100,605	-	5,578,153	5,863,837	-
Depreciation	1,701,276	1,182,336	1,028,206	3,914,584	182,480	8,008,862	594,675
Meters/regulators	-	81,901	129,303	-	-	542,607	4,772,366
General and administrative	263,891	838,219	2,111,642	3,914,016	-	7,127,768	-
<b>Total operating expenses</b>	5,922,787	4,274,701	23,210,614	72,222,109	5,760,633	111,390,844	5,367,041
<b>Operating income (loss)</b>	1,882,434	2,738,071	3,079,518	16,688,267	(167,668)	24,230,622	(43,353)
<b>NONOPERATING REVENUES (EXPENSES)</b>							
Sales income	-	-	-	-	101,400	101,400	-
Jobbing income (loss)	-	84,577	117,164	836,365	(7,333)	1,030,773	-
Rental income	-	-	-	-	21,369	21,369	-
Recovered cost	1,813	1,011	31	646,016	16,002	664,873	9,522
Gain (loss) on sale of capital assets	3,436	2,860	26,207	93,899	12,445	138,647	80,664
Federal and state grants	-	-	-	-	711,310	711,310	-
In-kind contributions	-	-	-	-	122,320	122,320	-
Interest income	1,205	316,056	414,591	2,522,202	340,200	3,594,254	193,369
Interest expense	(639,161)	(464,763)	(79,876)	(874,088)	(68,681)	(2,126,769)	(3,855)
<b>Total nonoperating revenues (expenses)</b>	(632,707)	(60,259)	478,117	3,224,194	1,248,832	4,258,177	279,700
<b>Income before contributions and transfers</b>	1,249,727	2,677,812	3,557,635	19,912,461	1,091,164	28,488,799	236,347
Capital contributions	54,053	645,389	472,777	91,319	-	1,263,538	-
Transfers in	7,230	-	-	-	280,856	288,086	17,850
Transfers out	(642,000)	(867,000)	(2,797,000)	(8,524,000)	(221,530)	(13,051,530)	-
<b>Total</b>	(580,717)	(221,611)	(2,324,223)	(8,432,681)	39,326	(11,519,906)	17,850
<b>Change in net assets</b>	669,010	2,456,201	1,233,412	11,479,780	1,130,490	16,968,893	254,197
<b>Total net assets - beginning of year</b>	31,726,697	28,165,419	32,903,966	120,313,938	5,592,980	218,703,030	6,124,140
<b>Total net assets - end of year</b>	\$ 32,395,707	\$ 30,621,620	\$ 34,137,388	\$ 131,793,718	\$ 6,723,480	\$ 235,671,923	\$ 6,378,337

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

## STATEMENT OF CASH FLOWS - ENTERPRISE FUNDS

Year Ended June 30, 2007

	Wastewater	Water	Gas	Electric	Nonmajor Enterprise Funds	Total	Governmental Internal Service Funds
<b>Cash flows from operating activities</b>							
Received from customers	\$ 7,693,067	\$ 6,870,798	\$ 26,526,682	\$ 87,613,145	\$ 5,642,678	\$ 134,346,370	\$ 5,322,859
Payments to suppliers for goods and services	(3,386,178)	(1,527,729)	(22,435,760)	(66,282,454)	(2,551,193)	(96,183,314)	(4,036,579)
Payments to employees for services	(343,446)	(1,363,733)	(1,074,554)	(4,289,535)	(2,494,626)	(9,565,894)	(698,052)
Payments to internal service funds for goods and services	(151,181)	(5,100)	(1,046)	(8,764)	(481,406)	(647,497)	(37,727)
Nonoperating revenue	1,813	85,588	117,195	2,082,382	30,037	2,317,015	9,522
<b>Net cash from operating activities</b>	3,814,075	4,059,824	3,132,517	19,114,774	145,490	30,266,680	560,023
<b>Cash flows from noncapital financing activities</b>							
Transfers from other funds	7,230	-	-	-	260,886	268,086	17,850
Transfers to other funds	(642,000)	(867,000)	(2,797,000)	(8,524,000)	(221,530)	(13,051,530)	-
Operating grants received	(1,205)	-	-	-	851,482	850,277	-
<b>Net cash from noncapital financing activities</b>	(635,975)	(867,000)	(2,797,000)	(8,524,000)	890,808	(11,933,167)	17,850
<b>Cash flows from capital and related financing activities</b>							
Acquisition of capital assets	(1,001,388)	(1,655,786)	(1,669,643)	(13,747,086)	(360,825)	(18,434,728)	(639,334)
Principal payments on long-term debt	(1,638,619)	(1,365,569)	(217,421)	(1,160,170)	(624,257)	(5,006,036)	(37,730)
Proceeds on long-term debt	-	-	-	5,000,000	-	5,000,000	-
Interest payments on long-term debt	(666,777)	(489,643)	(83,923)	(818,436)	(69,196)	(2,127,975)	(4,350)
Proceeds from sale of capital assets	3,436	2,860	28,207	93,699	113,845	240,047	80,664
Contributed capital	54,053	645,389	472,777	91,319	-	1,263,538	-
<b>Net cash from capital and related financing activities</b>	(3,249,295)	(2,862,749)	(1,472,003)	(10,540,674)	(940,433)	(19,065,154)	(600,750)
<b>Cash flows from investing activities</b>							
Interest on investments	1,205	316,055	414,591	2,454,975	284,140	3,470,966	133,240
Net activity in investment securities	69,990	87,323	(6,436)	79,545	57,010	287,432	61,605
<b>Net cash from investing activities</b>	71,195	403,378	408,155	2,534,520	341,150	3,758,398	194,845
<b>Net increase in cash and investments</b>	-	733,453	(728,331)	2,584,620	437,015	3,026,757	171,968
<b>Cash and investments - beginning of year</b>	-	5,307,715	7,433,671	37,653,591	2,917,587	53,312,564	4,059,946
<b>Cash and investments - end of year</b>	\$ -	\$ 6,041,168	\$ 6,705,340	\$ 40,238,211	\$ 3,354,602	\$ 56,339,321	\$ 4,231,914

(Continued on next page)

## CITY OF DANVILLE, VIRGINIA

Exhibit G  
(Continued)

## STATEMENT OF CASH FLOWS - ENTERPRISE FUNDS

Year Ended June 30, 2007

	Wastewater	Water	Gas	Electric	Nonmajor Enterprise Funds	Total	Governmental Internal Service Funds
Reconciliation of operating income (loss) to net cash from operating activities							
Operating income (loss)	\$ 1,882,434	\$ 2,738,071	\$ 3,079,518	\$ 16,688,267	\$ (157,668)	\$ 24,230,622	\$ (43,353)
Adjustments:							
Depreciation charged to operations	1,701,276	1,182,336	1,028,206	3,914,584	182,480	8,008,882	594,675
In-kind contributions	-	-	-	-	122,320	122,320	-
Change in noncash employee benefits charged to operations	5,424	(28,674)	95,478	89,126	46,010	207,364	8,994
Nonoperating revenue	1,813	85,588	117,195	1,482,383	30,037	1,717,016	9,522
Changes in assets and liabilities:							
Receivables	(112,153)	(141,974)	236,550	(854,120)	39,713	(831,984)	(829)
Reserve for uncollectibles	(104,500)	1,400	1,600	18,100	-	(83,400)	-
Inventories	-	(43,356)	(2,151,301)	(747,956)	(69,727)	(3,012,340)	(5,341)
Accounts payable	439,781	266,433	725,271	(1,632,499)	68,311	(132,703)	(3,645)
Due to primary government	-	-	-	-	(115,986)	(115,986)	-
Refundable deposits	-	-	-	156,889	-	156,889	-
Net cash from operating activities	\$ 3,814,075	\$ 4,059,824	\$ 3,132,517	\$ 19,114,774	\$ 145,490	\$ 30,266,680	\$ 560,023
Supplemental disclosure of noncash investing, capital, and financing activities							
Increase in fair value of investments	\$ -	\$ 96,960	\$ 128,945	\$ 653,066	\$ 61,348	\$ 940,319	\$ 60,128

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



## STATEMENT OF FIDUCIARY NET ASSETS

June 30, 2007

	Pension	Agency
	Employees'	Veterans
	Retirement Plan	Memorial Fund
<b>ASSETS</b>		
Cash	\$ 570	\$ 198,149
Receivables:		
Employer's contributions	280,129	-
Accrued interest and dividends	268,663	-
Total receivables	548,792	198,149
Investments - at fair value:		
Common stocks	110,660,989	-
Corporate bonds	27,514,668	-
Foreign stocks	45,899,595	-
U.S. government obligations	11,338,755	-
Other investments	17,725,186	-
Total investments	213,139,193	-
<b>Total assets</b>	<b>213,688,555</b>	<b>198,149</b>
<b>LIABILITIES</b>		
Accounts payable	204,251	-
<b>NET ASSETS</b>		
Held in trust	\$ 213,484,304	\$ 198,149

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

## STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS

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Year Ended June 30, 2007

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	Employees' Retirement Plan
	<hr/>
<b>ADDITIONS</b>	
Contributions:	
Employer	\$ 3,308,019
<b>Total contributions</b>	<hr/> 3,308,019
Investment earnings:	
Net increase in fair value of investments	27,714,949
Interest	1,596,696
Dividends	<hr/> 2,171,261
<b>Total investment income</b>	31,482,906
Less - investment expenses	<hr/> (897,232)
<b>Net investment income</b>	<hr/> 30,585,674
<b>Total additions</b>	<hr/> 33,893,693
<b>DEDUCTIONS</b>	
Benefits paid to participants	7,657,163
Refunds of contributions	133,982
Administrative expenses	<hr/> 105,768
<b>Total deductions</b>	<hr/> 7,896,913
<b>Change in net assets</b>	25,996,780
<b>Net assets held in trust for pension benefits - beginning of year</b>	<hr/> 187,487,524
<b>Net assets held in trust for pension benefits - end of year</b>	<hr/> \$ 213,484,304

*The accompanying notes are an integral part of these financial statements.*

## STATEMENT OF NET ASSETS - COMPONENT UNITS

June 30, 2007

	Danville Public Schools	Industrial Development Authority	Total
<b>ASSETS</b>			
Cash and investments	\$ 1,557,269	\$ 342,080	\$ 1,899,349
Cash and investments - held by fiscal agents	3,288,266	-	3,288,266
Receivables - net	71,831	61,033	132,864
Due from City of Danville	856,863	-	856,863
Due from other governments	3,850,815	-	3,850,815
Prepayments	75,757	68,089	143,846
Inventories	817,323	-	817,323
Capital assets:			
Land and construction in progress	3,717,970	722,945	4,440,915
Other capital assets - net	7,058,067	12,409,010	19,467,077
<b>Total assets</b>	<b>21,294,161</b>	<b>13,603,157</b>	<b>34,897,318</b>
<b>LIABILITIES</b>			
Accounts payable	431,861	-	431,861
Accrued salaries	3,522,766	-	3,522,766
Accrued payroll taxes	266,856	-	266,856
Accrued expenses	-	8,382	8,382
Due to primary government	-	34,972	34,972
Long-term liabilities:			
Due within one year	1,281,307	262,380	1,543,687
Due in more than one year	2,968,731	10,385,141	13,353,872
<b>Total liabilities</b>	<b>8,471,521</b>	<b>10,690,875</b>	<b>19,162,396</b>
<b>NET ASSETS</b>			
Invested in capital assets - net of related debt	10,776,037	2,484,434	13,260,471
Restricted for:			
Insurance payments	3,288,266	-	3,288,266
Unrestricted	(1,241,663)	1,883,297	641,634
<b>Total net assets</b>	<b>12,822,640</b>	<b>2,912,282</b>	<b>17,190,371</b>

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

## CITY OF DANVILLE, VIRGINIA

Exhibit K

## STATEMENT OF ACTIVITIES - COMPONENT UNITS

Year Ended June 30, 2007		Program Revenues				Net (Expense) Revenue and Changes in Net Assets			
	Expense	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions		Danville Public Schools	Industrial Development Authority		Totals
DANVILLE PUBLIC SCHOOLS Education	\$ 66,779,397	\$ 1,077,877	\$ 23,280,658	\$ 3,134,248	\$	\$ (39,286,614)	\$ -	\$	\$ (39,286,614)
INDUSTRIAL DEVELOPMENT AUTHORITY Economic Development	3,711,553	855,760	-	3,069,387		-	213,594		213,594
Total component units	\$ 70,490,950	\$ 1,933,637	\$ 23,280,658	\$ 6,203,635		\$ (39,286,614)	213,594		\$ (39,073,020)
General revenues:									
City of Danville						17,359,484	-		17,359,484
State aid - unrestricted						24,338,729	-		24,338,729
Investment income						210,424	8,504		218,928
Miscellaneous						448,512	65,058		513,570
Total general revenues						42,357,149	73,562		42,430,711
Change in net assets						3,070,535	287,156		3,357,691
Net assets - beginning of year						9,752,105	2,625,126		12,377,231
Net assets - end of year						\$ 12,822,640	\$ 2,912,282	\$	\$ 15,734,922

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



# NOTES TO THE FINANCIAL STATEMENTS

## **CITY OF DANVILLE, VIRGINIA**

### **NOTES TO FINANCIAL STATEMENTS**

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**June 30, 2007**

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#### **1. Organization and Nature of Operations**

##### ***Reporting Entity***

The **City of Danville** (City), located in southside Virginia at the North Carolina border, was founded in 1793 and chartered in 1830. The City covers an area of approximately 44 square miles and has a population of approximately 45,900.

The City is governed under the City Manager-Council form of government. The City engages in a comprehensive range of municipal services, including general government administration, public safety and administration of justice, education, health, welfare, housing and human service programs, transportation and environmental services, planning, community development and recreation, cultural, library, and historic activities.

#### **2. Summary of Significant Accounting Policies**

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

##### ***A. Financial Reporting Entity***

The City follows GASB Statement No. 34, *Basic Financial Statements – Management's Discussion and Analysis – for State and Local Governments*. GASB Statement No. 34 adds the following components to the financial statements:

- 1. Management's Discussion and Analysis** – A narrative introduction and analytical overview of the government's financial activities. This analysis is similar to the analysis the private sector provides in their annual reports.
- 2. Government-wide financial statements** – These include the financial statements prepared using full accrual accounting for all of the government's activities. This approach includes not just current assets and liabilities (such as cash and accounts payable) but also capital assets and long-term liabilities (such as buildings and infrastructure, including bridges and roads, and general obligation debt). Accrual accounting also reports all of the revenues and cost of providing services each year, not just those received or paid in the current year or soon thereafter. The government-wide statements include the Statement of Net Assets and the Statement of Activities.
- 3. Statement of Net Assets** – The Statement of Net Assets displays the financial position of the primary government (government and business-type activities) and its discretely presented component units. Governments report all capital assets, including infrastructure, in the government-wide Statement of Net Assets and report depreciation expense - the cost of "using up" capital assets - in the Statement of Activities. The net assets of a government are broken down into three categories: 1) invested in capital assets, net of related debt; 2) restricted; and 3) unrestricted. Invested in capital assets, net of related debt is comprised of capital assets less long-term debt related to these assets. Compensated absence liabilities are not a part of this calculation. Restricted assets are defined as assets restricted from or by

parties outside the City. Unrestricted is defined as the remaining assets available for unrestricted use by the City.

4. **Statement of Activities** - The Statement of Activities reports expenses and revenues in a format that focuses on the cost of each of the government's functions. The expense of individual functions is compared to the revenues generated directly by the function (for instance, through user charges or intergovernmental grants).
5. **Budgetary comparison schedules** - Demonstrating compliance with the adopted budget is an important component of a government's accountability to the public. Many citizens participate in the process of establishing the annual operating budgets of the state and local governments, and have a keen interest in following the actual financial progress of their governments over the course of the year. The City and many other governments revise their original budgets over the course of the year for a variety of reasons.

As required by accounting principles generally accepted in the United States of America, these financial statements present the primary government and its component units, entities for which the government is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the government's operations, therefore data from these units would be combined with data of the primary government. The City has no component units that meet the requirements for blending. The discretely presented component units, on the other hand, are reported in a separate column in the government-wide statements to emphasize they are legally separate from the primary government. Each discretely presented component unit has a June 30, fiscal year-end.

#### ***B. Government-wide and Fund Accounting Financial Statements***

The basic financial statements include both government-wide (based on the City as a whole) and fund accounting financial statements. While the reporting model before GASB34, emphasized fund types (the total of all funds of a particular type), in the new reporting model the focus is on either the City as a whole or major individual funds (within the fund financial statements). Both the government-wide and fund accounting financial statements (within the basic financial statements) categorize primary activities as either governmental or business-type. In the government-wide Statement of Net Assets, both the governmental and business-type activities columns are: (a) presented on a consolidated basis by column, and (b) reflected on a full accrual, economic resource basis, which incorporates long-term assets and receivables as well as long-term debt and obligations. The City generally first uses restricted assets for expenses incurred for which both restricted and unrestricted assets are available. The City may defer the use of restricted assets based on a review of the specific transaction.

The government-wide Statement of Activities is reported using the economic resources measurement focus and the accrual basis of accounting which reflects both the gross and net cost per functional category (public safety, public works, health and welfare, etc.), which are otherwise being supported by general government revenues (property, sales and use taxes, certain intergovernmental revenues, fines, permits and charges, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related charges for services, operating and capital grants, and contributions. The charges for services must be directly associated with the function (public safety, public works, health and welfare, etc.) or be a business-type activity. The City does not allocate indirect expenses. The operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants.

The governmental funds major fund statements in the fund financial statements are presented on a current financial resource measurement focus and modified accrual basis of accounting. This is the manner in which these funds are normally budgeted. Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide statements' governmental column, a reconciliation is presented which briefly explains the adjustments



necessary to reconcile the fund based financial statements with the governmental column of the government-wide presentation.

The City's fiduciary funds (which have been redefined and narrowed in scope) are presented in the fund financial statements by type (pension and agency). 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 focus of the revised model is on the City as a whole and the fund financial statements, including the major individual funds of the governmental and business-type categories, as well as the fiduciary funds (by category), and the component units. Each presentation provides valuable information that can be analyzed and compared (between years and between governments) to enhance the usefulness of the information.

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

## **1. Governmental Funds**

Governmental funds are those through which most governmental functions typically are financed.

### **a. General Fund**

The General Fund is the primary operating fund of the City. This fund is used to account for all financial transactions and resources except those required to be accounted for in another fund. Revenues are derived primarily from property and other local taxes, state and federal distributions, licenses, permits, charges for services, and investment income. A significant part of the General Fund's revenues is transferred to other funds and component units, principally to finance the operations of the City of Danville's Public Schools.

### **b. Community Development**

The Community Development Fund accounts for all financial resources used for the growth of the City through state, federal, and local grants and donations. This fund is accounted for as a major governmental fund for reporting purposes by the City.

### **c. Capital Projects Fund**

The Capital Projects Fund accounts for all financial resources used for the acquisition or construction of major capital facilities not being financed by enterprise or nonexpendable trust funds. The Capital Projects Fund is considered a major governmental fund for reporting purposes.

### **d. Special Revenue Fund**

The Special Revenue Fund accounts for revenue derived from specific sources (other than major capital projects) that are restricted by legal and regulatory provisions to finance specific activities. The Special Revenue Fund is considered a nonmajor governmental fund for reporting purposes.

### **e. Cemetery Maintenance Fund**

The Cemetery Maintenance Fund accounts for the financial resources used for the maintenance of the City's cemetery. All funds are generated by the sale of perpetual care contracts, and only the interest is used for the benefit of the primary government. This fund is accounted for as a permanent (nonmajor) fund for governmental reporting purposes.

#### **f. Internal Service Fund**

The Internal Service Fund accounts for the financing of goods or services provided by one department to other departments or agencies of the City on a cost-reimbursement basis. The Internal Service Fund is included in governmental activities for government-wide reporting purposes. The excess revenue or expenses for the fund are allocated to the appropriate functional activity.

Major internal service funds are used to account for the activities of the City's motor pool, central printing, and insurance.

### **2. Enterprise Funds**

Enterprise Funds are used to account for activities that are similar to those often found in the private sector. All assets, liabilities, equities, revenues, expenses, and transfers relating to the government's business activities are accounted for through enterprise funds. The measurement focus is on determination of net income, financial position, and cash flows. Operating revenues include charges for services. Operating expenses include costs of services as well as materials, contracts, personnel, and depreciation. In accordance with Governmental Accounting Standards Board Statement No. 20, *Accounting and Financial Reporting for Enterprise Funds and Other Governmental Entities That Use Enterprise Fund Accounting*, the City has elected to follow GASB statements issued after November 30, 1989, rather than the Financial Accounting Standards Board, in accounting for Enterprise funds.

#### **Enterprise Funds or Business Funds**

Enterprise Funds account for operations that are financed in a manner similar to private business enterprises, where the intent is that costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

The City defines operating revenues and expenses as those generated by the principal ongoing operation of the enterprise fund. Nonoperating revenues and expenses are those activities not generated by the ongoing activities of the fund such as interest income and expense, gain or loss on sale of capital assets and miscellaneous recoveries and rebates.

The City's major Enterprise Funds are used to account for wastewater, water, gas, and electricity.

### **3. Fiduciary Funds**

Fiduciary Funds are used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, and other governments. The only major fiduciary fund of the City is used to account for the City's Employee Retirement System activity. For accounting measurement purposes, the Pension Trust Fund is accounted for in essentially the same manner as enterprise funds. The Pension Trust Fund accounts for the assets of the City's pension plan. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operation. The only agency fund is the Veteran's Memorial Fund which is managed by the City for the benefit of the local memorial and funded by private donations. Fiduciary funds are not included in the government-wide financial statements.

#### ***Discretely Presented Component Units***

Danville Public Schools (DPS) are organized as an independently governed school system for operating the public schools of the City. Board members are appointed by City Council by authority of the City Charter. Danville Public Schools are financially dependent on appropriations by the City Council for current operations, and any surplus funds are returned to the City annually. In addition, major capital improvements are financed by long-term debt issued by the City. In accordance with requirements of the Auditor of Public Accounts of the Commonwealth of Virginia, Danville Public Schools are considered to be a major component unit of the City.

The Industrial Development Authority (IDA) was created as a political subdivision of the Commonwealth of Virginia by ordinance of the City Council pursuant to provisions of the *Industrial Revenue Bond Act* of the *Code of Virginia (1950)* as amended. Seven directors appointed by the City Council of Danville govern the IDA. The City provides the majority of the IDA's funding. The IDA operates as a component unit solely for the purpose of economic development for the City of Danville. It is authorized to acquire, own, lease, and dispose of properties to the end that such activities may promote industry and develop trade by inducing enterprises to locate and remain in Virginia.

These financial statements are shown on Exhibits J and K.

Complete financial statements for each of the component units may be obtained at the entity's offices:

Danville Public Schools  
P.O. Box 9600  
Danville, Virginia 24543

Industrial Development Authority of Danville  
P.O. Box 3300  
Danville, Virginia 24543

#### ***D. Danville's Jointly Governed Organizations***

City Council, in conjunction with the Board of Supervisors of Pittsylvania County, Virginia (County), established Danville-Pittsylvania Community Services (DPCS) in 1972 to implement the provisions of Chapter 10 of Title 37.1 of the *Code of Virginia (1950)*, as amended. The primary function of DPCS is the establishment and operation of mental health, mental retardation, and substance abuse programs within the jurisdictional limits of the City and County. Seven members of the fifteen-member board of directors are appointed by City Council, and the County's Board of Supervisors appoints the remaining eight members. The Board of Directors approves its own budget and maintains oversight of all programs. Most of the funding for DPCS comes from state and federal grants, as well as from charges for services. The City and County provide some financial assistance, but DPCS is not financially dependent on the City or the County. While not a component unit of the City or the County, DPCS is considered to be a jointly governed organization since neither the City nor the County has determinable ongoing financial interests, in, or responsibilities for, DPCS. During the year ended June 30, 2007, the City provided \$158,744 in funding for Danville-Pittsylvania Community Services. In addition, state and federal grants totaling \$8,105,154 passed through the City to DPCS.

In July 1995, City Council approved an intergovernmental agreement with Pittsylvania County, Virginia, establishing the Danville-Pittsylvania Community Policy and Management Board (Board). This Board was created under the provisions of the *Virginia Comprehensive Services Act* for at-risk youth and families, establishing a Family Assessment Team to review individual needs and to make recommendations to the Board. Pittsylvania County acts as fiscal agent for the Board and provides office space and personnel. The City of Danville has agreed to reimburse the County for 50% of the operating costs as well as provide legal services. While not a component unit of the City or the County, the Board is considered to be a jointly governed organization, since neither the City nor the County has determinable ongoing financial interests in, or responsibilities for, the Board. During the year ended June 30, 2007, the City provided \$58,494 in funding for the Danville-Pittsylvania Community Policy and Management Board.

#### **Commitments/Subsequent Events**

The Authority has the following commitments at June 30, 2007:

- Approximately \$8 million in outstanding engineering and construction contracts, of which \$4 million have not been expended.

- The outstanding debt (\$6,997,759) on the IALR was paid off on August 1, 2007. This was made possible by grants received from the Virginia Tobacco Indemnification and Community Revitalization Commission.
- \$128,305 was paid to Lorillard Tobacco Co. to fulfill a note payable (plus interest) for land purchased on December 22, 2006.
- As of year end there are outstanding agreements with Swedwood Danville, LLC that provide the Authority will lease 94 acres (valued at \$907,011) to Swedwood for 120 months at a rate of \$1 per year. Swedwood has the option to purchase the above-mentioned land for \$1 at the end of the 120-month lease if all lease obligations are met. If Swedwood does not satisfy the lease obligations they will have the option to purchase the land at \$25,000/acre. If Swedwood chooses to expand their operations within the terms of the agreement, they have the right to lease from the Authority certain parcels of land known as lots 7B and/or 7C, consisting of approximately 103 acres and 11 acres, respectively. Swedwood also has the right of first refusal to purchase a certain parcel of land from the Authority known as Lot 6 consisting of 68.8 acres.

#### ***E. Basis of Accounting***

The Government-wide Statement of Net Assets and Statement of Activities, all enterprise funds and pension trust funds are accounted for using the economic resources measurement focus and the accrual basis of accounting. With this measurement focus, all assets and all liabilities associated with the operation of these activities are included on the Statement of Net Assets. Enterprise fund-type operating statements present increases; e.g., revenues, and decreases; e.g., expenses as changes in net assets. Long-term assets and long-term liabilities are included in the government-wide statements.

The Statement of Net Assets and Statement of Activities of the enterprise funds and fiduciary funds are presented on the accrual basis of accounting. Under this method of accounting, revenues are recognized when earned and expenses are recorded when liabilities are incurred without regard to receipt or disbursement of cash.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet in the funds statements. Operating statements of these funds present increases; i.e., revenues and other financing sources and decreases; i.e., expenditures and other financing uses, as changes in fund balances.

The fund financial statements of the General, Special Revenue, Capital Projects, and nonmajor governmental funds are maintained and reported on the modified accrual basis of accounting. Under this method of accounting, revenues are recognized in the period in which they become measurable and available. With respect to real and personal property tax revenues and other local taxes, the term "available" is limited to collection within forty-five days of the fiscal year-end. Levies made prior to the fiscal year-end, but which are not available, are deferred. Investment income is recorded as earned. Federal and state reimbursement-type grants are recorded as revenue when related eligible expenditures are incurred. Expenditures, other than accrued interest on long-term debt, are recorded when the fund liability is incurred.

#### ***F. Encumbrances***

Encumbrance accounting, the recording of purchase orders, contracts, and other monetary commitments in order to reserve an applicable portion of an appropriation, is used as an extension of formal budgetary control in the General, Capital Projects funds, and Community Development fund. Encumbrances outstanding at year-end are reported as reservations of fund balance and do not constitute expenditures or liabilities because the commitments will be honored during the subsequent

fiscal year. These encumbrances are subject to reappropriation by Council ordinance of the succeeding fiscal year.

#### ***G. Cash and Investments***

Cash resources of the individual funds, excluding cash held with fiscal agents in the General Fund, Special Revenue Fund, Capital Projects Fund, Enterprise funds, and Fiduciary funds, are combined to form a pool of cash and investments to maximize earnings. Investments in the pool consist of obligations of the federal government and are recorded at fair value. Income from pooled investments is allocated only when contractually or legally required. All investment earnings are allocated to the various funds based on their equity in the investment pool.

For purposes of the statement of cash flows, the Enterprise Funds consider all highly liquid investments with maturity of three months or less when purchased to be cash equivalents. The fair value of investments is based on quoted market prices; no investments are valued at cost. All investments in external investment pools are reported at fair value.

#### ***H. Allowance for Uncollectible Accounts***

The City calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis.

General Fund allowance:	
Taxes receivable	\$ 837,268
Fines and forfeitures receivable	2,905,095
	<u>\$ 3,742,363</u>
Enterprise Fund allowance:	
Consumer receivables - wastewater	\$ 3,900
Penalties receivable	60,300
	<u>\$ 64,200</u>

The component units' customer accounts receivable are considered fully collectible, and; therefore, an allowance for uncollectible accounts is not applicable to those receivables.

#### ***I. Inventories of Supplies, Prepayments and Other Assets***

##### **1. Primary Government**

Inventories in the General Fund consist of expendable supplies held for consumption. The costs are recorded as expenditures under the purchase method. Purchases of noninventory items are recorded as expenditures under the consumption method, resulting in prepaid expenditures. Prepaid expenditures in reimbursable grants are offset by deferred revenue until expenditures are recognized. Inventories in the General Fund are costed on the first-in, first-out basis, and Enterprise Funds are costed by the moving-average cost method.

##### **2. Component Units**

Inventories for Danville Public Schools are comprised of food, supplies, and textbooks held for consumption. Quantities on hand at year-end are recorded at cost on the balance sheet with an offsetting reservation of fund balance, which indicates they do not constitute expendable available financial resources. The cost of textbooks is determined by current replacement cost adjusted for estimated wear and tear.

## ***J. Capital Assets***

Capital outlays are recorded as expenditures of the General, Special Revenue, and Capital Projects Funds and as assets in the government-wide financial statements to the extent the City's capitalization threshold is met. In accordance with GASB Statement No. 34, infrastructure has been capitalized retroactively to 1980. Depreciation is recorded on general capital assets on a government-wide basis. Capital outlays of the Enterprise Funds are recorded as capital assets and depreciated over their estimated useful lives on a straight-line basis on both the funds basis and the government-wide basis. The capitalization threshold for capitalizing capital assets is \$5,000, and the infrastructure capitalization threshold is \$100,000. All capital assets are valued at historical cost or estimated historical cost if actual cost is not available. Donated capital assets are valued at their estimated fair market value on the date donated. The City does not capitalize historical treasures or works of art. The City maintains many items and buildings of historical significance. The City does not require that the proceeds from the sale of historical treasures or works of art be used to acquire other items for the collection.

Maintenance, repairs, and minor equipment are charged to operations when incurred. Expenditures that materially change capacities or extend useful lives of capital assets are capitalized. Upon sale or retirement of land, buildings, and equipment, the cost and related accumulated depreciation, if applicable, are eliminated from the respective accounts, and any resulting gain or loss is included in current year's operations.

## ***K. Compensated Absences and Other Employee Benefits***

Expenditures for compensated absences and self-insured group hospitalization and workers' compensation in governmental funds are recorded when the obligations are paid. The current portions are not recorded as liabilities in governmental funds since these will not be liquidated with expendable available financial resources. Compensated absences are reported in governmental funds only if they have matured. The amounts reported are the unused reimbursable compensated absences still outstanding following an employee's resignation or retirement. In enterprise funds, both the expenses and the liabilities are recorded as the benefits are earned. All liabilities, current and long-term, are recorded in the Government-wide Statement of Net Assets.

### **1. Vacation Pay**

The City's policy regarding vacation pay allows for the unlimited accumulation of unused benefits. Unused vacation pay is paid upon termination of employment. The Danville Public Schools allows for the accumulation of vacation pay that may be used by employees when retiring early, but is not paid at termination.

### **2. Sick Pay**

Accumulated sick leave benefits earned but unpaid at the end of the fiscal year are recorded as a liability at the balance sheet date. Accumulated sick leave is paid to employees upon retirement from employment at a rate of \$1.50 per hour up to a maximum of 960 hours (\$1,440 per employee). Up to one year of unused sick leave may be applied to total service years upon retirement.

### **3. Group Hospitalization**

All permanent employees of the City, including elected officials and their staff, are eligible to participate in the City's group insurance program. The City contributes 70% of the premium for active participating employees. The City is self-insured for group hospitalization with the exception of \$125,000 stop loss coverage.

### **4. Workers' Compensation**

The City is self-insured for all workers' compensation claims. There were no significant claims incurred but not reported as of June 30, 2007. Liabilities are estimated on a case-by-case review of all outstanding claims by an independent claims agent.

## **5. Other Postemployment Benefits**

All permanent employees of the City are eligible to continue their hospitalization and group life insurance into retirement. The City contributes 20% of the premium for retirees.

Danville Public Schools allow employees who participate in the Supplemental Retirement Plan to continue coverage under the School Board's health insurance program. The retirees pay the entire premium. Retirees who qualify to receive Virginia Retirement System (VRS) retirement benefits may continue in the VRS group life insurance program. The VRS does not charge a premium for this coverage.

### ***L. Deferred Revenue***

Included in deferred revenue in the Governmental Funds Balance Sheet is \$8,008,543 of property taxes not collected within forty-five days of year-end.

### ***M. Long-Term Debt***

For governmental fund types, bond premiums or discounts as well as issuance costs are recognized during the current period. Bond proceeds are reported as an other financing source net of the applicable premium or discount. Issuance costs, even if withheld from the actual net proceeds received, are reported as debt service expenditures. For enterprise fund types, bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method, which is not materially different from the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Issuance costs are expensed in the year of issue.

### ***N. Fund Balance***

Reservations of fund balance represent amounts that can not be appropriated or are legally segregated for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change. The Enterprise funds' contributed capital represents equity acquired through capital grants and capital contributions from developers, customers, or other funds.

#### **1. Reservations of Fund Balance**

Except for those required to comply with accounting standards, all reservations and designations of General Fund balance reflect City Council action in the context of adoption of the City's budget.

#### **2. Encumbrances**

These fund balances have been reserved for goods and services encumbered, or ordered, before the end of the fiscal year, for which delivery of goods and services have not been made prior to the close of the fiscal year.

#### **3. Approved Capital Projects**

These balances are reserved for capital projects that City Council has already approved.

#### **4. Debt Service**

This balance has been reserved for the accumulation of resources for the payment of general long-term debt principal.

## **3. Deposits and Investments**

All cash of the City is maintained in accounts collateralized in accordance with the Virginia Security for Public Deposits Act (Act), Section 2.1-359 et. seq of the *Code of Virginia* (1950), as amended, or covered by federal depository insurance.

## **A. Deposits**

### **Primary Government**

At year-end, the carrying value of the City's deposits with banks was \$6,377,479, and the bank balances were \$7,414,976. The entire bank balance was covered by federal deposit insurance or collateralized in accordance with the Act.

Under the Act, banks holding public deposits in excess of the amounts insured by the Federal Deposit Insurance Corporation (FDIC) must pledge collateral in the amount of 50% of excess deposits to a collateral pool in the name of the State Treasury Board. Savings and loan institutions are required to collateralize 100% of deposits in excess of FDIC limits. The State Treasury Board is responsible for monitoring compliance with the collateralization and reporting requirements of the Act and for notifying local governments of compliance by banks and savings and loans.

However, all qualified banks' public deposits are considered 100% "insured" (per GASB Statement 3, paragraph 11) because the Act provides for additional assessments to be made. This means that if a qualified bank was to fail, all collateral in the pool would be used to cover the public deposits held at that bank. In addition, if the collateral were inadequate to cover all public deposits, additional amounts would be assessed on a pro-rata basis to each member of the pool. Therefore, the Act ensures that there will be no loss of public funds and that makes the pool similar to depository insurance. At June 30, 2007, no balances of the primary government were uninsured or uncollateralized in banks or savings institutions because of failure of the institutions to qualify under the Act.

### **Component Units**

The carrying value of deposits for Danville Public Schools was \$572,154 and the bank balance was \$2,397,554. The entire bank balance was covered by federal depository insurance or collateralized in accordance with the Act at June 30, 2007. Cash held by physical agents of \$3,288,266 is comprised of \$2,958,768 in the self-insurance fund for health coverage by the carrier and \$329,498 in the escrow account of the workman's compensation carrier.

At year-end, the IDA's deposits with banks were \$342,080. Of the bank balance, \$143,883 was covered by federal depository insurance, and \$198,197 was collateralized in accordance with the Act.

## **B. 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, mutual fund shares of the Virginia State Non-Arbitrage Program (SNAP), commercial paper rated A-1 by Standard and Poor's Corporation or P-1 by Moody's Commercial Paper Record, banker's acceptances, repurchase agreements, and the State Treasurer's Local Government Investment Pool (LGIP). The fair value of the investment in the LGIP is equal to the value of the pool shares. The Auditor of Public Accounts is the oversight body for the LGIP. During the fiscal year, the City had investments in obligations of the United States and LGIP.

A designated portfolio manager managed the investments in U.S. Treasuries during fiscal year 2006. The City has a contract with the manager which requires that, at the time funds are invested, the certificates be held in the City's name in the trust department of the City's independent third-party safekeeping custodian, Wachovia Bank, N.A.

The City maintains one pension plan. The Pension Trust Fund investments are handled by independent portfolio managers. Investment restrictions for the pension trust focus on investment mix and limiting the percentage of the total portfolio that may be invested in a given instrument.

The City is subject to interest rate, credit and custodial risk as described below:



### **Interest Rate Risk**

As a means of limiting the City's exposure to fair value losses arising from interest rates the City's investment policy has limited its investments to maturities of no more than 18 months.

### **Credit Risk**

In accordance with state statutes, the current investment policy of the City authorizes investments in obligations of the United States and agencies thereof, commercial paper, repurchase agreements which are collateralized with securities that are approved for direct investment, the Virginia Local Government Investment Pool (LGIP), and Virginia's State Non-Arbitrage Pool (SNAP). The City's current investment policy limits investments to obligations of the United States and agencies thereof, commercial paper, LGIP and SNAP. During the fiscal year, the City made in each of these categories. The investments of the City's pension plan, are handled by The Northern Trust Company, a company with an AA- rating by Standard & Poor's rating agency. The investments for the plan are directed by the board of employees and are invested in various securities and equities in guaranteed investment accounts. The City has directed Northern Trust Company to invest the Plan's funds. The Commonwealth of Virginia manages the investments of the Virginia Retirement System (VRS).

The City's rated debt Investments as of June 30, 2007 were in LGIP and SNAP and were rated AAAm by Standard and Poor's. The City's pension fund investments were rated by Standard and Poor's also and are included in the chart below.

### **Custodial Risk**

For an investment, custodial risk is the risk that in the event of the failure of the counterparty the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. A designated portfolio manager placed the City's pension plan investments. The City has a contract with the portfolio manager which requires that, at the time funds are invested, investments in obligations of the United States or its agencies be held by the Federal Reserve in a custodial account.

As of June 30, 2007, the City had the following investments and maturities:

## Primary Government

### Investment Maturities

	Fair Value	Less than 1 year	1-5 years	Long-term
U.S. Treasuries	\$ 47,102,141	\$ 4,002,930	\$ 43,099,211	\$ -
LGIP	21,771,323	-	-	-
SNAP	5,823,433	-	5,823,433	-
Total investments	74,696,897	4,002,930	48,922,644	-
Pension Trust Fund	213,139,193	-	-	213,139,193
<b>Total</b>	<b>\$ 287,836,090</b>	<b>\$ 4,002,930</b>	<b>\$ 48,922,644</b>	<b>\$ 213,139,193</b>

### Reconciliation to Total Cash and Investments:

Add:

Cash on hand and in banks	20,139,518
Cash with fiscal agents	799,603

### Total deposits and investments:

\$ 308,775,211

## Component Unit

Statutes authorize DPS 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, commercial paper rated A-1 by Standard and Poor's Corporation or p-1 by Moody's Commercial Paper Record, banker's acceptances, repurchase agreements and the State Treasurer's Local Government Investment Pool (LGIP). For the current fiscal year, DPS was only invested in the LGIP.

Credit Risk - DPS's current investment policy limits investments to the LGIP. Standard & Poor has assigned a rating of AAAM to this pool.

Investments held by DPS at June 30, 2007 were as follows:

Investment	Fair Value
LGIP	\$ 985,115

The following is a reconciliation of total deposits and investments to the government-wide financial statements at June 30, 2007.

**Governmental Activities**

	Governmental Activities	Fiduciary Assets	Total
Cash and investments	\$ 38,510,524	\$ 570	\$ 38,511,094
Cash and investments with fiscal agents	785,603	213,139,193	213,924,796
Total primary government	39,296,127	213,139,763	252,435,890

**Business-Type Activities**

Cash and investments	56,325,321	-	56,325,321
Cash held by fiscal agents	14,000	-	14,000
	56,339,321	-	56,339,321

**Component Units**

Cash and investments	1,899,349	-	1,899,349
Cash held by fiscal agents	3,288,266	-	3,288,266
Total component units	5,187,615	-	5,187,615
Total cash and investments	\$ 100,823,063	\$ 213,139,763	\$ 313,962,826

**Reserved cash and investments.** Equity in pooled cash and investments was reserved for the following purposes:

	Reserved for Incomplete Projects	Reserved for Other Purposes	Total Reserved Cash
General fund:			
Encumbrances	\$ -	\$ 1,591,250	\$ 1,591,250
Debt service	-	720,613	720,613
Specific projects	-	3,262,913	3,262,913
	\$ -	\$ 5,574,776	\$ 5,574,776
Enterprise funds:			
Wastewater	\$ 785,306	\$ -	\$ 785,306
Water	5,126,388	-	5,126,388
Gas	1,959,171	-	1,959,171
Electric	20,508,289	-	20,508,289
Nonmajor	334,069	-	334,069
	\$ 28,713,223	\$ -	\$ 28,713,223

#### 4. Receivables

Receivables in the fund financial statements at June 30, 2007 consist of the following:

##### Governmental Funds

	General	Community Development	Capital Projects	Nonmajor Governmental Funds	Total	Business-type Activities
Receivables:						
Taxes	\$ 11,375,761	\$ -	\$ -	\$ -	\$ 11,375,761	\$ -
Accounts	3,316,828	-	192,346	153,723	3,662,897	15,367,361
Interest	697,270	-	-	-	697,270	-
Loans	-	4,702,849	-	24,057	4,726,906	-
Due from Enterprise Fund	1,428,989	-	-	-	1,428,989	-
Intergovernmental	1,956,417	174,390	1,158,213	1,162,536	4,451,556	339,027
Gross receivables	18,775,265	4,877,239	1,350,559	1,340,316	26,343,379	15,706,388
Less -						
Allowances for uncollectible accounts	(3,742,363)	-	-	-	(3,742,363)	(64,200)
Receivables - net	\$ 15,032,902	\$ 4,877,239	\$ 1,350,559	\$ 1,340,316	\$ 22,601,016	\$ 15,642,188

Total receivables for the governmental funds of \$22,601,016 shown in the chart above plus the receivables in the Internal Service Funds of \$2,802 equal to the total of receivables - net and due from other governments shown on Exhibit A.

##### Component Units

	Danville Public Schools	Industrial Development Authority	Total
Receivable			
Intergovernmental	\$ 3,850,815	\$ -	\$ 3,850,815
Due from City	856,863	-	856,863
Other	71,831	61,033	132,864
Total receivables	\$ 4,779,509	\$ 61,033	\$ 4,840,542

##### Property Taxes

The City levies real estate taxes on all real property on a fiscal year basis, at a rate enacted by the City Council on the assessed value of property (except public utility property) as determined by the Director of Real Estate Assessments of the City of Danville. The Commonwealth assesses public utility property. Neither the City nor the Commonwealth of Virginia imposes a limitation on the tax rate. All property is assessed at 100 percent of fair market value and reassessed each year as of July 1. The Director of Real Estate Assessments, by authority of City ordinance, prorates billings for property incomplete as of July 1, but completed during the year. Any taxes paid after the due date are subject to a 10% penalty.

Real estate taxes are billed in equal semi-annual installments due December 5 and June 5. Liens are placed on the property on the date real estate taxes are delinquent, and interest at the rate of 10%

per annum is added to the delinquent tax and penalty, and must be satisfied prior to the sale or transfer of the property. Any uncollected amounts from previous years' levies are incorporated in the taxes receivable balance. The tax rate during 2007 and 2006 was \$0.800 per \$100 of assessed value.

Personal property tax assessments on tangible business property and all motor vehicles are based on 100 percent of fair market value of the property as of January 1, of each year. For a vehicle, the tax may be prorated for the length of time the vehicle has situs in the City. Personal property taxes do not create a lien on property; however, City vehicle decals, which are required by law for all vehicles garaged in the City, may not be issued to any individual having outstanding personal property taxes. Interest at the rate of 10% per annum is added to the delinquent tax and penalty. The taxes receivable balance at June 30, 2007 includes amounts not yet received from the January 1, 2006 levy due June 5, 2007.

These taxes are included as deferred revenue in the fund financial statements since these taxes are not considered to be available to liquidate liabilities of the current period. The tax rate during 2007 and 2006 was \$3.00 for motor vehicles and tangible property and \$1.50 for machinery and tools per \$100 of assessed value. In addition, any uncollected amounts from prior year levies are incorporated in the taxes receivable balance. Under the provisions of the Personal Property Tax Relief Act of 1998, the City received 70% percent of most taxpayers' assessments in FY 2007 for the state's share of the local personal property tax payment with the remainder collected by the City.

## 5. Capital Assets

The table below is a summary of the changes in capital assets for the fiscal year ended June 30, 2007.

### Governmental Activities

	Balance June 30, 2006	Increases	Decreases	Balance June 30, 2007
Capital assets not being depreciated:				
Land	\$ 6,736,072	\$ -	\$ -	\$ 6,736,072
Construction in progress	5,794,239	8,547,104	(6,689,735)	7,651,608
Total capital assets not being depreciated	12,530,311	8,547,104	(6,689,735)	14,387,680
Other capital assets:				
Buildings	32,350,722	-	(17,000)	32,333,722
Infrastructure	26,831,071	376,371	-	27,207,442
Furniture and other equipment	15,275,380	1,076,435	(254,127)	16,097,688
Total other capital assets	74,457,173	1,452,806	(271,127)	75,638,852
Less - accumulated depreciation for:				
Buildings	(9,997,254)	(718,815)	-	(10,716,069)
Infrastructure	(14,576,729)	(1,466,859)	-	(16,043,588)
Furniture and other equipment	(13,678,026)	(839,961)	-	(14,517,987)
Total accumulated depreciation	(38,252,009)	(3,025,635)	-	(41,277,644)
Total capital assets - depreciated	36,205,164	(1,572,829)	(271,127)	34,361,208
	48,735,475	6,974,275	(6,960,862)	48,748,888
Assets transferred from Danville School Board	77,837,094	-	-	77,837,094
Less - accumulated depreciation	(56,706,393)	(1,923,440)	-	(58,629,833)
	21,130,701	(1,923,440)	-	19,207,261
Total capital assets - net	\$ 69,866,176	\$ 5,050,835	\$ (6,960,862)	\$ 67,956,149

Depreciation was charged to governmental functions as follows:

General government administration	\$	1,404,140
Judicial administration		90,083
Public safety		780,720
Public works		240,222
Health and welfare		210,194
Parks, recreation, and cultural		150,138
Community development		<u>150,138</u>
Total	\$	<u>3,025,635</u>

Depreciation on the assets transferred by the Danville Public Schools was \$1,923,440. This expense is reflected in the education expense on the Statement of Activities.

#### Component Unit - Danville Public Schools

	Balance June 30, 2006	Increases	Decreases	Balance June 30, 2007
Capital assets not being depreciated:				
Land and land improvements	\$ 3,717,970	\$ -	\$ -	\$ 3,717,970
Other capital assets				
Buildings	63,366,847	1,970,318	-	65,337,165
Furniture and other equipment	<u>21,059,242</u>	<u>468,348</u>	<u>-</u>	<u>21,527,590</u>
Total other capital assets	84,426,089	2,438,666	-	86,864,755
Less -				
Total accumulated depreciation	<u>(50,525,649)</u>	<u>(517,571)</u>	<u>-</u>	<u>(51,043,220)</u>
Capital assets - net	<u>37,618,410</u>	<u>1,921,095</u>	<u>-</u>	<u>39,539,505</u>
Assets transferred to the City of Danville to match long-term debt	<u>(28,763,468)</u>	<u>-</u>	<u>-</u>	<u>(28,763,468)</u>
Total	<u>\$ 8,854,942</u>	<u>\$ 1,921,095</u>	<u>\$ -</u>	<u>\$ 10,776,037</u>

Property, plant, and equipment are stated at cost, less an allowance for accumulated depreciation. Depreciation expense is computed using the straight-line method over the estimated lives of the assets as follows:

Buildings	45 years
Equipment	3 - 25 years
Infrastructure	25 - 35 years

Capital outlays are reported as expenditures in the governmental funds; however, in the Statement of Activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. The adjustment from governmental funds to the government-wide statements are summarized as follows:

## Component Unit - Industrial Development Authority

	Balance June 30, 2006	Balance June 30, 2007
Property held for lease:		
Land	\$ 620,615	\$ 620,615
Building	11,870,612	11,865,813
	12,491,227	12,486,428
Less - accumulated depreciation	(615,089)	(912,252)
	11,876,138	11,574,176
Property held for sale:		
Land and building	343,602	1,455,449
Construction in progress	888,897	102,330
Total	\$ 13,108,637	\$ 13,131,955

The IDA has five year operating leases with Essel ProPack America, LLC (Essel ProPack) and TelVista, Inc. Monthly payments are based on an amount equal to the IDA's debt service on each building. Each lease also has up to four (4) five (5) year renewal periods.

Further, Essel ProPack and TelVista each retain an option to purchase their leased property during the term of the lease, including any extensions, thereof, for the remaining principal balance owed by the IDA on the related loan on each property.

The IDA also leases a building in the City's historic district to Luna Technologies for \$1 per year.

Future estimated minimum rental payments due under the leases at June 30, 2007 follows:

Year Ending June 30,	Amount
2008	\$ 856,544
2009	856,544
2010	751,620
2011	751,620
2012	751,620
	<u>\$ 3,967,948</u>

### Land Held for Sale

Land held for sale is recorded at the lower of cost or market. Cost is determined by the acquisition price, if purchased, or at estimated fair value at the date of gift, if donated. Costs of property improvements are capitalized.

## Enterprise Funds

The following is a summary of changes in capital assets for business-type activities for the year ended June 30, 2007:

	Balance June 30, 2006	Increases	Decreases	Balance June 30, 2007
Business-type activities:				
Land	\$ 1,242,292	\$ 51,978	\$ -	\$ 1,294,270
Construction in progress	27,758,517	3,281,752	-	31,040,269
Total capital assets not being depreciated	29,000,809	3,333,730	-	32,334,539
Buildings	236,500,109	13,084,281	-	249,584,390
Equipment	52,490,075	729,856	-	53,219,931
Less - accumulated depreciation for				
Buildings	(84,920,773)	(5,231,470)	-	(90,152,243)
Equipment	(26,247,931)	(2,221,199)	-	(28,469,130)
Total accumulated depreciation	(111,168,704)	(7,452,669)	-	(118,621,373)
Other capital assets - net	177,821,480	7,081,470	-	184,902,950
Total capital assets - net	\$ 206,822,289	\$ 10,415,200	\$ -	\$ 217,237,489

## Governmental Funds

Capital outlay - Primary government	\$ 5,146,886	
Capital outlay - internal services	639,334	
Capital outlay - City - not capitalized	(2,792,906)	
		\$ 2,993,314
Depreciation expense - City	(2,408,094)	
Depreciation expense - Internal services	(594,675)	
Depreciation expense - Schools	(1,923,440)	(4,926,209)
Total adjustment		\$ (1,932,895)

## Component Unit - Danville Public Schools

Capital outlay	\$ 2,438,666
Depreciation expense	(517,571)
Total adjustment	\$ 1,921,095

## 6. Commitments and Contingencies

### A. Litigation

The City is contingently liable with respect to lawsuits and other claims, which arise, in the ordinary course of its operations. It is the opinion of City management and the City Attorney that any losses



not covered by insurance, which may ultimately be incurred as a result of the suits and claims, will not be material to the financial position of the City.

#### ***B. Federally Assisted Grant Programs***

The City and the DPS participate in a number of federally assisted grant programs. Although the City and the DPS have been audited in accordance with the provisions of OMB Circular A-133, these programs remain subject to financial and compliance audits by the grantors or their representatives. Such audits could lead to requests for reimbursements to the grantor agency for expenditures disallowed under terms of the grant. Based on prior experience, City and DPS's management believes such disallowances, if any, will not be significant.

#### ***C. Contracts***

The City has several construction and similar contracts in progress at June 30, 2007. The incomplete unbilled portion of these contracts represents financial commitments that have not been recorded in the financial statements, since they were not liabilities at June 30, 2007.

	<u>City of Danville</u>
Contracts	\$ 6,894,246
Less: paid or recorded as liabilities	<u>(4,991,858)</u>
	<u>\$ 1,902,388</u>

#### ***D. Contingent Liabilities***

##### Primary Government

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters.

The City maintains an insurance fund to account for insurance transactions. The City is self-insured for all workers' compensation claims, comprehensive and collision for vehicles which cost less than \$100,000, property damage up to a deductible of \$10,000, and employee liability to the extent that it is not covered by another policy (see the schedule of insurance coverage in the statistical section of this Comprehensive Annual Financial Report). Liabilities are recorded when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Current market rates are used to discount claim liabilities.

The fleet insurance and commercial general liability insurance is provided under a pooled agreement with the Virginia Municipal Liability Pool (Pool), a public entity risk pool. The Pool has paid policy dividends on a regular basis. If the Pool should be in a deficit condition, it may levy an additional pro-rata assessment to members of the Pool, which may not exceed twice the members' annual contributions. The pool agreement does not address the question of member liability in case of a deficit condition. Claims have not exceeded coverage in any of the previous three years, and there were no reductions in coverage from the previous year.

##### Component Unit

#### ***Worker's compensation***

Danville Public Schools is a member of the School System of Virginia Self-Insurance Association (Association), a public entity risk pool for workers' compensation insurance. All members of the Association have agreed to assume any liability under the Virginia Workers' Compensation Act for any, and all, member employers. The Association has operated at a profit and has declared dividends on a regular basis since Danville Public Schools entered the pool in 1982. Danville Public Schools has elected to have the Association hold its dividends in escrow as a reserve against

possible future claims. At June 30, 2007 the cumulative amount of dividends held in escrow by the Association for the Danville Public Schools amounted to \$329,458.

### **Self-Insurance Coverage**

In October 2005, **DPS** entered into an agreement with Anthem Blue Cross Shield to administer a self-insurance plan for employee medical and pharmacy insurance. **DPS'** s contingent liability is limited to an annual stop loss amount of \$90,000 per participant. The escrow balance (\$2,958,768) is the balance of premiums paid net of claims received by Anthem (\$3,250,108) and the estimated claims incurred but not paid as of for the same period (\$291,340) for the period ended June 30, 2007.

### **E. Reimbursable Agreements**

At June 30, 2007, the City had outstanding agreements representing reimbursements to developers for streets, sewers, and utility facilities. These agreements totaled \$1,369,879 with \$789,882 having qualified for reimbursement within terms of the agreements. The remaining balances will be accrued upon qualification.

### **F. Risk Management**

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. It is the policy of the City to retain risks of losses in those areas where it believes it is more economical to manage its risks internally and account for any claims settlement in the General Fund. Exceptions to the self-insurance program are made when insurance coverage is available and when premiums are cost effective. The City is covered by property/casualty insurance policies on real and personal property (except vehicles) and the following liability insurance policies as of June 30, 2007: public entity and public officials excess liability, medical and dental malpractice liability, voting booths, special events, vacant buildings, volunteer liability, nonowned aircraft liability, and commercial crime. The City maintains a blanket surety bond on all City workers who handle funds and excess amounts of insurance on key officials. There were no material reductions in insurance coverage from coverage in the prior fiscal year nor did settlements exceed coverage for any of the past three fiscal years.

The following Constitutional Officers and City employees are covered by surety bonds issued by Lumberman's Mutual Casualty Co. in the amounts shown as of June 30, 2007:

Treasurer	\$	500,000
Commissioner of Revenue	\$	3,000
Clerk of Circuit Court	\$	103,000
Sheriff	\$	30,000
Treasurer, Director of Central Collections, and Director of Social Services	\$	100,000
All other City employees, except police officers	\$	500,000

### **G. Self-Insurance**

The noncurrent portion of unpaid workers' compensation claims amounted to approximately \$2,898,323 and the amount expected to be paid within one year amounted to \$165,677 as of June 30, 2007, and is reflected in the government-wide statements. Liabilities are reported when it is probable that losses have occurred, and the amounts of the losses can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported to date. Liabilities are determined using a combination of actual claims experience and actuarially determined amounts and include incremental claims, adjustment expense, and estimated recoveries. An independent contractor processes the public liability claims and the City records a provision and liability in the entity-wide statements and General Fund (current portion only) for an estimate of incurred but not reported claims.

Changes in the estimated claims payable for workers' compensation are as follows for the years ended June 30:

	FY 2007	FY 2006
Estimated claims payable at beginning of period	\$ 3,241,000	\$ 2,869,400
Current fiscal year claims, changes in estimates, and payouts	81,000	791,750
Claim payments	(258,000)	(420,150)
Estimated claims payable at end of period	<u>\$ 3,064,000</u>	<u>\$ 3,241,000</u>

## 7. Long-Term Debt

### A. Bonds Payable

The schedule below represents all bonds payable in the Governmental and Enterprise funds, for the year ended June 30, 2007:

CITY OF DANVILLE						
Description	Original Issue	Annual Amount	Interest Rate	Maturity	Outstanding June 30, 2007	
<b>General Obligation and Section 10 Bonds</b>						
General Improvements 87-88	\$ 1,000,000	\$ 50,000	6.00 - 8.00	% 12/1/07	\$ 50,000	
School Series 1991B	2,688,260	\$ 92,300 - 174,163	4.85 - 6.60	% 7/15/11	814,744	
School Series 2001B	6,512,513	\$ 296,368 - 371,160	3.10 - 5.10	% 7/15/21	5,014,877	
School Series 2001B	5,210,006	\$ 237,088 - 296,928	3.10 - 5.10	% 7/15/21	4,011,904	
School Series 2001B - Loan	2,500,000	\$ 125,000	3.10 - 5.10	% 7/15/21	1,875,000	
General Improvements 95-96	7,500,000	\$ 375,000	4.80 - 6.00	% 5/1/16	-	
General Improvements 96-97	6,550,000	\$ 330,000	4.875 - 5.50	% 3/1/17	650,000	
General Improvements & Refunding 97-98	19,035,000	\$ 775,000 - 1,630,000	4.25 - 5.00	% 4/1/18	8,680,000	
General Improvements 98-99	4,100,000	\$ 205,000	3.75 - 5.00	% 3/1/19	2,460,000	
General Improvements 01-02	16,960,000	\$ 130,000 - 1,645,000	2.32 - 5.00	% 8/1/14	13,935,000	
General Improvements 2003A	9,675,000	\$1,040,000 - 1,760,000	2.00 - 3.00	% 8/1/09	4,510,000	
General Improvements 2003B	5,595,000	\$ 450,000 - 665,000	3.00 - 4.00	% 2/1/14	4,130,000	
General Improvements 2004A	8,220,000	\$ 125,000 - 1,000,000	2.00 - 4.00	% 5/1/17	6,920,000	
General Improvements 2005	8,800,000	\$ 290,000 - 640,000	3.70 - 4.25	% 12/1/25	8,510,000	
General Improvements 2007	5,000,000	\$ 165,000 - 360,000	3.625 - 3.90	% 3/1/27	5,000,000	
	<u>109,345,779</u>				<u>66,561,525</u>	
<b>Revenue Bonds</b>						
Utility Revenue Refunding 93-94	1,645,000	\$ 45,000 - 130,000	2.60 - 5.30	% 10/1/07	23,750	
Utility Revenue 93-94	2,900,000	\$ 47,228 - 110,003	4.50	% 6/1/14	1,318,746	
Utility Revenue 94-95	300,000	\$ 12,829 - 19,148	4.50	% 6/1/14	127,138	
Utility Revenue 96-97	7,300,000	\$ 295,838	4.50	% 2/1/19	4,238,940	
	<u>\$ 12,145,000</u>				<u>5,708,574</u>	
<b>Total Outstanding Bonds</b>					<b>\$ 72,270,099</b>	

Debt service on the preceding **Bonds** in future years is as follows:

**General Obligation and Section 10 Bonds:**

Principal:

Fiscal Year Ending June 30,	Governmental	Enterprise	Total
2008	\$ 3,668,815	\$ 4,163,824	\$ 7,832,639
2009	3,748,692	4,244,512	7,993,204
2010	3,466,169	3,993,882	7,460,051
2011	3,011,769	3,600,127	6,611,896
2012	2,834,224	3,240,177	6,074,401
2013-2017	7,773,912	10,385,910	18,159,822
2018-2022	3,984,512	4,395,000	8,379,512
2023-2027	-	4,050,000	4,050,000
	<u>\$ 28,488,093</u>	<u>\$ 38,073,432</u>	<u>\$ 66,561,525</u>

Interest:

Fiscal Year Ending June 30,	Governmental	Enterprise	Total
2008	\$ 1,203,702	\$ 1,499,915	\$ 2,703,617
2009	1,063,468	1,348,095	2,411,563
2010	917,264	1,189,268	2,106,532
2011	777,656	1,038,305	1,815,961
2012	641,153	887,406	1,528,559
2013-2017	1,698,229	2,742,884	4,441,113
2018-2022	451,007	1,248,160	1,699,167
2023-2027	-	399,963	399,963
	<u>\$ 6,752,479</u>	<u>\$ 10,353,996</u>	<u>\$ 17,106,474</u>

**Revenue Bonds:**

Fiscal Year Ending June 30,	Principal	Interest	Total
2008	\$ 575,026	\$ 216,425	\$ 791,451
2009	557,658	194,366	752,024
2010	564,259	173,348	737,607
2011	571,087	152,103	723,190
2012	578,148	130,624	708,772
2013-2017	2,273,456	352,130	2,625,586
2018-2022	588,940	32,109	621,049
	<u>\$ 5,708,574</u>	<u>\$ 1,251,105</u>	<u>\$ 6,959,678</u>

Debt service for note payable, reimbursement agreements, and capital lease bond obligations in future years is as follows:

**Note Payable:**

Fiscal Year Ending June 30,	Principal	Interest	Total
2008	\$ 200,000	\$ 17,440	\$ 217,440
2009	200,000	5,830	205,830
	<u>\$ 400,000</u>	<u>\$ 23,270</u>	<u>\$ 423,270</u>

**Reimbursement Agreements do not require interest payments:**

Principal:

Fiscal Year Ending June 30,	Governmental	Enterprise	Total
2008	\$ 182,896	\$ 175,042	\$ 357,938
2009	182,896	175,042	357,938
2010	176,116	175,042	351,158
2011	-	175,042	175,042
2012	-	127,803	127,803
	<u>\$ 541,908</u>	<u>\$ 827,971</u>	<u>\$ 1,369,879</u>

**Capital Lease Bonds:**

Fiscal Year Ending June 30,	Principal	Interest	Total
2008	\$ 835,961	\$ 525,218	\$ 1,361,179
2009	858,350	481,429	1,339,779
2010	883,836	438,470	1,322,306
2011	910,834	393,222	1,304,056
2012	938,233	347,073	1,285,306
2013 - 2017	4,171,782	1,042,111	5,213,893
2018 - 2021	1,631,062	120,283.00	1,751,345
	<u>\$ 10,230,058</u>	<u>\$ 3,347,806</u>	<u>\$ 13,577,864</u>

**Advance To/From other Funds:**

Fiscal Year Ending June 30,	Principal	Interest	Total
2008	\$ 600,000	\$ 42,400	\$ 642,400
2009	460,000	18,400	478,400
	<u>\$ 1,060,000</u>	<u>\$ 60,800</u>	<u>\$ 1,120,800</u>

The capital lease bonds are a variant of revenue bonds used in the capital outlay program. The revenue stream backing the bond is created from lease payments made by the occupying department to the governmental financing entity which constructs the facility. The financing authority constructs the facility, issues financing bonds, and retains title to the facility until the debt is retired.

The advance to/from other funds represent a loan from the Electric fund to the Telecommunications fund used to design, construct and equip a fiber-optic municipal area network.

**B. Governmental Obligation**

The following table is a summary of the changes in long-term liabilities that are recorded in the Statement of Net Assets ended June 30, 2007:

Compensated absences and workers' compensation are typically paid from the General Fund.

	Balance June 30, 2006	Additions	Changes/ Reductions	Balance June 30, 2007	Due within 1 year
General obligation bonds	\$ 32,105,970	\$ -	\$ 3,617,877	\$ 28,488,093	\$ 3,668,815
Notes payable	600,000	-	200,000	400,000	200,000
Reimbursement agreements	666,263	-	124,355	541,908	182,896
Capital lease obligations	11,047,929	-	817,871	10,230,058	835,961
Compensated absences	1,331,228	1,535,684	1,471,305	1,395,607	1,535,684
Worker's compensation	2,721,000	-	192,000	2,529,000	139,851
Other bond related items	634,952	-	(1,197,567)	(562,615)	-
	<u>\$ 49,107,342</u>	<u>\$ 1,535,684</u>	<u>\$ 5,225,841</u>	<u>\$ 43,022,051</u>	<u>\$ 6,563,207</u>

**C. Enterprise Debt**

Following is a summary of the changes in long-term liabilities that are recorded in the Enterprise Funds for the year ended June 30, 2007:

	Balance June 30, 2006	Additions	Reductions	Balance June 30, 2007	Due within 1 year
General obligation bonds	\$ 37,001,542	\$ 5,000,000	\$ 3,928,110	\$ 38,073,432	\$ 4,163,824
Revenue bonds	6,349,929	-	641,355	5,708,574	575,026
Reimbursement agreements	664,544	275,738	112,311	827,971	175,042
Advance to/from other funds	1,660,000	-	600,000	1,060,000	600,000
Compensated absences	398,496	484,250	449,427	433,318	429,901
Workers' compensation	520,000	76,500	61,500	535,000	25,826
Bond related items	(925,941)	(47,155)	215,608	(757,488)	-
	<u>\$ 45,668,570</u>	<u>\$ 5,789,333</u>	<u>\$ 6,008,311</u>	<u>\$ 45,880,807</u>	<u>\$ 5,969,619</u>

The City issued \$5 million in General Obligation Public Improvement Bonds. The proceeds of the bonds are being used to finance the costs of capital improvements to the City's electric system and to pay the costs of issuing the bonds. Interest payments are due March 1 and September 1, beginning September 1, 2007. The City received a bond rating of A3 from Moody's.

#### **D. General Obligation Debt Limit**

The Commonwealth of Virginia imposes a legal limit of 10% of the assessed valuation of taxable real property on the amount of general obligation borrowing which a City may issue. The City of Danville has independently set a lower debt limit of 7.5% of the assessed valuation. The Legal debt margin at June 30, 2007 is computed as follows:

	Legal Debt Margin
Assessed value (as of June 30, 2007) - taxable real property, including public service corporations	\$ 2,069,156,000
Legal debt limits:	
10% of assessed value (authorized by the Commonwealth for all cities)	\$ 206,915,600
Deduct amount of debt applicable to debt limit: Gross general debt*	66,561,525
Legal debt margin	\$ 140,354,075

\*Debt applicable to debt limit excludes Revenue Bonds due to Section 10, Article VII of the Constitution of Virginia.

#### **E. Component Units**

Following is a summary of the changes in long-term liabilities that are recorded in the Danville Public Schools for the year ended June 30, 2007:

	Balance June 30, 2006	Additions	Reductions	Balance June 30, 2007	Due within 1 year
Early retirement plans	\$ 2,890,324	\$ 1,246,959	\$ (1,138,616)	\$ 2,998,667	\$ 938,674
Employee benefits	1,125,488	409,115	(283,232)	1,251,371	292,072
Contracts payable	150,905	-	(150,905)	-	50,561
	\$ 4,166,717	\$ 1,656,074	\$ (1,572,753)	\$ 4,250,038	\$ 1,281,307

Debt service on the preceding component unit's early retirement plans and contracts payable for future years are as follows:

Fiscal Year Ending June 30,	Early Retirement	
	Principal	Interest
2008	\$ 938,674	\$ 125,702
2009	769,808	135,035
2010	577,101	123,589
2011	360,400	85,040
2012	231,212	63,550
2013-2017	121,472	37,986
	<u>\$ 2,998,667</u>	<u>\$ 570,902</u>

Following is a summary of the changes in the long-term liability that is recorded in the Industrial Development Authority for the year ended June 30, 2007:

	Balance June 30, 2006	Additions	Reductions	Balance June 30, 2007
Deeds of trust payable	\$ 10,905,743	\$ -	\$ 258,222	\$ 10,647,521

Debt service on the preceding component unit's deeds of trust payable for future years are as follows:

Fiscal Year Ending June 30,	Principal
2008	\$ 262,380
2009	277,325
2010	290,255
2011	303,345
2012	337,426
2013-2017	1,494,009
2018-2022	2,645,758
2023-2027	3,655,651
2028-2031	1,381,372
	<u>\$ 10,647,521</u>

## 8. Transfers

Funds are transferred each year from the General Fund to the Capital Projects Fund, Insurance Fund, and the Transportation Fund. The Capital Projects Fund and the Insurance Fund operate for the benefit of the City. The Transportation Fund is operated as an enterprise fund but the City has historically subsidized this fund since it is for the benefit of the citizens of Danville.

The chart below details the activities between funds of the City for the year ended June 30, 2007.



	Transfers In	Transfers Out	Net Transfers
<b>Governmental Funds - Exhibit E</b>			
General	\$ 12,955,000	\$ (7,987,982)	\$ 4,967,018
Capital projects	6,929,330	-	6,929,330
Special revenue	869,246	-	869,246
Motorized equipment	17,850	-	17,850
	<u>\$ 20,771,426</u>	<u>\$ (7,987,982)</u>	<u>\$ 12,783,444</u>
<b>Enterprise Funds - Exhibit F</b>			
Wastewater	\$ 7,230	\$ (642,000)	\$ (634,770)
Water	-	(867,000)	(867,000)
Gas	-	(2,797,000)	(2,797,000)
Electric	-	(8,524,000)	(8,524,000)
Transportation	171,399	(96,530)	74,869
Telecommunications	89,457	(125,000)	(35,543)
	<u>\$ 268,086</u>	<u>\$ (13,051,530)</u>	<u>\$ (12,783,444)</u>

Primary transfer activities include:

Transfers from the General Fund to the Capital Projects fund represents the City's budgeted pay-as-you go funding.

Transfers from the General Fund to the Special Revenue Fund represent City funds required to match grant program resources.

Transfers from the General Fund to the Motorized Equipment Fund represent City funds budgeted pay-as-you go funding.

Transfers from the enterprise funds represent contributions from these funds to support the City's operations.

## 9. Interfund Receivables/Payables

Interfund receivables and payables of individual funds result primarily from cash disbursements made by one fund for expenditures of another. The amounts due at June 30, 2007 are as follows:

### Governmental Funds

	Interfund Receivable	Interfund Payable
City of Danville:		
General fund	\$ 528,300	\$ -
Nonmajor fund:		
Special Revenue fund	-	528,300
	<u>\$ 528,300</u>	<u>\$ 528,300</u>

**Component Unit**

	Interfund Receivable	Interfund Receivable
Danville Public Schools:		
General fund	\$ -	\$ 2,075,864
Capital projects fund	-	54,764
Special grants fund	2,238,124	-
Nonmajor funds:		
Textbook	-	422,319
Cafeteria	140,832	-
Health insurance	173,991	-
	<u>\$ 2,552,947</u>	<u>\$ 2,552,947</u>

The primary reason for interfund receivables and payables of the primary government due at June 30, 2007 are as follows:

Interfund receivable to the General Fund from the Special Grants Fund represent amounts expended for the localities matching portion of state and federal grants paid out of the special revenue fund and due from the general fund.

The primary reason for interfund receivables and payables of the primary government due at June 30, 2007 are as follows:

Interfund payable from the General Fund to the Special Grants, Capital Projects and Textbook funds represent amounts expended for the localities matching portion of state and federal grants, capital expenditures and textbook purchases due from the General Fund.

**10. Due From Other Governments**

	City of Danville	Enterprise Funds	Danville Public Schools
Commonwealth of Virginia -			
State grants	\$ 1,661,264	\$ -	\$ 807,595
Highway maintenance	1,403,142	-	-
Social services	553,275	-	-
	<u>3,617,681</u>	<u>-</u>	<u>807,595</u>
Federal government -			
federal grants	833,875	339,027	3,043,220
	<u>\$ 4,451,556</u>	<u>\$ 339,027</u>	<u>\$ 3,850,815</u>

**11. Retirement Plans**

The City participates in two public employee retirement systems. Part I of this note details the Employees' Retirement System of the City of Danville (ERS), and Part II details the Virginia Retirement System (VRS). Disclosures concerning the Danville Public School's participation in the Virginia Retirement System is also included in Part II of this note.

The City follows Governmental Accounting Standards Board Statement No. 27 (GASB 27) – *Accounting for Pensions by State and Local Government Employers*. The Statement establishes standards for the measurement, recognition and display of pension expenditures and related liabilities, assets and note disclosures.

# **I. Employees' Retirement System of the City of Danville**

## **A. Plan Description**

The Employees' Retirement System of the City of Danville was established on January 1, 1946, and was placed under the management of a Board of Trustees for the purpose of providing retirement, disability, and death benefits for full-time permanent employees in accordance with Chapter 32 of the Danville City Code. The City makes contributions to the ERS, which acts as administrator of this single-employer defined benefit pension plan.

The ERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Employees Retirement System of the City of Danville, PO Box 3300, Danville, Virginia 24543.

All full-time employees of the City, excluding Danville Public Schools employees and elected officials and their employees (who are covered under the Virginia Retirement System) are eligible to participate. Upon becoming a regular, full-time employee of the City, each employee is classified as a "general employee" or as a "public safety employee" (policeman or fireman). The two employee classes have different pension benefits and early service retirement allowances. As of June 30, 2007, employee membership in the ERS was as follows:

	<u>General Employees</u>	<u>Public Safety Employees</u>	<u>Total</u>
Retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them	470	162	632
Active plan participants:			
Vested	454	167	621
Nonvested	242	76	318
	<u>696</u>	<u>243</u>	<u>939</u>

The pension plan provides retirement, disability, and death benefits. After 5 years of creditable service, general employees who attain the age of 65 or who accumulated at least 30 years of creditable service and attain the age of 55 may retire with full benefits. Public safety employees who attain the age of 60 or who accumulated at least 30 years of creditable service and attain the age of 55 may retire with full benefits.

For general employees, the retirement allowance consists of an annuity equal to the amount provided by the contributions of the member up to the time of his or her retirement, plus a pension which will total an amount equal to 1/55<sup>th</sup> of the highest consecutive 3 years average salary, multiplied by the number of years of creditable service prior to January 1, 1956 (but not before January 1, 1946), plus 1.42% of the part of such compensation in excess of \$9,500, plus 1.82% of the part of such compensation in excess of \$9,500 multiplied by the number of years of creditable service after December 31, 1955. A general employee with at least 5 years of service may retire early after reaching the age of 55 and receive reduced benefits.

The retirement allowance for a public safety employee, if hired before October 1, 1991, consists of an annuity equal to the amount provided by the contributions of the member up to the time of his or her retirement, plus a pension which will total an amount equal to 1/50<sup>th</sup> of the final 3 years average salary multiplied by the number of years of creditable service after December 31, 1945. A public safety employee with at least 5 years of service may retire early after reaching the age of 55 and

receive reduced benefits. A member with creditable service prior to January 1, 1946 receives an additional pension.

Pension provisions include disability benefits whereby a member who becomes totally and permanently incapacitated and who has completed 5 years of creditable service is eligible to receive a disability retirement allowance. The allowance begins at the time of the disability and is based on creditable service to date and a projection of creditable service assuming no disability. The allowance is offset by any workers' compensation benefits.

If, after 5 years of service, an active member should die at any time prior to retirement, an allowance shall be payable to either the spouse, minor child, or parent of the member. Such retirement allowance will be continued during the lifetime of such person, or in the case of a minor child, until such time as the child dies or attains majority. The beneficiary may elect to receive the member's accumulated contributions with interest in lieu of any other benefits under the ERS.

The Board of Trustees, based on actuarial estimates of future plan benefits to be paid, establishes contributions by active members. Since March 1, 1979, the City has assumed payment for the employees' contributions. Contributions for employees hired after September 30, 1991 are considered to be 100% City contributions. These contributions, like the City portion of pre-October 1, 1991 employees, vest after 5 years of creditable service. The contribution rate for employees hired before October 1, 1991 is currently 5% of earnable compensation for general employees and 6.5% of earnable compensation for public safety employees. The portion of contributions to the plan made by the City on behalf of these members vests immediately with the employees. The remainder of the contributions vests after 5 years of creditable service.

For the year ended June 30, 2007, the City's total payroll for all employees was \$33,680,175, and the City's total covered payroll amounted to \$35,282,649 of which \$24,965,236 was for general employees and \$10,317,413 was for public safety employees. Covered payroll refers to all compensation paid by the City to active employees covered by the ERS on which contributions to the plan are based.

## ***B. Summary of Significant Accounting Policies***

Basis of Accounting. The financial statements of the ERS are prepared on the accrual basis of accounting. Contributions from the City are recognized as revenue in the period in which the employees provide services to the City. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. Investment income is recognized as it is earned. The net appreciation or depreciation in the fair value of investments held by the ERS is recorded as an increase or decrease in investment income based on the valuation of investments as of the date of the balance sheet.

Investments. Investments are reported at fair value. Temporary cash investments are reported at cost, which approximates fair value. Securities traded on national or international exchanges are valued at quoted market prices as of the date of the balance sheet. The fair value of the real estate - timberland, is based on an independent appraisal.

## ***C. Funding Policy***

The contribution requirement of plan members and the City are established by the ERS' Board of Trustees, based on actuarial estimates of future plan benefits to be paid. The contribution rate for general employees is 5% of their annual covered salary and 6.5% for public safety employees. The City has paid the employee's portion of the contributions since 1979. Total contributions to the ERS for the year ended June 30, 2007 amounted to \$3,308,019 of which the City, on behalf of its employees, paid \$754,682. The contributed amounts were based on an actuarial valuation. Contributions made by the City represents 5% on behalf of its employees that were employed before October 1991, and contributions made by the City on behalf of its employees represent 4.38% of covered payroll for the year for a total of 9.38%.

#### **D. Annual Pension Cost and Net Pension Obligation**

The annual pension cost at June 30, 2007 was \$3,979,980, and the contributions made by the City were \$3,308,019. At year-end June 30, 2007, the enterprise funds have recorded a net pension asset of \$318,381. In accordance with GASB 27, the General Fund asset of \$1,212,583 has been recorded in the Statement of Net Assets for the governmental funds.

#### **Three-Year Trend Information**

Actuarial Date	City Supplemental		
	06/30/05	06/30/06	06/30/07
Annual Pension Cost (APC)	\$ 3,105,880	\$ 3,348,952	\$ 3,974,880
Percentage of APC Contributed	122.34%	83.04%	83.20%
Net Pension Asset	\$ 2,797,311	\$ 2,266,545	\$ 1,530,964

The annual required contribution for the current year was determined as part of the June 30, 2007 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions included (a) 8% investment rate of return and (b) projected salary increases of 3% per year. Both (a) and (b) included an inflation component of 3%. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a four-year period. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2007 was 30 years.

For the year ended June 30, 2007, the City had contributed more than the annual required amount. In accordance with GASB 27, the chart below details the components of the net pension asset.

<b>June 30, 2007</b>	<b>Governmental</b>	<b>Enterprise</b>
Annual Required Contribution (ARC)	\$ 3,133,047	\$ 541,833
Interest on beginning Net Pension Obligation (NPO)	(146,858)	(34,639)
Adjustment to ARC	150,912	213,258
Annual Pension Cost	3,137,101	720,452
Contributions made	(2,622,752)	(499,220)
Decrease in NPO	514,349	221,232
Net pension asset - beginning of year	1,726,932	539,613
Net pension asset - end of year	\$ 1,212,583	\$ 318,381

The net pension asset shown above for the enterprise funds is net of the liability. Wastewater has a liability of \$16,260, Cemetery Operations fund has a liability of \$17,440 and Telecommunications fund has a liability of \$3,557 which is applied to the assets of the other enterprise funds of \$355,638 to arrive at the balance shown in the chart above.

June 30, 2006	Governmental	Enterprise
Annual Required Contribution (ARC)	\$ 2,623,496	\$ 725,456
Interest on beginning Net Pension Obligation (NPO)	(179,947)	(45,094)
Adjustment to ARC	185,007	48,043
Annual Pension Cost	2,628,556	728,405
Contributions made	(2,214,598)	(611,597)
Decrease in NPO	413,958	116,808
Net pension asset - beginning of year	2,140,890	656,421
Net pension asset - end of year	\$ 1,726,932	\$ 539,613

For the year ended June 30, 2007, the City had contributed more than the annual required amount. In accordance with GASB 27, the chart below details the components of the net pension asset.

**E. Schedule of Funding Progress:**

Actuarial Valuation Date	06/30/05	06/30/06	06/30/07
Actuarial Value of Assets ( a )	\$ 155,787,844	\$ 161,037,271	\$ 173,932,043
Actuarial Accrued Liability (AAL) - Entry Age ( b )	\$ 159,755,844	\$ 168,009,349	\$ 181,112,835
Unfunded (Overfunded) (AAL) (UAAL) ( b - a )	\$ 3,968,000	\$ 6,972,078	\$ 7,180,792
Funded Ratio ( a / b )	97.51%	95.85%	96.04%
Covered Payroll ( c )	\$ 31,401,461	\$ 34,010,220	\$ 35,282,649
UAAL as a Percentage of Covered Payroll (( b - a ) / c )	12.64%	20.49%	20.35%

**II. Virginia Retirement System**

**A. Plan Description**

The City of Danville contributes to the Virginia Retirement System (VRS), an agent and cost-sharing multiple-employer public employee retirement system that acts as common investment and administrative agent for political subdivisions in the Commonwealth of Virginia. There are three separate groups of employees covered under the plan. The first includes "constitutional employees" of the City, which are all employees of the offices of the Sheriff, Commonwealth's Attorney, Clerk of Court, Treasurer, and the Commissioner of Revenue. In addition, professional and nonprofessional employees of the Danville Public Schools are covered by the VRS.

Professional employees participate in a VRS statewide teacher cost sharing pool, and nonprofessional employees participate as a separate group.

All full-time, salaried permanent employees of participating employers must participate in the VRS. Benefits vest after five years of service. Employees are eligible for an unreduced retirement benefit at age 65 with 5 years of service (age 60 for participating local law enforcement officers, firefighters, and sheriffs) or at age 50 with at least 30 years of service if elected by the employer (age 50 with at

least 25 years of service for participating local law enforcement officers, firefighters, and sheriffs) payable monthly for life in an amount equal to 1.7 percent of their average final compensation (AFC) for each year of credited service. Benefits are actuarially reduced for retirees who retire prior to becoming eligible for full retirement benefits. In addition, retirees qualify for annual cost-of-living increases limited to 5% per year beginning in their second year of retirement. AFC is defined as the highest consecutive 36 months of reported compensation. Participating local law enforcement officers, firefighters and sheriffs may receive a monthly benefit supplement if they retire prior to age 65. 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 VRS issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for VRS. A copy of that report may be obtained from their website at <http://www.varetire.org/pdf/2004AnnuRept.pdf> or writing to the system at P.O. Box 2500, Richmond, VA 23218-2500.

### **B. Funding Policy**

Employees are required by Title 51.1 of the *Code of Virginia* (1950), as amended, to contribute 5% of their annual salary to the VRS. The City and the Danville Public Schools have assumed this 5% member contribution. If an employee leaves covered employment, the accumulated member contributions plus interest earned may be refunded to the employee. The City and the Danville Public Schools are required to contribute the remaining amounts necessary to fund the system using the actuarial basis specified by the VRS Board of Trustees. The Danville Public Schools contribution rate for the fiscal year ended June 30, 2006 was 14.20% (9.20% plus 5% for employees' portion) of annual covered payroll for professional employees and 14.19% (9.19% and 5% for employees' portion) for nonprofessional employees. The City's contribution rate was 12.89% (7.89% plus 5% for employees' portion).

### **C. Annual Required Contribution**

For June 30, 2007, the Danville Public School's annual contribution of \$256,078 for nonprofessional and 4,515,702 for professional employees, and the City's annual contribution of \$562,979 were equal to the required and actual contributions. The contribution was determined as part of the June 30, 2006 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included, (a) 7.5% investment rate of return, (b) projected salary increases ranging from 3.50% to 5.60% per year, and (c) 2.50% per year cost-of-living adjustments.

	Fiscal Year Ended June 30,	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
City Employees	2007	\$ 562,979	100%	\$
	2006	\$ 445,986	100%	\$ -
	2005	\$ 426,481	100%	\$ -
School Board nonprofessional	2007	\$ 256,587	100%	\$
	2006	\$ 112,489	100%	\$ -
	2005	\$ 100,333	100%	\$ -

Both (a) and (b) included an inflation component of 2.5%. The actuarial value of plan assets was determined using techniques that smooth the effects of short-term volatility in the market value of

investments over a four-year period. The Danville Public Schools participates in the VRS teacher cost-sharing pool for professional employees.

### **Schedule of Funding Progress**

The following information is from the most recent actuarial valuation (June 30, 2006).

Actuarial Valuation Date	06/30/04	6/30/2005	6/30/2006
Actuarial Value of Assets ( a )	\$ 12,870,482	\$ 13,338,437	\$ 14,307,636
Actuarial Accrued Liability (AAL) - Entry Age ( b )	\$ 13,059,965	\$ 14,363,643	\$ 15,534,778
Unfunded (Overfunded) (AAL) (UAAL) ( b - a )	\$ 189,483	\$ 1,025,206	\$ 1,227,142
Funded Ratio ( a / b )	98.55%	92.86%	92.10%
Covered Payroll ( c )	\$ 3,691,908	\$ 3,818,209	\$ 4,109,575
UAAL as a Percentage of Covered Payroll (( b - a ) / c )	5.13%	26.85%	29.86%

### **Notes to Schedules of Employer Contributions and Funding Progress**

	School Board	City
Valuation date	June 30, 2006	June 30, 2006
Actuarial cost method	Entry Age Normal	Entry Age Normal
Amortization method	Level percent, open	Level percent, open
Payroll growth method	2.50 %	2.50 %
Remaining amortization period	20 years	20 years
Asset valuation method	Modified market	Modified market
Actuarial assumptions:		
Investment rate of return*	7.50 %	7.50 %
Projected salary increases*	3.75 - 5.60 %	3.50 - 5.60 %
Cost of living adjustments	2.50 %	2.50 %

\*Includes inflation of 2.50%

The information presented in the schedules of employer contributions and funding progress was determined as part of the actuarial valuations. Additional information from the June 30, 2006, actuarial valuation is above.

### **Deferred Compensation Plan**

The City has a deferred compensation plan for all employees who request participation in the International City Managers Association Retirement Corporation (ICMA-RC) deferred compensation plan. The plan was created in accordance with Internal Revenue Code Section (IRC) 457. Amounts



deferred under the plan are remitted on a monthly basis directly to the ICMA-RC, which acts as administrator and fiduciary agent of the plan. Prior to fiscal 1998, the assets of the plan, until paid or made available to the participants, remained the property of the City and were considered agency funds. Due to tax legislation, the City has amended the plan to comply with the requirements of subsection (g) of IRC Section 457. As a result of this change, the assets of the plan are no longer considered to be assets of the City. Since a fiduciary relationship no longer exists between the City and the plan, the plan's assets are no longer considered agency funds of the City.

## **12. Hedges**

The City utilizes natural gas price hedging to benefit its citizens. Hedging provides a locked-in price for gas, helping to stabilize rates. Hedging also ensures that if prices should spike due to unforeseen circumstances, at least a portion of our load is protected. During the year ended June 30, 2007, the City purchased contracts totaling \$1,653,000, which was part of the blended cost of gas. The contract value was \$199,100 above the market value of \$1,454,900.

Additionally, gas valued at \$2,863,988 was injected into the City's storage facilities during April, May and June at June 30, 2007 hedged prices. The withdrawal of this gas has also been hedged to net an estimated discount of \$1.42 per dekatherm when the gas is withdrawn and blended into our cost of gas during the following winter.

\* \* \* \* \*

REQUIRED SUPPLEMENTARY  
INFORMATION OTHER THAN  
MANAGEMENT'S DISCUSSION  
& ANALYSIS

## GENERAL FUND

## COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL

Year Ended June 30, 2007

GENERAL FUND REVENUES	Original Budget	Final Budget	Actual	Variance
<b>Property taxes</b>				
Real property taxes	\$ 15,350,000	\$ 15,350,000	\$ 15,541,696	\$ 191,696
Real and personal public service corporation property taxes	419,000	419,000	375,229	(43,771)
Personal property taxes	9,481,000	9,481,000	9,475,063	(5,937)
Penalties and interest	390,000	390,000	538,258	148,258
<b>Total property taxes</b>	<b>25,640,000</b>	<b>25,640,000</b>	<b>25,930,246</b>	<b>290,246</b>
<b>Local taxes</b>				
Local sales and use taxes	7,300,000	7,300,000	7,595,496	295,496
Business license taxes	4,150,000	4,150,000	4,572,218	422,218
Prepared meals taxes	4,525,000	4,525,000	4,764,923	239,923
Consumer utility tax	1,135,000	1,135,000	1,038,779	(96,221)
Franchise license taxes	10,375	10,375	404,608	394,233
Motor vehicle license	965,000	965,000	1,034,967	69,967
Bank stock taxes	750,000	750,000	604,045	(145,955)
Taxes on recordation and wills	400,000	400,000	342,352	(57,648)
Daily property and room rental taxes	395,000	395,000	400,443	5,443
Telephone excise taxes	2,195,000	2,195,000	819,685	(1,375,315)
E-911 telephone tax	830,000	830,000	394,479	(435,521)
<b>Total local taxes</b>	<b>22,655,375</b>	<b>22,655,375</b>	<b>21,971,995</b>	<b>(683,380)</b>
<b>Fines and forfeitures</b>	<b>538,494</b>	<b>538,494</b>	<b>541,399</b>	<b>2,905</b>
<b>Permits, privilege fees and regulatory licenses</b>				
Dog tags	4,500	4,500	8,157	3,657
Permits and other licenses	207,595	207,595	227,201	19,606
<b>Total permits, privilege fees and regulatory licenses</b>	<b>212,095</b>	<b>212,095</b>	<b>235,358</b>	<b>23,263</b>
<b>Revenue from use of money and property</b>				
Revenue from use of money	380,000	380,000	977,542	597,542
Revenue from the use of property	351,522	351,522	640,390	288,868
Market value adjustment	-	-	422,572	422,572
<b>Total revenue from use of money and property</b>	<b>731,522</b>	<b>731,522</b>	<b>2,040,504</b>	<b>1,308,982</b>
<b>Charges for services</b>				
Court costs	8,000	8,000	9,512	1,512
Correction and detention	3,314,636	3,379,436	3,311,184	(68,252)
Commonwealth's Attorney	160,000	160,000	154,773	(5,227)
Other protection	9,880	9,880	10,093	213
Parks and recreation	35,600	35,600	35,832	232
Library	32,006	32,006	33,025	1,019
Planning and community development	-	191,350	169,394	(21,956)
Lot clearing	20,000	20,000	46,120	26,120
Tax abatement applications	500	500	800	300
<b>Total charges for services</b>	<b>3,580,622</b>	<b>3,836,772</b>	<b>3,770,733</b>	<b>(66,039)</b>

See report of Independent auditors

(Continued on next page)

## GENERAL FUND

## COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL

Year Ended June 30, 2007

	Original Budget	Final Budget	Actual	Variance
Miscellaneous	\$ 40,500	\$ 51,750	\$ 73,169	\$ 21,419
Recovered costs	4,166,553	4,166,553	5,124,252	957,699
Intergovernmental				
Revenue from the Commonwealth				
Non-categorical aid	3,164,863	3,230,054	4,627,012	1,396,958
Shared expenditures:				
Commonwealth's Attorney	775,986	775,986	793,573	17,587
Sheriff	2,794,782	2,794,782	2,861,763	66,981
Commissioner of Revenue	166,927	166,927	157,233	(9,694)
Treasurer	112,466	112,466	135,529	23,063
Medical examiner	1,000	1,000	240	(760)
Registrar and electoral board	46,500	46,500	54,029	7,529
Clerk of Circuit Court	17,000	17,000	20,600	3,600
Total shared expenditures	3,914,661	3,914,661	4,022,967	108,306
Welfare	7,081,058	7,098,830	6,712,202	(386,628)
Other categorical aid:				
Forfeited property	-	45,316	45,316	-
Emergency services	50,000	50,000	88,617	38,617
E911 wireless	94,566	94,566	100,543	5,977
Fire services	110,000	121,088	128,511	7,423
Juvenile and domestic relations	1,336,212	1,336,212	1,409,462	73,250
National Guard armory	12,000	12,000	20,482	8,482
Street and highway maintenance	7,996,677	7,996,677	7,987,783	(8,894)
Library	179,242	179,242	193,358	14,116
Total other categorical aid	9,778,697	9,835,101	9,974,072	138,971
Revenue from the federal government:				
Payments in lieu of taxes	28,714	28,714	21,435	(7,279)
Law enforcement	-	-	4,620	4,620
Emergency services	24,000	24,000	27,013	3,013
Forfeited property	-	60,567	60,567	-
Total revenue from the federal government	52,714	113,281	113,635	-
Total intergovernmental	23,991,993	24,191,927	25,449,888	1,257,961
Total General Fund revenues	\$ 81,557,154	\$ 82,024,488	\$ 85,137,544	\$ 3,113,056

See report of Independent auditors

## GENERAL FUND

## COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL

Year Ended June 30, 2007				
GENERAL FUND EXPENDITURES	Original Budget	Final Budget	Actual	Variance
<b>General Government</b>				
<b>Legislative</b>				
<i>City Council</i>				
Salaries	\$ 43,060	\$ 43,239	\$ 43,239	\$ -
Other	73,540	54,415	40,389	(14,026)
	116,600	97,654	83,628	(14,026)
<i>Mayor</i>				
Salaries	7,000	7,000	7,000	-
Other	4,886	4,886	1,113	(3,773)
	11,886	11,886	8,113	(3,773)
<b>Total legislative</b>	128,486	109,540	91,741	(17,799)
<b>General and financial administration</b>				
<i>City Manager</i>				
Salaries	407,400	407,400	401,828	-
Other	149,298	155,879	124,530	(31,349)
	556,698	563,279	526,358	(31,349)
<i>Personnel</i>				
Salaries	303,172	278,301	278,055	(246)
Other	122,452	134,027	122,620	(11,407)
	425,624	412,328	400,675	(11,653)
<i>Occupational health services</i>				
Salaries	64,711	63,542	62,365	(1,177)
Other	69,353	70,377	68,684	(1,693)
	134,064	133,919	131,049	(2,870)
<i>Budget</i>				
Salaries	57,620	57,620	57,348	(272)
Other	26,304	26,304	16,264	(10,040)
	83,924	83,924	73,612	(10,312)
<i>City Attorney</i>				
Salaries	216,116	216,116	215,818	(298)
Other	77,999	90,987	87,636	(3,351)
	294,115	307,103	303,454	(3,649)
<i>Independent auditor</i>				
Other	100,000	102,912	102,912	-
<i>Public affairs</i>				
Other	89,571	91,483	91,282	(201)
	89,571	91,483	91,282	(201)
<i>Commissioner of Revenue</i>				
Salaries	354,141	354,141	352,880	(1,261)
Other	96,962	98,226	94,019	(4,207)
	451,103	452,367	446,899	(5,468)
<i>Real estate assessment</i>				
Salaries	286,260	286,260	285,624	(636)
Other	87,484	87,648	80,782	-
	373,744	373,908	366,406	(636)

See report of Independent auditors

(Continued on next page)

**GENERAL FUND**  
**COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL**

**Year Ended June 30, 2007**

	Original Budget	Final Budget	Actual	Variance
<b>General government administration</b>				
<i>Central collections</i>				
Salaries	339,371	340,144	339,908	(236)
Other	193,384	193,476	186,534	(6,942)
	532,755	533,620	526,442	(7,178)
<i>Treasurer</i>				
Salaries	165,491	166,439	166,439	-
Other	97,452	97,655	51,236	(46,419)
	262,943	264,094	217,675	(46,419)
<i>Finance and accounting</i>				
Salaries	644,098	644,381	637,177	(7,204)
Other	190,637	192,366	176,490	(15,876)
	834,735	836,747	813,667	(23,080)
<i>Purchasing</i>				
Salaries	158,369	158,369	158,224	(145)
Other	48,032	48,119	43,459	(4,660)
	206,401	206,488	201,683	(4,805)
<i>Management information systems</i>				
Salaries	985,974	994,291	981,340	(12,951)
Other	1,039,081	1,065,133	1,024,556	(40,577)
	2,025,055	2,059,424	2,005,896	(53,528)
<b>Total general and financial administration</b>	6,370,732	6,421,596	6,208,010	(201,148)
<b>Board of Elections</b>				
<i>Elections</i>				
Salaries	38,500	50,990	21,961	(29,029)
Other	22,577	22,577	18,742	(3,835)
	61,077	73,567	40,703	(32,864)
<i>Registrar</i>				
Salaries	72,237	72,237	71,502	(735)
Other	27,176	27,219	19,163	(8,056)
	99,413	99,456	90,665	(8,791)
<b>Total Board of Elections</b>	160,490	173,023	131,368	(41,655)
<b>Total General Government</b>	6,659,708	6,704,159	6,431,119	(273,040)
<b>Judicial Administration</b>				
<b>Courts</b>				
<i>Circuit Court</i>				
Salaries	129,588	124,916	124,916	-
Other	42,076	42,368	28,747	(13,621)
	171,664	167,284	153,663	(13,621)

See report of Independent auditors

(Continued on next page)

**GENERAL FUND**  
**COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL**

**Year Ended June 30, 2007**

	Original Budget	Final Budget	Actual	Variance
<i>General District Court</i>				
Salaries - legal services	44,000	44,000	39,228	(4,772)
Other	22,684	22,896	17,118	(5,778)
	66,684	66,896	56,346	(10,550)
<i>Courts</i>				
Other	1,825	1,825	1,787	(38)
<i>District Court service unit</i>				
Other	8,700	9,622	8,249	(1,373)
<i>Juvenile and Domestic Relations Court</i>				
Other	47,300	48,518	23,076	(25,442)
<i>Clerk of the Circuit Court</i>				
Salaries	88,834	86,847	85,504	(1,343)
Other	170,346	159,394	152,699	(6,695)
	259,180	246,241	238,203	(8,038)
<i>City Sheriff</i>				
Salaries	2,602,763	2,630,519	2,630,517	(2)
Other	792,071	854,987	781,782	(73,205)
	3,394,834	3,485,506	3,412,299	(73,207)
<b>Total courts</b>	<b>3,950,187</b>	<b>4,025,892</b>	<b>3,893,623</b>	<b>(132,269)</b>
<b>Commonwealth's Attorney</b>				
Salaries	844,862	850,487	850,487	-
Other	288,378	367,457	338,770	(28,687)
<b>Total Commonwealth's Attorney</b>	<b>1,133,240</b>	<b>1,217,944</b>	<b>1,189,257</b>	<b>(28,687)</b>
<b>Total judicial administration</b>	<b>5,083,427</b>	<b>5,243,836</b>	<b>5,082,880</b>	<b>(160,956)</b>
<b>Public Safety</b>				
<b>Law enforcement and traffic control</b>				
<i>Police</i>				
Salaries	5,885,539	5,454,468	5,434,900	(19,568)
Other	2,154,203	2,569,573	2,371,929	(197,644)
	8,039,742	8,024,041	7,806,829	(217,212)
<i>Traffic control and maintenance</i>				
Salaries	309,713	304,537	301,072	(3,465)
Other	508,520	735,509	534,414	(201,095)
	818,233	1,040,046	835,486	(204,560)
<b>Total law enforcement and traffic control</b>	<b>8,857,975</b>	<b>9,064,087</b>	<b>8,642,315</b>	<b>(421,772)</b>
<b>Fire and rescue services</b>				
<i>Fire</i>				
Salaries	5,041,569	4,928,871	4,917,573	(11,298)
Other	1,827,144	1,866,373	1,660,928	(205,445)
	6,868,713	6,795,244	6,578,501	(216,743)

See report of Independent auditors

(Continued on next page)

**GENERAL FUND**  
**COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL**

**Year Ended June 30, 2007**

	Original Budget	Final Budget	Actual	Variance
<i>Ambulance and rescue services</i>				
Other	75,442	75,442	104,797	29,355
<b>Total fire and rescue services</b>	<b>6,944,155</b>	<b>6,870,686</b>	<b>6,683,298</b>	<b>(187,388)</b>
 <b>Correction and detention</b>				
<i>Juvenile detention</i>				
Salaries	1,567,100	1,557,260	1,500,795	(56,465)
Other	2,052,163	2,081,760	1,761,093	(320,667)
	3,619,263	3,639,020	3,261,888	(377,132)
<i>City Jail</i>				
Salaries	30,000	29,181	29,151	(30)
Other	1,094,601	1,094,511	1,065,341	(29,170)
	1,124,601	1,123,692	1,094,492	(29,200)
<i>Adult detention</i>				
Salaries	1,228,810	1,160,324	1,153,714	(6,610)
Other	1,103,697	1,121,782	1,089,645	(32,137)
	2,332,507	2,282,106	2,243,359	(38,747)
<b>Total correction and detention</b>	<b>7,076,371</b>	<b>7,044,818</b>	<b>6,599,739</b>	<b>(445,079)</b>
 <b>Inspections</b>				
Salaries	296,341	296,341	283,488	(12,853)
Other	176,290	176,458	168,358	(8,100)
<b>Total inspections</b>	<b>472,631</b>	<b>472,799</b>	<b>451,846</b>	<b>(20,953)</b>
 <b>Other protection</b>				
<i>Animal control</i>				
Other	124,842	124,866	124,866	-
<i>Medical examiner</i>				
Other	2,000	2,000	380	(1,620)
<i>Emergency services</i>				
Salaries	88,510	88,514	87,005	(1,509)
Other	95,622	112,491	107,975	(4,516)
	184,132	201,005	194,980	(6,025)
<i>Emergency E-911</i>				
Salaries	664,285	609,586	582,434	(27,152)
Other	255,760	281,516	239,911	(41,605)
	920,045	891,102	822,345	(68,757)
<b>Total other protection</b>	<b>1,231,019</b>	<b>1,218,973</b>	<b>1,142,571</b>	<b>(76,402)</b>
<b>Total public safety</b>	<b>24,582,151</b>	<b>24,671,363</b>	<b>23,519,769</b>	<b>(1,151,594)</b>

See report of Independent auditors

(Continued on next page)



## GENERAL FUND

## COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL

Year Ended June 30, 2007

	Original Budget	Final Budget	Actual	Variance
<b>Public Works</b>				
<b>Maintenance of highways, streets, bridges and sidewalks</b>				
<i>Warehouse</i>				
Salaries	76,411	76,411	75,649	(762)
Other	54,539	97,533	73,534	(23,999)
	130,950	173,944	149,183	(24,761)
<i>Airport</i>				
Salaries	191,103	196,731	190,826	(5,905)
Other	240,102	239,749	218,600	(21,149)
	431,205	436,480	409,426	(27,054)
<i>Director of public works and engineering</i>				
Salaries	344,333	339,333	337,038	(2,295)
Other	160,355	170,877	155,547	(15,330)
	504,688	510,210	492,585	(17,625)
<i>Engineering</i>				
Salaries	252,487	446,996	470,116	23,120
Other	283,794	96,343	166,103	69,760
	536,281	543,339	636,219	92,880
<i>Right of way landscaping</i>				
Other	90,000	123,120	92,814	(30,306)
<i>Street maintenance</i>				
Salaries	732,036	648,563	548,003	(100,560)
Other	3,947,204	4,142,123	3,725,087	(417,036)
	4,679,240	4,790,686	4,273,090	(517,596)
<i>Storm drainage</i>				
Salaries	162,033	133,773	85,470	(48,303)
Other	195,851	157,940	108,841	(49,099)
	357,884	291,713	194,311	(97,402)
<i>Street lighting</i>				
Other	1,125,438	1,094,525	952,912	(141,613)
<i>Snow removal and storm damage</i>				
Drainage repair	20,572	35,335	35,330	(5)
Salaries	97,219	116,239	40,595	(75,644)
Other	236,000	167,347	79,119	(88,228)
	353,791	318,921	155,044	(163,877)
<i>On and off street parking</i>				
Salaries	-	15,322	15,322	-
Other	-	2,323	2,323	-
	-	17,645	17,645	-
<i>Maintenance - jobbing</i>				
Salaries	9,762	9,762	320	(9,442)
Other	10,196	10,196	1,430	(8,766)
	19,958	19,958	1,750	(18,208)

See report of Independent auditors

(Continued on next page)

## GENERAL FUND

## COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL

Year Ended June 30, 2007

	Original Budget	Final Budget	Actual	Variance
<i>Street cleaning</i>				
Salaries	178,903	181,853	157,203	(24,650)
Other	168,565	173,445	151,639	(21,806)
	347,468	355,298	308,842	(46,456)
<b>Total maintenance of highways, streets, bridges, and sidewalks</b>	8,576,903	8,675,839	7,683,821	(992,018)
<b>Maintenance of general buildings and grounds</b>				
<i>Maintenance of buildings and facilities</i>				
Salaries	140,269	146,919	145,894	(1,025)
Other	213,527	243,337	206,664	(36,673)
	353,796	390,256	352,558	(37,698)
<i>Maintenance of public grounds</i>				
Salaries	491,637	483,368	436,738	(46,630)
Other	510,399	588,218	731,904	143,686
	1,002,036	1,071,586	1,168,642	97,056
<i>Weed abatement program</i>				
Salaries	31,869	30,323	26,756	(3,567)
Other	42,727	80,705	79,518	(1,187)
	74,596	111,028	106,274	(4,754)
<i>City Beautiful</i>				
Other	10,000	10,000	7,969	(2,031)
<i>Municipal building</i>				
Salaries	206,261	190,561	308,061	117,500
Other	363,936	361,436	159,006	(202,430)
	570,197	551,997	467,067	(84,930)
<i>Courts and jail building</i>				
Salaries	103,130	100,130	74,508	(25,622)
Other	309,170	295,874	251,278	(44,596)
	412,300	396,004	325,786	(70,218)
<i>Financial services center</i>				
Salaries	-	9,500	9,083	(417)
Other	94,397	103,424	96,481	(6,943)
	94,397	112,924	105,564	(7,360)
<b>Total maintenance of general buildings and grounds</b>	2,517,322	2,643,795	2,533,860	(109,935)
<b>Total Public Works</b>	11,094,225	11,319,634	10,217,681	(1,101,953)
<b>Health and Welfare</b>				
<b>Health</b>				
Other	542,026	607,217	607,217	-
<b>Mental health and mental retardation</b>				
Other	158,744	158,744	158,744	-

See report of Independent auditors

(Continued on next page)

## GENERAL FUND

## COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL

Year Ended June 30, 2007

	Original Budget	Final Budget	Actual	Variance
<b>Welfare and social services</b>				
<i>Director of human services</i>				
Salaries	124,267	124,267	123,925	(342)
Other	756,372	830,056	32,678	(797,378)
	880,639	954,323	156,603	(797,720)
<i>Social services bureau</i>				
Salaries	2,587,380	2,391,245	2,347,870	(43,375)
Other	5,135,709	5,218,781	4,810,605	(408,176)
	7,723,089	7,610,026	7,158,475	(451,551)
<i>Welfare reform - education</i>				
Salaries	392,811	361,032	289,605	(71,427)
Other	440,601	520,142	303,538	(216,604)
	833,412	881,174	593,143	(288,031)
<i>Foster/adoptive home services</i>				
Salaries	33,472	33,472	33,339	(133)
Other	19,463	19,380	9,084	(10,296)
	52,935	52,852	42,423	(10,429)
<i>Southern Area Agency on Aging</i>				
Other	5,283	5,283	5,283	-
<i>State and local hospitalization</i>				
Other	11,000	11,095	11,095	-
<i>Child care initiative</i>				
Other	-	9,307	9,178	(129)
<i>Property tax relief for the elderly</i>				
Other	85,000	85,000	65,335	(19,665)
<i>Child welfare program</i>				
Salaries	-	28,779	28,776	(3)
Other	-	6,928	6,928	-
	-	35,707	35,704	(3)
<b>Total welfare and social services</b>	9,591,358	9,644,767	8,077,239	(1,567,528)
<b>Total Health and Welfare</b>	10,292,128	10,410,728	8,843,200	(1,567,528)
<b>Education</b>				
Danville Community College	10,545	10,545	10,545	-
Danville School Board	18,249,857	21,086,411	17,140,226	(3,946,185)
<b>Total Education</b>	18,260,402	21,096,956	17,150,771	(3,946,185)
<b>Parks, Recreation, and Cultural</b>				
<b>Parks and Recreation</b>				
<i>Recreation</i>				
Salaries	1,103,352	1,121,396	1,069,280	(52,116)
Other	508,807	533,647	455,771	(77,876)
	1,612,159	1,655,043	1,525,051	(129,992)

See report of Independent auditors

(Continued on next page)

## GENERAL FUND

## COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL

Year Ended June 30, 2007

	Original Budget	Final Budget	Actual	Variance
<i>After school instructional program</i>				
Salaries	118,585	117,734	92,691	(25,043)
Other	35,039	35,890	33,907	(1,983)
	153,624	153,624	126,598	(27,026)
<i>Carrington Pavilion</i>				
Salaries	20,800	21,200	6,202	(14,998)
Other	10,904	11,002	8,677	(2,325)
	31,704	32,202	14,879	(17,323)
<i>Recreation buildings - maintenance</i>				
Salaries	87,599	87,599	55,160	(32,439)
Other	529,320	535,776	471,342	(64,434)
	616,919	623,375	526,502	(96,873)
<i>Recreation grounds - maintenance</i>				
Salaries	401,446	401,154	370,897	(30,257)
Other	666,909	670,678	660,623	(10,055)
	1,068,355	1,071,832	1,031,520	(40,312)
<b>Total parks and recreation</b>	<b>3,482,761</b>	<b>3,536,076</b>	<b>3,224,550</b>	<b>(311,526)</b>
<b>Cultural enrichment</b>				
<i>Tourism and preservation</i>				
Salaries	190,339	185,338	174,396	(10,942)
Other	282,084	293,210	266,585	(26,625)
	472,423	478,548	440,981	(37,567)
<b>Public libraries</b>				
Salaries	527,314	508,169	504,808	(3,361)
Other	609,372	632,743	623,563	(9,180)
Total public libraries	1,136,686	1,140,912	1,128,371	(12,541)
<b>Total Parks, Recreation, and Cultural</b>	<b>5,091,870</b>	<b>5,155,536</b>	<b>4,793,902</b>	<b>(361,634)</b>
<b>Community Development</b>				
<b>Planning and community development</b>				
<i>Director of community development</i>				
Salaries	193,583	181,790	181,790	-
Other	84,209	85,042	80,644	(4,398)
	277,792	266,832	262,434	(4,398)
<i>Economic development</i>				
Salaries	249,358	234,611	230,092	(4,519)
Other	257,651	315,153	292,045	(23,108)
	507,009	549,764	522,137	(27,627)
<i>Enterprise zone activities</i>				
Other	113,000	113,000	100,685	(12,315)

See report of Independent auditors

(Continued on next page)

**GENERAL FUND**  
**COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL**

**Year Ended June 30, 2007**

	Original Budget	Final Budget	Actual	Variance
<i>Planning</i>				
Salaries	142,213	142,213	141,981	(232)
Other	57,059	52,963	43,668	(9,295)
	199,272	195,176	185,649	(9,527)
<i>Planning commission</i>				
Other	6,100	7,121	7,043	(78)
<i>West Piedmont Planning District</i>				
Other	27,126	27,126	26,972	(154)
<i>Zoning board</i>				
Other	4,580	4,580	39,359	34,779
Total planning and community development	1,134,879	1,163,599	1,144,279	(19,320)
<i>Virginia Cooperative Extension</i>				
Other	25,567	25,567	25,490	(77)
<b>Total Community Development</b>	<b>1,160,448</b>	<b>1,189,166</b>	<b>1,169,769</b>	<b>(19,397)</b>
<b>Nondepartmental</b>				
Employee benefits	4,175,266	4,177,470	3,542,949	(634,521)
Other	(115,581)	355,393	-	(355,393)
<b>Total Nondepartmental</b>	<b>4,059,685</b>	<b>4,532,863</b>	<b>3,542,949</b>	<b>(989,914)</b>
<b>Debt Service</b>				
Principal	4,185,148	4,185,148	4,181,152	(3,996)
Interest	1,574,365	1,574,365	1,567,139	(7,226)
<b>Total debt service</b>	<b>5,759,513</b>	<b>5,759,513</b>	<b>5,748,291</b>	<b>(11,222)</b>
<b>Total General Fund Expenditures</b>	<b>\$ 92,043,555</b>	<b>\$ 96,083,754</b>	<b>\$ 86,500,331</b>	<b>\$ (9,570,985)</b>

See report of Independent auditors

**June 30, 2007**

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***Budgets and Budgetary Accounting***

Prior to April 1, the City Manager submits to City Council a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means to finance them. After a public hearing has been conducted to obtain taxpayer comments, the budget is legally adopted through passage of an ordinance prior to July 1, of each year.

The City Manager is authorized to transfer budgeted amounts within each fund. Transfers between funds require City Council approval.

An annual operating budget is adopted for only the General Fund. All budgets are presented on the modified accrual basis of accounting. Accordingly, the accompanying Budgetary Comparison Schedule for the General Fund presents actual expenditures in accordance with the accounting principles accepted in the United States of America on a basis consistent with the legally adopted budget as amended. Effective budgetary control is achieved for the Capital Projects Fund and Special Revenues Funds, on a project-by-project or per grant basis when funding sources become available.

Budgets are adopted for management control for the Enterprise and Internal Services Funds. The restrictions on transfer of budgeted amounts for governmental funds also apply to the Enterprise and Internal Service Funds, except in the Gas and Electric Funds. Amounts in those funds budgeted for the purchase of natural gas and electric power may be increased to the extent that actual revenues exceed the original budgeted revenue.

All appropriations lapse at year end except appropriations within the Capital Projects Fund and Special Revenue Funds, which are continued until completion of the applicable projects or grants, even when such projects or grants extend beyond one fiscal year.



# OTHER SUPPLEMENTARY INFORMATION



# **CITY OF DANVILLE, VIRGINIA**

Combining Statements

Nonmajor Governmental Funds

For the Year Ended June 30, 2007

- ❖ Special Revenue Funds - used to account for specific revenues that are legally restricted to expenditures for specified purposes.
  
- ❖ Cemetery Maintenance Fund - is a permanent fund used to account for funds set aside to provide for the perpetual care of City cemeteries. Only the earnings from the investments of this fund may be expended.

**BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS****June 30, 2007**

	Special Revenue	Cemetery Maintenance	Total
<b>ASSETS</b>			
Cash and investments	\$ -	\$ 2,504,847	\$ 2,504,847
Receivables - net			
Accounts	153,723	-	153,723
Loans	24,057	-	24,057
Due from other governments	1,162,536	-	1,162,536
<b>Total assets</b>	<b>\$ 1,340,316</b>	<b>\$ 2,504,847</b>	<b>\$ 3,845,163</b>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
Accounts payable	\$ 185,554	\$ -	\$ 185,554
Due to other funds	528,300	-	528,300
Deferred revenue	24,057	-	24,057
<b>Total liabilities</b>	<b>737,911</b>	<b>-</b>	<b>737,911</b>
<b>FUND BALANCES</b>			
Reserved for:			
Encumbrances	591,745	-	591,745
Cemetery maintenance	-	2,504,847	2,504,847
Unreserved	10,660	-	10,660
<b>Total fund balances</b>	<b>602,405</b>	<b>2,504,847</b>	<b>3,107,252</b>
<b>Total liabilities and fund balances</b>	<b>\$ 1,340,316</b>	<b>\$ 2,504,847</b>	<b>\$ 3,845,163</b>

See report of independent auditors

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE-  
NONMAJOR GOVERNMENTAL FUNDS**


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**Year Ended June 30, 2007**


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	Special Revenue	Cemetery Maintenance	Total
<b>REVENUES</b>			
Miscellaneous	\$ 308,914	\$ 29,285	\$ 338,199
Intergovernmental	3,852,368	-	3,852,368
<b>Total revenues</b>	<b>4,161,282</b>	<b>29,285</b>	<b>4,190,567</b>
<b>EXPENDITURES</b>			
General government	12,300	-	12,300
Judicial administration	45,804	-	45,804
Public safety	628,522	-	628,522
Public works	190,239	-	190,239
Health and welfare	3,791,015	-	3,791,015
Parks, recreation, and cultural	423,846	-	423,846
Community Development	28,004	-	28,004
<b>Total expenditures</b>	<b>5,119,730</b>	<b>-</b>	<b>5,119,730</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>(958,448)</b>	<b>29,285</b>	<b>(929,163)</b>
<b>OTHER FINANCING SOURCES</b>			
Transfers in	869,246	-	869,246
<b>Net change in fund balances</b>	<b>(89,202)</b>	<b>29,285</b>	<b>(59,917)</b>
Fund balances - beginning of year	691,607	2,475,562	3,167,169
Fund balances - end of year	\$ 602,405	\$ 2,504,847	\$ 3,107,252

*See report of independent auditors*

# **CITY OF DANVILLE, VIRGINIA**

Combining Statements

Nonmajor Enterprise Funds

For the Year Ended June 30, 2007

- ❖ Transportation - provides mass transit service throughout the City.
- ❖ Sanitation - provides for the collection and disposal of solid waste.
- ❖ Cemetery Operations - provides for burial services and cemetery maintenance.
- ❖ Telecommunications - provides broadband communication needs of the City and Danville Public Schools currently with plans to expand to provide access to businesses and homes.

## COMBINING BALANCE SHEET-NONMAJOR ENTERPRISE FUNDS

June 30, 2007

	Transportation	Sanitation	Cemetery Operations	Telecommunications	Total
<b>ASSETS</b>					
Current assets					
Cash and investments	\$ -	\$ 711,973	\$ 37,834	\$ 2,604,795	\$ 3,354,602
Receivables - net	10,312	-	-	-	10,312
Due from other governments	339,027	-	-	-	339,027
Inventory	-	-	-	69,727	69,727
Pension asset	1,353	134,240	-	-	135,593
<b>Total current assets</b>	<b>350,692</b>	<b>846,213</b>	<b>37,834</b>	<b>2,674,522</b>	<b>3,909,261</b>
Noncurrent assets					
Capital assets:					
Land and improvements	-	509,232	-	-	509,232
Buildings, structures, and improvements	923,206	1,601,808	-	2,413,425	4,938,439
Equipment	1,473,000	332,760	-	-	1,805,760
Less - accumulated depreciation	(1,095,471)	(1,838,708)	-	(34,128)	(2,968,307)
<b>Total noncurrent assets - net</b>	<b>1,300,735</b>	<b>605,092</b>	<b>-</b>	<b>2,379,297</b>	<b>4,285,124</b>
<b>Total assets</b>	<b>1,651,427</b>	<b>1,451,305</b>	<b>37,834</b>	<b>5,053,819</b>	<b>8,194,385</b>
<b>LIABILITIES</b>					
Current liabilities					
Accounts payable	7,466	111,938	3,461	41,006	163,871
Accrued interest	32	637	-	-	669
Due to primary government	63,846	-	-	-	63,846
Pension liability	-	-	17,440	3,557	20,997
Long-term liabilities - due within one year	1,138	22,633	-	600,000	623,771
<b>Total current liabilities</b>	<b>72,482</b>	<b>135,208</b>	<b>20,901</b>	<b>644,563</b>	<b>873,154</b>
Long-term liabilities - due in more than one year	1,763	35,071	-	460,000	496,834
Compensated absences	22,364	61,620	16,933	-	100,917
<b>Total noncurrent liabilities</b>	<b>24,127</b>	<b>96,691</b>	<b>16,933</b>	<b>460,000</b>	<b>597,751</b>
<b>Total liabilities</b>	<b>96,609</b>	<b>231,899</b>	<b>37,834</b>	<b>1,104,563</b>	<b>1,470,905</b>
<b>NET ASSETS</b>					
Invested in capital assets - net of related debt	1,297,835	547,387	-	1,319,297	3,164,519
Restricted - capital projects	-	-	-	334,069	334,069
Unrestricted	256,983	672,019	-	2,295,890	3,224,892
<b>Total net assets</b>	<b>\$ 1,554,818</b>	<b>\$ 1,219,406</b>	<b>\$ -</b>	<b>\$ 3,949,256</b>	<b>\$ 6,723,480</b>

See report of independent auditors

**COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN  
FUND NET ASSETS - NONMAJOR ENTERPRISE FUNDS**

<b>Year Ended June 30, 2007</b>					
	Transportation	Sanitation	Cemetery Operations	Telecommunications	Total
<b>OPERATING REVENUES</b>					
Charges for services	\$ 220,722	\$ 3,488,767	\$ 457,174	\$ 1,436,302	\$ 5,602,965
<b>OPERATING EXPENSES</b>					
Services	993,482	3,352,739	813,462	418,470	5,578,153
Depreciation	166,223	1,685	-	14,572	182,480
<b>Total operating expenses</b>	<b>1,159,705</b>	<b>3,354,424</b>	<b>813,462</b>	<b>433,042</b>	<b>5,760,633</b>
<b>Operating income (loss)</b>	<b>(938,983)</b>	<b>134,343</b>	<b>(356,288)</b>	<b>1,003,260</b>	<b>(157,668)</b>
<b>NONOPERATING REVENUES (EXPENSES)</b>					
Sales income	-	-	101,400	-	101,400
Jobbing loss	-	-	-	(7,333)	(7,333)
Rental income	11,169	10,200	-	-	21,369
Recovered cost	15,824	178	-	-	16,002
Gain on sale of assets	12,445	-	-	-	12,445
Federal and state grants	711,310	-	-	-	711,310
In-kind contributions	122,320	-	-	-	122,320
Interest income	3,890	37,635	142,626	156,049	340,200
Interest expense	(119)	(2,362)	-	(66,400)	(68,881)
<b>Total nonoperating revenues</b>	<b>876,839</b>	<b>45,651</b>	<b>244,026</b>	<b>82,316</b>	<b>1,248,832</b>
<b>Income (loss) before transfers</b>	<b>(62,144)</b>	<b>179,994</b>	<b>(112,262)</b>	<b>1,085,576</b>	<b>1,091,164</b>
<b>Transfers</b>					
Transfer in from other funds	171,399	-	89,457	-	260,856
Transfer out to general fund	(96,530)	-	-	(125,000)	(221,530)
<b>Total transfers</b>	<b>74,869</b>	<b>-</b>	<b>89,457</b>	<b>(125,000)</b>	<b>39,326</b>
<b>Change in net assets</b>	<b>12,725</b>	<b>179,994</b>	<b>(22,805)</b>	<b>960,576</b>	<b>1,130,490</b>
<b>Net assets - beginning of year</b>	<b>1,542,093</b>	<b>1,039,412</b>	<b>22,805</b>	<b>2,988,680</b>	<b>5,592,990</b>
<b>Net assets - end of year</b>	<b>\$ 1,554,818</b>	<b>\$ 1,219,406</b>	<b>\$ -</b>	<b>\$ 3,949,256</b>	<b>\$ 6,723,480</b>

See report of independent auditors

## COMBINING STATEMENT OF CASH FLOWS - NONMAJOR ENTERPRISE FUNDS

Year Ended June 30, 2007

	Transportation	Sanitation	Cemetery Operations	Telecommunications	Total
Cash flows from operating activities					
Received from customers	\$ 219,050	\$ 3,488,767	\$ 498,559	\$ 1,436,302	\$ 5,642,678
Payments to suppliers for goods and services	(416,920)	(1,609,741)	(222,097)	(302,435)	(2,551,193)
Payments to employees for services	(554,832)	(1,298,027)	(486,028)	(155,739)	(2,494,626)
Payments to internal service funds for goods and services	(5,205)	(376,472)	(99,729)	-	(481,406)
Nonoperating revenue	26,992	10,378	-	(7,333)	30,037
Net cash from operating activities	(730,915)	214,905	(309,295)	970,795	145,490
Cash flows from noncapital financing activities					
Transfers from other funds	171,399	-	89,457	-	260,856
Transfers to other funds	(96,530)	-	-	(125,000)	(221,530)
Operating grants received	851,482	-	-	-	851,482
Net cash from noncapital financing activities	926,351	-	89,457	(125,000)	890,808
Cash flows from capital and related financing activities					
Acquisition of capital assets	(210,522)	-	-	(150,303)	(360,825)
Principal payments on long-term debt	(1,161)	(23,096)	-	(600,000)	(624,257)
Interest payments on long-term debt	(134)	(2,662)	-	(66,400)	(69,196)
Proceeds from sale of capital assets	12,445	-	101,400	-	113,845
Net cash from capital and related financing activities	(199,372)	(25,758)	101,400	(816,703)	(940,433)
Cash flows from investing activities -					
Interest on investments	3,890	25,929	98,272	156,049	284,140
Net activity in investment securities	46	12,610	44,354	-	57,010
Net cash from investing activities	3,936	38,539	142,626	156,049	341,150
Net increase in cash and investments	-	227,686	24,188	185,141	437,015
Cash and investments - beginning of year	-	484,287	13,646	2,419,654	2,917,587
Cash and investments - end of year	\$ -	\$ 711,973	\$ 37,834	\$ 2,604,795	\$ 3,354,602
Reconciliation of operating income (loss) to net cash from operating activities					
Operating income (loss)	\$ (938,983)	\$ 134,343	\$ (356,288)	\$ 1,003,260	\$ (157,668)
Adjustments:					
Depreciation charged to operations	166,223	1,685	-	14,572	182,480
In-kind contributions	122,320	-	-	-	122,320
Change in noncash employee benefits charged to operations	9,433	26,939	7,055	2,583	46,010
Nonoperating revenue	26,992	10,378	-	(7,333)	30,037
Changes in assets and liabilities:					
Accounts receivable	(1,672)	-	41,385	-	39,713
Inventory	-	-	-	(69,727)	(69,727)
Accounts payable	758	41,560	(1,447)	27,440	68,311
Due to primary government	(115,986)	-	-	-	(115,986)
Net cash from operating activities	\$ (730,915)	\$ 214,905	\$ (309,295)	\$ 970,795	\$ 145,490
Supplemental disclosure of noncash investing, capital, and financing activities:					
Increase in fair value of investments	\$ 1,125	\$ 11,706	\$ -	\$ 48,517	\$ 61,348

See report of independent auditors

# **CITY OF DANVILLE, VIRGINIA**

Combining Statements

Internal Service Funds

For the Year Ended June 30, 2007

- ❖ Motorized Equipment - acquires and maintains all vehicles used by the various departments of the City.
- ❖ Central Services - provides office supplies and printing services for all departments of the City.
- ❖ Insurance - provides general insurance coverage to all City departments, including areas such as workers' compensation where the City is completely self-insured, and insurance coverage purchased from outside insurance companies.



## COMBINING STATEMENT OF NET ASSETS - INTERNAL SERVICE FUNDS

June 30, 2007

	Motorized Equipment	Central Services	Insurance	Total
<b>ASSETS</b>				
<b>Current assets</b>				
Cash and investments	\$ -	\$ 35,374	\$ 4,136,550	\$ 4,171,924
Cash and investments - held by fiscal agent	-	-	59,990	59,990
Receivables - net	-	2,802	-	2,802
Inventories	-	101,003	-	101,003
Prepayments	-	-	24,043	24,043
Pension asset	25,064	5,128	-	30,192
<b>Total current assets</b>	<b>25,064</b>	<b>144,307</b>	<b>4,220,583</b>	<b>4,389,954</b>
<b>Noncurrent assets</b>				
Capital assets -				
Equipment	9,428,363	246,736	-	9,675,099
Less - accumulated depreciation	(7,140,264)	(201,873)	-	(7,342,137)
<b>Total noncurrent assets</b>	<b>2,288,099</b>	<b>44,863</b>	<b>-</b>	<b>2,332,962</b>
<b>Total assets</b>	<b>2,313,163</b>	<b>189,170</b>	<b>4,220,583</b>	<b>6,722,916</b>
<b>LIABILITIES</b>				
<b>Current liabilities</b>				
Accounts payable	62,044	10,371	-	72,415
Accrued interest	1,040	-	-	1,040
Due to other governments	153,970	-	-	153,970
Long-term liabilities - due within one year	113,659	-	-	113,659
<b>Total current liabilities</b>	<b>330,713</b>	<b>10,371</b>	<b>-</b>	<b>341,084</b>
Long-term liabilities - due in more than one year	-	3,495	-	3,495
<b>Total liabilities</b>	<b>330,713</b>	<b>13,866</b>	<b>-</b>	<b>344,579</b>
<b>NET ASSETS</b>				
Invested in capital assets - net of related debt	2,288,099	44,863	-	2,332,962
Unrestricted	(305,649)	130,441	4,220,583	4,045,375
<b>Total net assets</b>	<b>\$ 1,982,450</b>	<b>\$ 175,304</b>	<b>\$ 4,220,583</b>	<b>\$ 6,378,337</b>

See report of independent auditors

**COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS -  
INTERNAL SERVICE FUNDS**

<b>Year Ended June 30, 2007</b>				
	Motorized Equipment	Central Services	Insurance	Total
<b>OPERATING REVENUES</b>				
Charges for services	\$ 2,689,262	\$ 424,046	\$ 2,210,380	\$ 5,323,688
<b>OPERATING EXPENSES</b>				
Operations	2,146,672	411,137	2,214,557	4,772,366
Depreciation	580,801	13,874	-	594,675
<b>Total operating expenses</b>	<b>2,727,473</b>	<b>425,011</b>	<b>2,214,557</b>	<b>5,367,041</b>
Operating loss	(38,211)	(965)	(4,177)	(43,353)
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Gain on sale of assets	80,664	-	-	80,664
Miscellaneous	5,345	-	4,177	9,522
Interest income	-	1,411	191,958	193,369
Interest expense	(3,855)	-	-	(3,855)
<b>Total nonoperating revenues (expenses)</b>	<b>82,154</b>	<b>1,411</b>	<b>196,135</b>	<b>279,700</b>
<b>Income before transfers</b>	<b>43,943</b>	<b>446</b>	<b>191,958</b>	<b>236,347</b>
<b>Transfers</b>				
Transfer in from other funds	17,850	-	-	17,850
<b>Total transfers</b>	<b>17,850</b>	<b>-</b>	<b>-</b>	<b>17,850</b>
<b>Change in net assets</b>	<b>61,793</b>	<b>446</b>	<b>191,958</b>	<b>254,197</b>
<b>Net assets - beginning of year</b>	<b>1,920,657</b>	<b>174,858</b>	<b>4,028,625</b>	<b>6,124,140</b>
<b>Net assets - end of year</b>	<b>\$ 1,982,450</b>	<b>\$ 175,304</b>	<b>\$ 4,220,583</b>	<b>\$ 6,378,337</b>

See report of independent auditors

## COMBINING STATEMENT OF CASH FLOWS - INTERNAL SERVICE FUNDS

Year Ended June 30, 2007

	Motorized Equipment	Central Services	Insurance	Total
Cash flows from operating activities				
Received from customers	\$ 2,689,262	\$ 423,217	\$ 2,210,380	\$ 5,322,859
Payments to suppliers for goods and services	(1,507,337)	(294,985)	(2,234,257)	(4,036,579)
Payments to employees for services	(589,967)	(108,085)	-	(698,052)
Payments to internal service funds for goods and services	(32,399)	(5,328)	-	(37,727)
Nonoperating revenue	5,345	-	4,177	9,522
Net cash from operating activities	564,904	14,819	(19,700)	560,023
Cash flows from noncapital financing activities				
Transfer to other funds	17,850	-	-	17,850
Net cash from noncapital financing activities	17,850	-	-	17,850
Cash flows from capital and related financing activities				
Acquisition of capital assets	(622,815)	(16,519)	-	(639,334)
Principal payments on long-term debt	(37,730)	-	-	(37,730)
Interest payments on long-term debt	(4,350)	-	-	(4,350)
Proceeds from sale of capital assets	80,664	-	-	80,664
Net cash from capital and related financing activities	(584,231)	(16,519)	-	(600,750)
Cash flows from investing activities				
Interest on investments	-	987	132,253	133,240
Net activity in investments	1,477	423	59,705	61,605
Net cash from investing activities	1,477	1,410	191,958	194,845
Net increase (decrease) in cash and investments	-	(290)	172,258	171,968
Cash and investments - beginning of year	-	35,664	4,024,282	4,059,946
Cash and investments - end of year	\$ -	\$ 35,374	\$ 4,196,540	\$ 4,231,914
Reconciliation of operating loss to net cash from operating activities				
Operating loss	\$ (38,211)	\$ (965)	\$ (4,177)	\$ (43,353)
Adjustments:				
Depreciation charged to operations	580,801	13,874	-	594,675
Nonoperating revenue	5,345	-	4,177	9,522
Change in noncash employee benefits charged to operations	6,369	2,625	-	8,994
Changes in assets and liabilities:				
Accounts receivable	-	(829)	-	(829)
Inventories	-	(5,341)	-	(5,341)
Accounts payable	10,600	5,455	(19,700)	(3,645)
Net cash from operating activities	\$ 564,904	\$ 14,819	\$ (19,700)	\$ 560,023
Supplemental disclosure of noncash investing, capital and financing activities:				
Increase in fair value of investments	\$ -	\$ 423	\$ 59,705	\$ 60,128

See report of independent auditors.

## SCHEDULE OF CAPITAL ASSETS BY FUNCTION AND ACTIVITY

For the Year Ended June 30, 2007					
Function and Activity	Land and Land Improvements	Buildings	Furniture and Equipment	Infrastructure	Total
General government administration:					
General and financial administration	\$ 367,558	\$ 217,116	\$ 372,131	\$ -	\$ 956,805
Social services building	-	521,156	-	-	521,156
Public safety:					
Law enforcement and traffic control	-	96,939	287,579	-	384,518
Fire and rescue services	49,218	1,097,130	321,707	-	1,468,055
Corrections and detention	-	8,571,765	-	-	8,571,765
Inspections and other	-	132,851	-	-	132,851
Public works:					
Airport	3,198,128	4,465,542	82,972	-	7,746,642
General	305,000	367,884	174,499	-	847,383
Maintenance of highways, bridges and sidewalks	125,000	-	-	11,163,854	11,288,854
Health and welfare	-	354,134	177,899	-	532,033
Parks, recreation and cultural	-	5,015,520	109,034	-	5,124,554
Community development	27,293	-	-	-	27,293
General property	2,663,875	759,963	71,533	-	3,495,371
	6,736,072	21,600,000	1,597,354	11,163,854	41,097,280
Construction in progress	359,595	203,300	5,886,703	1,202,010	7,651,608
	7,095,667	21,803,300	7,484,057	12,365,864	48,748,888
Capital assets from Danville School Board	3,408,072	1,101,744	14,697,445	-	19,207,261
	\$ 10,503,739	\$ 22,905,044	\$ 22,181,502	\$ 12,365,864	\$ 67,956,149

\* All totals are net of depreciation

## SCHEDULE OF CHANGES IN CAPITAL ASSETS BY FUNCTION AND ACTIVITY

For the Year Ended June 30, 2007

Function and Activity	Balance June 30, 2006	Additions	Depreciation/ Deletions	Balance June 30, 2007
General government administration:				
General and financial administration	\$ 722,065	\$ -	\$ (490,811)	\$ 231,254
Social services building	474,600	-	(46,556)	428,044
Public safety:				
Law enforcement and traffic control	723,867	541,488	(50,439)	1,214,916
Fire and rescue services	1,603,177	416,000	(117,692)	1,901,485
Corrections and detention	9,265,582	-	(557,892)	8,707,690
Inspections and other	124,445	-	(8,406)	116,039
Public works:				
Airport	7,573,228	72,116	(232,796)	7,412,548
General	912,789	46,831	(25,866)	933,754
Maintenance of highways, streets and bridges	13,665,784	376,371	(354,523)	13,687,632
Health and welfare	439,320	-	(226,328)	212,992
Parks, recreation and cultural	4,788,975	-	(161,664)	4,627,311
Community development	134,371	-	(27,293)	107,078
General property	2,513,033	-	(996,496)	1,516,537
	42,941,236	1,452,806	(3,296,762)	41,097,280
Construction in progress	5,794,239	8,547,104	(6,689,735)	7,651,608
	48,735,475	9,999,910	(9,986,497)	48,748,888
Capital assets from Danville School Board	21,130,701	-	(1,923,440)	19,207,261
	\$ 69,866,176	\$ 9,999,910	\$ (11,909,937)	\$ 67,956,149

\* All totals are net of depreciation

**SCHEDULE OF CAPITAL ASSETS - BY SOURCE**


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<b>June 30, 2020</b>	
Land and land improvements	\$ 6,736,072
Buildings	21,617,653
Infrastructure	11,163,854
Equipment	1,579,701
Construction in progress	<u>7,651,608</u>
	<u>\$ 48,748,888</u>
Capital projects funds:	
General obligation bonds	\$ 15,045,780
General appropriations	9,368,369
General fund revenues	14,676,099
Special revenue fund revenues	538,329
Federal grants	3,023,877
State grants	5,099,009
Contributions	<u>997,425</u>
	48,748,888
Danville School Board	<u>19,207,261</u>
	<u>\$ 67,956,149</u>

\* All totals are net of depreciation



## STATISTICAL SECTION



# STATISTICAL SECTION

This part of the City of Danville's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the government's overall financial health.

<b>Contents</b>	<b>Page</b>
Financial Trends <i>These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.</i>	123
Revenue Capacity <i>These schedules contain information to help the reader assess the government's most significant local revenue sources, the property tax and charges for utility services.</i>	129
Debt Capacity <i>These schedules present information to help the reader assess the affordability of the government's current levels of outstanding debt and the government's ability to issue additional debt in the future.</i>	134
Demographic and Economic Information <i>These schedules offer demographic and economic indicators to help the reader understand the environment within the government's financial activities take place.</i>	137
Operating Information <i>These schedules contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government provides and the activities it performs.</i>	140

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

CITY OF DANVILLE, VIRGINIA  
NET ASSETS BY COMPONENT  
LAST SEVEN FISCAL YEARS\*

	Fiscal Year						
	2001	2002	2003	2004	2005	2006	2007
<b>Governmental activities</b>							
Invested in capital assets, net of related debt	\$ 14,159,109	\$ 9,219,518	\$ 14,927,384	\$ 20,589,644	\$ 21,592,954	\$ 24,811,422	\$ 28,858,705
Restricted	21,010,002	13,760,973	10,170,443	6,153,666	6,573,688	8,602,821	10,031,903
Unrestricted	39,168,249	36,949,622	38,991,299	39,360,575	38,433,286	40,651,729	47,172,244
Total governmental activities net assets	<u>\$ 74,337,360</u>	<u>\$ 59,930,113</u>	<u>\$ 64,089,126</u>	<u>\$ 66,103,885</u>	<u>\$ 66,599,928</u>	<u>\$ 74,065,972</u>	<u>\$ 86,062,852</u>
<b>Business-type activities</b>							
Invested in capital assets, net of related debt	\$ 102,319,875	\$ 112,403,637	\$ 125,436,377	\$ 141,102,057	\$ 158,570,378	\$ 162,072,054	\$ 172,325,000
Restricted	8,516,533	5,908,783	4,072,210	9,419,436	14,528,018	26,205,121	29,047,292
Unrestricted	53,735,248	56,440,907	59,009,400	48,615,924	35,172,773	30,425,855	34,299,631
Total business-type activities net assets	<u>\$ 164,571,656</u>	<u>\$ 174,753,327</u>	<u>\$ 188,517,987</u>	<u>\$ 199,137,417</u>	<u>\$ 208,271,169</u>	<u>\$ 218,703,030</u>	<u>\$ 235,671,923</u>
<b>Primary government</b>							
Invested in capital assets, net of related debt	\$ 116,478,984	\$ 121,623,155	\$ 140,363,761	\$ 161,691,701	\$ 180,163,332	\$ 186,883,476	\$ 201,183,705
Restricted	29,526,535	19,669,756	14,242,653	15,573,102	21,101,706	34,807,942	39,079,195
Unrestricted	92,903,497	93,390,529	98,000,699	87,976,499	73,606,059	71,077,584	81,471,875
Total primary government net assets	<u>\$ 238,909,016</u>	<u>\$ 234,683,440</u>	<u>\$ 252,607,113</u>	<u>\$ 265,241,302</u>	<u>\$ 274,871,097</u>	<u>\$ 292,769,002</u>	<u>\$ 321,734,775</u>

\* Information prior to June 30, 2001 is difficult to extract due to change in software.

CITY OF DANVILLE, VIRGINIA  
CHANGES IN NET ASSETS  
LAST SEVEN FISCAL YEARS\*

	Fiscal Year						
	2001	2002	2003	2004	2005	2006	2007
<b>Expenses</b>							
Governmental activities:							
General government	\$ 6,184,350	\$ 12,895,788	\$ 11,080,064	\$ 11,208,242	\$ 11,563,702	\$ 10,706,147	\$ 10,978,148
Judicial administration	4,160,634	5,339,394	5,290,396	4,232,325	4,506,834	4,803,342	5,218,767
Public safety	20,318,750	21,443,155	21,611,220	20,971,031	23,709,019	25,172,041	24,929,011
Public works	8,845,087	8,965,027	9,748,494	10,129,695	12,961,903	11,832,496	10,844,833
Health and welfare	8,176,523	11,312,848	11,908,642	10,589,382	10,751,310	12,285,520	12,844,409
Parks, recreation, cultural	4,849,461	4,870,006	4,926,303	5,621,196	5,456,588	5,009,150	5,367,886
Community development	3,852,704	5,130,797	5,444,251	7,893,504	7,893,276	7,392,661	11,796,198
Education	17,487,152	31,803,899	21,623,266	23,598,363	17,932,956	20,143,175	16,903,673
Interest on long-term debt	2,561,321	1,045,005	2,112,705	2,461,084	1,886,516	1,665,956	1,617,511
Nondepartmental	2,613,717	740,944	1,013,117	672,598	3,861,787	-	-
Total governmental activities expenses	79,049,699	103,486,863	94,758,458	97,377,420	100,523,891	99,010,488	100,500,436
Business-type activities:							
Wastewater	6,323,595	6,359,787	6,301,012	6,304,213	6,162,912	6,484,670	6,561,949
Water	4,402,118	4,611,032	4,355,081	4,204,395	4,545,575	4,598,119	4,739,464
Gas	37,997,998	25,448,813	27,037,186	22,667,165	22,305,387	31,008,668	23,320,491
Electric	37,196,963	37,736,028	38,815,555	40,030,479	41,009,206	61,180,771	72,817,037
Nonmajor	4,229,726	4,295,274	4,293,078	4,488,661	4,901,655	5,393,641	5,836,847
Total business-type activities expenses	90,150,000	78,450,934	80,801,912	77,694,933	78,923,735	108,625,869	113,275,788
Total primary government expenses	\$ 169,199,699	\$ 181,937,797	\$ 175,560,370	\$ 175,072,353	\$ 179,447,626	\$ 207,636,357	\$ 213,776,224
<b>Program Revenues</b>							
Governmental activities:							
Charges for services:							
General government	\$ -	\$ 5,109,983	\$ 4,316,677	\$ 4,853,085	\$ 5,000,863	\$ 5,103,657	\$ 5,685,591
Judicial administration	515,434	529,341	439,554	549,137	487,228	576,841	1,489,794
Public safety	3,977,864	284,842	381,372	191,826	242,548	219,838	231,309
Public works	607,279	279,913	230,255	224,905	-	-	-
Health and welfare	344,602	-	-	-	-	-	-
Parks, recreation, cultural	116,566	160,700	171,666	220,943	213,037	202,418	210,182
Community development	200,236	-	-	-	-	-	-
Education	-	3,155,683	-	-	-	-	-
Operating grants and contributions	24,833,329	21,266,728	28,413,626	30,964,009	32,700,459	36,552,849	38,205,373
Capital grants and contributions	5,286,314	10,251,248	5,102,140	4,807,868	2,905,657	1,596,539	4,055,930
Total governmental activities program revenues	35,891,624	41,018,438	39,055,290	41,811,873	41,549,792	44,252,142	49,878,179
Business-type activities:							
Charges for services:							
Wastewater	7,654,636	7,265,020	7,009,576	6,918,502	6,059,995	7,528,176	7,805,221
Water	5,557,279	5,578,086	5,388,944	5,223,867	5,075,326	6,117,848	7,012,772
Gas	42,596,777	27,526,419	30,029,152	25,999,471	25,211,996	33,414,367	26,280,132
Electric	53,234,742	51,759,880	54,793,952	55,491,259	53,740,565	72,751,817	88,910,376
Nonmajor	3,313,400	3,289,939	3,269,499	3,208,290	3,568,492	5,433,299	5,602,965
Operating grants and contributions	545,237	544,799	477,774	-	299,476	500,546	355,921
Capital grants and contributions	1,767,215	385,972	56,343	1,065,942	1,074,434	3,333,743	1,741,248

CITY OF DANVILLE, VIRGINIA  
CHANGES IN NET ASSETS  
LAST SEVEN FISCAL YEARS\*

	Fiscal Year						
	2001	2002	2003	2004	2005	2006	2007
Total business-type activities program revenues	114,669,286	96,350,115	101,025,240	97,907,331	95,030,284	129,079,796	137,718,635
Total primary government program revenues	\$ 150,560,910	\$ 137,368,553	\$ 140,080,530	\$ 139,719,204	\$ 136,580,076	\$ 173,331,938	\$ 187,596,814
Net (expense)/revenue	\$ (43,158,075)	\$ (62,468,425)	\$ (55,703,168)	\$ (55,565,547)	\$ (58,974,099)	\$ (54,758,346)	\$ (50,622,257)
Governmental activities	24,519,286	17,899,181	20,223,328	20,212,398	16,106,549	20,453,927	24,442,847
Business-type activities	\$ (18,638,789)	\$ (44,569,244)	\$ (35,479,840)	\$ (35,353,149)	\$ (42,867,550)	\$ (34,304,419)	\$ (26,179,410)
Total primary government net expense							
General Revenues and Other Changes in Net Assets							
Governmental activities:							
Taxes	\$ 22,140,959	\$ 22,477,673	\$ 23,943,675	\$ 23,289,443	\$ 24,540,038	\$ 25,453,656	\$ 25,930,246
Property taxes	6,768,919	6,569,709	6,630,318	6,767,056	6,941,295	7,326,695	7,598,276
Sales taxes	3,360,151	3,386,808	3,536,402	3,597,621	3,777,830	4,889,518	4,572,218
Business licenses	3,158,029	3,334,340	3,435,728	3,896,209	4,237,844	4,246,590	2,654,769
Utility taxes	3,655,315	3,868,262	3,784,413	4,196,327	4,334,822	4,499,854	5,165,368
Hotel and meals taxes	955,818	889,675	907,760	895,694	982,914	1,109,217	946,397
Recordation and bank stock taxes	1,017,775	923,851	1,021,664	1,005,918	983,762	895,776	1,034,967
Auto license and recordation taxes	2,027,052	2,875,706	1,247,279	104,591	758,666	701,529	885,861
Investment income	528,717	797,885	3,400,681	3,297,463	3,183,697	775,157	1,047,591
Miscellaneous	9,890,532	10,563,001	10,557,137	10,529,984	10,405,773	12,326,398	12,783,444
Transfers	53,503,267	55,686,910	58,465,057	57,580,306	60,146,641	62,224,390	62,619,137
Total governmental activities	3,658,526	2,406,942	2,686,690	78,404	1,471,314	1,481,092	3,452,939
Business-type activities:	9,887	438,549	1,411,779	858,612	1,961,662	823,241	1,856,551
Miscellaneous	(10,158,049)	(10,563,001)	(10,557,137)	(10,529,984)	(10,405,773)	(12,326,398)	(12,783,444)
Transfers	(6,489,636)	(7,717,510)	(6,458,668)	(9,592,968)	(6,972,797)	(10,022,065)	(7,473,954)
Total business-type activities	\$ 47,013,631	\$ 47,969,400	\$ 52,006,389	\$ 47,987,338	\$ 53,173,844	\$ 52,202,325	\$ 55,145,183
Total primary government							
Change in Net Assets	\$ 10,345,192	\$ (6,781,515)	\$ 2,761,889	\$ 2,014,759	\$ 1,172,542	\$ 7,466,044	\$ 11,996,880
Governmental activities	18,029,650	10,181,671	13,764,660	10,619,430	9,133,752	10,431,862	16,968,893
Business-type activities	\$ 28,374,842	\$ 3,400,156	\$ 16,526,549	\$ 12,634,189	\$ 10,306,294	\$ 17,897,906	\$ 28,965,773
Total primary government							

\* Information prior to fiscal year ended June 30, 2001 is difficult to extract due to change in software.

**CITY OF DANVILLE, VIRGINIA**  
**GOVERNMENTAL ACTIVITIES TAX REVENUES BY SOURCE**  
**LAST TEN FISCAL YEARS**

Fiscal Year	Other Local Taxes					Auto License & Recordation Taxes		Grand Total
	Property Taxes	Sales Taxes	Business License Taxes	Utility Taxes	Hotel & Meals Taxes	Recordation & Bank Stock Taxes	Total	
1998	18,785,954	6,181,092	2,972,288	1,713,709	2,259,526	720,195	14,589,070	33,375,024
1999	20,453,283	6,442,865	2,953,863	2,801,475	3,410,419	839,556	17,194,067	37,647,350
2000	19,965,645	6,718,384	3,189,751	2,864,775	3,660,232	799,668	18,144,729	38,110,374
2001	19,453,031	6,768,919	3,360,151	3,158,029	3,655,315	955,818	18,916,007	38,369,038
2002	19,346,304	6,569,709	3,386,808	3,334,340	3,868,262	889,675	18,972,645	38,318,949
2003	24,045,407	6,630,318	3,536,402	3,435,728	3,784,413	907,760	19,316,285	43,361,692
2004	23,289,443	6,767,056	3,597,621	3,896,209	4,196,327	895,694	20,358,825	43,648,268
2005	24,540,038	6,941,295	3,777,830	4,237,844	4,334,822	982,914	21,258,467	45,798,505
2006	25,453,656	7,326,695	4,889,518	4,246,590	4,499,854	1,109,217	22,967,652	48,421,308
2007	25,930,246	7,598,276	4,572,218	2,654,769	5,165,368	946,397	21,971,995	47,902,241

City of Danville, Virginia  
Fund Balances of Governmental Funds  
Last Seven Fiscal Years\*  
(modified accrual basis of accounting)

	Fiscal Year						
	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
General Fund							
Reserved	\$ 3,454,240	\$ 2,923,331	\$ 3,042,193	\$ 2,476,902	\$ 3,851,704	\$ 5,526,954	\$ 7,242,459
Unreserved	19,993,053	22,305,505	21,324,394	21,001,767	20,393,893	24,843,213	26,731,939
Total general fund	<u>\$ 23,447,293</u>	<u>\$ 25,228,836</u>	<u>\$ 24,366,587</u>	<u>\$ 23,478,669</u>	<u>\$ 24,245,597</u>	<u>\$ 30,370,167</u>	<u>\$ 33,974,398</u>
All other governmental funds							
Reserved	\$ 21,295,791	\$ 12,976,881	\$ 11,103,280	\$ 7,145,275	\$ 6,660,002	\$ 7,337,086	\$ 8,690,452
Unreserved, reported in:							
Special Revenue	180,020	186,782	119,308	85,419	272,853	10,660	10,660
Cemetery Maintenance	195,060	264,603	330,505	-	-	-	-
Total all other governmental funds	<u>\$ 21,670,871</u>	<u>\$ 13,428,266</u>	<u>\$ 11,553,093</u>	<u>\$ 7,230,694</u>	<u>\$ 6,932,855</u>	<u>\$ 7,347,746</u>	<u>\$ 8,701,112</u>

\* Information prior to June 30, 2001 is difficult to extract due to change in software.

**City of Danville, Virginia**  
**Changes in Fund Balances of Governmental Funds**  
**Last Seven Fiscal Years\***  
(modified accrual basis of accounting)

	Fiscal Year						
	2001	2002	2003	2004	2005	2006	2007
<b>Revenues</b>							
Property taxes	\$ 19,453,031	\$ 22,477,673	\$ 24,045,407	\$ 23,289,443	\$ 24,540,038	\$ 25,453,656	\$ 25,930,246
Local taxes	18,916,007	18,972,645	19,316,285	20,358,825	21,258,467	22,963,374	21,971,995
Fines and forfeitures	536,455	526,315	480,224	487,400	430,796	505,328	541,399
Permits, privilege fees, and regulatory licenses	208,934	189,514	221,100	189,405	239,617	219,668	235,358
Revenue from use of money and property	2,977,310	2,311,815	1,826,965	680,314	1,185,015	957,075	2,194,319
Charges for services	4,251,374	4,827,539	4,573,521	3,555,551	3,689,094	3,511,114	3,770,733
Miscellaneous	878,030	1,116,101	877,071	2,937,622	2,538,070	2,600,487	1,838,547
Recovered costs	2,585,748	3,420,537	3,688,855	4,129,121	4,032,607	4,194,578	5,173,681
Intergovernmental	30,437,105	30,977,287	27,803,342	28,431,487	29,972,172	28,728,127	34,136,326
Total revenues	80,243,994	84,819,426	82,832,770	84,059,168	87,885,876	89,133,407	95,792,604
<b>Expenditures</b>							
General government	4,774,011	4,860,476	5,055,245	5,121,782	5,815,842	6,024,273	6,443,419
Judicial administration	4,038,651	4,200,274	4,123,767	4,242,578	4,409,910	4,584,788	5,128,684
Public safety	19,586,854	20,304,556	20,482,466	21,402,433	22,182,965	22,423,516	24,673,695
Public works	8,695,353	8,697,285	9,553,828	9,298,498	11,117,739	10,277,641	10,407,920
Health and welfare	7,956,954	9,059,091	9,690,249	10,483,034	10,495,688	11,808,295	15,352,675
Education	17,487,152	19,924,453	16,776,100	19,453,244	16,772,404	18,219,735	17,370,028
Parks, recreation, and cultural	4,776,271	4,807,819	5,249,673	5,509,938	4,833,862	5,131,578	6,144,838
Community development	3,779,514	3,382,732	3,410,345	3,937,381	4,464,673	6,512,278	3,026,397
Nondepartmental	2,613,717	3,030,177	4,320,956	3,356,058	3,861,787	3,301,482	3,542,949
Capital outlay	13,344,462	12,162,256	10,482,809	11,061,055	8,088,678	1,543,623	5,761,705
Debt service							
Principal	4,086,282	2,981,288	4,429,139	3,812,362	3,516,046	3,438,597	4,181,152
Interest	2,561,321	1,045,006	2,112,704	2,461,084	1,886,516	1,654,538	1,567,139
Total expenditures	93,700,542	94,455,413	95,687,281	100,139,447	97,446,110	94,920,344	103,600,601
Excess of revenues over (under) expenditures	(13,456,548)	(9,635,987)	(12,854,511)	(16,080,279)	(9,560,234)	(5,786,937)	(7,807,997)
<b>Other financing sources (uses)</b>							
Transfers in	13,523,636	13,729,573	15,238,926	15,086,335	17,068,419	16,878,713	20,753,576
Transfers out	(6,499,659)	(15,046,017)	(5,121,837)	(4,206,351)	(6,362,647)	(4,552,315)	(7,987,982)
Bonds issued	10,000,000	17,491,369	-	8,647,271	-	-	-
Refunding bonds issued	-	10,263,909	-	23,490,000	-	-	-
Payments to refunded bond escrow agent	-	(23,263,909)	-	(32,147,294)	-	-	-
Total other financing sources (uses)	17,023,977	3,174,925	10,117,089	10,869,961	10,705,772	12,326,398	12,765,594
Net change in fund balances	\$ 3,567,429	\$ (6,461,062)	\$ (2,737,422)	\$ (5,210,318)	\$ 1,145,538	\$ 6,539,461	\$ 4,957,597

\* Information prior to June 30, 2001 is difficult to extract due to change in software.

**CITY OF DANVILLE**  
**MAJOR ENTERPRISE FUNDS - CHARGES FOR SERVICES**  
**FOR THE LAST TEN YEARS**

<b>Fiscal Year</b>	<b>Electric Fund</b>	<b>Gas Fund</b>	<b>Wastewater Fund</b>	<b>Water Fund</b>	<b>Total Major Enterprise Funds</b>
1997-98	49,073,867	23,328,665	7,613,118	5,390,584	85,406,234
1998-99	50,724,319	22,217,295	7,175,240	5,559,480	85,676,334
1999-00	51,885,648	26,097,977	7,516,719	5,541,802	91,042,146
2000-01	51,899,293	41,941,876	7,654,636	5,557,279	107,053,084
2001-02	51,772,550	27,509,613	7,267,220	5,601,798	92,151,181
2002-03	54,793,952	30,029,152	7,009,576	5,388,944	97,221,624
2003-04	55,491,259	25,999,471	6,918,502	5,223,867	93,633,099
2004-05	53,740,565	25,211,996	6,059,995	5,075,326	90,087,882
2005-06	72,751,817	33,414,367	7,528,176	6,117,848	119,812,208
2006-07	88,910,376	26,290,132	7,805,221	7,012,772	130,018,501



**CITY OF DANVILLE**  
**SCHEDULE OF ASSESSED PROPERTY VALUES**  
**FOR THE LAST TEN YEARS**

<u>Fiscal Year</u>	<u>Assessed Value of Real Property (1)</u>	<u>Assessed Value of Personal Property (2)</u>	<u>Assessed Value of Machinery and Tools (2)</u>	<u>Assessed Value of Mobile Homes (2)</u>	<u>Assessed Value of Public Service Corp. (2)</u>	<u>Assessed Value of Aircraft (2)</u>	<u>Total Assessed Value</u>
1997-98	1,449,210,900	228,470,573	71,928,832	5,863,314	50,132,687	-	1,805,606,306
1998-99	1,506,914,200	245,169,049	73,840,040	5,498,338	43,335,538	-	1,874,757,165
1999-00	1,528,359,100	260,131,562	77,644,461	5,310,500	52,557,772	-	1,924,003,395
2000-01	1,574,720,000	265,599,262	91,355,628	5,351,056	52,559,426	-	1,989,585,372
2001-02	1,593,365,800	260,503,705	93,412,803	5,207,888	51,751,357	2,429,800	2,006,671,353
2002-03	1,740,967,100	257,461,270	94,496,913	4,663,036	51,413,068	3,869,920	2,152,871,307
2003-04	1,765,839,000	246,282,106	97,002,334	5,055,627	54,285,263	5,165,235	2,173,629,565
2004-05	1,864,447,500	257,033,492	90,504,892	4,977,283	52,021,885	4,306,540	2,273,291,592
2005-06	1,953,694,100	277,466,101	82,870,885	4,548,776	51,149,212	3,135,840	2,372,864,914
2006-07	2,067,848,400	291,749,737	79,708,821	4,261,308	50,697,018	3,394,102	2,497,659,386

(1) Assessed on a fiscal year basis.

(2) Assessed on a calendar year basis.

**CITY OF DANVILLE, VIRGINIA  
PRINCIPAL REAL ESTATE TAXPAYERS  
CURRENT YEAR AND NINE YEARS AGO**

<u>Taxpayer</u>	<u>2007</u>			<u>1998</u>		
	<u>Total Assessed Value</u>	<u>Rank</u>	<u>Percentage of Total Assessed Value<sup>1</sup></u>	<u>Total Assessed Value<sup>4</sup></u>	<u>Rank</u>	<u>Percentage of Total Assessed Value</u>
Danville Regional Medical Center LLC	\$ 65,065,900	1	3.15%			
Goodyear Tire and Rubber Company	32,312,100	2	1.56%	\$ 38,996,600	1	2.67%
Piedmont Mall LLC	30,524,000	3	1.48%	22,641,500	3	1.55%
Daniel Group Inc.	18,070,900	4	0.87%			
Nestle USA Inc. (formerly Carnation Co.)	10,271,600	5	0.50%	10,134,700	7	0.69%
Wal-Mart Real Estate Business Trust	9,843,900	6	0.48%			
Dan River Inc.	9,722,000	7	0.47%	31,769,900	2	2.17%
Revenue Properties of Danville LLC	9,664,000	8	0.47%			
Riverside Shopping Center LP	9,462,600	9	0.46%			
Lorillard Tobacco Company	8,354,800	10	0.40%	10,653,000	6	0.73%
Medical Facilities of America XXII	7,865,400	11	0.38%			
Finlay Interests 5 LTD <sup>2</sup>	7,824,500	12	0.38%			
Dan Shopping Center Inc	7,570,200	13	0.37%			
Belk Stores of Virginia	7,236,800	14	0.35%	7,376,700	9	0.50%
Industrial Development Authority of Danville <sup>3</sup>	7,154,300	15	0.35%			
Dibrell Brothers Inc.				11,935,000	5	0.82%
General Development Co., Inc				18,923,600	4	1.29%
Southern Processors				8,121,900	8	0.56%
Sears, Roebuck and Co.				6,693,400	10	0.46%
	<u>\$ 240,943,000</u>		<u>11.65%</u>			

<sup>1</sup> Total 2007 Assessed Real Estate Value is \$2,067,848,400 for the City of Danville.

<sup>2</sup> Finlay Interests 5 Ltd qualifies under the City's Rehabilitated Tax Abatement Program. The

<sup>3</sup> Industrial Development Authority (IDA) currently has taxable leases with Esselpropack, Telvista & Luna.

<sup>4</sup> Source: The Official Statement for 97-98 General Obligation Bond (19,035,000) Issue.

NOTE: Prior to Fiscal Year 1999, information was provided for top ten employers.  
Beginning in 1999, information was provided for top fifteen taxpayers.

**CITY OF DANVILLE, VIRGINIA  
REAL PROPERTY TAX LEVIES AND COLLECTIONS  
FOR THE LAST TEN YEARS**

Year	Tax Rate Per \$100	Original Levy	Collections & Adjustments Thru End of Month in which 2nd Half Tax Due	Uncollected at End of Month in which 2nd Half Tax Due	Percentage of Original Levy Uncollected at End of Month in which 2nd Half Tax Due	Collections & Adjustments After Month in which 2nd Half Tax Due	Uncollected Balance June 30, 2007	Percentage of Original Levy Uncollected June 30, 2007
1997-98	0.71	10,289,397	9,836,862	452,535	4.40	426,988	25,547	0.25
1998-99	0.79	11,942,326	11,332,892	609,434	5.10	576,257	33,177	0.28
1999-00	0.8125	12,417,949	11,763,590	654,359	5.27	612,397	41,962	0.34
2000-01	0.785	12,361,615	11,646,307	715,308	5.79	659,414	55,894	0.45
2001-02	0.785	12,507,984	11,779,079	728,905	5.83	650,349	78,556	0.63
2002-03	0.8	13,927,737	13,103,406	824,331	5.92	708,173	116,158	0.83
2003-04	0.8	14,126,712	13,185,128	941,584	6.67	768,152	173,432	1.23
2004-05	0.77	14,356,246	13,540,558	815,688	5.68	538,979	276,709	1.93
2005-06	0.77	15,043,445	14,242,460	800,985	5.32	388,071	412,914	2.74
2006-07	0.77	15,922,433	14,964,100	958,333	6.02	-	958,333	6.02

(1) Taxes assessed on fiscal year basis; Due Dates - 1st half December 5th - 2nd half June 5 each year; Collections through June 30 each year.

**CITY OF DANVILLE, VIRGINIA  
PERSONAL PROPERTY TAX LEVIES AND COLLECTIONS  
FOR THE LAST TEN YEARS**

Year	Tax Rate Per \$100	Levy (1)	Collections & Adjustments Thru End of Month in which 2nd Half Tax Due	Uncollected at End of Month in which 2nd Half Tax Due	Percentage of Original Levy Uncollected at End of Month in which 2nd Half Tax Due	Collections & Adjustments After Month in which 2nd Half Tax Due	Uncollected Balance June 30, 2007	Percentage of Original Levy Uncollected June 30, 2007
1997-98	3.00	8,153,043	7,806,225	346,818	4.25	346,818	-	-
1998(6mos)	3.00	4,055,489	3,912,563	142,926	3.52	142,926	-	-
1999	3.00	8,535,512	8,297,196	238,316 (3)	2.79 (3)	238,316	-	-
2000	3.00	9,063,512	8,799,350	264,162 (3)	2.91 (3)	264,162	-	-
2001	3.00	9,386,391	9,113,208	273,183 (3)	2.91 (3)	273,183	-	-
2002	3.00	9,283,231	9,052,351	230,880 (3)	2.49 (3)	137,270	93,610	1.01
2003	3.00	9,227,252	9,034,063	193,189 (3)	2.09 (3)	110,983	82,206	0.89
2004	3.00	8,897,075	8,259,740	637,335 (3)	7.16 (3)	550,641	86,694	0.97
2005	3.00	9,112,715	8,826,339	286,376 (3)	3.14 (3)	132,194	154,182	1.69
2006	3.00	9,581,768	9,238,435	343,333 (4)	3.58 (4)	169,709	173,624	1.81
2007	3.00	9,722,045	2,934,413	6,787,632 (5)	69.82 (5)	-	6,787,632	69.82

(1) Personal property taxes were levied on a fiscal year basis beginning July 1 until July 1, 1998. On July 1, 1998, the City levied personal property taxes for a six-month period ending on December 31, 1998. Beginning on January 1, 1999, the City has levied taxes on a calendar year basis.

(2) According to state law uncollected personal property taxes are collectible five years following the year of levy.

(3) Personal property tax uncollected reported as of June 30 of subsequent fiscal year.

(4) Personal property tax uncollected reported as of December 31 of subsequent fiscal year.

(5) This includes second half of the tax levy which is not due until December 5, 2007 and also the Personal Property Tax Relief Act (PPTRA) funds from the Commonwealth of Virginia. PPTRA funds amounting to \$3,593,576 are received in three installments during July, August, and November each year, thus are shown as uncollected at June 30.

**CITY OF DANVILLE, VIRGINIA**  
**RATIOS OF OUTSTANDING DEBT BY TYPE**  
**LAST EIGHT FISCAL YEARS\***

Fiscal Year	Governmental Activities			Business-Type Activities				Total	
	General Bonds	Lease Revenue Bonds	Capital Leases	Revenue Bonds	Obligation Bonds	Capital Leases		Primary Government	Per Capita
2000	37,130,303	18,385,000	-	10,571,234	46,675,207	-	-	112,761,744	2,246
2001	34,189,347	17,880,000	758,478	9,858,952	43,548,657	-	-	106,235,434	2,194
2002	46,081,284	17,124,015	1,400,000	9,065,380	40,845,037	-	-	114,515,716	2,431
2003	42,352,275	16,381,472	223,163	8,256,918	37,583,274	-	-	104,797,102	2,225
2004	39,269,396	12,622,935	45,718	7,628,686	35,081,625	-	-	94,648,360	2,031
2005	35,666,775	11,841,989	-	6,990,317	31,770,451	-	-	86,269,532	1,880
2006	32,105,970	11,047,929	-	6,349,929	37,001,542	-	-	86,505,370	1,875
2007	28,488,092	10,230,059	-	5,708,574	38,073,432	-	-	82,500,157	1,810

\* Information prior to June 30, 2000 is difficult to extract due to change in software.

**CITY OF DANVILLE, VIRGINIA**  
**RATIO OF BONDED DEBT TO ASSESSED VALUES AND BONDED DEBT PER CAPITA**  
**FOR THE LAST TEN YEARS**

Fiscal Year Ended June 30	Population	Assessed Value	Bonded Debt			Ratio of Bonded Debt To Assessed Value		Bond
			General Fund Supported	Self- Sustaining Utilities		General Fund Supported	Self- Sustaining Utilities	
1998	51,700	1,449,210,900	41,954,058	56,739,963		2.31	3.13	81
1999	50,100	1,506,914,200	39,882,939	61,053,672		2.65	4.05	75
2000	48,411	1,528,359,100	37,130,303	57,246,441		2.43	3.75	75
2001	48,411	1,574,720,000	34,189,347	53,407,609		2.17	3.39	75
2002	48,411	1,593,365,800	46,081,284	49,910,417		2.89	3.13	95
2003	48,411	1,740,967,100	42,352,275	45,840,192		2.43	2.63	87
2004	46,600	1,765,839,000	39,269,396	42,710,311		2.22	2.42	84
2005	45,900	1,864,447,500	35,666,775	38,760,768		1.91	2.08	71
2006	46,143	1,953,694,100	32,105,970	43,351,471		1.64	2.22	65
2007	45,586	2,067,848,400	28,488,092	43,782,006		1.38	2.12	62

Note: The above bonded debt excludes Lease Revenue Bonds and Capital Leases for equipment and other obligations which are subject to appropriation of funds by City Council for payment of debt service.

CITY OF DANVILLE, VIRGINIA  
LEGAL DEBT MARGIN INFORMATION  
LAST TEN FISCAL YEARS

	Fiscal Year									
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Debt limit (10% of assessed value)	\$ 149,903,028	\$ 157,140,619	\$ 158,063,963	\$ 157,472,000	\$ 159,336,580	\$ 174,096,710	\$ 176,583,900	\$ 186,444,750	\$ 195,369,410	\$ 206,784,840
Gross bond debt	98,694,022	100,936,611	94,376,744	87,596,956	95,991,701	88,192,467	81,979,707	74,427,543	75,457,441	72,270,098
Less bond debt not applicable to limit:										
Section 10 Bonds	225,000	150,000	75,000							
Revenue Bonds	7,719,035	11,343,297	10,571,234	9,858,952	9,065,380	8,256,918	7,628,686	6,990,317	6,349,929	5,708,574
Total debt not applicable to limit	7,944,035	11,493,297	10,646,234	9,858,952	9,065,380	8,256,918	7,628,686	6,990,317	6,349,929	5,708,574
Total net debt applicable to limit	90,749,987	89,443,314	83,730,510	77,738,004	86,926,321	79,935,549	74,351,021	67,437,226	69,107,512	66,561,524
Legal debt margin	\$ 59,153,041	\$ 67,697,305	\$ 74,333,443	\$ 79,733,996	\$ 72,410,259	\$ 94,161,161	\$ 102,232,879	\$ 119,007,524	\$ 126,261,898	\$ 140,223,316
Total net debt applicable to the limit as a percentage of debt limit	60.54%	56.92%	52.97%	49.37%	54.56%	45.91%	42.11%	36.17%	35.37%	32.19%
Total net debt applicable to the limit as a percentage of assessed value	6.05%	5.69%	5.30%	4.94%	5.46%	4.59%	4.21%	3.62%	3.54%	3.22%

The City's Debt Management Policy states: Total general obligation net debt will not exceed 7.5% of the assessed valuation of the real property in the City of Danville.

**CITY OF DANVILLE  
DEMOGRAPHIC AND ECONOMIC STATISTICS  
FOR THE LAST TEN YEARS**

<b>Year</b>	<b>Population (1)</b>	<b>Per Capita Income (2)</b>	<b>Median Age (3)</b>	<b>% of Population with Bachelor's Degree or Higher (4)</b>	<b>School Enrollment (5)</b>	<b>Danville MSA Personal Income (6)</b>	<b>% Unemploy- ment Rate (7)</b>
1998	51,700	19,982	40.0	N/A	8,270	2,175,889	8.50
1999	50,100	19,936	N/A	N/A	8,130	2,233,159	7.40
2000	48,411	21,280	34.5	N/A	7,691	2,364,127	6.80
2001	48,411 est.	21,280	40.5	N/A	7,659	2,408,584	7.70
2002	48,411 est.	21,280 est.	40.5 est.	N/A	N/A	2,533,518	9.60
2003	48,411 est.	21,280 est.	40.1	5.3	7,668	2,611,053	10.90
2004	46,600 est.	21,280 est.	40.5	13.9	7,232	2,677,216	12.30
2005	45,900 est.	21,280 est.	40.5	13.9	7,114	2,788,486	10.80
2006	46,143 est.	25,037 est.	40.5	13.9	6,951	2,788,486 est.	10.60
2007	45,586 est.	25,037 est.	40.5	13.9	6,904	2,788,486 est.	7.20

(1) Source: 1998 through 1999, Weldon Cooper Center for Public Services, University of Virginia.  
2000 from U.S. Bureau of Census.  
2001-2007, Weldon Cooper Center for Public Services, University of Virginia.

(2) Source: Weldon Cooper Center for Public Service, University of Virginia.  
Data includes both the City of Danville and Pittsylvania County.  
2001 - 2007 estimated projections; 2007 final estimate for 2004, the latest available data

(3) Source: Weldon Cooper Center for Public Service, University of Virginia.

(4) Source: 2000 U.S. Census Bureau. Profile of Selected Social characteristics.  
Percent based on population 25 years and over.

(5) Source: 1997 through 2000, Danville City Schools.  
2001-2003 through National Center for Education Statistics.  
2004-2007 through Weldon Cooper Center for Public Services, University of Virginia.  
Includes Grades K-12.

(6) Source: Weldon Cooper Center for Public Service, University of Virginia & Bureau of Economic Analysis (BEA).  
Danville MSA includes Danville and Pittsylvania County.

(7) Source: Virginia Employment Commission, through June 2007.



CITY OF DANVILLE  
SCHEDULE OF UTILITY REVENUE BOND COVERAGE  
FOR THE LAST TEN YEARS

Fiscal Year Ended June 30	Gross Revenue (1)	Direct Operating Expenses (2)	Net Revenue Available for Debt Service	Debt Service Requirements (3)			
				Principal	Interest	Total	Coverage
1998	87,507,709	62,278,166	25,229,543	386,507	276,823	663,330	38.03
1999	87,787,010 *	58,712,636	29,074,374 *	395,421	213,490	608,911	47.75
2000	93,589,661	63,683,390	29,906,271	772,063	683,601	1,455,664	20.54
2001	110,711,610	77,683,958	33,027,652	781,443	479,267	1,260,710	26.20
2002	94,938,429	65,790,877	29,147,553	793,573	444,553	1,238,126	23.54
2003	99,876,892	68,128,146	31,748,746	808,462	406,581	1,215,043	26.13
2004	93,618,466	64,551,919	29,066,547	628,232	345,917	974,149	29.84
2005	91,551,655	64,946,537	26,605,118	638,369	293,344	931,713	28.56
2006	122,978,875	94,409,837	28,569,038	640,388	267,776	908,164	31.46
2007	134,864,905	97,930,083	36,934,822	641,355	242,102	883,457	41.81

(1) Total revenue includes interest earned and other miscellaneous revenues.

(2) Total operating expenses exclusive of depreciation.

(3) Includes principal and interest of revenue bonds only. It does not include the general obligation bonds reported in the utility funds.

\* 98-99 Net Revenue Available for Debt Service does not include Recoveries and Rebates of \$6,074.55 for Water, \$998,153.70 for Gas, and \$5,405,380.36 for Power and Light.

**City of Danville, Virginia  
Principal Employers  
Current Year and Nine Years Ago**

<u>Employer</u>	<u>2007</u>			<u>1998</u>		
	<u>Employees<sup>1</sup></u>	<u>Rank</u>	<u>Percentage of Total City Employment<sup>3</sup></u>	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>
City of Danville	2,454	1	9.05%	1,996	3	6.88%
Goodyear Tire & Rubber Co.	2,447	2	9.03%	2,140	2	7.38%
Danville Regional Health System	1,636	3	6.04%	1,363	4	4.70%
Telvista	840	4	3.10%			
Nestle Refrigerated Food	567	6	2.09%	340	8	1.17%
Wal-Mart	450	5	1.66%			0.00%
Dan River, Inc.	400	7	1.48%	4,300	1	14.83%
CIT Commercial	375	8	1.38%			
Danville Community College	356	9	1.31%			
Roman Eagle Memorial Home	350	10	1.29%			
Health-Tex, Inc.				688	5	2.37%
Dimon				454	6	1.57%
Durham Hosiery				400	7	1.38%
Corning Glass Works				280	10	0.97%
C.M. Offray & Son, Inc.				325	9	1.12%
Intertape, Inc.						

<sup>1</sup> Source: City of Danville, Office of Economic Development.

<sup>2</sup> Source: The Official Statement for 97-98 General Obligation Bond (19,035,000) Issue.

<sup>3</sup> Source: Virginia Employment Commission - total employment for 2007 (27,102) and 1998 (28,851).

**CITY OF DANVILLE, VIRGINIA**  
**FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION**  
**LAST TEN FISCAL YEARS**

Function	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
General Fund										
General Government Administration	91	92	88	88	88	88	96	97	97	98
Judicial Administration	96	88	88	89	89	92	94	95	98	98
Public Safety	365	366	362	366	403	402	403	403	403	403
Public Works	108	108	107	107	110	110	110	110	110	111
Health, Welfare & Social Services	91	96	96	98	98	98	100	100	100	101
Park, Recreational and Cultural	62	62	61	63	65	65	64	49	49	49
Community Development	6	6	6	6	11	12	18	18	18	18
Total General Fund	819	818	808	817	864	867	885	872	875	878
Wastewater Fund	53	11	11	11	11	11	11	11	11	11
Water Fund	19	19	16	16	16	16	16	16	16	16
Gas Fund	55	55	55	55	55	56	56	56	55	55
Electric Fund	113	113	113	115	115	115	115	115	116	114
Telecommunications Fund	-	-	-	-	-	-	-	-	-	2
Transportation Fund	18	18	18	17	17	17	17	17	17	16
Central Services Fund	4	4	4	4	4	4	4	4	4	4
Motorized Equipment Fund	27	28	23	23	23	23	22	22	22	22
Sanitation Fund	61	61	56	56	53	53	53	57	53	53
Cemetery Fund	-	-	-	-	-	-	-	16	16	16
Total Other Funds	350	309	296	297	294	295	294	314	310	309
Total	1,169	1,127	1,104	1,114	1,158	1,162	1,179	1,186	1,185	1,187

**City of Danville, Virginia**  
**Operating Indicators and Capital Asset Statistics by Function**  
**Last Seven Fiscal Years**

Date of Incorporation	1830						
Form of Government	Council / Manager						
Area in Square Miles	44						
	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Number of Employees (Full & Part-Time)	1260	1,251	1,240	1,240	1,173	1,219	1,212
Name of Government Facilities and Services:							
Miles of streets	309	311	314	314	315	315	316
Number of street lights	8,378	8,394	8,407	8,477	8,703	8,485	8,483
Culture and Recreation:							
Recreation Centers	11	11	12	12	12	12	12
Number of parks	9	9	9	9	10	10	10
Park Acreage	337	344	344	344	349	349	349
Number of trails	8	10	10	11	8	8	8
Trail Mileage	7	9	9	10	18	25	25
Number of athletic fields	21	23	23	23	23	23	23
Athletic field acreage	40	45	45	45	45	45	45
Number of playgrounds	24	24	24	24	24	24	24
Playground acreage	69	88	88	88	88	74	74
Number of outdoor basketball courts	8	8	10	10	10	10	10
Number of tennis courts	4	19	19	19	19	19	19
Fire Protection:							
Number of stations	7	7	7	7	7	7	7
Number of fire personnel and officers	122	123	123	123	123	123	123
Number of calls answered	4,296	4,370	4,529	4,648	4,734	4,860	5,002
Number of inspections conducted	3,185	3,172	2,935	2,542	3,170	2,821	2,152
Police Protection:							
Number of stations	3	3	3	3	3	3	3
Number of police officers	141	139	139	139	137	137	137
Number of patrol units	24	12	12	12	12	40	53
Number of law violations:							
Physical arrests	8,010	8,371	8,499	6,399	7,075	7,253	7,434
Traffic violations	12,120	8,956	7,780	6,481	5,498	6,127	6,571
Parking violations	3,144	2,464	2,179	1,831	1,178	2,132	2,515

**City of Danville, Virginia**  
**Operating Indicators and Capital Asset Statistics by Function**  
**Last Seven Fiscal Years**

	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
<b>Sewerage System:</b>							
Miles of sanitary sewers	350	350	354	384	384	384	386
Number of treatment plants	1	1	1	1	1	1	1
Number of service connections	16,944	17,047	17,194	17,302	16,883	16,651	16,589
Average daily treatment							
- Million Gallons per Day (MGD)	12.50	12.44	13.99	13.57	10.54	6.26	5.46
Maximum daily capacity of treatment plant - MGD	24	24	24	24	24	24	24
<b>Water System:</b>							
Miles of water mains	308.52	310.10	310.11	311.99	312.37	312.37	317.15
Active number of service connections	18,041	18,047	17,957	17,949	17,956	17,880	17,826
Number of fire hydrants	1,889	1,902	1,909	1,930	1,945	1,951	1,967
Average daily consumption - MGD	7.30	7.75	7.88	7.54	6.76	6.38	6.39
Maximum daily capacity of treatment plant - MGD	18	18	18	18	18	18	18
<b>Electric Distribution System:</b>							
Square Miles of service	500	500	500	500	500	500	500
Number of distribution stations	16	16	16	16	14	14	14
<b>Facilities and services not included in the primary government:</b>							
<b>Education:</b>							
Number of preschools	-	-	-	-	-	1	1
Number of elementary schools	10	10	10	10	10	9	9
Number of middle schools	3	3	3	3	3	3	3
Number of high schools	1	1	2	2	2	2	2
Number of alternative schools	1	1	1	1	1	1	1
Number of preschool instructors						21	18
Number of elementary school instructors	389	389	388	271	276	255	250
Number of middle school instructors				136	136	134	137
Number of high school instructors				202	188	186	183
Number of secondary school instructors	280	260	252				
<b>Facilities and services not included in the reporting entity:</b>							
<b>Hospitals:</b>							
Number of hospitals	1	1	1	1	1	1	1
Number of patient beds	350	350	350	350	350	350	350

# SINGLE AUDIT



Certified Public Accountants  
Specialized Services  
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***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***

Board of Directors  
*City of Danville, Virginia*

We have audited the financial statements of *City of Danville, Virginia* as of and for the year ended June 30, 2007, and have issued our report thereon dated December 4, 2007. 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 *City of Danville, 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, but not for the purpose of expressing an opinion on the effectiveness of *City of Danville, Virginia's* internal control over the financial reporting. Accordingly, we do not express an opinion on the effectiveness of *City of Danville, Virginia's* internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be 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.

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### *Compliance and Other Matters*

As part of obtaining reasonable assurance about whether *City of Danville, Virginia's* financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, Board of Directors, others within the entity, and federal awarding agencies, and is not intended to be and should not be used by anyone other than these specified parties.

*Goodman & Company, LLP*

Danville, Virginia  
December 4, 2007





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***Report on Compliance With  
Requirements Applicable to Each Major Program and on  
Internal Control Over Compliance in Accordance  
With OMB Circular A-133***

Board of Directors  
*City of Danville, Virginia*

***Compliance***

We have audited the compliance of *City of Danville, 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 program for the year ended June 30, 2007. *City of Danville, 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 its major federal program is the responsibility of the management of *City of Danville, Virginia*. Our responsibility is to express an opinion on *City of Danville, 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 *City of Danville, 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 *City of Danville, Virginia's* compliance with those requirements.

In our opinion, *City of Danville, Virginia* complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2007.

***Internal Control Over Compliance***

The management of *City of Danville, Virginia* is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered *City of Danville, 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 *City of Danville, Virginia's* internal control over compliance.

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A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the *City of Danville, Virginia's* ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by *City of Danville, Virginia's* internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by *City of Danville, Virginia's* internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be 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 and use of management, Board of Directors, others within *City of Danville, Virginia*, 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.

*Goodman & Company, LLP*

Danville, Virginia  
December 4, 2007



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***Report on Compliance with the Commonwealth of  
Virginia's Laws, Regulations, Contracts and Grants***

To The Honorable Mayor and Members of City Council  
*City of Danville, Virginia*

We have audited the basic financial statements of the *City of Danville, Virginia*, as of and for the year ended June 30, 2007, and have issued our report thereon dated December 4, 2007.

We conducted our audit 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 *Specifications for Audits of Counties, Cities and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards and specifications require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement.

Compliance with the Commonwealth of Virginia's laws, regulations, contracts, and grants applicable to the *City of Danville, Virginia*, is the responsibility of the City's management. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the City's compliance with certain provisions of the Commonwealth of Virginia's laws, regulations, contracts and grants. However, the objective of our audit of the basic financial statements was not to provide an opinion on overall compliance with such provisions. Accordingly, we do not express such an opinion.

The following is a summary of the Commonwealth of Virginia's laws, regulations, contracts, and grants for which we performed tests of compliance:

Code of Virginia

- Budget and Appropriation Laws
- Cash and Investments
- Conflicts of Interest
- Retirement Systems
- Debt Provisions
- Procurement
- Unclaimed Property
- Enhanced 911 Services Tax

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State Agency Requirements

- Social Services
- Education
- Comprehensive Services Act Funds
- Highway Maintenance Funds
- Economic Development Opportunity Fund

The results of our tests disclosed no instances of noncompliance with the provisions referred to in the preceding paragraph. With respect to items not tested, nothing came to our attention that caused us to believe that the City had not complied, in all material respects, with those provisions.

This report is intended solely for the information of City Council, management, the Auditor of Public Accounts and applicable state agencies, and is not intended to be, and should not be, used by anyone other than these specified parties.

*Gordon & Company, LLP*

Danville, Virginia  
December 4, 2007

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2007

Grantor/Pass - Through Grantor/Program Title	Federal Catalog Number	Federal Expenditures
<b><u>CITY OF DANVILLE</u></b>		
<b>DEPARTMENT OF AGRICULTURE</b>		
Department of Social Services:		
State administrative matching grants for food stamp program	* 10.561	\$ 606,414
West Piedmont Trails Symposium	10.664	5,000
Department of Juvenile Justice		
School program	10.555	51,503
<b>DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</b>		
Direct payments:		
Community development block grant program and entitlement grants	* 14.218	990,060
HOME investment partnership program	14.239	388,917
Special Project Grant	14.246	86,651
Lead based paint hazard control	14.900	34,247
<b>DEPARTMENT OF JUSTICE</b>		
Direct payments:		
Crime victim assistance	16.575	59,822
Anti-Gang Program	15.580	12,134
<b>DEPARTMENT OF TRANSPORTATION</b>		
Direct payments:		
Airport improvements	* 20.106	1,055,556
Federal Transit - Capital Investment Grants	* 20.500	437,301
Highway safety grant	20.600	15,212
Police Department	20.607	18,500
<b>FEDERAL EMERGENCY MANAGEMENT AGENCY</b>		
Department of Emergency Services		
Assistance to Firefighters	97.044	48,000
Citizens Corp	97.054	3,360
Emergency Management Preparedness Grant	97.042	27,013
Homeland Security Grant	97.067	95,854
Terrorism Prevention Grant	97.074	71,919

(Continued on next page)

CITY OF DANVILLE, VIRGINIA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2007

Grantor/Pass - Through Grantor/Program Title	Federal Catalog Number	Federal Expenditures
<b>DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>		
Southern Area Agency on Aging:		
Special programs for the aging, Title III-B grants	93.044	69,019
Department of Social Services:		
Temporary assistance for needy families	93.558	681,596
Low income energy assistance	93.568	65,469
Child care and development block grant	93.575	400,610
Refugee and entrant assistance	93.566	1,418
Independent living	93.674	4,053
State Children's Insurance Program (SCHIP)	93.767	822
SA & MH Services Projects of Regional & National Significance	93.243	57,060
Fraud FREE Administration	n/a	10,428
Department of Social Services:		
Child care and development fund	93.596	601,988
Foster care - Title IV-E	* 93.658	734,416
Adoption assistance	93.659	217,694
Social services block grant	* 93.667	575,139
Medicaid assistance program-Administrative expenses only	93.778	401,834
Department of Mental Health, Mental Retardation and Substance Abuse:		
Part C funds	84.181	110,003
Block grants for community mental health services	* 93.958	113,821
Block grants for prevention and treatment of substance abuse	93.959	765,447
<b>FEMA</b>		
Disaster planning	90.067	23,842
Total assistance - City of Danville		\$ 8,842,122
<b><u>DANVILLE PUBLIC SCHOOLS</u></b>		
<b>DEPARTMENT OF AGRICULTURE</b>		
Department of Education:		
School breakfast program	10.553	\$ 515,092
National school lunch program	10.555	1,497,792
Department of Agriculture and Consumer Services		
Food distribution - donated commodities	10.555	220,060

(Continued on next page)

**CITY OF DANVILLE, VIRGINIA**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**Year Ended June 30, 2007**

<b>Grantor/Pass - Through Grantor/Program Title</b>	<b>Federal Catalog Number</b>	<b>Federal Expenditures</b>
<b>DEPARTMENT OF EDUCATION</b>		
Department of Education:		
Adult education - state administered basic grant program	84.002	145,348
Title I grants to local education agencies	84.010	2,490,953
Special education - grants to states	84.027	1,747,344
Vocational education - consumer and homemaking education	84.048	166,693
Special education - preschool grants	84.173	36,138
Safe and drug - free schools - state grants	84.186	59,935
Even start - state educational agency	84.213	30,874
Title IV innovative education program	84.298	7,291
Technology literacy challenge grant	84.318	58,103
Advanced placement incentive program	84.330	571
English language acquisition grants	84.365	17,477
Improving teacher quality state grants	84.367	789,297
<b>OTHER FEDERAL PAYMENTS</b>		
Election Assistance Commission		
Voting machine implementation	90.401	12,300
Total assistance - Danville Public Schools		\$ 7,795,268
Total assistance - reporting entity		\$ 16,637,390

\* Denotes Major Program

See report of independent auditors

**CITY OF DANVILLE, VIRGINIA**

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

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**June 30, 2007**

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***Summary of Significant Accounting Policies***

The accompanying Schedule of Expenditures is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements. Benefit payments are paid directly to recipients and are not included in the City's basic financial statements. However, due to the City's involvement in determining eligibility, they are considered federal awards to the City and are included on this schedule.

***Federal Cognizant Agency***

The Federal Cognizant Agency for the City of Danville, Virginia is the United States Department of Health and Human Services.

***Subrecipients***

The City provided the following amounts to subrecipients during FY 2007:

Program Title	CFDA	Amount
Special Programs for the Aging- Title III-B	93.044	69,013



**CITY OF DANVILLE, VIRGINIA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

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**Year Ended June 30, 2007**

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**Summary of Auditor's Results:**

*Financial Statements*

The type of report issued on the financial statements: Unqualified

Internal control over financial reporting

- Material weaknesses identified: None
- No significant deficiencies noted in internal control to disclose

Noncompliance material to the financial statements noted: None

*Federal Awards*

Internal control over major programs

- Material weaknesses identified: None reported
- No significant deficiencies noted in internal control over major programs to disclose

The type of report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of

OMB Circular A-133: No

Major programs:

- State administrative matching grants for food stamp program (10.561)
- Community development block grant program and entitlement grants (14.218)
- Airport improvements (20.106)
- Federal Transit – capital investment grants (20.500)
- Foster care – Title IV-E (93.658)
- Social services block grant (93.667)
- Block grants for community mental health services (93.958)

Dollar threshold used to distinguish between Type A and Type B programs: \$500,664

Auditee qualified as a low-risk auditee under section 530 of OMB Circular A-133?: Yes

(Continued on next page)

**CITY OF DANVILLE, VIRGINIA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

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**Year Ended June 30, 2007**

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**FINDINGS RELATING TO THE BASIC FINANCIAL STATEMENTS WHICH ARE REQUIRED TO  
BE REPORTED IN ACCORDANCE WITH GENERALLY ACCEPTED GOVERNMENTAL  
AUDITING STANDARDS**

None

**FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

None

**SCHEDULE OF PRIOR YEAR AUDIT FINDINGS**

No findings reported in the prior year.

