

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



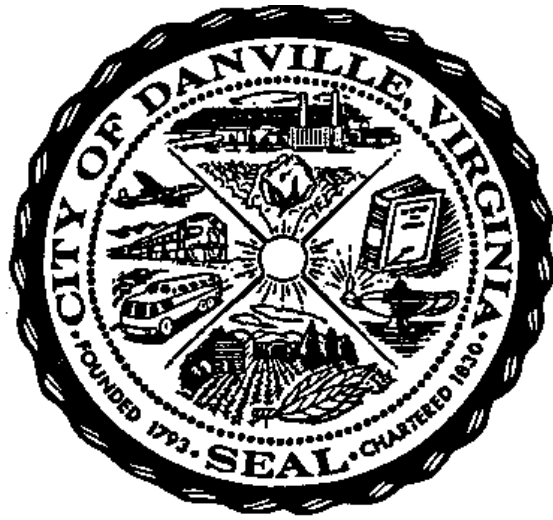
**FOR THE FISCAL YEAR**  
**JULY 1, 2010 TO JUNE 30, 2011**

**CITY OF DANVILLE, VIRGINIA**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**

For the Fiscal Year Ended  
June 30, 2011

Prepared by:

The Department of Finance  
City of Danville, Virginia



**City of Danville, Virginia  
Comprehensive Annual Financial Report  
For the Fiscal Year Ended June 30, 2011**

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# **CITY OF DANVILLE, VIRGINIA**

Introductory Section

For the Year Ended June 30, 2011





# City of Danville Virginia

November 30, 2011

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, 2011.

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 has been 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.

Dixon Hughes Goodman LLP, 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 ended June 30, 2011, 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 complement the MD&A and should be read in conjunction with it. The City's MD&A starts on page 22 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 42,918.

The City operates under the council-manager form of government. 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, fiber network, 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, including 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 1 for review and deliberation. After City Council's approval, an introduction budget is prepared and presented to them by May 1. The introduction budget contains all of the changes and amendments made by the City Council during its budget review. It is the introduction budget that is submitted for public hearing. City Council is required to adopt a final budget by June 30 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's economy showed positive signs of improvement during fiscal year 2011. Since the last annual report, there have been five announcements totaling in the creation of 477 jobs and a capital investment of \$39.6 million:

Date	Company	Sector	Type	Jobs	Investment
October 2010	US Green Energy	Manufactures photovoltaic building materials	New	372	\$30 million
March 2011	CBN Secure Technologies	High-tech printing, security safeguards for VA driver's licenses	Exp.	25	\$1.1 million
May 2011	EIT	Full service electronic design and manufacturing firm	Exp.	50	\$5 million
June 2011	Noblis – Center for Applied High Performance Computing	High performance computing (Cray XMT supercomputer)	New	15	\$2.5 million
August 2011	GSO Aviation	Repair and overhaul of electro-mechanical and hydraulic aircraft components	New	15	\$1 million
		<b>TOTALS</b>		<b>477</b>	<b>\$39.6 million</b>

In October 2010, US Green Energy (USGE) announced plans to move its manufacturing operations to the Cane Creek Centre in the Danville-Pittsylvania County Regional Industrial Facility Authority's (RIFA) park. USGE manufactures building systems that contain integrated photovoltaic cells that generate electricity from sunlight. These building systems serve the purpose of roofing and siding materials in the same manner as traditional building products, while offering the advantage of attractive and aesthetically pleasing electricity generation systems. The company committed to employ 372 people within three years of the start of operations in the region, and will make capital investments totaling \$30 million. They are currently in a temporary location until their new building is complete and employ 25 people at present, with plans to increase employment by 50% in the near future.

CBN Secure Technologies, Inc. located its first U.S. high-security facility in Danville two years ago. The Danville facility produces secure Virginia driver's licenses and identification cards for the Department of Motor Vehicles. In March 2011, CBN announced plans to add new products to its manufacturing operations in Danville, which will result in the creation of 25 new jobs and an additional \$1.1 million in investment. Prior to this announcement, CBN employed 14 people.

EIT is an engineering and electronics manufacturing firm, founded by Joe T. May and headquartered in Sterling, VA. This company is dedicated to providing creative design and quality production services to OEM's outsourcing electronic, mechanical, and cabling assemblies. EIT opened its Danville operation in July 2005, with plans to have 50

employees at their Riverview location. They have more than doubled their original expectations and currently employ 102 people. On May 3, 2011, due to additional growth requirements, EIT announced plans to expand its Danville operations. This second facility will be located in the Cyber Park and will be a 60,000 square feet structure. This project will include \$5 million in capital investment and create 50 new jobs.

In June 2011, Noblis announced plans to establish the Center for Applied High Performance Computing (CAHPC) in the City of Danville. CAHPC will be a world-class center for high-performance computing that accelerates the development and commercialization of applications requiring graph analytics for the benefit of the U.S. The CAHPC will purchase the first next-generation Cray XMT supercomputer in the U.S. outside of a federal laboratory or academia. CAHPC will use this high-performance computer to solve complex problems requiring access to large amounts of data.

In August 2011, U.S. Senator Mark Warner announced the relocation of GSO Aviation, Inc. from Greensboro to Airside Industrial Park in Danville. GSO Aviation is a Federal Aviation Administration certified company specializing in the repair and servicing of hydraulic components used on aircraft. The company will occupy a new, custom-built facility which will enable the business to expand its activities, and will bring fifteen new jobs to Danville.

To provide an update on the progress of some of the projects from last year, the following table shows some announcements included in the FY 2010 report.

Date	Company	Sector	Type	Jobs	Investment
Nov 2009	Blue Ridge Fiber Board	Commercial Roofing	New	88	\$6 million
April 2010	Ecomnets, Inc.	Green Computer, data center	New	160	\$2 million
Sept 2010	Essel Propack	Laminate Toothpaste Tubes	Exp.	N/A	\$10 million
		TOTALS		248	\$18 million

Ecomnets is currently focusing its efforts on the data center and back office side of their business. They have located in their facility in Airside Industrial Park and are currently hiring employees.

Essel Propack has completed the construction on a \$10 million consolidation project that was announced in September 2010. This project resulted in a 105,000-square-foot expansion of their existing building in Airside Industrial Park. Essel consolidated its production with Arista Tubes to reach optimum manufacturing efficiency and capacity in anticipation of future business contracts.

Progress continues on the 3,500-acre Mega Park project for the City and County under the auspices of RIFA. Presently, environmental testing, wetland delineation, and historical review are now complete and City and County officials hope to have the site certified by the end of the year. RIFA has hired the consultant team of McCallum Sweeney to certify the site is shovel-ready for prospects to begin construction immediately.

The City is also focusing efforts of revitalizing the historic downtown and tobacco warehouse districts, now re-branded as the River District. The City has seen a lot of growth in this area. Since December 2010, there have been ten announcements in this area. The Danville Industrial Development Authority is playing a major role in the development of this historic district by purchasing and renovating buildings in efforts to attract more businesses to the area.

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 IALR 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.

IALR, along with Virginia Tech, was selected as the first national award winner of the Peter McGrath/W.K. Kellogg Foundation Engagement Award awarded by the National Association of State Universities and Land-Grant Colleges (NASULGC). Established in 2006, the McGrath Award recognizes the outreach and engagement partnerships of four-year public universities. The award program seeks to identify colleges and universities that have redesigned their teaching, research, extension, and service functions to become even more sympathetically and productively involved with their communities. The award is named for C. Peter McGrath, who served as president of National Association of State Universities and Land-Grant Colleges from 1992-2005. This award provides compelling validation that IALR and Virginia Tech have developed an innovative and powerful integrated model of a university/community partnership to promote the economic development of a 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. Project appropriations for the coming year include: General Fund Capital Improvements of \$13,428,500; Sewer and Wastewater Capital Improvements of \$1,250,000; Water and Gas Capital Improvements of \$1,632,500; and Electric and Telecom Capital Improvements of \$6,795,300. A pay-as-you-go philosophy has been in effect since fiscal year 2002 for all funds other than Electric.

The aforementioned RIFA resulted from a regional effort between the City of Danville and Pittsylvania County. RIFA is responsible for creating a 330-acre technology park, known as the Cyber Park. The park has state-of-the-art infrastructure for unparalleled reliability including a High Reliability Electrical Distribution System. The Institute for Advanced Learning and Research (IALR) and the Regional Center for Applied Technology and Training (RCATT) anchor the Cyber Park. Since 2005, RIFA has constructed the Research Addition, which is being leased to the IALR for private research and development. In addition to CBN, Advanced Vehicle Research Center (AVRC) is also located in the Cyber Park. AVRC had its grand opening for its new 16,000-square-foot headquarters on August 24, 2009. This facility includes a research and design center for converting hybrid vehicles to plug-in hybrid electric vehicles. In October 2010, ground was broken at the IALR for a

new research and development facility, the Sustainable Energy Technology Center (SEnTeC). SEnTeC will include approximately 25,000 square feet of research facilities and will develop enhanced bio-based fuels, among other research and development projects.

In 2005, RIFA began developing a 1,000-acre industrial park, now called Cane Creek Centre (formerly Danville/Pittsylvania County Regional Industrial Park). Yorktowne Cabinetry became the first company to locate in Cane Creek Centre, investing \$19 million and creating nearly 200 jobs thus far in its 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 Cane Creek Centre. Swedwood North America is a furniture manufacturer and a subdivision of the IKEA Group. The company plans to create 740 new jobs over the next ten years with a nearly one-million-square-foot facility. Swedwood began manufacturing in early 2008. In June 2010, a ground-breaking ceremony was held for a new project in Cane Creek Centre to develop two building sites, a 33-acre lot and a 64-acre lot. This project will allow potential employers to begin operations with less transition time and costs and is expected to create between 500 to 800 jobs and an investment between \$27 and \$45 million. In October 2010, United States Green Energy Corporation (USGE) announced it will locate its headquarters and manufacturing operation in Cane Creek Centre, creating 372 jobs within three years of the start of operations and making a capital investment of \$30 million. USGE manufactures solar building materials, such as roofing and siding materials that offer the advantage of being as attractive and aesthetically pleasing as traditional building products.

Another collaborative effort of RIFA has been the creation of the Berry Hill Mega Park located west of Danville in the Berry Hill community of Pittsylvania County. RIFA sees this mega-site project as the next stage in its economic development efforts to transform the region and its work force. The mega site consists of approximately 3,500 acres and will be Mega Park certified by January 2012. Even though this project is in its early stages, the Authority has already seen some interest from companies wanting to invest at the mega site.

For the Downtown and Tobacco Warehouse Districts, 2011 proved to be an exciting and transformational year. The momentum began when City officials and representatives from the Danville Regional Foundation (DRF) visited Greenville, South Carolina and observed how Greenville transformed its city core by focusing on its biggest asset – the river. The group learned, in order to transform downtown Danville, they would need to lead an effort to revitalize the downtown core and then work outward. Quality of life is critical to restoring the region from the core out.

The DRF then provided a grant to the City for \$75,000 to hire a national urban design firm to develop a master plan that would be used as the basis for redefining the new "River District" and revitalizing the area. The City issued RFP's and collected 22 responses from across the country. Six firms were interviewed with three finalists making a presentation to a selected group of stakeholders.

During the selection process two questions were asked of the finalists:

1. What are the five greatest opportunities and the five biggest challenges for downtown?
2. How will your firm involve and engage the community in this process?

BBP, a Maryland firm, in partnership with Allison Platt and Associates, was selected from the group of finalists. Over the last few months, the group has held several community forums, interviews, and workshops and is currently working on the final draft of the document. The master plan will include site plans, renderings, tools, strategies, funding opportunities, programs, and development opportunities. The focus of the plan is to concentrate on good urban design, the historic character of the district, pedestrian friendliness, vehicular access, development opportunities, and public spaces. Some projects suggested in the plan can be implemented quickly, while some may take up to 10 years to realize.

The renewed interest and investment in the River District has been a catalyst for job creation and capital investment which are important indicators of the health and vibrancy of a district. The following announcements have been made recently in the River District:

- Averett University and the Danville Regional Foundation – the Industrial Development Authority purchased the former DIMON, Inc. headquarters building and is leasing space to Averett University for their Graduate Professional Studies Program and to the Danville Regional Foundation for its headquarters space. Averett also plans to locate their Nursing program in this building which will put an additional 200 students in the district on a daily basis.
- Noblis – Noblis’ plan is to establish the Center for Applied High Performance Computing (CAHPC) to accelerate the development and commercialization of applications requiring high performance computing for the benefit of the nation and specifically Southern Virginia. By providing low-cost supercomputing resources, advanced technology training, and assistance in bringing high performance computing products to market, the CAHPC will reduce the cost barriers to entry for small- to mid-sized companies that today cannot possibly utilize the power of high performance computing. Danville will be the first location outside of military installations or a university setting to house a Cray XMT supercomputer. The project will create 15 jobs with an annual salary of \$125,000.
- Jake’s on Main – an upscale restaurant
- DRAW – Dan River Art Works (art gallery)
- Danvillian Gallery – art gallery
- Gourmet Frog – specialty foods and gifts
- Meredith Gravely School of Dance – dance studio
- Spin Bicycle Shop expansion

- 316 Cibo – restaurant
- Adam’s Shoe Shop

One of the goals of the master plan is to continue to create a critical mass of people living and working in the River District. Currently, there are 160 residential units in the River District. A brief overview is offered below:

- The Burton – a \$4 million adaptive reuse project transforming the former Davis Warehouse #6 into 28 market-rate condominiums with twelve unique designs. Prices range from \$149,000 - \$285,000. To date, the project boasts a 100% occupancy rate.
- Lindsay Lofts at the Dan – a \$2 million mixed-use project featuring 21 market-rate lofts with a commercial component on the ground floor. Condo prices range from \$124,000 - \$179,000. All units have been leased or sold.
- Lynn St. Lofts – the \$3 million mixed-use project transforming a former warehouse into 37 working-family loft apartments was completed in the spring of 2008. Currently 30 out of 37 units are occupied.
- Crossing Apartments – a \$5 million mixed-age/mixed-income project that features 74 units and has been at 100% occupancy since its completion in 2006. This is an adaptive reuse project turning a former cigar factory into a residential project.

There are two additional residential projects on the horizon that will add an additional 30 residential units to the district:

- Ferrell Historic Lofts - a mixed-use development featuring 13 market-rate apartments and 5,000 square feet of commercial space is currently under construction with a completion date of December 2011. This \$1M project turned a blighted building located in the heart of the River District into a showcase that will act as a catalyst for further redevelopment efforts.
- 315 Lynn St. Lofts – an adaptive reuse project turning a former seed and supply building into 21 mixed-income units. This \$1 million dollar project will be completed within the next 18 months.

One of the challenges in the past has been absentee ownership for key buildings in the district. The Industrial Development Authority of Danville (IDA) realized the importance of gaining control over these strategic building and has purchased several buildings in the River District. The IDA intends to purchase, redevelop, and enter into a lease or lease/purchase agreement with an attractive end user. The IDA has made the following purchases in their effort to become a major stakeholder in the redevelopment of the River District:



- 512 Bridge Street – former corporate headquarters of DIMON, Inc.
- 901 Fitzgerald Street
- 527 Main Street
- 310-312 Main Street
- 500 Main Street
- 525 Lynn Street
- 104 Colquhoun Street

Because of the downturn in the economy and realizing small business owners needed mentoring, the City formed a partnership with the Dan River Business Development Center (DRBDC) and the Southside Business Technology Center to provide assistance to entrepreneurs who had an interest in locating downtown. Services provided range from assistance with resumes, business plans, grants, and loans.

In terms of incentives, there are several opportunities for local, state, and federal assistance. These incentives play a major role in the recruitment of new projects to the districts. Incentives include:

- 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 5 years for commercial buildings and 15 years for residential buildings.
- VA Enterprise Zone Program – A state of Virginia program that provides grants for job creation and building improvements.
- Local Enterprise Zone Program – A local program used to complement and enhance the state's program. Incentives include: exemption from permit fees, job grants, Industrial Investment Grant, reimbursement of tap fees, and rebates on business license fees.
- State and Federal Historic Rehabilitation Tax Credits – Tax credits for improvements made to historic structures.
- SBA Hubzone – An initiative through the Small Business Administration to promote job growth, capital investment, and economic development to historically underutilized business zones, referred to as Hubzones, by providing contracting assistance to small businesses located in these economically distressed communities.

- New Markets Tax Credits – special tax credits available for business ventures which are choosing to locate within the City’s River District.
- RBEG loan – a low-interest loan provided to small businesses at 4% for 3-5 years. This program is administered by the Industrial Development Authority of Danville.
- Downtown Enhancement Grant – grants given to businesses to locate within the River District. Applicants must sign a Performance Agreement.

The Utility Department conducted its biennial rate study for the City’s water, wastewater, gas, and electric utilities during 2011. The study recommended no base rate adjustments be made for the study period as existing rates are generally projected to be adequate to cover the revenue requirements over the study period.

In May 2009, we commenced our Automated Metering Infrastructure (AMI) project. This project will replace 81,434 meters within the water, electric, and gas divisions. The AMI project will enable Danville Utilities to operate a more efficient utility and enable Danville customers to better manage their energy, gas, and water usage. To date, 81,000 of the meters have been installed with an expected completion of the installation process by November 1, 2011. Fine tuning of the AMI system will be completed by year end and full functionality should be realized by January 1, 2012. In addition, Danville Utilities is currently in the process of implementing a meter data management system (“MDMS”) to store and process the interval meter readings produced by the newly-deployed AMI meters. More advanced rate structures should become available upon full implementation of the MDMS.

The Electric Division continues to collaborate with our rate consultant and advisors with AMP to build a portfolio of short-term block purchases at below-market prices and participation in generation projects coupled with direct market purchases to enable us to stabilize electric rates in the future. In 2011, we completed our Third Delivery Point for receiving power from our suppliers. The delivery point is located strategically among our major industrial customers and will significantly increase our electric service reliability for all customers. The project also increased our capacity by 50 megawatts.

In 2007, Danville Utilities entered into a 20-year prepaid natural gas contract with MuniGas that has provided a discount on our wholesale gas purchases. This discount produced a cost savings of \$950,732.70 in 2011, which was passed on to our customers.

Our Water & Gas Division personnel installed new gas mains on all or portions of 17 City streets and water mains on 18 City streets. The majority of these sites had both utilities renewed. The water and gas infrastructure for the Franklin Turnpike Extension project was completed by VDOT subcontractors. In addition, water and gas mains on the new Robertson Street Bridge were installed by VDOT subcontractors and accepted into our system. In conclusion, Phase 10 of our Gas Pipeline Replacement Program was completed by outside contractors under the guidance of Water & Gas Engineering.

In Wastewater Treatment, the design for the Phase I Improvements, as modified, was completed and the project advertised for bids. Several other capital projects were completed including: replacing the piping, installing an emergency pump connection and

replacing the valves in two system pump stations; rehabbing one of four final clarifiers; and demolishing the PSA skid and other areas where the Phase I Improvements will be located.

The Water Treatment plant painted one system tank and repaired one large valve at the Water Plant. Evaluations are being done to determine what actions are necessary concerning high total trihalomethanes (THM) and noncoliform-related bacterial growth along with low chlorine residuals in the distribution system. We are evaluating treatment options to address the high THMs at two locations. Additional sampling is being done to get more data on the noncoliform bacterial growths.

The nDanville Fiber To The Home (FTTH) project started in a small deployment in the Averett community in FY2012. The original project presented in August 2010 called for borrowing \$2.5 million to build out to one or more residential neighborhoods with an approximate total of 2,000-3,000 homes. The revamped FTTH project uses funds available in the current budget and will be sized accordingly. Utilities plans to use the "pay-as-you-go" concept to be able to expand the fiber network each year. Approximately \$500,000 is left from two years of debt service repayment of the original project that could be used towards a 500-1,000 home area.

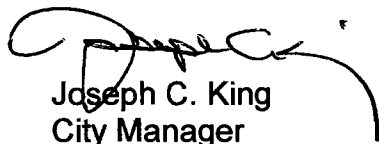
### **Awards and Acknowledgements**

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, for the fiscal year ended June 30, 2010. This was the twenty-fifth 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 only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements, 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,

  
Joseph C. King  
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, 2010

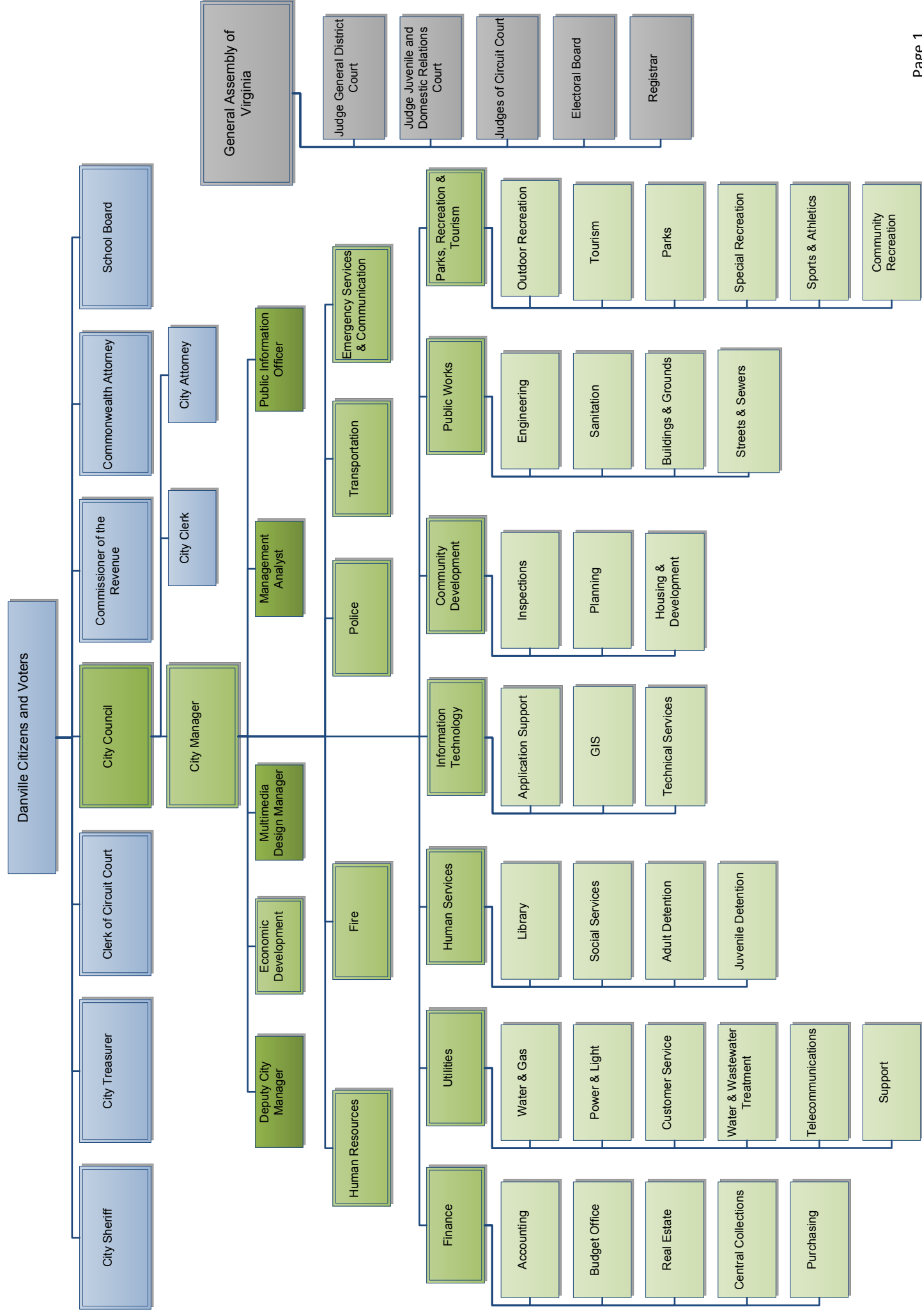
A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards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



President

Executive Director

# City of Danville Organizational Chart



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

**CITY COUNCIL**

Sherman M. Saunders  
Mayor

L.G. "Larry" Campbell, Jr.

Alonzo L. Jones

Albert K. "Buddy" Rawley Jr.

T. David Luther  
Vice Mayor

John B. Gilstrap

Gary P. Miller, MD

Fred O. Shanks III

Adam J. Tomer

**LEGISLATIVE STAFF**

W. Clarke Whitfield Jr.

Susan M. DeMasi

City Attorney

City Clerk

**ADMINISTRATIVE OFFICIALS**

Joseph C. King

Cynthia L. Thomasson

Jeremy A. Stratton

Marc D. Adelman

Barbara A. Dameron

Richard Drazenovich

Earl B. Reynolds, Jr.

Inez J. Harville

David R. Eagle

Philip A. Broadfoot

Sara B. Weller

Bernard "Buster" Brown

William O. Sgrinia

Jim K. Kendrick

City Manager

Budget Director

Director of Economic Development

Director of Transportation Services

Director of Finance

Director of Public Works

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

Director of Utilities

**CONSTITUTIONAL OFFICERS**

Michael S. Mondul

Michael J. Newman

Gerald A. Gibson

James M. Gillie

Lynwood L. Barbour

City Sheriff

Commonwealth Attorney

Clerk of Circuit Court

Commissioner of the Revenue

City Treasurer

**SCHOOL OFFICIALS**

**SCHOOL BOARD**

George M. Wilson  
Chairman

Edward C. Polhamus  
Vice Chairman

Malcom W. Huckabee

O. Renee' Hughes

Rebecca L. Bolton

Dr. Philip W. Campbell

Millie Dunston

**ADMINISTRATIVE OFFICIALS**

Dr. Sue B. Davis

Superintendent

Dr. Kathy J. Osborne

Assistant Superintendent for  
Administrative Services

Carrie H. Merricks

Clerk of School Board

Dr. Juliet C. Jennings

Assistant Superintendent for Human  
Resource Services

Andrew W. Tyrrell

Assistant Superintendent for  
Instruction

**EMPLOYEES' RETIREMENT SYSTEM OFFICIALS**

**BOARD OF TRUSTEES**

City Employee Members

Carolyn B. Evans  
Chairman

Kenneth D. Fitzgerald  
Police Department

David H. Patterson  
Fire Department

Citizen Members

James A. Motley  
Retired, American National Bank

Lenard D. Lackey, Jr.  
Retired, Danville/Pittsylvania Cty Service Bd

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

**EX-OFFICIO MEMBERS**

Gary P. Miller, MD  
Mayor Designee

Joseph C. King  
City Manager

Barbara A. Dameron  
Director of Finance

# **CITY OF DANVILLE, VIRGINIA**

Financial Section

For the Year Ended June 30, 2011





**DIXON HUGHES GOODMAN** LLP  
Certified Public Accountants and Advisors

***Report of Independent Auditors***

The Honorable Mayor and Members of 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, 2011, 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and *Specifications for Audits of Counties, Cities and Towns* issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

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, 2011, 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 November 30, 2011 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 should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, General Fund Schedule of Revenues – Budget and Actual, and General Fund Schedule of Expenditures – Budget and Actual be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Government Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the

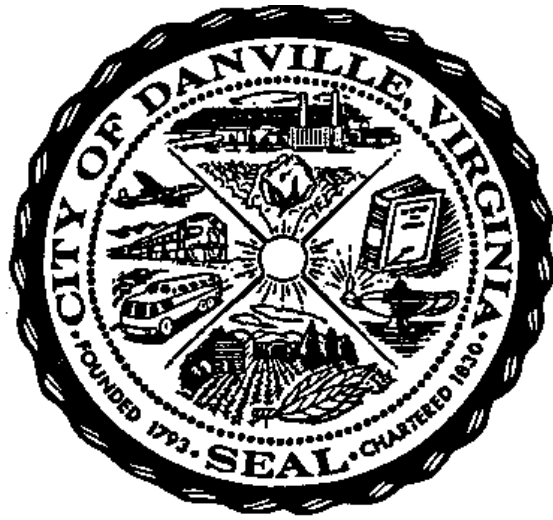
information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming an opinion on the 2011 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**. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements 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.

*Dixon Hughes Goodman LLP*

Danville, Virginia  
November 30, 2011



# **CITY OF DANVILLE, VIRGINIA**

Management's Discussion and Analysis (MD&A)

Required Supplementary Information  
(RSI)

For the Year Ended June 30, 2011

## **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 \$403,262,229 (total net assets - government-wide). Of this amount, \$101,978,529 (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, 2011 were \$293,738,928, an increase of \$12,367,076 from net assets of \$281,371,852 reported at June 30, 2010. Net assets of \$49,019,935 are reported as unrestricted, a \$1,917,886 increase from unrestricted net assets reported at June 30, 2010.
- As of June 30, 2011, the City's governmental activities for government-wide statements reported net assets of \$109,523,301, an increase of \$6,907,962 over beginning net assets of \$102,615,339. Net assets of \$52,958,594 at June 30, 2011, 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 \$54,546,983, an increase of \$7,894,914 in comparison to the fund balance reported at June 30, 2010 of \$46,652,069. Fifty-six percent of the total fund balance at June 30, 2011, \$30,350,466, is available for spending at the government's discretion (unassigned fund balance).
- At the end of the current fiscal year, the unassigned fund balance for the General Fund was \$30,350,466, 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 affect 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 \$54,976,318 to the combined balances of governmental funds when converting to net assets of governmental activities. The reconciliation presented on pages 45 and 47 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 a total fund balance of \$54,546,983 and an unassigned fund balance of \$30,350,466. Government-wide net assets for governmental activities report total net assets of \$109,523,301 and unrestricted net assets of \$52,958,594. The conversion from the unassigned fund balance to unrestricted net assets can be shown as follows:

Unassigned fund balance (fund statement)	\$ 30,350,466
Deferred revenue for fund statements no longer deferred for government-wide	14,664,790
Internal Service Funds noncapital assets merged into governmental activities for government-wide statements	4,696,525
Workers' compensation, accrued interest, and other compensated absences	(5,788,286)
Encumbrances not restricted externally	6,808,165
Group Health, inventory and pension funds, restricted only for fund statements	<u>2,226,934</u>
Unrestricted net assets – per government-wide governmental activities	<u>\$ 52,958,594</u>

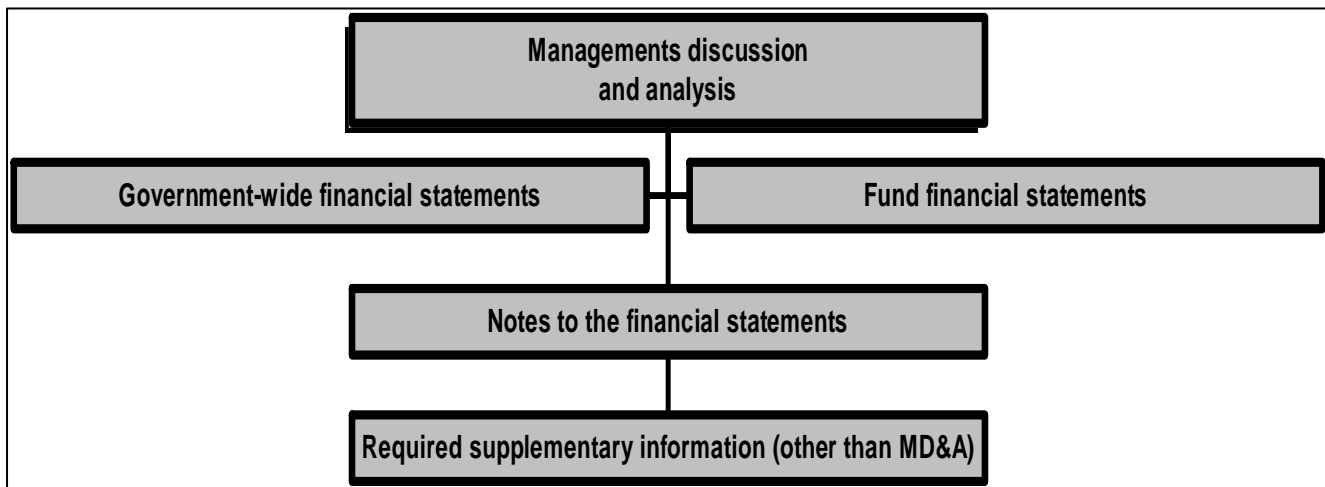
The conversion from fund balance, other than unassigned, to restricted net assets can be shown as follows:

Non-spendable, restricted, committed, and assigned fund balance (fund statement)	\$ 24,196,517
Non-spendable inventory	(227,182)
Group Health funds, assigned for fund statements	(1,831,580)
Encumbrances that do not meet GASB Statement 34 definition of restricted	<u>(6,808,165)</u>
Restricted net assets - governmental activities	<u>\$ 15,329,590</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, 2011. 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 of 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, 2011

	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
Current and Other Assets	\$ 82,170,893	\$ 73,747,504	\$ 105,301,501	\$ 99,943,746	\$ 187,472,394	\$ 173,691,250
Capital Assets	74,636,176	71,351,621	263,622,239	255,478,423	338,258,415	326,830,044
Total Assets	\$ 156,807,069	\$ 145,099,125	\$ 368,923,740	\$ 355,422,169	\$ 525,730,809	\$ 500,521,294
Long-Term Liabilities Outstanding	\$ 38,731,579	\$ 33,443,293	\$ 61,633,020	\$ 58,945,120	\$ 100,364,599	\$ 92,388,413
Other Liabilities	8,552,189	9,040,493	13,551,792	15,105,198	22,103,981	24,145,691
Total Liabilities	\$ 47,283,768	\$ 42,483,786	\$ 75,184,812	\$ 74,050,318	\$ 122,468,580	\$ 116,534,104
Net Assets:						
Invested in Capital Assets, Net of Related Debt	\$ 41,235,117	\$ 43,276,891	\$ 205,342,317	\$ 197,322,894	\$ 246,577,434	\$ 240,599,785
Restricted for Cemetery Maintenance	2,642,347	2,606,597	-	-	2,642,347	2,606,597
Restricted for Capital Projects	12,422,706	6,934,477	39,376,676	36,946,909	51,799,382	43,881,386
Restricted for Special Programs	264,537	439,347	-	-	264,537	439,347
Restricted for Debt Service	-	688,180	-	-	-	688,180
Unrestricted	52,958,594	48,669,847	49,019,935	47,102,049	101,978,529	95,771,896
Total Net Assets	\$ 109,523,301	\$ 102,615,339	\$ 293,738,928	\$ 281,371,852	\$ 403,262,229	\$ 383,987,191

The City's combined net assets at June 30, 2011 of \$403,262,229, represents an increase of \$19,275,038 from combined net assets at June 30, 2010. Twenty-five percent of total net assets (\$101,978,529) is unrestricted and available for providing services to the citizens of the City of Danville and satisfying creditors. Sixty-one 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. Thirteen 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-four percent of total net assets. The remaining one percent of net assets (\$2,906,884)

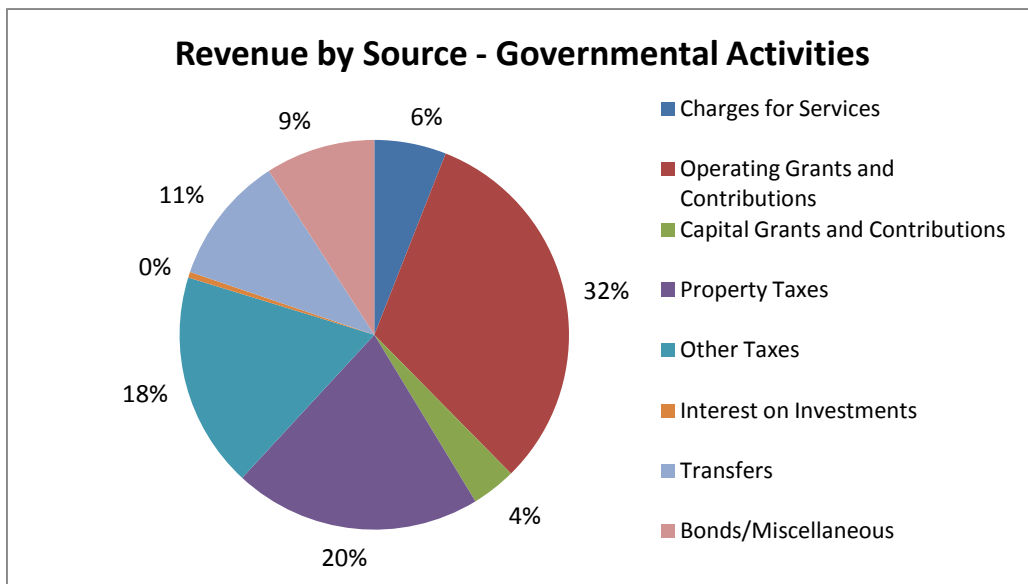
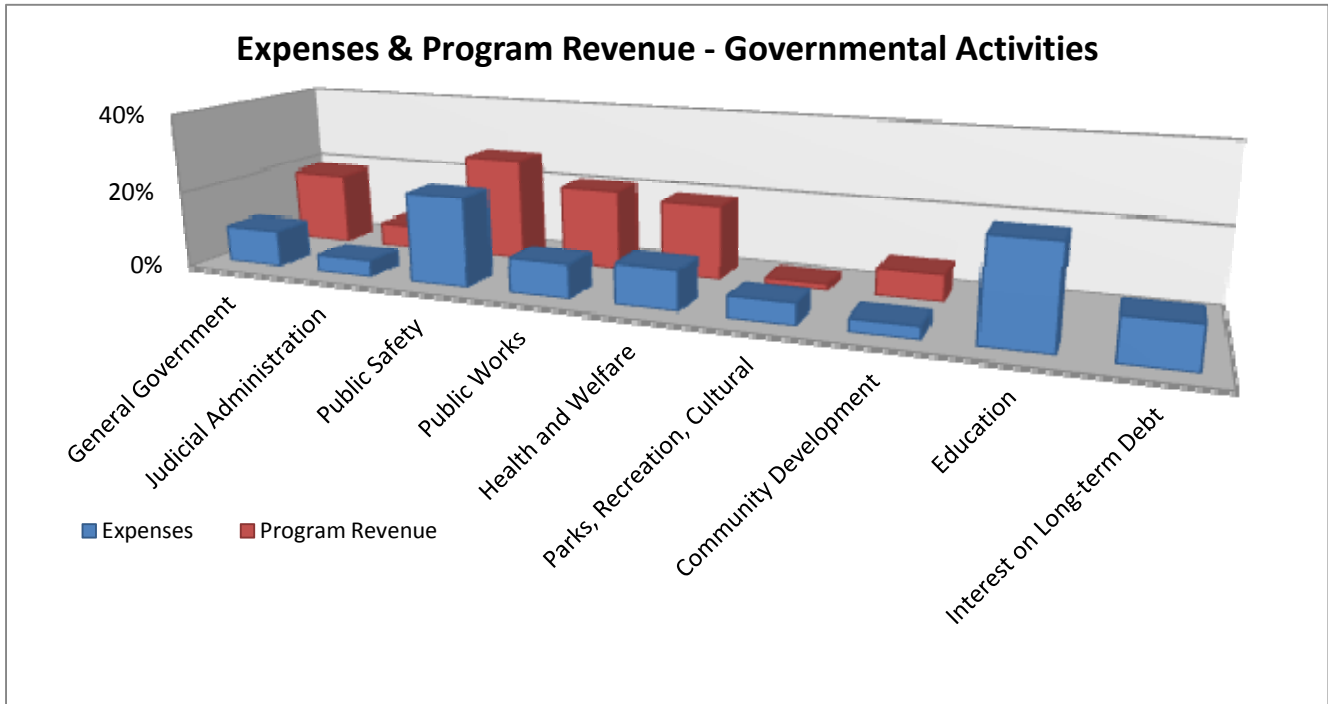
is restricted for other special projects (grants), debt service, net pension assets, and the perpetual care of the municipal cemetery. The composition of fund balance at June 30, 2010 was as follows: Unrestricted net assets - 25%, Invested in Capital Assets net of related debt – 63%, Restricted for Capital Projects – 11% (Invested in Capital Assets and Restricted for Capital Projects combined - 75%), and the remaining 1% was restricted for other purposes. Despite the local economic stresses, the City of Danville reported positive balances in all three categories of net assets for the government as a whole. Unrestricted net assets increased, as well as the net assets restricted for investment in capital assets net of related debt and restricted for capital projects.

City of Danville  
Changes in Net Assets  
June 30, 2011

	Governmental Activities		Business-type Activities		Total Primary Government	
	2011	2010	2011	2010	2011	2010
Revenues:						
Program Revenues:						
Charges for Services	\$ 7,506,972	\$ 8,120,539	\$ 155,622,527	\$ 155,032,610	\$ 163,129,499	\$ 163,153,149
Operating Grants and Contributions	39,799,066	39,784,055	2,101,602	826,340	41,900,668	40,610,395
Capital Grants and Contributions	4,654,262	5,887,846	1,511,920	1,524,609	6,166,182	7,412,455
General Revenues:						
Real Estate and Personal Property	25,869,256	26,464,571	-	-	25,869,256	26,464,571
Other Taxes (See Exhibit B for detail)	22,481,496	21,834,771	-	-	22,481,496	21,834,771
Interest on Investments	591,487	683,469	1,373,048	1,440,386	1,964,535	2,123,855
Bond Proceeds and miscellaneous	11,461,568	2,044,711	446,072	2,510,911	11,907,640	4,555,622
<b>Total Revenues</b>	<b>\$ 112,364,107</b>	<b>\$ 104,819,962</b>	<b>\$ 161,055,169</b>	<b>\$ 161,334,856</b>	<b>\$ 273,419,276</b>	<b>\$ 266,154,818</b>
Expenses:						
General Government	\$ 11,513,535	\$ 11,190,407	\$ -	\$ -	\$ 11,513,535	\$ 11,190,407
Judicial Administration	4,895,286	4,677,118	-	-	4,895,286	4,677,118
Public Safety	27,211,372	27,905,805	-	-	27,211,372	27,905,805
Public Works	10,468,862	13,746,621	-	-	10,468,862	13,746,621
Health and Welfare	12,236,155	13,662,743	-	-	12,236,155	13,662,743
Parks, Recreation, and Culture	6,227,105	5,831,486	-	-	6,227,105	5,831,486
Community Development	3,862,302	4,429,763	-	-	3,862,302	4,429,763
Education (payment to school district)	29,939,742	21,190,425	-	-	29,939,742	21,190,425
Interest on Long Term Debt	12,513,650	6,447,064	-	-	12,513,650	6,447,064
Wastewater	-	-	6,954,269	6,912,126	6,954,269	6,912,126
Water	-	-	5,407,252	5,676,850	5,407,252	5,676,850
Gas	-	-	20,911,099	21,633,916	20,911,099	21,633,916
Electric	-	-	95,215,780	92,884,951	95,215,780	92,884,951
Transportation	-	-	1,542,601	1,423,951	1,542,601	1,423,951
Telecommunication	-	-	892,711	802,516	892,711	802,516
Sanitation	-	-	3,536,253	3,674,045	3,536,253	3,674,045
Cemetery Operations	-	-	816,264	811,253	816,264	811,253
<b>Total Expenses</b>	<b>\$ 118,868,009</b>	<b>\$ 109,081,432</b>	<b>\$ 135,276,229</b>	<b>\$ 133,819,608</b>	<b>\$ 254,144,238</b>	<b>\$ 242,901,040</b>
Subtotal Revenue over Expenses	\$ (6,503,902)	\$ (4,261,470)	\$ 25,778,940	\$ 27,515,248	\$ 19,275,038	\$ 23,253,778
Transfers	13,411,864	13,372,456	(13,411,864)	(13,372,456)	-	-
Increase in Net Assets	6,907,962	9,110,986	12,367,076	14,142,792	19,275,038	23,253,778
Beginning Net Assets	102,615,339	93,504,353	281,371,852	267,229,060	383,987,191	360,733,413
<b>Ending Net Assets</b>	<b>\$ 109,523,301</b>	<b>\$ 102,615,339</b>	<b>\$ 293,738,928</b>	<b>\$ 281,371,852</b>	<b>\$ 403,262,229</b>	<b>\$ 383,987,191</b>

## Governmental Activities

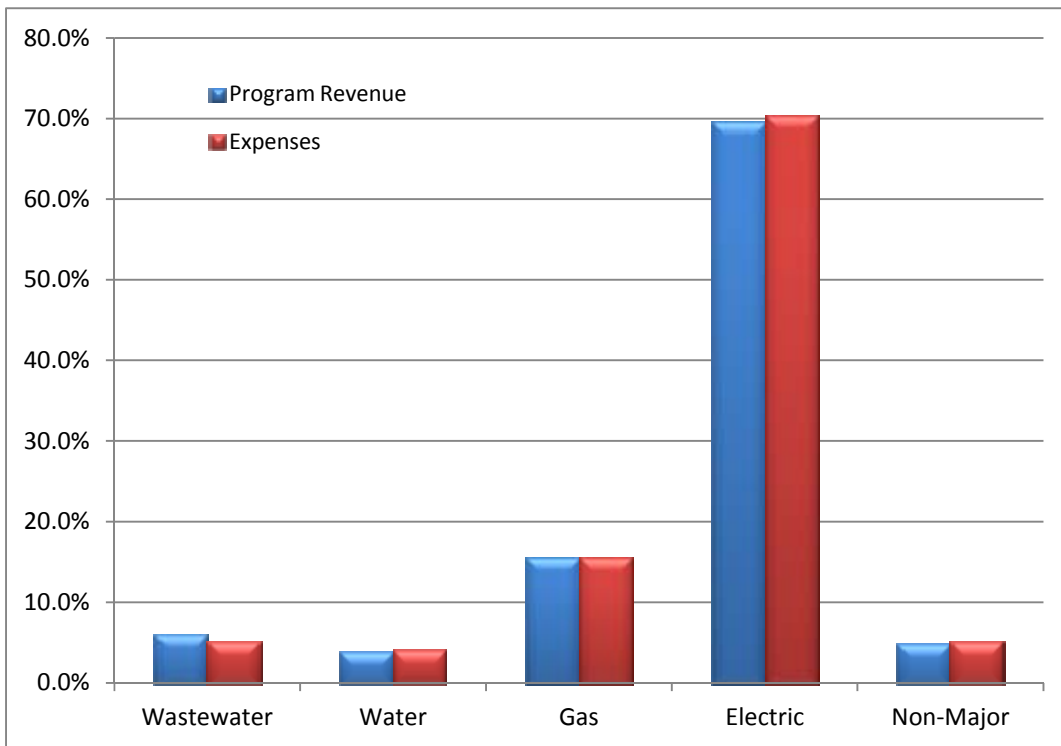
Governmental activities increased the City of Danville's net assets by \$6,907,962. Revenues (including transfers) from governmental activities totaled \$125,775,971, with Property Taxes 21%, Other Taxes 18%, Operating Grants and Contributions 32%, and Transfers 11%, representing 82% of the City's revenues. Expenses for governmental activities totaled \$118,868,009, of which 44% was supported from program revenues and the remaining 56% from general revenues. Expenses for Public Safety 23%, Education 25%, Health & Welfare 10%, General Government 10%, Public Works 9%, and Interest on Long-Term Debt 11% make up 88% of the total governmental expenses for the fiscal year.



## **Business-type Activities**

Business-type activities increased the City's net assets by \$12,367,076 compared to last year's increase in net assets of \$14,142,792. At June 30, 2011, total net assets were \$293,738,928 of which \$39,376,676 was restricted for capital improvement projects and \$49,019,935 was unrestricted. GASB Statement 34 requires that restricted assets have external restrictions imposed (grantors, contributions, and debt covenants). Revenues for business-type activities were \$161,055,172 of which 97% 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 34.

### 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 \$54,546,983, an increase of \$7,894,914 when compared with the combined fund balance at June 30, 2010 of \$46,652,069. The fund balance in the Capital Projects Fund, also known as Construction In Progress (CIP), increased \$5,488,229. Of the \$6,985,884 expended in the CIP fund, \$2,839,099 was expended in economic development. Funds of \$1,772,764 were expended for streets and parking lot improvement and construction. \$2,108,273 was expended for improvements to various public buildings, facilities, and equipment, school expansion, and information technology upgrades, and \$265,748 was expended for improvements at the municipal airport.

Fifty-six percent (\$30,350,466) of the combined governmental funds balance is unassigned fund balance, which is available for spending at the government's discretion. Thirty-nine percent (\$21,325,488) of the combined fund balance is not available for new spending, because it has already been restricted, committed, or assigned to specific future expenditures. The remaining five percent (\$2,871,029) of fund balance is not spendable as it represents inventories (\$227,182), prepaid expenses (\$1,500), and investments for the perpetual care of the municipal cemetery (\$2,642,347).

The General Fund, which is the chief operating fund of the City, reports a combined fund balance at June 30, 2011 of \$38,072,014. This is an increase of \$2,092,170 compared to last year's fund balance of \$35,979,844. The General Fund reported an unassigned fund balance of \$30,350,466, an increase of \$4,243,231 from the June 30, 2010 unassigned fund balance of \$26,107,235. The ability of the General Fund to generate cash on demand can be calculated by comparing both the unassigned fund balance and total fund balance to total funds expended. Unassigned fund balance represents 31% of total General Fund expenditures while total fund balance represents 56% of total fund expenditures. When transfers out of \$5,301,703 are added to expenditures, then unreserved fund balance is 29% percent of expenditures and transfers out. The following table represents General Fund support shown as transfers out:

Support of CIP Projects	\$2,121,370
Support of Regional Authority	887,730
Support of Economic Development	572,850
Support of Grants	1,500,325
Support of Cemetery	57,888
Support of Transportation	161,540
	<hr/>
	\$5,301,703

The increase in fund balance of \$2,092,170 resulted from \$10,113,927 unexpended budgeted expenditures and \$117,532 unrealized revenue; offset by prior year encumbrance carryforwards of \$7,156,375; and a budgeted decrease in fund balance of \$747,850. There were no supplemental appropriations from fund balance.

Some key factors of unexpended appropriations are as follows:

- City Support of Public Schools had an unexpended balance of \$4,367,499. The unencumbered portion of this amount is reserved as a carryforward for fiscal 2012.
- Savings in salaries and related payroll taxes of nearly \$1,200,000 were realized through vacancies in the General Fund. Group Health insurance also reported a savings of nearly \$850,000.
- The remaining savings of more than \$3,600,000 resulted from the conservatism of management in every department as the City attempted to uphold the level of services provided during the continued economic challenges of fiscal 2011.

Key factors of the unrealized revenue are as follows:

- General Property Tax collections were \$686,927 under budget. The primary components of this variance exist in the following areas:

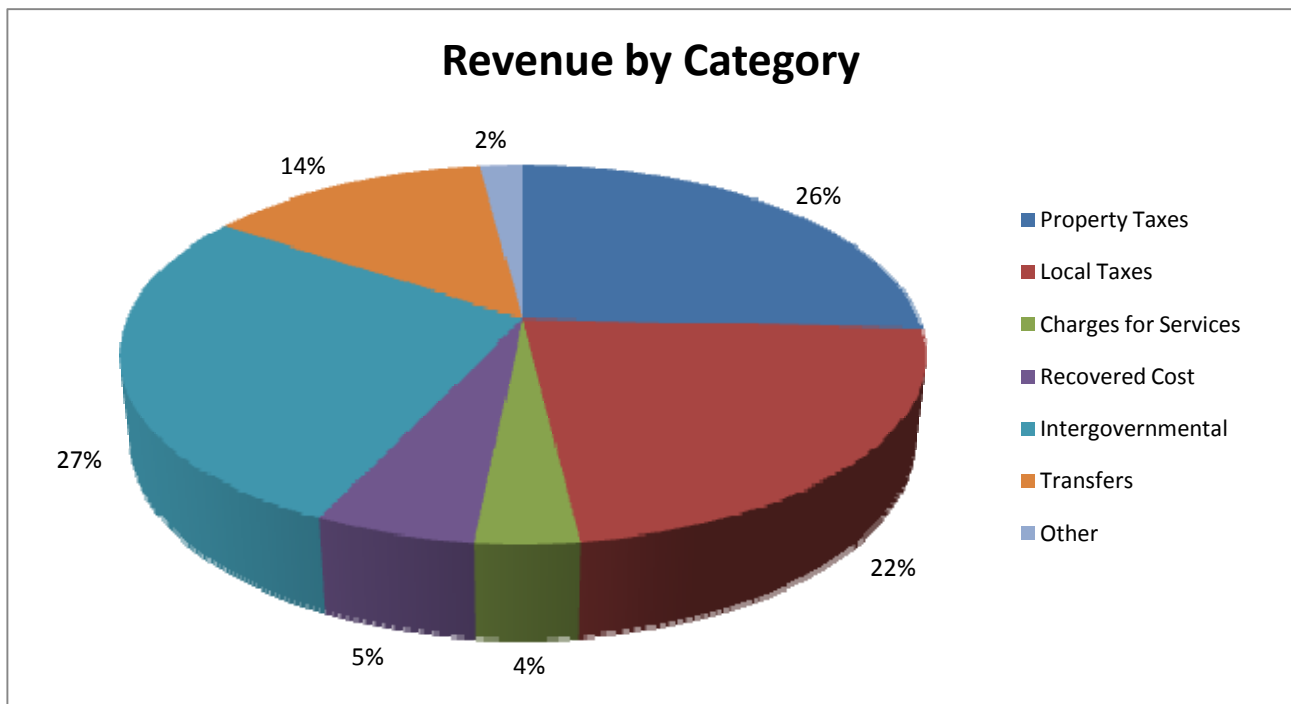
Real Estate	\$	(191,981)
Personal Property	\$	(451,527)
Public Service	\$	2,128
Penalties & Interest	\$	(45,547)

- Real Estate realized additional revenues in delinquent taxes due to increased efforts in collections, but this was offset by a decrease in current real estate tax collection. The struggling economy has negatively impacted timely payments. Continued collection efforts will be utilized. Personal property tax revenues also suffered during the depressed economic times. Collections of the delinquent taxes will be pursued through utilization of the Virginia Debt Set-off Program, as well as the DMV Stop Program.
- Other Local Taxes exceeded the budget of \$21,530,380 by \$951,116. Nearly all categories of local tax revenue exceeded budgeted expectations. The FY 2011 budget had been conservative with respect to consumer taxes such as sales tax, meals tax, and lodging taxes. Local Sales Taxes were collected at 102% of budget, Business Licenses were collected at 104% of budget, Hotel Taxes were at 116% of budget, and Prepared Meals Tax collections also outperformed estimates at 105% of budget. Areas contributing to the budget variance include:

Bank Stock Taxes	\$	221,839
Prepared Meals Tax	\$	291,133
Local Sales Tax	\$	145,308
Business Licenses	\$	166,637
Hotel & Lodging Tax	\$	97,387
Others	\$	28,812

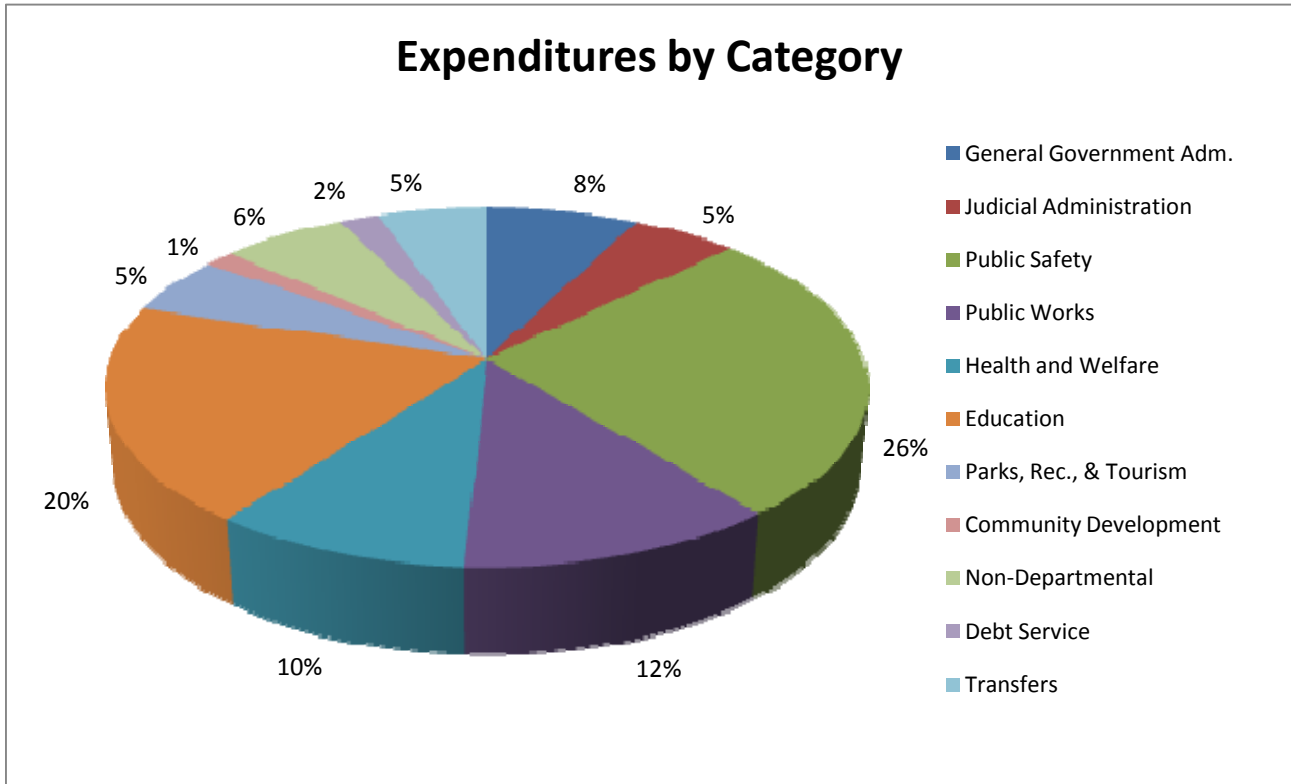
- Charges for services exceeded budget by \$255,026. This resulted from increases in correction and detention collections at the City jail and adult detention center, as well as an increase in collections related to Parks and Recreation. The Parks and Recreation Department expanded summer programs beginning in May, 2011.
- Revenue from the Commonwealth of Virginia was significantly under budget as the Virginia General Assembly continued its dramatic cuts to locality support. Welfare was under budgeted amounts by \$1,099,003, while support of constitutional offices fell \$241,829 below budget. A favorable budget variance in VDOT revenues of \$325,279 helped offset these deficits. The total effect on intergovernmental revenue was a shortfall of \$745,660.

The following graph depicts General Fund revenue by categories as a percent of total revenues for fiscal year ending June 30, 2011. Total revenues are \$101,171,910, including transfers in of \$13,748,388.





The next graph shows General Fund expenditures by category as a percent of total expenditures for fiscal year ending June 30, 2011. Total expenditures are \$98,391,553, including transfers out of \$5,301,703.



**Enterprise Funds**

Enterprise funds reported combined ending net assets of \$293,738,928; an increase of \$12,367,076 compared to combined net assets reported at June 30, 2010. Each of the following enterprise funds contributed to this increase: Electric Fund, 58% or \$7,136,296; Water Fund, 1% or \$101,585; Wastewater Fund, 19% or \$2,394,832; Gas Fund, 13% or \$1,635,835; Telecommunications Fund, 3% or \$314,089; and the Transportation Fund, 6%, or \$762,815. A very small increase in net assets was reported in the Sanitation Fund, \$21,624. The fund balance of the Cemetery Operations Fund remained unchanged at \$0.

Revenues from all sources combined, including contributed capital and transfers in, decreased \$549,665 in fiscal year ended June 30, 2011 compared to fiscal year ended June 30, 2010. The details of this net decrease in revenue result from the following:

Charges for Services	\$	583,600
Gain (Loss) on Fixed Assets and Hedges	\$	(1,408,997)
Jobbing Income	\$	(700,725)
Interest Income	\$	(283,455)
Grants	\$	985,918
Sales/Jobbing/Rental/Transfers/Inkind/Grants	\$	273,994

Charges for Services increased in the Electric Fund \$2,774,010, reflecting the more extreme temperatures experienced during the cooling seasons. Likewise, the cost of purchased power rose proportionately. There were no increases in utility rates during FY 2011. A decrease of \$2,359,607 in gas revenue resulted from the loss of consumption in the more profitable customer classes of residential and commercial customers. The Water and Wastewater Funds remained fairly constant with a combined increase of \$50,222 related to a decrease in consumption. Non-major Funds (Transportation, Sanitation, Cemetery, and Telecommunication) were fairly stable with a combined increase of \$118,975.

The decrease in Gain on Fixed Assets and Hedges reflects a gain recorded as gas hedges were adjusted to fair market value at June 30, 2010. Existing hedges at the close of FY 2011 had not changed in market value as much, thus there was little impact this year. These hedges will be used in the heating season of 2012, and the resulting gain or loss will be passed on to the customer through the gas cost adjustment. The decrease in interest income resulted from the falling interest rates that were experienced during the fiscal year. Jobbing income decreased because of fewer jobbing needs in the Wastewater and Electric Funds. The Electric Fund received grant monies to provide infrastructure within the regional industrial park, as evidenced by the increase in grants for FY 2011. Income before transfers for all enterprise funds combined compared unfavorably with the prior year, decreasing by \$1,998,146.

The Utilities contributed \$13,632,000 in transfers to the General Fund for fiscal year ending June 30, 2011. Enterprise Funds' net assets of \$293,738,928 include \$49,019,935 unrestricted, \$39,376,676 restricted for incomplete projects, and \$205,342,317 invested in capital assets, net of related debt.

**General Budgetary Highlights**

City of Danville  
 General Fund Budget  
 Year Ended June 30, 2011

	Original Budget	Amended Budget	Actual
<b>Revenues, Transfers, and Other Financial Sources</b>			
Taxes	\$48,335,480	\$48,367,400	\$48,631,589
Intergovernmental	28,373,790	28,432,489	27,686,829
Other	24,010,000	28,147,849	28,708,261
Total	100,719,270	104,947,738	105,026,679
<b>Expenditures, Transfers, and Other Financial Uses</b>			
Expenditures	96,148,630	104,187,427	93,089,850
Transfers and other	5,318,490	8,861,010	9,844,659
Total	101,467,120	113,048,437	102,934,509
 Change in Fund Balance	 \$ (747,850)	 \$(8,100,699)	 \$2,092,170

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 \$7,352,848 and additional appropriations totaling \$4,228,469. All additional appropriations had matching revenues, represented as follows:

Police – Forfeited Funds	\$ 55,065
Fire/Emergency Grants and Donations	\$ 267,680
Juvenile Detention – Electronic Monitoring	\$ 69,367
Bond Refunding and Issuance	\$ 3,774,685
Hazardous Material Response	\$ 3,634
Project Lifesaver	\$ 26,118
DMV Stop Administrative Fees	\$ 31,920

Revenues performed slightly better than budget with surplus local tax collections helping to minimize the cuts in funding from the Commonwealth of Virginia. The positive budget variance in expenditures resulted primarily from delayed transfers to the Danville City School System. The school funds have been encumbered and will be transferred during fiscal 2012 as needed. Budget savings were also realized through personnel vacancies and cost cutting measures taken in all City departments.

**Capital Assets and Debt Administration**

**Capital Assets**

As of June 30, 2011, the City of Danville’s capital assets investment for its governmental and business-type activities amounts to \$338,258,415 (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:

- Many of the City’s software systems were upgraded in FY 2011, with costs totaling approximately \$164,601. In addition to software upgrades, the Information Technology Department is also in the process of upgrading the City’s infrastructure and implementing a disaster recovery program. These two projects totaled \$237,952.
- Economic development incentives totaling \$2,070,265 were granted to White Mill, Inc., EcomNets, U.S. Green Energy, NextGen Aeronautics, Inc., and Engineered Biopharmaceuticals, Inc. All of these businesses have recently made Danville their home, which has boosted our local economy and created numerous jobs. In addition to the Economic Development incentives, \$207,346 was spent in an effort to eradicate blight from the downtown area and in hopes of attracting new businesses.
- Improvements in the amount of \$2,496,935 were made to the infrastructure, such as streets, parking lots, and various public buildings and facilities throughout the City. Of this amount, \$275,871 was spent to improve Airport facilities.

City of Danville  
Capital Assets (net of depreciation)  
June 30, 2011

	Governmental Activities	Business-type Activities	Total
Land	\$ 15,340,049	\$ 1,332,428	\$ 16,672,477
Building & Improvements	23,240,370	190,674,027	213,914,397
Machinery & Equipment	5,248,262	28,985,535	34,233,797
Infrastructure	8,259,509	-	8,259,509
Construction in Progress	11,034,485	42,630,249	53,664,734
Subtotal	63,122,675	263,622,239	326,744,914
Assets Transferred from School Board	11,513,501	-	11,513,501
Total	\$ 74,636,176	\$ 263,622,239	\$ 338,258,415

**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 \$86,659,278, capital lease revenue bonded debt of \$3,681,077, and notes payable of \$2,615,798 for a total of \$92,956,153.

**City of Danville's Outstanding Debt  
Bonds and Related Loans**

	Governmental Activities		Business-type Activities		Total	
	2010-11	2009-10	2010-11	2009-10	2010-11	2009-10
	General Obligation Bonds	\$ 29,882,557	\$ 21,223,853	\$ 53,336,177	\$ 52,266,777	\$ 83,218,734
Revenue Bonds	-	-	3,440,544	4,011,631	3,440,544	4,011,631
Capital Lease Revenue Bonds	3,681,077	7,651,911	-	-	3,681,077	7,651,911
Notes Payable	-	-	2,615,798	2,888,748	2,615,798	2,888,748
<b>Total</b>	<b>\$ 33,563,634</b>	<b>\$ 28,875,764</b>	<b>\$ 59,392,519</b>	<b>\$ 59,167,156</b>	<b>\$ 92,956,153</b>	<b>\$ 88,042,920</b>

Notes payable is comprised an inter-fund loan between Electric, Gas, and Wastewater. The inter-fund loan balance was \$2,615,798 at June 30, 2011. The lease-revenue bonds shown in FY 2010 covered 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. The lease-revenue bonds for courts and jails and Social Services were refunded during FY 2011 and replaced with General Obligation Bonds. The bonds related to juvenile detention will be refunded in FY 2012.

During fiscal year 2011, the City made principal payments of \$2,763,817. New debt of \$10,410,000 in general obligation bonds was issued to finance the costs of capital improvements to the City's electric systems and a new combined fire station and E-911 dispatch facility. The City of Danville issued \$12,925,000 of general obligation refunding bond debt to retire \$9,750,000 of electric general obligation bond debt, \$635,000 of Social Service lease bond debt and \$3,000,000 of Courts & Jail lease bond debt.

At the time of the City's rating review, we received an "Aa3" rating from Moody's. This underlying rating was an "A1", but was enhanced to "Aa3" through the Virginia Localities Intercept Program. The City of Danville's debt management policy states total general obligation net debt will not exceed 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, 2011, net debt for the City of Danville was 2.06%.

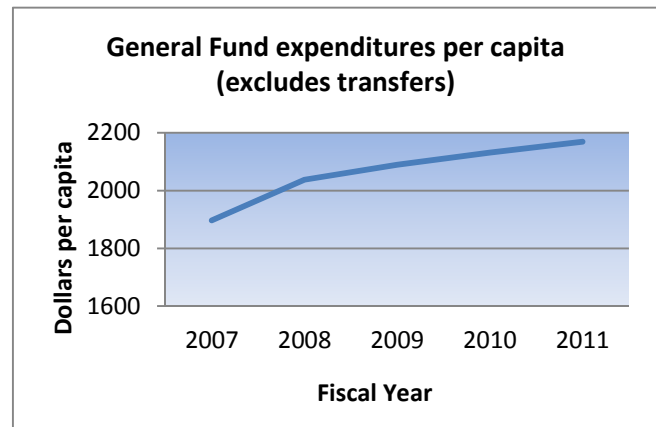
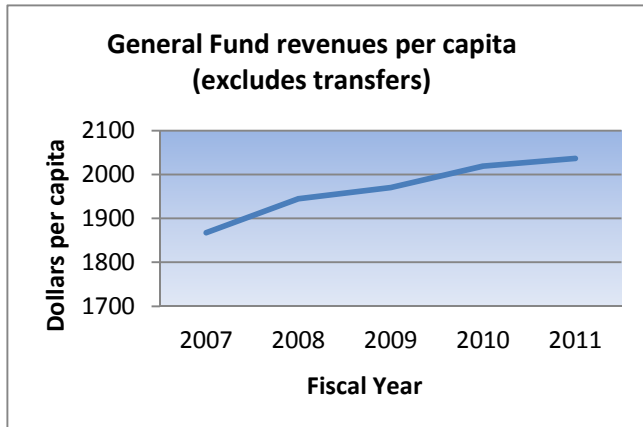
Additional information on the City of Danville's long-term debt can be found in note 7 of the notes to the financial statements.

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

- As of September 30, 2011, the average unemployment rate for the City of Danville was 11.8 percent, which is a slight decrease from a rate of 12.6 percent at September 30, 2010. This compares to the Commonwealth's average unemployment rate of 6.4 percent and the national average rate of 9.1 percent.
- Danville continues to make economic development a priority in its effort to reduce unemployment. From October 2010 to August 2011, the City has announced 477 new jobs and capital investments of \$39.6 million. For fiscal year 2012, the City's budget includes \$475,000 in economic development incentives.
- During fiscal year 2010-2011, management continued its goal to stabilize utility rates for electric services charged to its consumers. Utility rates have increased in past 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 tax rate changes passed in the adoption of the FY 2012 budget.
- Danville has an estimated population of 42,918, based on the 2010 census. Per capita income is \$30,092 for Danville and \$44,762 for the Commonwealth of Virginia.
- 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 despite the economic downturn over the last 24 months. Although the overall increase in revenue per capita is partially attributable to a declining population, there was a 1% increase in revenues from 2010 to 2011. Expenditures have increased 8% from 2007 to 2011, demonstrating management's excellent efforts in containing costs despite ever increasing costs of goods and services. Expenditures in FY 2011 increased about \$1.3 million due to debt refinancing which lowered the debt service requirements and increased support of the public schools. 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.

# **CITY OF DANVILLE, VIRGINIA**

Financial Statements

For the Year Ended June 30, 2011



## STATEMENT OF NET ASSETS

June 30, 2011

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
<b>ASSETS</b>				
Cash and investments				
Restricted expendable permanently	\$ -	\$ 33,052,455	\$ 33,052,455	\$ -
Unrestricted	50,018,014	46,199,009	96,217,023	3,102,826
Cash and investments - held by fiscal agents	222,486	-	222,486	2,278,177
Receivables - net	27,924,650	21,941,607	49,866,257	437,330
Due from primary government	-	-	-	4,402,506
Due from other governments	3,367,779	297,618	3,665,397	5,077,456
Net investment in sales type lease	-	-	-	7,500,000
Prepayments	1,500	-	1,500	568,061
Inventories	360,704	3,618,333	3,979,037	919,049
Pension asset	275,760	192,479	468,239	-
Capital assets:				
Land and construction in progress	26,374,534	43,962,677	70,337,211	9,016,864
Other capital assets - net	48,261,642	219,659,562	267,921,204	20,264,843
<b>Total assets</b>	<b>\$ 156,807,069</b>	<b>\$ 368,923,740</b>	<b>\$ 525,730,809</b>	<b>\$ 53,567,112</b>
<b>LIABILITIES</b>				
Accounts payable	\$ 2,635,447	\$ 9,743,429	\$ 12,378,876	\$ 945,890
Accrued salaries	145,584	-	145,584	3,930,710
Accrued payroll taxes	-	-	-	300,704
Accrued interest	458,188	743,268	1,201,456	-
Accrued expenses	-	-	-	171,030
Loan escrow	65,938	-	65,938	-
Due to component unit	4,399,320	-	4,399,320	-
Due to other governments	188,790	-	188,790	-
Refundable deposits	201,334	2,900,700	3,102,034	-
Hedging liability	-	85,367	85,367	-
Deferred grant revenue	-	-	-	2,759,185
Unearned revenue	350,000	-	350,000	-
Pension liability	107,588	79,028	186,616	-
Long-term liabilities:				
Due within one year	3,639,381	3,829,963	7,469,344	2,126,825
Due in more than one year	35,092,198	57,803,057	92,895,255	21,255,738
<b>Total liabilities</b>	<b>\$ 47,283,768</b>	<b>\$ 75,184,812</b>	<b>\$ 122,468,580</b>	<b>\$ 31,490,082</b>
<b>NET ASSETS</b>				
Invested in capital assets - net of related debt	\$ 41,235,117	\$ 205,342,317	\$ 246,577,434	\$ 19,386,874
Restricted for expendable purposes:				
Capital projects	12,422,706	39,376,676	51,799,382	-
Special programs	264,537	-	264,537	-
Restricted for nonexpendable purposes:				
Cemetery maintenance	2,642,347	-	2,642,347	-
Unrestricted	52,958,594	49,019,935	101,978,529	2,690,156
<b>Total net assets</b>	<b>\$ 109,523,301</b>	<b>\$ 293,738,928</b>	<b>\$ 403,262,229</b>	<b>\$ 22,077,030</b>

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

Year Ended June 30, 2011

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets			Component Units
	Expenses	Charges For Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
					Governmental Activities	Business-Type Activities	Total	
<b>Primary Government:</b>								
Government activities:								
General government	\$ 11,513,535	\$ 6,171,322	\$ 3,630,456	\$ -	\$ (1,711,757)	\$ -	\$ (1,711,757)	\$ -
Judicial administration	4,895,286	1,044,237	2,168,986	-	(1,682,063)	-	(1,682,063)	-
Public safety	27,211,372	223,330	13,561,629	-	(13,426,413)	-	(13,426,413)	-
Public works	10,468,862	-	9,828,980	972,763	332,881	-	332,881	-
Health and welfare	12,236,155	-	9,833,788	-	(2,402,367)	-	(2,402,367)	-
Parks, recreation, cultural	6,227,105	68,083	775,227	-	(5,383,795)	-	(5,383,795)	-
Community development	3,862,302	-	-	3,681,499	(180,803)	-	(180,803)	-
Education	29,839,742	-	-	-	(29,839,742)	-	(29,839,742)	-
Interest on long-term debt	12,513,650	-	-	-	(12,513,650)	-	(12,513,650)	-
Total governmental activities	118,868,009	7,506,972	39,799,066	4,654,262	(66,907,709)	-	(66,907,709)	-
<b>Business-type activities:</b>								
Wastewater	6,954,269	9,812,296	-	27,436	-	2,885,463	2,885,463	-
Water	5,407,252	6,230,140	-	-	-	822,888	822,888	-
Gas	20,911,099	24,700,569	-	-	-	3,789,470	3,789,470	-
Electric	95,215,780	109,022,347	827,190	891,980	-	15,525,737	15,525,737	-
Nonmajor	6,787,829	5,857,175	1,274,412	592,504	-	936,262	936,262	-
Total business-type activities	135,276,229	155,622,527	2,101,602	1,511,920	-	23,959,820	23,959,820	-
Total primary government	254,144,238	163,129,499	41,900,668	6,166,182	(66,907,709)	23,959,820	(42,947,889)	-
<b>Component Units:</b>								
Danville Public Schools	70,226,529	1,083,947	28,006,326	411,431	-	-	-	(40,724,825)
Industrial Development Authority	2,991,958	814,722	2,189,041	617,843	-	-	-	628,648
Total component units	\$ 73,218,487	\$ 1,898,669	\$ 30,194,367	\$ 1,029,274	-	-	-	(40,096,177)
<b>General Revenues</b>								
Real estate and personal property taxes					25,869,256	-	25,869,256	-
Other taxes -								
Sales and use taxes					7,745,308	-	7,745,308	-
Business license taxes					4,677,012	-	4,677,012	-
Utility taxes					997,935	-	997,935	-
Hotel and meals taxes					7,008,520	-	7,008,520	-
Recordation and bank stock taxes					957,247	-	957,247	-
Auto license and recordation taxes					1,095,474	-	1,095,474	-
Payments from City of Danville					-	-	-	19,512,518
State aid - unrestricted					-	-	-	24,742,030
Investment income					591,487	1,373,048	1,964,535	6,457
Miscellaneous - gifts and donations					11,461,568	446,072	11,907,640	420,837
Transfers					13,411,864	(13,411,864)	-	-
Total general revenues and transfers					73,815,671	(11,592,744)	62,222,927	44,681,842
Change in net assets					6,907,962	12,367,076	19,275,038	4,585,665
Net assets - beginning of year					102,615,339	281,371,862	383,987,191	17,491,365
Net assets - end of year					\$ 109,523,301	\$ 293,738,928	\$ 403,262,229	\$ 22,077,030

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

BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2011

ASSETS

	General	Community Development	Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
Cash and investments	\$ 39,578,069	\$ 871,983	\$ 1,983,542	\$ 2,883,958	\$ 45,317,542
Cash and investments - held by fiscal agent	162,486	-	-	-	162,486
Receivables - net	-	-	-	-	-
Taxes and licenses	10,407,483	-	-	-	10,407,483
Accounts	1,235,935	-	10,340,984	-	11,576,919
Accrued interest	565,884	-	-	-	565,884
Loans	-	5,271,651	-	99,309	5,370,960
Due from other funds	787,988	-	-	-	787,988
Due from other governments	1,995,586	86,034	335,899	950,260	3,367,779
Prepays	-	1,500	-	-	1,500
Inventories	227,182	-	-	-	227,182
<b>Total assets</b>	<b>\$ 54,960,603</b>	<b>\$ 6,231,168</b>	<b>\$ 12,660,425</b>	<b>\$ 3,933,527</b>	<b>\$ 77,785,723</b>

LIABILITIES AND FUND BALANCES

LIABILITIES					
Accounts payable	\$ 2,201,824	\$ 17,536	\$ 199,895	\$ 126,285	\$ 2,545,540
Accrued salaries	145,584	-	-	-	145,584
Loan escrow held for others	-	65,938	-	-	65,938
Due to other funds	-	677,444	-	-	677,444
Due to component unit	4,361,496	-	37,824	-	4,399,320
Due to other governments	188,790	-	-	-	188,790
Refundable deposits	201,334	-	-	-	201,334
Deferred revenue	9,789,561	5,205,713	-	19,516	15,014,790
<b>Total liabilities</b>	<b>16,888,589</b>	<b>5,966,631</b>	<b>237,719</b>	<b>145,801</b>	<b>23,238,740</b>
FUND BALANCES					
Nonspendable:					
Inventories	227,182	-	-	-	227,182
Prepays	-	1,500	-	-	1,500
Cemetery maintenance	-	-	-	2,642,347	2,642,347
Restricted:					
Police	57,629	-	-	-	57,629
Commonwealth Attorney	39,473	-	-	-	39,473
Fire department equipment and supplies	74,531	-	-	-	74,531
Special revenue	-	-	-	1,145,379	1,145,379
Capital projects	-	-	12,260,223	-	12,291,666
Committed:					
Sheriff - Project Lifesavers	23,769	-	-	-	23,769
Specific projects	-	231,594	162,483	-	394,077
Schools	4,367,497	-	-	-	4,367,497
Assigned:					
Anthem	1,831,580	-	-	-	1,831,580
Sheriff - Jail R&B fees	14,889	-	-	-	14,889
Specific purchases	1,084,998	-	-	-	1,084,998
Unassigned	30,350,466	-	-	-	30,350,466
<b>Total fund balances</b>	<b>38,072,014</b>	<b>264,537</b>	<b>12,422,706</b>	<b>3,787,726</b>	<b>54,546,983</b>
<b>Total liabilities and fund balances</b>	<b>\$ 54,960,603</b>	<b>\$ 6,231,168</b>	<b>\$ 12,660,425</b>	<b>\$ 3,933,527</b>	<b>\$ 77,785,723</b>

**Reconciliation of the Governmental Funds Balance Sheet  
to the Statement of Net Assets**

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**June 30, 2011**

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**Total fund balances - governmental funds** \$ 54,546,983

Amounts reported for governmental activities in the  
Statement of Net Assets are different because:

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

Capital assets - primary government	\$ 72,433,025	
Capital assets - internal services	<u>2,203,151</u>	74,636,176

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

Unearned revenue	\$ 14,664,790	
Pension asset - governmental funds	156,146	
Pension asset - internal services	12,026	
Accrued interest	<u>(457,766)</u>	14,375,196

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	\$ 6,869,273	
Less - capital assets shown above	(2,203,151)	
Less - pension asset- shown above	(12,026)	
Add - long-term debt shown below	<u>42,429</u>	4,696,525

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	\$ (38,689,150)	
Long-term debt - internal services	<u>(42,429)</u>	(38,731,579)

**Total net assets-governmental activities** \$ 109,523,301

*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, 2011

	General	Community Development	Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
<b>REVENUES</b>					
Property taxes	\$ 26,150,093	\$ -	\$ -	\$ -	\$ 26,150,093
Local taxes	22,481,496	-	-	-	22,481,496
Fines and forfeitures	597,250	-	-	-	597,250
Permits, privilege fees, and regulatory licenses	210,694	-	-	-	210,694
Revenue from use of money and property	1,177,080	17,904	101,344	-	1,296,328
Charges for services	3,536,954	-	-	-	3,536,954
Miscellaneous	81,255	435,456	127,159	431,019	1,074,889
Recovered costs	5,501,871	201	-	-	5,502,072
Intergovernmental	27,686,829	1,998,024	2,913,583	3,524,516	36,122,952
<b>Total revenues</b>	<b>87,423,522</b>	<b>2,451,585</b>	<b>3,142,086</b>	<b>3,955,535</b>	<b>96,972,728</b>
<b>EXPENDITURES</b>					
Current:					
General government	7,400,571	-	3,522,852	136,974	11,060,397
Judicial administration	5,106,294	-	-	7,985	5,114,279
Public safety	25,895,659	-	496,062	901,926	27,293,647
Public works	11,569,256	-	2,160,179	215,256	13,944,691
Health and welfare	9,396,717	-	-	3,255,686	12,652,403
Education	19,200,806	-	-	407,927	19,608,733
Parks, recreation, and cultural	5,131,717	-	717,995	40,782	5,890,494
Community development	1,418,136	2,626,395	88,796	-	4,133,327
Nondepartmental	6,062,030	-	-	-	6,062,030
Debt service:					
Principal	992,617	-	-	-	992,617
Interest	916,047	-	-	-	916,047
<b>Total expenditures</b>	<b>93,089,850</b>	<b>2,626,395</b>	<b>6,985,884</b>	<b>4,966,536</b>	<b>107,668,665</b>
<b>Deficiency of revenues over expenditures</b>	<b>(5,666,328)</b>	<b>(174,810)</b>	<b>(3,843,798)</b>	<b>(1,011,001)</b>	<b>(10,695,937)</b>
<b>OTHER FINANCING SOURCES (USES)</b>					
Proceeds from refunding bonds issued	3,854,769	-	5,867,174	-	9,721,943
Payment to bond refunding agent	(4,542,956)	-	-	-	(4,542,956)
Transfers in	13,748,388	-	3,465,562	1,500,326	18,714,276
Transfers out	(5,301,703)	-	(709)	-	(5,302,412)
<b>Total other financing sources (uses)</b>	<b>7,758,498</b>	<b>-</b>	<b>9,332,027</b>	<b>1,500,326</b>	<b>18,590,851</b>
<b>Net change in fund balances</b>	<b>2,092,170</b>	<b>(174,810)</b>	<b>5,488,229</b>	<b>489,325</b>	<b>7,894,914</b>
<b>Fund balances - beginning of year</b>	<b>35,979,844</b>	<b>439,347</b>	<b>6,934,477</b>	<b>3,298,401</b>	<b>46,652,069</b>
<b>Fund balances - end of year</b>	<b>\$ 38,072,014</b>	<b>\$ 264,537</b>	<b>\$ 12,422,706</b>	<b>\$ 3,787,726</b>	<b>\$ 54,546,983</b>

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

Year Ended June 30, 2011

**Net change in fund balances - total governmental funds** \$ 7,894,914

Amounts 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 depreciation exceeded capital outlays.

Capital Outlay - City	\$ 9,063,568	
Book value of assets disposed	(27,446)	
Depreciation - City	(3,818,333)	
Depreciation - Schools	<u>(1,923,440)</u>	
		3,294,349

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	\$ 1,192,730	
Refunding of principal debt	3,635,000	
Proceeds from issuance of new debt	(9,515,600)	
Bond issue costs	(252,157)	
Change in reimbursement agreements	(386,302)	
Reduction of pension asset	(280,837)	
OPEB Obligation	<u>21,309</u>	
		(5,585,857)

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	\$ (37,147)	
Changes in compensated absences	<u>44,967</u>	
		7,820

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

Increase in unearned revenue	\$ 1,264,100	
Increase in accrued interest	<u>(83,373)</u>	
		1,180,727

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.

116,009

**Change in net assets of governmental activities** **\$ 6,907,962**

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

STATEMENT OF NET ASSETS - ENTERPRISE FUNDS

June 30, 2011

	Wastewater	Water	Gas	Electric	Nonmajor Enterprise Funds	Total	Internal Service Funds
<b>ASSETS</b>							
<b>Current assets</b>							
Cash and investments	\$ 5,192,938	\$ 6,464,686	\$ 9,396,494	\$ 23,451,614	\$ 1,693,277	\$ 46,199,009	\$ 4,700,472
Cash and investments - held by fiscal agents	-	-	-	-	-	-	60,000
Receivables - net	1,192,245	431,078	2,122,236	17,953,848	242,200	21,941,607	3,404
Due from other governments	-	-	-	-	297,618	297,618	-
Inventories	-	511,962	926,572	1,918,930	260,869	3,618,333	133,522
<b>Total current assets</b>	<b>6,385,183</b>	<b>7,407,726</b>	<b>12,445,302</b>	<b>43,324,392</b>	<b>2,493,964</b>	<b>72,056,567</b>	<b>4,897,398</b>
<b>Noncurrent assets</b>							
Cash and investments - restricted	-	2,941,227	3,529,369	26,581,859	-	33,062,455	-
Pension asset	-	33,908	1,790	58,466	98,315	192,479	12,026
Capital assets:							
Land and improvements	63,945	60,477	14,944	683,829	-	823,195	-
Construction in progress	3,632,038	2,636,834	2,101,115	34,021,910	747,585	43,139,482	-
Buildings, structures, and improvements	45,731,724	43,309,953	47,492,288	167,521,721	3,460,573	307,516,259	-
Equipment	32,101,755	13,021,214	1,971,526	13,655,647	7,602,059	68,352,201	10,770,352
Less - accumulated depreciation	(33,108,351)	(26,094,878)	(17,639,666)	(75,596,330)	(3,779,673)	(156,208,898)	(8,567,201)
<b>Total noncurrent assets - net</b>	<b>48,421,111</b>	<b>35,908,735</b>	<b>37,471,366</b>	<b>166,937,102</b>	<b>8,128,859</b>	<b>296,867,173</b>	<b>2,215,177</b>
<b>Total assets</b>	<b>\$ 54,806,294</b>	<b>\$ 43,316,461</b>	<b>\$ 49,916,668</b>	<b>\$ 210,261,494</b>	<b>\$ 10,622,823</b>	<b>\$ 368,923,740</b>	<b>\$ 7,112,575</b>
<b>LIABILITIES</b>							
<b>Current liabilities</b>							
Accounts payable	\$ 369,087	\$ 323,887	\$ 1,448,558	\$ 7,462,588	\$ 139,299	\$ 9,743,429	\$ 89,907
Accrued interest	167,572	130,569	42,920	401,936	271	743,268	422
Due to other funds	-	-	-	-	-	-	110,544
Refundable deposits	-	-	-	2,900,700	-	2,900,700	-
Hedging liability	-	-	85,367	-	-	85,367	-
Long-term liabilities - due within one year	1,371,925	587,379	163,782	1,599,373	107,504	3,829,963	18,458
<b>Total current liabilities</b>	<b>1,908,584</b>	<b>1,041,845</b>	<b>1,740,827</b>	<b>12,364,597</b>	<b>247,074</b>	<b>17,302,727</b>	<b>219,331</b>
<b>Noncurrent liabilities</b>							
Long-term liabilities - due in more than one year	12,487,468	7,931,174	2,468,528	34,586,025	14,158	57,487,353	23,971
Pension liability	28,772	-	-	-	50,256	79,028	-
Compensated absences	-	36,747	4,776	262,350	11,831	315,704	-
<b>Total noncurrent liabilities</b>	<b>12,516,240</b>	<b>7,967,921</b>	<b>2,473,304</b>	<b>34,848,375</b>	<b>76,245</b>	<b>57,882,085</b>	<b>23,971</b>
<b>Total liabilities</b>	<b>14,424,824</b>	<b>9,009,766</b>	<b>4,213,931</b>	<b>47,212,972</b>	<b>323,319</b>	<b>75,184,812</b>	<b>243,302</b>
<b>NET ASSETS</b>							
Invested in capital assets - net of related debt	37,177,588	24,483,652	31,351,196	104,314,291	8,015,590	205,342,317	2,302,316
Restricted for incomplete capital projects	6,073,101	2,941,227	3,529,369	26,581,859	251,120	39,376,676	-
Unrestricted	(2,869,219)	6,881,816	10,822,172	32,152,372	2,032,794	49,019,935	4,566,957
<b>Total net assets</b>	<b>\$ 40,381,470</b>	<b>\$ 34,306,695</b>	<b>\$ 45,702,737</b>	<b>\$ 163,048,522</b>	<b>\$ 10,299,504</b>	<b>\$ 293,736,928</b>	<b>\$ 6,869,273</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, 2011

	Wastewater	Water	Gas	Electric	Nonmajor Enterprise Funds	Total	Internal Service Funds
<b>OPERATING REVENUES</b>							
Charges for services	\$ 9,812,296	\$ 6,230,140	\$ 24,700,569	\$ 109,022,347	\$ 5,857,175	\$ 155,622,527	\$ 5,746,142
<b>OPERATING EXPENSES</b>							
Purchased services	-	-	16,115,700	78,608,483	-	94,724,183	-
Production	-	-	-	522,828	-	522,828	-
Transmission	3,172,836	1,402,980	-	1,447,460	-	6,023,286	-
Engineering	-	162,721	323,965	582,280	-	1,068,966	-
Distribution	818,598	581,301	582,893	2,648,200	-	4,630,992	-
Services	104,119	60,891	60,482	-	6,330,624	6,556,116	-
Depreciation	1,641,399	1,518,543	1,228,519	5,914,104	455,934	10,758,499	550,084
Meters/regulators	-	83,238	117,975	371,848	-	573,061	-
General and administrative	511,552	1,102,091	2,346,312	3,774,166	-	7,734,121	-
<b>Total operating expenses</b>	6,248,504	4,911,775	20,775,846	93,869,369	6,786,558	132,592,052	5,832,288
<b>Operating income (loss)</b>	\$ 3,563,792	\$ 1,318,365	\$ 3,924,723	\$ 15,152,978	\$ (929,383)	\$ 23,030,475	\$ (86,146)
<b>NONOPERATING REVENUES (EXPENSES)</b>							
Sales income	-	-	-	-	168,386	168,386	-
Jobbing income	127,056	38,811	(260,406)	(28,016)	(16,241)	(138,798)	-
Rental income	-	37,183	283,754	-	34,219	355,156	-
Recovered cost	300	5,370	55,590	68	-	61,328	59,250
Gain (loss) on sale of capital assets	-	8,965	221,632	53,685	4,909	289,191	53,232
Federal and state grants	-	-	-	827,190	1,131,782	1,958,972	37,786
In-kind contributions	-	-	-	-	142,630	142,630	-
Interest income	59,773	120,959	202,125	647,434	53,566	1,083,857	53,864
Interest expense	(705,765)	(495,477)	(135,253)	(1,346,411)	(1,271)	(2,684,177)	(1,977)
<b>Total nonoperating revenues (expenses)</b>	(518,636)	(284,189)	367,442	153,948	1,517,980	1,236,545	202,155
<b>Income before contributions and transfers</b>	3,045,156	1,034,176	4,292,165	15,306,926	588,597	24,267,020	116,009
Capital contributions	27,436	-	-	891,980	592,504	1,511,920	-
Transfers in	-	709	-	-	219,427	220,136	-
Transfers out	(677,760)	(933,300)	(2,656,330)	(9,062,610)	(302,000)	(13,632,000)	-
<b>Total</b>	(650,324)	(932,591)	(2,656,330)	(8,170,630)	509,931	(11,899,944)	-
<b>Change in net assets</b>	2,394,832	101,585	1,635,835	7,136,296	1,098,528	12,367,076	116,009
<b>Total net assets - beginning of year</b>	37,986,638	34,205,110	44,066,902	155,912,226	9,200,976	281,371,852	6,753,264
<b>Total net assets - end of year</b>	40,381,470	34,306,695	45,702,737	163,048,522	10,299,504	293,738,928	6,869,273

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



STATEMENT OF CASH FLOWS - ENTERPRISE FUNDS

Year Ended June 30, 2011

	Wastewater	Water	Gas	Electric	Nonmajor Enterprise Funds	Total	Internal Service Funds
<b>Cash flows from operating activities</b>							
Received from customers	\$ 9,851,567	\$ 6,171,740	\$ 25,582,696	\$ 106,274,127	\$ 5,808,065	\$ 153,688,195	\$ 5,743,484
Payments to suppliers for goods and services	(4,462,336)	(1,207,722)	(18,281,417)	(84,315,449)	(3,237,446)	(111,504,370)	(4,440,821)
Payments to employees for services	(524,198)	(1,552,829)	(1,103,105)	(4,641,738)	(2,914,775)	(10,736,645)	(745,531)
Payments to internal service funds for goods and services	(281,018)	(785,760)	(1,156)	(23,378)	(514,996)	(1,606,308)	(52,509)
Nonoperating revenue	301	75,995	78,940	953,755	186,363	1,295,354	59,250
<b>Net cash from operating activities</b>	<b>4,584,316</b>	<b>2,701,424</b>	<b>6,275,958</b>	<b>18,247,317</b>	<b>(672,789)</b>	<b>31,136,226</b>	<b>563,873</b>
<b>Cash flows from noncapital financing activities</b>							
Transfers from other funds	-	709	-	-	219,427	220,136	-
Transfers to other funds	(677,760)	(933,300)	(2,656,330)	(9,062,610)	(302,000)	(13,632,000)	-
Operating grants received	127,058	-	118,434	-	1,624,176	1,869,668	37,786
<b>Net cash from noncapital financing activities</b>	<b>(550,702)</b>	<b>(932,591)</b>	<b>(2,537,896)</b>	<b>(9,062,610)</b>	<b>1,541,603</b>	<b>(11,542,196)</b>	<b>37,786</b>
<b>Cash flows from capital and related financing activities</b>							
Acquisition of capital assets	(2,221,044)	(1,298,386)	(2,843,439)	(11,223,186)	(1,325,811)	(18,911,866)	(495,276)
Principal payments on long-term debt	(947,705)	(75,075)	(53,720)	(1,131,075)	-	(2,207,575)	-
Proceeds on long-term debt	-	-	-	4,410,000	-	4,410,000	-
Interest payments on long-term debt	(745,450)	(532,802)	(142,548)	(1,372,698)	(1,288)	(2,794,786)	(2,002)
Proceeds from sale of capital assets	-	9,480	222,147	57,295	9,818	298,740	8,213
Nonoperating grants received	-	5,370	-	-	-	5,370	-
Contributed capital	27,436	-	-	891,980	592,504	1,511,920	-
<b>Net cash from capital and related financing activities</b>	<b>(3,886,763)</b>	<b>(1,891,413)</b>	<b>(2,817,560)</b>	<b>(8,367,684)</b>	<b>(724,777)</b>	<b>(17,688,197)</b>	<b>(489,065)</b>
<b>Cash flows from investing activities</b>							
Interest on investments	72,878	147,481	235,466	548,374	65,191	1,069,390	65,637
Net activity in investment securities	127,742	134,579	(225,071)	381,796	(11,150)	407,896	(11,036)
<b>Net cash from investing activities</b>	<b>200,620</b>	<b>282,060</b>	<b>10,395</b>	<b>930,170</b>	<b>54,041</b>	<b>1,477,286</b>	<b>54,601</b>
<b>Net (decrease) increase in cash and investments</b>	<b>347,471</b>	<b>159,480</b>	<b>930,897</b>	<b>1,747,193</b>	<b>198,078</b>	<b>3,383,119</b>	<b>167,195</b>
<b>Cash and investments - beginning of year</b>	<b>4,845,467</b>	<b>9,246,433</b>	<b>11,994,966</b>	<b>48,286,280</b>	<b>1,495,199</b>	<b>75,868,345</b>	<b>4,593,277</b>
<b>Cash and investments - end of year</b>	<b>\$ 5,192,938</b>	<b>\$ 9,405,913</b>	<b>\$ 12,925,863</b>	<b>\$ 50,033,473</b>	<b>\$ 1,693,277</b>	<b>\$ 79,251,464</b>	<b>\$ 4,760,472</b>

(Continued on next page)

STATEMENT OF CASH FLOWS - ENTERPRISE FUNDS

Year Ended June 30, 2011

	Wastewater	Water	Gas	Electric	Nonmajor Enterprise Funds	Total	Internal Service Funds
Reconciliation of operating income (loss) to net cash from operating activities							
Operating income (loss)	\$ 3,563,792	\$ 1,318,365	\$ 3,924,723	\$ 15,152,978	\$ (929,383)	\$ 23,030,475	\$ (86,146)
Adjustments:							
Depreciation charged to operations	1,641,399	1,518,543	1,228,519	5,914,104	455,934	10,758,499	550,084
In-kind contributions	-	-	-	-	142,630	142,630	-
Change in noncash employee benefits charged to operations	3,230	2,081	(20,762)	50,086	4,668	39,303	(3,799)
Nonoperating revenue	300	75,994	78,940	799,241	186,363	1,140,838	59,250
Changes in assets and liabilities:							
Receivables	39,272	(58,400)	882,124	(2,671,326)	(49,109)	(1,857,439)	(2,658)
Reserve for uncollectibles	(6,500)	(2,000)	(9,600)	(58,300)	-	(76,400)	-
Inventories	-	(161,950)	(14,786)	(61,277)	(21,471)	(259,484)	(4,549)
Accounts payable	(657,177)	8,791	206,800	(1,045,808)	(462,421)	(1,949,815)	51,691
Refundable deposits	-	-	-	167,619	-	167,619	-
<b>Net cash from operating activities</b>	\$ 4,584,316	\$ 2,701,424	\$ 6,275,958	\$ 18,247,317	\$ (672,789)	\$ 31,136,226	\$ 563,873
<b>Supplemental disclosure of noncash investing, capital, and financing activities</b>							
Decrease in fair value of investments	\$ 127,742	\$ 134,579	\$ (225,071)	\$ (127,058)	\$ (11,150)	\$ (100,958)	\$ (11,835)

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

## STATEMENT OF FIDUCIARY NET ASSETS

June 30, 2011

	Pension	Agency
	Employees' Retirement Plan	Veterans Memorial Fund
<b>ASSETS</b>		
Cash	\$ 1,216	\$ 3,334
Accrued interest and dividends	57,160	-
Investments - at fair value:		
Common stocks	119,833,407	-
Corporate bonds	32,358,231	-
Foreign stocks	31,242,284	-
Real estate - timberland	9,892,730	-
Temporary cash investments	1,368,329	-
Private equity	2,286,272	-
Total investments	196,981,253	-
<b>Total assets</b>	<b>197,039,629</b>	<b>3,334</b>
<b>LIABILITIES</b>		
Accounts payable	214,774	3,334
<b>NET ASSETS</b>		
Held in trust	\$ 196,824,855	\$ -

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

## STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS

Year Ended June 30, 2011

	Employees' Retirement Plan
<b>ADDITIONS</b>	
<b>Contributions:</b>	
Employer	\$ 4,950,582
Investment earnings:	
Net increase in fair value of investments	34,942,644
Interest	133,746
Dividends	2,380,531
<b>Total investment income</b>	<b>37,456,921</b>
Less - investment expenses	(859,731)
<b>Net investment income</b>	<b>36,597,190</b>
<b>Total additions</b>	<b>41,547,772</b>
<b>DEDUCTIONS</b>	
Benefits paid to participants	9,273,682
Refunds of contributions	190,414
Administrative expenses	131,158
<b>Total deductions</b>	<b>9,595,254</b>
<b>Change in net assets</b>	<b>31,952,518</b>
<b>Net assets held in trust for pension benefits - beginning of year</b>	<b>164,872,337</b>
<b>Net assets held in trust for pension benefits - end of year</b>	<b>\$ 196,824,855</b>

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

## STATEMENT OF NET ASSETS - COMPONENT UNITS

June 30, 2011

	Danville Public Schools	Industrial Development Authority	Total
<b>ASSETS</b>			
Cash and investments	\$ 2,016,014	\$ 1,086,812	\$ 3,102,826
Cash and investments - held by fiscal agents	2,278,177	-	2,278,177
Receivables - net	13,163	424,167	437,330
Due from City of Danville	4,402,506	-	4,402,506
Due from other governments	5,077,456	-	5,077,456
Net investment in sales type lease	-	7,500,000	7,500,000
Prepayments	146,121	421,940	568,061
Inventories	919,049	-	919,049
Capital assets:			
Land and construction in progress	7,218,132	1,798,732	9,016,864
Other capital assets - net	9,327,763	10,937,080	20,264,843
<b>Total assets</b>	<b>\$ 31,398,381</b>	<b>\$ 22,168,731</b>	<b>\$ 53,567,112</b>
<b>LIABILITIES</b>			
Accounts payable	\$ 811,918	\$ 133,972	\$ 945,890
Accrued salaries	3,930,710	-	3,930,710
Accrued payroll taxes	300,704	-	300,704
Accrued expenses	65,224	105,806	171,030
Deferred grant revenue	2,759,185	-	2,759,185
Long-term liabilities:			
Due within one year	1,724,409	402,416	2,126,825
Due in more than one year	4,600,390	16,655,348	21,255,738
<b>Total liabilities</b>	<b>14,192,540</b>	<b>17,297,542</b>	<b>31,490,082</b>
<b>NET ASSETS</b>			
Invested in capital assets - net of related debt	16,545,895	2,840,979	19,386,874
Unrestricted	659,946	2,030,210	2,690,156
<b>Total net assets</b>	<b>\$ 17,205,841</b>	<b>\$ 4,871,189</b>	<b>\$ 22,077,030</b>

**STATEMENT OF ACTIVITIES - COMPONENT UNITS**

	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
<b>DANVILLE PUBLIC SCHOOLS</b> Education	\$ 70,226,529	\$ 1,083,947	\$ 28,006,326	\$ 411,431	\$ (40,724,825)	\$ -	\$ (40,724,825)
<b>INDUSTRIAL DEVELOPMENT AUTHORITY</b> Economic Development	2,991,958	814,722	2,188,041	617,843	-	628,648	628,648
Total component units	\$ 73,218,487	\$ 1,898,669	\$ 30,194,367	\$ 1,029,274	(40,724,825)	628,648	(40,096,177)
<b>General revenues:</b>							
City of Danville					19,170,049	342,469	19,512,518
State aid - unrestricted					24,742,030	-	24,742,030
Investment income					2,079	4,378	6,457
Miscellaneous					274,182	146,655	420,837
<b>Total general revenues</b>					<b>44,188,340</b>	<b>493,502</b>	<b>44,681,842</b>
<b>Change in net assets</b>					3,463,515	1,122,150	4,585,665
<b>Net assets - beginning of year</b>					13,742,326	3,749,039	17,491,365
<b>Net assets - end of year</b>					<b>\$ 17,205,841</b>	<b>\$ 4,871,189</b>	<b>\$ 22,077,030</b>

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



# **CITY OF DANVILLE, VIRGINIA**

Notes to the Financial Statements

For the Year Ended June 30, 2011



**CITY OF DANVILLE, VIRGINIA**

**NOTES TO FINANCIAL STATEMENTS**

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**June 30, 2011**

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**1. Organization and Nature of Operations**

***Reporting Entity***

The **City of Danville** (City), located in southwest 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 43,000.

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

- 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 GASB 34, 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. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

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 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.

## **2. Proprietary Funds**

Proprietary Funds are used to help pay for services that are not considered to be entitled to its customers without using monies set aside for regular operation.

### **a. 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 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.

### **b. 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.

## **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.

### **C. 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, 2011, the City provided \$170,940 in funding for Danville-Pittsylvania Community Services. In addition, state and federal grants totaling \$9,200,554 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, 2011, the City provided \$76,850 in funding for the Danville-Pittsylvania Community Policy and Management Board.

In 2001, the Danville-Pittsylvania Regional Industrial Facility Authority (Facility Authority) was created by ordinance of the Board of Supervisors of Pittsylvania County, Virginia, and the City Council of Danville, Virginia, to promote and further the purposes of the Virginia Regional Industrial Facilities Act, Chapter 64, Title 15.2 of the *Code of Virginia (1950)*, as amended (Facility Act). The Facility Authority is an entity jointly owned by the City of Danville and Pittsylvania and is a political subdivision of the Commonwealth. The Facility Authority is empowered, among other things, to borrow money to pay the costs of real estate and all improvements located in industrial parks intended to be occupied by manufacturing, warehousing, distribution, office or other commercial enterprise. In addition, the Facility Authority is authorized under the Facility Act to issue revenue bonds to finance facilities for such enterprises and to refund such bonds. The Facility Authority has no taxing power.

## **Commitments/Subsequent Events**

The Facility Authority has the following commitments at June 30:

- Approximately \$2.5 million in outstanding engineering and consulting contracts, of which \$1.5 million had not been expended.

### ***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. Proprietary 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. In accordance with the principles of consolidation, all internal balances between governmental and business-type activities have been eliminated in the statement of net assets. All internal activity between the governmental and business-type funds has been eliminated in the government-wide statement of activities.

The Statement of Net Assets and Statement of Activities of the enterprise funds, all internal service 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. 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, except for certificates of deposit. All investments in external investment pools are reported at fair value.

**G. 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:	
Fines and forfeitures receivable	\$ 3,165,791
Taxes receivable	972,931
Miscellaneous reserves	<u>289,618</u>
	<u>\$ 4,428,340</u>
Enterprise Fund allowance:	
Consumer receivables	
Wastewater	\$ 3,000
Water	1,000
Gas	5,400
Electric	<u>38,600</u>
	<u>\$ 48,000</u>

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

**H. 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.

**I. 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.

## ***J. 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. 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 13% of the premium for retirees who are under 65 years of age and who retired prior to January 1, 2009. Retirees under age 65, who retired after January 1, 2009, pay 100% of the premium. Retirees over 65 years of age can continue their hospitalization insurance as a supplement to Medicare, but must pay 100% of the premium.

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.



### **K. Deferred Revenue**

Included in deferred revenue in the Governmental Funds Balance Sheet is \$8,739,357 of property taxes not collected within forty-five days of year-end.

### **L. 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 another 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.

### **M. Fund Balance**

Beginning July 1, 2010, the City has implemented GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions which redefined how fund balances of the governmental funds are presented in the financial statements. Fund balance classification:

**Nonspendable** - fund balance category includes amounts associated with inventories, prepaids, long-term loans and notes receivable, and property held for resale (unless the proceeds are restricted, committed, or assigned).

**Restricted** - fund balance category includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation.

**Committed** - fund balance category includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority.

**Assigned** - fund balance category includes amounts intended to be used by the City for specific purposes but which do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed.

**Unassigned** - fund balance category includes the residual amounts for the City's general fund and includes all spendable amounts not contained in the other classifications.

The City has a revenue spending policy that provides guidance for programs with multiple revenue sources. The director of finance will use resources in the following hierarchy: bond proceeds, federal funds, State funds, local non-City funds, City funds. For purposes of fund balance classification expenditures are to be spent from restricted fund balance first, followed in-order by committed fund balance, assigned fund balance and lastly unassigned fund balance. The Director of Finance has the authority to deviate from this policy if it is in the best interest of the City.

### **N. New Accounting Pronouncements**

Effective for the fiscal year ending June 30, 2011, DPS has adopted the following Statement of the Governmental Accounting Standards Board (GASB):

GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions. This Statement improves the usefulness, including the understandability, of governmental fund balance information, provides more clearly defined categories, and clarifies the existing governmental fund type definitions.

Effective for financial statements for periods beginning after December 15, 2011:

GASB Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements. This Statement incorporates into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in the following pronouncements issued on or before November 30, 1989:

1. Financial Accounting Standards Board (FASB) Statements and Interpretations
2. Accounting Principles Board Opinions
3. Accounting Research Bulletins of the American Institute of Certified Public Accountants' (AICPA) Committee on Accounting Procedure.

Effective for financial statements for periods beginning after June 15, 2012:

GASB Statement No. 61, The Financial Reporting Entity: Omnibus. This Statement improves the financial reporting for a governmental financial reporting entity and modifies certain requirements for inclusion of component units in the financial reporting entity.

### **O. Subsequent Events**

In preparing these financial statements, the City has evaluated events and transactions for potential recognition or disclosure through November 30, 2011, the date the financial statements were available to be issued.

## **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 \$4,638,506, and the bank balances were \$4,105,706. 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" 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. Funds deposited in accordance with the requirements of the Act are considered fully secured.

#### **Component Units**

The carrying value of deposits for Danville Public Schools was \$1,191,308 and the bank balance was \$3,125,693. The entire bank balance was covered by federal depository insurance or collateralized in accordance with the Act at June 30, 2011. Cash held by physical agents of \$2,278,177 is comprised

of \$1,945,111 in the self-insurance fund for health coverage by the carrier and \$333,066 in the escrow account of the workman's compensation carrier.

At year-end, the IDA's deposits with banks were \$1,086,812. Of the bank balance, \$513,431 was covered by federal depository insurance, and \$573,419 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, LGIP, SNAP and certificates of deposit. The Danville School Board's held its investments in LGIP at June 30, 2011.

A designated portfolio manager managed the investments in U.S. Treasuries during fiscal year 2011. The City has a contract with the manager which requires that, at the time funds are invested, the certificates are to 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 5 years.

### **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 investments 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 investment as of June 30 was in LGIP. The City's pension fund investments were rated by Standard and Poor's 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, the City had the following investments and maturities:

**Investment Maturities**

	Fair Value	Less than 1 year	1 -5 years	Long-term
U.S. Treasuries	\$ 54,545,449	\$ -	\$ 54,545,449	\$ -
CDs	40,251,555	-	40,251,555	-
LGIP	6,029,243	-	-	-
Total investments	100,826,247		94,797,004	-
Employees' Retirement System	196,981,253	-	-	196,981,253
Total	297,807,500	\$ -	\$ 94,797,004	\$ 196,981,253

**Reconciliation to Total Cash and Investments:**

Add:	
Cash on hand and in banks	28,443,231
Cash with fiscal agents	222,486
<b>Total deposits and investments:</b>	<b>\$ 326,473,217</b>

**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, bankers 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 AAA to this pool.

Investments held by DPS at June 30, 2011 were as follows:

Investment	Fair Value
LGIP	\$ 823,256

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

**Governmental Activities:**

	Governmental Activities	Fiduciary Assets	Total
Cash and investments	\$ 50,018,014	\$ 1,216	\$ 50,019,230
Cash and investments with fiscal agents	222,486	196,981,253	197,203,739
Total primary government	<u>50,240,500</u>	<u>196,982,469</u>	<u>247,222,969</u>

**Business-Type Activities**

Cash and investments	<u>79,251,464</u>	-	<u>79,251,464</u>
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**Component Units**

Cash and investments	3,102,826	-	3,102,826
Cash held by fiscal agents	<u>2,278,177</u>	-	<u>2,278,177</u>
Total component units	<u>5,381,003</u>	-	<u>5,381,003</u>
Total cash and investments	<u>\$ 134,872,967</u>	<u>\$ 196,982,469</u>	<u>\$ 331,855,436</u>

**Restricted 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	\$ -	\$ 4,725,634	\$ 4,725,634
Health Insurance	-	1,831,580	1,831,580
	<u>\$ -</u>	<u>\$ 6,557,214</u>	<u>\$ 6,557,214</u>
Enterprise funds:			
Wastewater	6,073,101	-	6,073,101
Water	2,941,227	-	2,941,227
Gas	3,529,369	-	3,529,369
Electric	26,581,859	-	26,581,859
Nonmajor	251,120	-	251,120
	<u>\$ 39,376,676</u>	<u>\$ -</u>	<u>\$ 39,376,676</u>

#### 4. Receivables

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

##### Governmental Funds

	General	Community Development	Capital Projects	Nonmajor Governmental Funds	Total	Business-type Activities
Receivables:						
Taxes and Licenses	\$ 14,835,823	\$ -	\$ -	\$ -	\$ 14,835,823	\$ -
Accounts	1,235,935	-	10,340,984	-	11,576,919	19,373,809
Accrued Interest	565,884	-	-	-	565,884	-
Loans		5,271,651	-	99,309	5,370,960	2,615,798
Due from other governments	1,995,586	86,034	335,899	950,260	3,367,779	297,618
Gross receivables	18,633,228	5,357,685	10,676,883	1,049,569	35,717,365	22,287,225
Less - Allowances for uncollectible accounts	(4,428,340)	-	-	-	(4,428,340)	(48,000)
Receivables - net	\$ 14,204,888	\$ 5,357,685	\$ 10,676,883	\$ 1,049,569	\$ 31,289,025	\$ 22,239,225

Total receivables for the governmental funds of \$31,289,025 shown in the chart above plus the receivables in the Internal Service Funds of \$3,404 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			
Due from other Governments	\$ 5,077,456	\$ -	\$ 5,077,456
Due from City	4,402,506	-	4,402,506
Other	13,163	424,167	437,330
Total receivables	\$ 9,493,125	\$ 424,167	\$ 9,917,292

##### 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 rates during 2011 and 2010 were \$0.73 and \$0.73, respectively, 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. Interest at the rate of 10% per annum is added to the delinquent tax and penalty. The taxes receivable balance at June 30, 2011 includes amounts not yet received from the January 1, 2011 levy due June 5, 2011.

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 2008 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 used to receive 70% percent of most taxpayers' assessments. Beginning in fiscal year 2007 the state's share of the local personal property tax payment is an annual amount of \$3,593,576 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.

### Governmental Activities

	Balance June 30, 2010	Increases	Decreases	Balance June 30, 2011
Capital assets not being depreciated:				
Land	\$ 15,281,152	\$ 58,897	\$ -	\$ 15,340,049
Construction in progress	6,575,309	6,985,884	(2,526,708)	11,034,485
Total capital assets not being depreciated	<u>21,856,461</u>	<u>7,044,781</u>	<u>(2,526,708)</u>	<u>26,374,534</u>
Other capital assets:				
Buildings	36,175,685	759,081	-	36,934,766
Infrastructure	28,352,168	1,956,421	-	30,308,589
Furniture and other equipment	22,775,940	1,820,198	(249,994)	24,346,144
Total other capital assets	<u>87,303,793</u>	<u>4,535,700</u>	<u>(249,994)</u>	<u>91,589,499</u>
Less- accumulated depreciation for:				
Buildings	(12,926,497)	(767,899)	-	(13,694,396)
Infrastructure	(20,484,400)	(1,564,680)	-	(22,049,080)
Furniture and other equipment	(17,834,677)	(1,485,753)	222,548	(19,097,882)
Total accumulated depreciation	<u>(51,245,574)</u>	<u>(3,818,332)</u>	<u>222,548</u>	<u>(54,841,358)</u>
Total City capital assets- depreciated	<u>36,058,219</u>	<u>717,368</u>	<u>(27,446)</u>	<u>36,748,141</u>
Assets transferred from Danville School Board	77,837,094	-	-	77,837,094
Less- accumulated depreciation	(64,400,153)	(1,923,440)	-	(66,323,593)
	<u>13,436,941</u>	<u>(1,923,440)</u>	<u>-</u>	<u>11,513,501</u>
Total capital assets - depreciated	<u>49,495,160</u>	<u>(1,206,072)</u>	<u>(27,446)</u>	<u>48,261,642</u>
Total capital assets – net	<u>\$ 71,351,621</u>	<u>\$ 5,838,709</u>	<u>\$ (2,554,154)</u>	<u>\$ 74,636,176</u>

Depreciation was charged to government functions as follows:

General government administration	\$ 1,549,858
Judicial administration	119,409
Public safety	1,219,865
Public works	385,729
Health and welfare	221,554
Parks, recreation, and cultural	170,324
Community development	<u>151,593</u>
<b>Total</b>	<b><u>\$ 3,818,332</u></b>

In FY2002, the Virginia Assembly passed a general law to respond to GASB Statement No. 34 that establishes the local option of creating, for financial reporting purposes, a tenancy in common with the local school board when a city or county issues bonds for acquisition, construction or improvement of public school property. The sole purpose of the law is to allow cities and counties the ability to record together school assets and related debt liabilities. As a result, certain assets purchased with the City's general obligation bonds are recorded as part of the primary government. According to the law, the tenancy in common ends when the associated obligation is repaid; therefore, the assets will revert to the Danville School Board when the bonds are repaid. Nothing in the law alters the authority or responsibility of the school board or control of the assets. All depreciation on these assets was charged to education.



**Component Unit - Danville Public Schools**

	<b>Balance June 30, 2010</b>	Increases	Decreases	<b>Balance June 30, 2011</b>
Capital assets not being depreciated:				
Land and land improvements	\$ 5,352,941	\$ 1,865,191	\$ -	\$ 7,218,132
Other capital assets				
Buildings	66,232,094	622,773	-	66,854,867
Furniture and other equipment	23,426,921	400,343	-	23,827,264
Total other capital assets	89,659,015	1,023,116	-	90,682,131
Less -				
Total accumulated depreciation	(52,248,305)	(378,709)	36,114	(52,590,900)
Capital assets – net	42,763,651	2,509,598	36,114	45,309,363
Assets transferred to the City of Danville to match long-term debt	(28,763,468)	-	-	(28,763,468)
<b>Total</b>	<b>\$ 14,000,183</b>	<b>\$ 2,509,598</b>	<b>\$ 36,114</b>	<b>\$ 16,545,895</b>

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

**Component Unit - Industrial Development Authority**

	<b>Balance June 30, 2010</b>	<b>Balance June 30, 2011</b>
Property held for lease:		
Land	\$ 641,438	\$ 1,056,507
Construction in progress	-	742,225
Building	12,945,521	10,903,243
Less – accumulated depreciation	(1,803,733)	(1,424,511)
	11,783,226	11,277,464
Property held for sale:		
Land and building	1,458,348	1,458,348
<b>Total</b>	<b>\$ 13,241,574</b>	<b>\$ 12,735,812</b>

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

Further, TelVista retains 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 its related loan on the property.

The IDA also leases buildings in the City's historic district to the Advanced Vehicle Research Center for \$1 per year and to LifeBATT, Inc. for \$850 per month. The IDA's building which was leased to Luna Technologies (Luna) was sold to Luna in December 2010 for \$69,556.

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

Year Ending June 30,	Amount
2012	\$ 586,228
2013	586,228
2014	586,228
2015	586,228
2016	586,228
	<u>\$ 2,931,140</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:

	Balance June 30, 2010	Increases	Decreases	Balance June 30, 2011
Business-type activities:				
Land	\$ 1,327,361	\$ 5,067	\$ -	\$ 1,332,428
Construction in progress	39,658,156	9,097,503	(6,125,410)	42,630,249
Total capital assets not being depreciated	40,985,517	9,102,570	(6,125,410)	43,962,677
Buildings	294,901,032	13,380,321	-	308,281,353
Equipment	65,440,505	2,549,467	(402,866)	67,587,106
Less- accumulated depreciation for:				
Buildings	(110,291,362)	(7,638,534)	322,570	(117,607,326)
Equipment	(35,557,269)	(3,119,965)	75,663	(38,601,571)
Total accumulated depreciation	(145,848,631)	(10,758,499)	398,233	(156,208,897)
Other capital assets – net	214,492,906	5,171,289	(4,632)	219,659,562
Total capital assets – net	\$ 255,478,423	\$ 14,273,859	\$ (6,130,042)	\$ 263,622,239

**Governmental Funds**

Capital outlay – Primary government	\$ 11,214,176	
Capital outlay – Internal services	431,346	
Capital outlay – City – not capitalized	<u>(2,619,195)</u>	9,026,327
Depreciation expense - City	(3,259,248)	
Depreciation expense – Internal services	(559,084)	
Depreciation expense - Schools	<u>(1,923,440)</u>	<u>(5,741,772)</u>
		<u>\$ 3,284,555</u>

**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, 2011. 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, 2011.

	<u>City of Danville</u>
Contracts	\$ 11,009,980
Less: paid or recorded as liabilities	<u>(6,038,456)</u>
	<u>\$ 4,971,524</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. 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, 2011 the cumulative amount of dividends held in escrow by the Association for the Danville Public Schools amounted to \$333,066.

**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 (\$1,945,111) is the balance of premiums paid net of claims received by Anthem (\$2,419,186) and the estimated claims incurred but not paid as of for the same period (\$474,075) for the period ended June 30, 2011.

**E. Reimbursable Agreements**

At June 30, the City had outstanding agreements representing reimbursements to developers for streets, sewers, and utility facilities. These agreements totaled \$1,007,080 with \$714,126 having qualified for reimbursement within the 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, 2010: 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:

Treasurer	\$	500,000
Commissioner of Revenue	\$	3,000
Clerk of Circuit Court	\$	103,000
Sheriff	\$	30,000

## G. Self-Insurance

As of June 30, 2011, the noncurrent portion of unpaid workers' compensation claims amounted to approximately \$3,799,117 and the amount expected to be paid within one year amounted to \$215,615 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:

	<u>FY 2011</u>	<u>FY 2010</u>
Estimated claims payable at beginning of period	\$ 3,975,961	\$ 4,759,233
Current fiscal year claims, changes in estimates, and payouts	861,994	689,896
Claim payments	<u>(823,223)</u>	<u>(1,473,168)</u>
Estimated claims payable at end of period	<u>\$ 4,014,732</u>	<u>\$ 3,975,961</u>

## G. Grants

The City receives financial assistance from numerous federal, state and local governmental agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any unallowed disbursements resulting from such audits could become a liability of the City. In the opinion of City management, no material refunds will be required as a result of unallowed disbursements (if any), by the grantor agencies.

## 7. Long-Term Debt

### A. Bonds Payable

The following schedule represents all bonds payable in the Government and Enterprise funds:

Description	Original Issue	Annual Amount	Interest Rate	Maturity	Outstanding June 30, 2011
<b>General Obligations and Section 10 Bonds</b>					
School Series 1991B	\$ 2,688,260	\$ 92,300 – 174,163	4.85 – 6.60 %	7/15/11	\$ 174,163
School Series 2001B	6,512,513	\$ 296,369 – 371,160	3.10 – 5.10 %	7/15/21	3,783,094
School Series 2001B	5,210,006	\$ 237,088 – 296,928	3.10 – 5.10 %	7/15/21	3,026,477
School Series 2001B – Loan	2,500,000	\$ 125,000	3.10 – 5.10 %	7/15/21	1,375,000
General Improvements 2005	8,800,000	\$ 290,000 – 640,000	3.70 – 4.25 %	12/1/25	7,235,000
General Improvements 2007	5,000,000	\$ 165,000 – 360,000	3.625 – 3.90 %	3/1/27	4,300,000
General Improvements & Refunding 2009A	11,215,000	\$ 450,000 – 1,300,000	2.00 - 5.00 %	3/1/22	11,215,000
General Improvements & Refunding 2009B	19,195,000	\$ 775,000 – 2,515,000	3.80 – 6.09 %	3/1/22	19,195,000
Refunding 2009C	<u>12,005,000</u>	\$ 425,000 – 811,000	1.50 – 5.00 %	8/1/29	<u>11,580,000</u>
General Improvements & Refunding 2010A	12,925,000	\$ 355,000 – 875,000	2.00 – 5.00 %	9/1/25	12,925,000
Refunding 2009C	<u>10,410,000</u>	\$ 330,000 – 655,000	2.19 – 6.02 %	9/1/36	<u>10,410,000</u>
	<u>\$ 96,825,630</u>				<u>\$ 85,218,734</u>

**Revenue Bonds**

Utility Revenue 93 – 94	2,900,000	\$	46,104 – 207,971	4.50	%	6/1/14	603,456
Utility Revenue 94 – 95	300,000	\$	12,829 – 19,148	4.50	%	6/1/14	58,148
Utility Revenue 96 – 97	<u>7,300,000</u>	\$	223,940 – 365,000	4.50	%	2/1/19	<u>2,778,940</u>
	<u>\$ 10,500,000</u>						<u>3,440,544</u>

Total Outstanding Bonds

\$ 88,659,278

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
2012	\$ 1,605,583	\$ 2,273,818	\$ 3,879,401
2013	1,800,635	2,976,472	4,777,107
2014	2,114,363	3,397,167	5,511,530
2015	2,332,241	3,619,204	5,951,445
2016	2,406,549	3,765,330	6,171,879
2017 – 2021	11,931,159	18,828,125	30,759,284
2022 – 2026	3,559,027	12,409,061	15,968,088
2027 – 2031	2,078,245	6,556,755	8,635,000
2032 – 2036	1,677,233	1,232,767	2,910,000
2037	377,522	277,478	655,000
	<u>\$ 29,882,557</u>	<u>\$ 55,336,177</u>	<u>\$ 85,218,734</u>

**Interest:**

Fiscal Year Ending June 30,	Governmental	Enterprise	Total
2012	\$ 1,356,623	\$ 2,245,289	\$ 3,601,912
2013	1,293,761	2,176,373	3,470,134
2014	1,223,051	2,089,035	3,312,086
2015	1,133,317	1,972,666	3,105,983
2016	1,035,901	1,843,420	2,879,321
2017 – 2021	3,486,035	6,928,386	10,414,421
2022 – 2026	1,483,058	3,416,722	4,899,780
2027 – 2031	881,123	1,105,839	1,986,962
2032 – 2036	374,336	275,137	649,473
2037	11,367	8,355	19,722
	<u>\$ 12,278,572</u>	<u>\$ 22,061,222</u>	<u>\$ 34,339,794</u>

**Revenue Bonds:**

Fiscal Year Ending June 30,	Principal	Interest	Total
2012	\$ 578,148	\$ 130,624	\$ 708,772
2013	585,451	108,903	694,354
2014	593,005	86,933	679,938
2015	365,000	66,516	431,516
2016	365,000	52,098	417,098
2017 – 2019	953,940	69,789	1,023,729
	<u>\$ 3,440,544</u>	<u>\$ 514,863</u>	<u>\$ 3,955,407</u>

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

**Principal:**

Fiscal Year Ending June 30,	Governmental	Enterprise	Total
2012	\$ 139,474	\$ 171,533	\$ 311,007
2013	139,474	149,228	288,702
2014	87,004	35,922	122,926
2015	87,004	11,717	98,721
2016	174,008	11,717	185,725
	<u>\$ 626,964</u>	<u>\$ 380,117</u>	<u>\$ 1,007,081</u>

**Capital Lease Bonds:**

Fiscal Year Ending June 30,	Principal	Interest	Total
2012	\$ 353,233	\$ 189,633	\$ 542,866
2013	371,586	171,280	542,866
2014	392,818	150,048	542,866
2015	413,703	129,164	542,867
2016	435,100	107,766	542,866
2017 – 2020	1,714,637	185,355	1,899,992
	<u>\$ 3,681,077</u>	<u>\$ 933,246</u>	<u>\$ 4,614,323</u>

**Advance To/From other Funds:**

Fiscal Year Ending June 30,	Principal	Interest	Total
2012	\$ 283,868	104,632	\$ 388,500
2013	295,223	93,277	388,500
2014	307,032	81,468	388,500
2015	319,313	69,187	388,500
2016	332,086	56,414	388,500
2017 – 2019	1,078,276	87,396	1,165,673
	<u>\$ 2,615,798</u>	<u>\$ 492,374</u>	<u>\$ 3,108,173</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 represents a loan from the Electric fund to the Wastewater fund for operating expenses.

**B. Governmental Obligation**

The tables on the following page are a summary of the changes in long-term liabilities that are recorded in the Statement of Net Assets ended June 30:

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

	<b>Balance June 30, 2010</b>	Additions	Changes/ Reductions	<b>Balance June 30, 2011</b>	Due within 1 year
General obligation bonds	\$ 21,223,853	\$ 9,515,600	\$ 856,896	\$ 29,882,557	\$ 1,605,583
Reimbursement agreements	240,662	522,023	135,721	626,964	139,474
Capital lease obligations	7,651,911	-	3,970,834	3,681,077	353,233
Compensated absences	1,636,816	1,755,088	1,806,930	1,584,974	1,426,476
Worker's compensation	3,708,399	195,385	158,238	3,745,546	114,615
Net OPEB obligation	23,348	-	23,348	-	-
Other bond related items	(1,041,696)	(30,456)	(282,613)	(789,539)	-
	<b>\$ 33,443,293</b>	<b>\$ 11,957,640</b>	<b>\$ 6,669,354</b>	<b>\$ 38,731,579</b>	<b>\$ 3,639,381</b>

### 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:

	<b>Balance June 30, 2010</b>	Additions	Changes/ Reductions	<b>Balance June 30, 2011</b>	Due within 1 year
General obligation bonds	\$ 52,266,777	\$ 13,819,400	\$ 10,750,000	\$ 55,336,177	\$ 2,273,818
Revenue bonds	4,011,631	-	571,087	3,440,544	578,148
Reimbursement agreements	403,056	70,304	93,243	380,117	171,533
Advance to/from other funds	2,888,748	-	272,950	2,615,798	283,868
Compensated absences	499,835	521,788	553,511	468,112	421,596
Workers' compensation	267,562	100,634	99,010	269,186	101,000
Net OPEB obligation	22,191	-	22,191	-	-
Bond related items	(1,414,680)	197,314	340,452	(876,914)	-
	<b>\$ 58,945,120</b>	<b>\$ 14,709,440</b>	<b>\$ 12,702,444</b>	<b>\$ 61,633,020</b>	<b>\$ 3,829,963</b>

### 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 is computed as follows:

	<u>Legal Debt Margin</u>
Assessed value (as of June 30, 2011) – taxable real property, including public service corporations	<b>\$ 2,235,675,600</b>
Legal debt limits:	
7.50% of assessed value (authorized by the Commonwealth of Virginia for all cities)	\$ 167,675,670
Deduct amount of debt applicable to debt limit: Gross general debt*	<u>85,218,734</u>
Legal debt margin	<b>\$ 82,456,936</b>

\*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, 2010:

	<b>Balance June 30, 2010</b>	Additions	Changes/ Reductions	<b>Balance June 30, 2011</b>	Due within 1 year
Early retirement plan (January 1, 2008)	\$ 3,445,369	\$ 1,208,566	\$ (720,669)	\$ 3,933,266	\$ 562,649
Early retirement plan (July 1, 1997)	1,520,420	-	(562,649)	957,771	605,660
Employee benefits	1,397,778	485,090	(449,106)	1,433,762	556,100
	<u>\$ 6,363,567</u>	<u>\$ 1,693,656</u>	<u>\$ (1,732,424)</u>	<u>\$ 6,324,799</u>	<u>\$ 1,724,409</u>

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

Year Ending June 30,	Early Retirement July 1, 1997		Early Retirement January 1, 2008	
	Principal	Interest	Principal	Interest
2012	\$ 458,755	\$ 109,105	\$ 783,761	44,841
2013	340,637	94,804	750,823	77,779
2014	158,379	49,426	715,070	113,533
2015	-	-	660,728	141,294
2016	-	-	519,713	131,625
2017 – 2018	-	-	503,171	146,890
	<u>\$ 957,771</u>	<u>\$ 253,335</u>	<u>\$ 3,933,266</u>	<u>655,962</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:

	<b>Balance June 30, 2010</b>	Additions	Reductions	<b>Balance June 30, 2011</b>	Due within 1 year
Deeds of trust payable	\$ 9,847,908	9,348,332	2,857,339	\$ 16,338,901	\$ 402,416

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

Fiscal Year Ending June 30,	Early Retirement Principal
2012	\$ 402,416
2013	429,090
2014	454,810
2015	483,764
2016	2,057,563
2017 – 2021	2,665,318
2022 – 2026	3,589,454
2027 – 2031	3,545,688
2031 – 2036	2,710,798
	<u>\$ 16,338,901</u>

The City of Danville issued \$23,335,000 of General Obligation Public Improvement Bonds to finance the costs of capital improvements to the City's water, sewer, gas and electric systems and renovation of the utilities department operations center. Principal payments are due annually on September 1 from 2011 through 2036.

The City of Danville issued \$9,515,600 of general obligation refunding bonds in order to restructure the City's debt liability to provide cash flow relief for the City in the next few fiscal years and not for debt service savings. The proceeds of this refunding were placed in trust with the escrow agent for all future debt service payments of general obligation debt associated with the original bonds. As a result, the bonds are considered to be defeased and the liability has been removed from the governmental activities column of the statement of net assets. The reacquisition price exceeded the net carrying amount of the old debt by approximately \$225,400. This amount is being netted against the new debt and amortized over the average remaining life of the refunded debt, which is shorter than the life of the new debt.

## 8. Transfers

Funds are transferred each year from the General Fund to the other funds as they operate for the benefit of the City.

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

	Transfers In	Transfers Out	Net Transfers
<b>Governmental Funds – Exhibit D</b>			
General	\$ 13,748,388	\$ (5,301,703)	\$ 8,446,685
Capital Projects	3,465,562	(709)	3,464,853
Special Revenue	1,500,326	-	1,500,326
	<u>\$ 18,714,276</u>	<u>\$ (5,302,412)</u>	<u>\$ 13,411,864</u>
<b>Enterprise Funds – Exhibit F</b>			
Wastewater	\$ -	\$ (677,760)	\$ (677,760)
Water	709	(933,300)	(932,591)
Gas	-	(2,656,330)	(2,656,330)
Electric	-	(9,062,610)	(9,062,610)
Transportation	161,540	-	161,540
Telecommunication	-	(302,000)	(302,000)
Nonmajor	57,887	-	57,887
	<u>\$ 220,136</u>	<u>\$ (13,632,000)</u>	<u>\$ (13,411,864)</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 Enterprise Funds represent contributions from these funds to support the City's operations.

**9. Due To/From Other Funds**

Due to other funds are 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 are as follows:

**Governmental Funds**

	Interfund Receivable	Interfund Payable
City of Danville:		
General fund	\$ 787,988	\$ -
Community Development fund	-	677,444
Internal Service fund:		
Central Services fund	-	110,544
	<u>\$ 787,988</u>	<u>\$ 787,988</u>

**Component Unit**

	Interfund Receivable	Interfund Payable
Danville Public Schools:		
General fund	\$ -	\$ 942,136
Capital projects fund	54,764	-
Special grants fund	-	984,298
Nonmajor funds:		
Textbook	1,746,122	-
Cafeteria	125,548	-
	<u>\$ 1,926,434</u>	<u>\$ 1,926,434</u>

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

Interfund receivable to the General Fund from the Capital Projects Fund and the Central Services Fund represents amounts expended for the localities matching portion of state and federal grants paid out and due from the General Fund.

The primary reason for interfund receivables and payables of the component unit due at June 30 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, textbook purchases, and cafeteria operations due from the General Fund.

## 10. Due From Other Governments

	City of Danville	Enterprise Fund	Danville Public Schools
Commonwealth of Virginia -			
State grants	\$ 2,005,538	\$ 109,712	\$ 761,231
Social Services	591,592	-	-
	2,597,130	109,712	761,231
Local government	-	-	1,221
Federal government -			
Federal grants	770,649	187,906	4,315,004
	<u>\$ 3,367,779</u>	<u>\$ 297,618</u>	<u>\$ 5,077,456</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). The VRS is a multi-employer public retirement system that acts as a common investment and administrative agent for political subdivisions in the Commonwealth of Virginia, and is, therefore, not reflected as a City pension trust fund. The ERS is reflected as part of the City's reporting entity and as such are reflected as a pension trust fund. Disclosures concerning the Danville Public School's participation in the Virginia Retirement System is also included in Part II of this note.

### 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, employee membership in the ERS was as follows:

	General Employees	Public Safety Employees	Total
Retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them	554	178	732
Active plan participants:			
Vested	459	191	650
Nonvested	252	55	307
	<u>711</u>	<u>246</u>	<u>957</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 accumulate at least 30 years of creditable service and attain the age of 55, may retire with full benefits. Public safety employees who attain age 60, or age 55 with at least 30 years of creditable service are eligible for retirement with full benefits.

For a general employee, 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 1.42% of \$9,500, plus 1.82% of the part of the 3 year average salary in excess of \$9,500, multiplied by the number of years of creditable service. 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 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 1/50th of the final 3 year average salary multiplied by the number of years of creditable service. A public safety employee, with at least 5 years of service, may retire early after reaching the age of 55 and receive reduced benefits.

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 the disability is work related.

If, after 5 years of service, an active member should die at any time prior to retirement, a retirement 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. For members employed prior to October 1, 1991, the beneficiary may elect to receive as a lump sum 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 compensation for general employees and 6.5% of compensation for public safety employees. The portion of contributions to the plan made by the City on behalf of members vests immediately with the employees. The remainder of the contributions vests after 5 years of creditable service.

For the year ended June 30, the City's total payroll for all employees was \$46,447,604 and the City's total covered payroll amounted to \$37,486,097 of which \$27,586,508 was for general employees and \$10,722,989 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 in accordance with Governmental Accounting Standards Board (GASB) Statement No. 25 "Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans". Contributions from the City are recognized as revenue when due, pursuant to formal commitments, as well as statutory or contractual requirements. Benefits and refunds are recognized after 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 statement of plan net assets.

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 statement of plan of net assets. 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 amounted to \$4,950,582 of which the City, on behalf of its employees, paid \$660,604. 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 7.9% of covered payroll for the year for a total of 12.9%.

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

The annual pension cost at June 30 was \$5,397,687, and the contributions made by the City were \$4,950,582. At June 30 the Enterprise Funds have recorded a net pension asset of \$113,451. In accordance with GASB 27, the General Fund asset of \$168,172 has been recorded in the Statement of Net Assets for the governmental funds.

**Three-Year Trend Information**

Actuarial Date	City Supplemental		
	6/30/11	6/30/10	6/30/09
Annual Pension Cost (APC)	\$ 5,397,687	\$ 5,097,536	\$ 4,638,670
Percentage of APC Contributed	91.72%	90.46%	96.27%
Net Pension Asset	\$ 281,623	\$ 728,728	\$ 1,214,968

The annual required contribution for the current year was determined as part of the June 30, 2010 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 was 30 years.

For the year ended June 30, 2011 the City had contributed more than the annual required amount. In accordance with GASB 27, the following chart below details the components of the net pension asset.

<b>June 30, 2011</b>	Governmental	Enterprise
Annual Required Contribution (ARC)	\$ 4,225,836	\$ 1,167,978
Interest on beginning Net Pension Obligation (NPO)	(44,175)	(6,836)
Adjustment to ARC	47,528	7,356
Annual Pension Cost	4,229,189	1,168,498
Contributions Made	(3,873,676)	(1,076,906)
Decrease in NPO	355,513	91,592
Net pension asset – beginning of year	523,685	205,043
Net pension asset - end of year	\$ 168,172	\$ 113,451

The net pension asset shown above for the enterprise funds is net of the liability. Wastewater has a liability of \$28,772, Cemetery Operations fund has a liability of \$29,372, Telecommunications has a

liability of \$9,075, and Transportation fund has a liability of \$11,809 which is applied to the assets of the other enterprise funds of \$192,479 to arrive at the balance shown in the chart above.

<b>June 30, 2010</b>	<u>Governmental</u>	<u>Enterprise</u>
Annual Required Contribution (ARC)	\$ 3,977,888	\$ 1,116,916
Interest on beginning Net Pension Obligation (NPO)	(80,268)	(16,929)
Adjustment to ARC	82,524	17,405
	<hr/>	<hr/>
Annual Pension Cost	3,980,144	1,117,392
Contributions Made	(3,607,299)	(1,003,997)
	<hr/>	<hr/>
Decrease in NPO	372,845	113,395
Net pension asset – beginning of year	896,530	318,438
	<hr/>	<hr/>
Net pension asset - end of year	\$ 523,685	\$ 205,043

**E. Schedule of Funding Progress:**

Actuarial Valuation Date	<u>6/30/11</u>	<u>6/30/10</u>	<u>6/30/09</u>
Actuarial Value of assets (a)	\$ 179,553,821	\$ 178,430,719	\$ 181,583,002
Actuarial Accrued Liability (AAL) – Entry Age (b)	\$ 200,232,740	\$ 199,018,107	\$ 194,996,863
Unfunded (Overfunded) (AAL) (UAAL) (b-a)	\$ 20,678,919	\$ 20,587,388	\$ 13,413,861
Funded Ratio (a/b)	89.67%	89.77%	93.12%
Covered Payroll (c)	\$ 37,486,097	\$ 39,091,589	\$ 39,431,058
UAAL as a Percentage of Covered Payroll ((b-a)/c)	55.16	52.66%	34.02%

**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 (1.85 for sheriffs) 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.

VRS issues a publicly available comprehensive annual financial report that includes financial statements and required supplemental information for VRS. A copy of that report may be obtained from their website at <http://www.varetire.org/Pdf/Publications/2011-annual-report.pdf> or writing to the system at P.O. Box 2500, Richmond, Virginia 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, 2011 was 14.17% (9.17% plus 5% for employees' portion) of annual covered payroll for professional employees and 11.49% (6.49% and 5% for employees' portion) for nonprofessional employees. The City's contribution rate was 12.92% (7.92% plus 5% for employees' portion).

**C. Annual Required Contribution**

For June 30, 2011, the Danville Public School's annual contribution of \$197,148 for nonprofessional and \$3,156,512 for professional employees, and the City's annual contribution of \$459,479 were equal to the required and actual contributions. The contribution was determined as part of the June 30, 2011 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	2011	\$ 459,479	100%	\$ -
	2010	\$ 566,966	100%	\$ -
	2009	\$ 604,234	100%	\$ -
School Board Nonprofessional	2011	\$ 197,148	100%	\$ -
	2010	\$ 203,790	100%	\$ -
	2009	\$ 203,404	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, 2010).

Actuarial Valuation Date	6/30/10	6/30/09	6/30/08
Actuarial Value of assets (a)	\$ 18,105,217	\$ 18,471,983	\$ 18,048,580
Actuarial Accrued Liability (AAL) – Entry Age (b)	\$ 21,036,834	\$ 18,883,767	\$ 17,807,585
Unfunded (Overfunded) (AAL) (UAAL) (b-a)	\$ 2,931,617	\$ 411,784	\$ (240,994)
Funded Ratio (a/b)	86.06	97.82%	101.35%
Covered Payroll (c)	\$ 4,219,265	\$ 4,739,581	\$ 4,533,963
UAAL as a Percentage of Covered Payroll ((b-a)/c)	69.48	8.69%	(5.32%)

## Notes to Schedules of Employer Contributions and Funding Progress

Valuation date	School Board June 30, 2010	City June 30, 2010
	Actuarial cost method	Entry Age Normal
Amortization method	Level percent, open	Level percent, open
Payroll growth method	3.00%	3.00%
Remaining amortization period	20 years	20 years
Asset valuation method	Five-Year Smoothed Market Value	Five-Year Smoothed Market Value
Actuarial assumptions:		
Investment of return*	7.00%	7.00%
Projected salary increase*	3.50% - 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, 2010, 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. Postemployment Benefits Other Than Pensions**

The City adopted GASB Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions. The Statement establishes standards for reporting the liability for nonpension postemployment benefits, chiefly the health care premiums for retirees. A separate, audited GAAP-basis postemployment benefit plan report is not available. Disclosures concerning participation are outlined as follows:

### **A. Plan Provisions**

In addition to providing the pension benefits described above, the City provides postemployment health care and life insurance benefits (OPEB) for retired employees through a single-employer defined benefit plan. Benefits levels, employee contributions and employer contributions are governed by the City and can be amended by the City through its personnel manual. The calculations for this liability are based on the OPEB benefits provided under the terms of the substantive plan in effect at the time of each valuation and on the pattern of sharing costs between the City and the employees participating at the valuation date.

### **B. Funding Policy**

The City does not intend to establish a trust to pre-fund this liability. The exhibit below shows the anticipated growth in the Net OPEB Obligation based on contributions to the benefit plan on a pay-as-you-go basis. We have used the fresh start method of amortization for the unfunded actuarial accrued liability each year for this estimate. The data have been projected into the future based on the current active population remaining constant. Also, the estimated employer contributions are based on estimated pay-as-you-go benefit plan costs (retiree claims minus retiree contributions paid premiums) made during the year on behalf of the retired employees of the City.

### **C. Plan Descriptions**

#### **Eligibility**

Currently covered full-time active employees who qualify for retirement after attaining age 55 with at least 5 years service are eligible to receive postretirement health care and death benefits.

Employees with 5 years of service who qualify for a disability retirement are also eligible to receive postretirement health care and death benefits. Disabled retirees pay the same contribution rates for medical and life insurance coverage as nondisabled retirees.

Spouses are eligible for medical and prescription coverage only.

#### **Health Care Benefits Covered:**

All Retirees Under Age 65:

The postemployment health care plan is a self-funded plan administered by Anthem Blue Cross and Blue Shield. Spouses under age 65 are eligible for coverage in this plan.

GASB No. 45 does not require governments to fund their OPEB plans. All results shown within this report assume that this plan will be funded.

#### **Medicare Eligible Retirees:**

Retirees and spouses are eligible to participate in a self-funded post-65 Medicare Carve-Out plan. Since retirees pay the true full cost of benefits, the employer has no liability; the post 65 plan is not valued in this report.

### Postemployment Death Benefits:

Retirees can choose either \$5,000 or \$10,000 as a postretirement death benefit. Retirees contribute towards the cost of this benefit at \$2.15 per month or \$4.30 per month respectively. This rate reflects 100% of the blended (active & retiree) cost.

Retirees may choose or decline medical and death benefits independent of each other.

Membership at June 30, 2011, membership consisted of:

Number of Costed Employees	
1. Active Employees	1,269
2. Retirees eligible for benefits	149
3. Covered spouses of retirees and beneficiaries	70
4. Retirees with life insurance only	203
	<hr/>
5. Total employees	1,691
	<hr/>

### D. Annual OPEB Costs and Net OPEB Obligation

The net OPEB obligation as of June 30, was calculated as follows:

	2011	2010	2009
Annual Required Contribution	\$ 255,892	\$ 274,589	\$ 409,230
Interest on Net OPEB Obligation	3,415	6,981	-
Adjustments to Annual Required Contribution	(3,587)	(7,331)	62
Annual OPEB Cost	255,720	274,239	409,292
Contributions Made	(1,335,081)	(321,778)	(866,598)
Increase in Net OPEB Obligation	(1,079,361)	(47,539)	(457,306)
Net OPEB Obligation, Beginning of Year	45,539	93,078	550,384
	<hr/>	<hr/>	<hr/>
Net OPEB Obligation, End of Year	\$ (1,033,822)	\$ 45,539	\$ 93,078

\*This adjustment is made to avoid overstating the net OPEB obligation at the end of the year by the portion of the Annual Required Contribution which is attributable to previously unpaid Annual Required Contributions.

### E. Actuarial Methods and Assumptions

#### Valuation Methods

The Projected Unit Credit Method is used to calculate all of the expense amounts that are included in this report and the funded status of the Plan. The calculations are performed in accordance with the methodology set forth in GASB No. 45. Generally, the method is intended to match revenues with expenses and attributes an equal amount of an employee's projected benefit to each year from date of plan entry to the date that he is first eligible to retire with full benefits. Actuarial valuations for the plan involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and actuarially determined amounts are subject to continual revision as results are compared to past expectations and new estimates are made about the future. The actuarial calculations of the plan reflect a long-term perspective.

#### Valuation of Assets

The calculations in this report assume that the City will contribute an amount equal to or greater than the Annual Required Contribution to a trust fund and that these assets will be restricted for the sole purpose of providing postretirement medical and death benefits going forward. The beginning asset value used as of July 1, 2009 for purposes of this report is \$0.

## Employees Included In the Calculations

All active employees who will meet the plan's eligibility requirements on or before the ultimate assumed retirement age are included in the calculations. Retirees, spouses and spouse survivors who are entitled to a benefit under the provisions of the plan are also included.

Although we believe these to be accurate and complete as of the valuation date, employee data supplied to us by the Employer has not been audited by us.

## Actuarial Assumptions

In the July 1, 2010 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included investment rate of return (net of administrative expenses) and an initial annual healthcare cost trend rate of 10% reduced by 1.0% each year to arrive at an ultimate healthcare cost trend rate of 5.0%. Both rates include a 7.5% inflation assumption. The actuarial accrued liability was \$2,645,165. The plan's unfunded actuarial accrued liability is being amortized using the fresh start method. The remaining amortization period at June 30, 2011 was 30 years.

## F. Schedule of Funding Progress

Actuarial Valuation Date July 1,	(1) Actuarial Value of Assets	(2) Actuarial Accrued Liability (AAL) Entry-Age Normal	(3) Funded Ratio (1)/(2)	(4) Unfunded Actuarial Accrued Liability (UAAL) (2)-(1)	(5) Covered Payroll	UAAL as a Percentage of Covered Payroll (4)/(5)
2011	\$ -	\$ 2,645,165	- %	1,645,165	\$ 46,447,604	\$ 3.54 %
2010	-	2,790,043	- %	2,790,043	46,658,152	5.98 %
2009	-	3,873,533	- %	3,873,533	46,559,196	8.32 %

## G. Schedule of Employee Contributions

Year Ended June 30,	Employer Contributions	Annual Required Contribution (ARC)	Percentage Contributed
2011	\$ 1,335,081	\$ 255,892	521.7 %
2010	321,778	274,589	117.2 %
2009	866,598	409,230	211.8 %

## 13. Contingency

In November 2007, the City entered into a contract with a power supplier to construct and operate a coal-fired, steam and electric generating facility with other municipalities. Subsequent to June 30, 2011, the project was abandoned as it was determined not be to financially feasible for the entities. The City will be responsible for the stranded costs incurred base on the percentage of Megawatts committed to by the City. The amounts are determined as of the date of these financial statements and will be recorded in future periods.

## 14. Hedges

The City utilizes natural gas hedging to benefit its citizens by providing locked-in prices that help to stabilize rates. Hedging 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, 2011, the City purchased contracts totaling \$8,288,527, of which \$4,564,990 is hedged on behalf of Rate 45 (large industrial) customers. The portion that is hedged for customers who are not on Rate 45 is incorporated into those customers' rates. The contracted value of gas hedged for Rate 45 customers was \$ 85,367 above the June 30 market value of \$ 1,023,895, and there were no outstanding gas hedges remaining for remaining customers at June 30, 2011.

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# **CITY OF DANVILLE, VIRGINIA**

Required Supplemental Information

Other Than MD&A  
(RSI)

For The Year Ended June 30, 2011

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

**Year Ended June 30, 2011**

<b>GENERAL FUND REVENUES</b>	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance</b>
<b>Property taxes</b>				
Real property taxes	\$ 16,000,000	\$ 16,000,000	\$ 15,808,019	\$ (191,981)
Real and personal public service corporation property taxes	360,100	360,100	362,228	2,128
Personal property taxes	9,865,000	9,896,920	9,445,393	(451,527)
Penalties and interest	580,000	580,000	534,453	(45,547)
<b>Total property taxes</b>	<b>26,805,100</b>	<b>26,837,020</b>	<b>26,150,093</b>	<b>(686,927)</b>
<b>Local taxes</b>				
Local sales and use taxes	7,600,000	7,600,000	7,745,308	145,308
Business license taxes	4,500,000	4,500,000	4,666,637	166,637
Prepared meals taxes	6,000,000	6,000,000	6,291,133	291,133
Consumer utility tax	1,000,000	1,000,000	997,935	(2,065)
Franchise license taxes	10,380	10,380	10,375	(5)
Motor vehicle license	1,020,000	1,020,000	1,095,474	75,474
Bank stock taxes	600,000	600,000	821,839	221,839
Taxes on recordation and wills	180,000	180,000	135,408	(44,592)
Daily property and room rental taxes	620,000	620,000	717,387	97,387
<b>Total local taxes</b>	<b>21,530,380</b>	<b>21,530,380</b>	<b>22,481,496</b>	<b>951,116</b>
<b>Fines and forfeitures</b>	<b>556,450</b>	<b>556,450</b>	<b>597,250</b>	<b>40,800</b>
<b>Permits, privilege fees and regulatory licenses</b>				
Dog tags	15,000	15,000	24,069	9,069
Permits and other licenses	220,710	220,710	186,625	(34,085)
<b>Total permits, privilege fees and regulatory licenses</b>	<b>235,710</b>	<b>235,710</b>	<b>210,694</b>	<b>(25,016)</b>
<b>Revenue from use of money and property</b>				
Revenue from use of money	695,000	695,000	787,837	92,837
Revenue from the use of property	491,170	491,170	484,533	(6,637)
Market value adjustment	-	-	(95,290)	(95,290)
<b>Total revenue from use of money and property</b>	<b>1,186,170</b>	<b>1,186,170</b>	<b>1,177,080</b>	<b>(9,090)</b>
<b>Charges for services</b>				
Court costs	19,000	19,000	19,477	477
Correction and detention	2,761,070	2,830,438	2,937,289	106,851
Commonwealth's Attorney	150,000	150,000	149,817	(183)
Other protection	7,500	7,500	5,723	(1,777)
Parks and recreation	224,740	224,740	363,647	138,907
Library	20,000	20,000	20,225	225
Planning and community development	9,750	9,750	734	(9,016)
Engineering and surveying	-	-	14,699	14,699
Lot clearing	20,000	20,000	25,143	5,143
Tax abatement applications	500	500	200	(300)
<b>Total charges for services</b>	<b>3,212,560</b>	<b>3,281,928</b>	<b>3,536,954</b>	<b>255,026</b>

See report of Independent auditors

(Continued on next page)

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

**Year Ended June 30, 2011**

	Original Budget	Final Budget	Actual	Variance
<b>Miscellaneous</b>	135,500	162,618	81,255	(81,363)
<b>Recovered costs</b>	5,051,610	5,318,289	5,501,871	183,582
<b>Intergovernmental</b>				
<i>Revenue from the Commonwealth</i>				
Noncategorical aid	5,777,010	5,777,010	6,022,094	245,084
Shared expenditures:				
Commonwealth's Attorney	839,780	839,780	792,813	(46,967)
Sheriff	2,846,160	2,846,160	2,674,874	(171,286)
Commissioner of Revenue	138,040	138,040	132,141	(5,899)
Treasurer	110,140	110,140	107,847	(2,293)
Medical examiner	1,000	1,000	-	(1,000)
Registrar and electoral board	51,620	51,620	40,766	(10,854)
Clerk of Circuit Court	34,300	34,300	30,770	(3,530)
<b>Total shared expenditures</b>	4,021,040	4,021,040	3,779,211	(241,829)
Welfare	8,269,120	8,269,120	7,170,117	(1,099,003)
Other categorical aid:				
Forfeited property	-	43,594	43,594	-
Emergency services	92,020	92,020	89,326	(2,694)
E911 wireless	132,000	132,000	122,815	(9,185)
Fire services	133,570	137,204	143,416	6,212
Juvenile and domestic relations	1,198,350	1,198,350	1,261,563	63,213
National Guard armory	20,000	20,000	18,124	(1,876)
Street and highway maintenance	8,557,480	8,557,480	8,882,759	325,279
Library	169,480	169,480	138,625	(30,855)
<b>Total other categorical aid</b>	10,302,900	10,350,128	10,700,222	350,094
<i>Revenue from the federal government:</i>				
Payments in lieu of taxes	3,720	3,720	3,714	(6)
Forfeited property	-	11,471	11,471	-
<b>Total revenue from the federal government</b>	3,720	15,191	15,185	(6)
<b>Total intergovernmental</b>	28,373,790	28,432,489	27,686,829	(745,660)
<b>Total General Fund revenues</b>	\$ 87,087,270	\$ 87,541,054	\$ 87,423,522	\$ (117,532)

See report of Independent auditors



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

Year Ended June 30, 2011

GENERAL FUND EXPENDITURES	Original Budget	Final Budget	Actual	Variance
<b>General Government</b>				
<b>Legislative</b>				
<i>City Council</i>				
Salaries	\$ 40,000	\$ 40,001	\$ 40,000	\$ (1)
Other	49,860	38,049	33,371	(4,678)
	<u>89,860</u>	<u>78,050</u>	<u>73,371</u>	<u>(4,679)</u>
<i>Mayor</i>				
Salaries	7,000	7,000	7,000	-
Other	1,740	1,740	907	(833)
	<u>8,740</u>	<u>8,740</u>	<u>7,907</u>	<u>(833)</u>
<b>Total legislative</b>	<u>98,600</u>	<u>86,790</u>	<u>81,278</u>	<u>(5,512)</u>
<b>General and financial administration</b>				
<i>City Manager</i>				
Salaries	461,980	438,719	432,144	(6,575)
Other	149,000	255,769	241,878	(13,891)
	<u>610,980</u>	<u>694,488</u>	<u>674,022</u>	<u>(20,466)</u>
<i>Personnel</i>				
Salaries	336,870	318,946	311,579	(7,367)
Other	133,880	146,137	116,917	(29,220)
	<u>470,750</u>	<u>465,083</u>	<u>428,496</u>	<u>(36,587)</u>
<i>Occupational health services</i>				
Salaries	74,250	82,223	82,222	(1)
Other	70,950	64,364	58,837	(5,527)
	<u>145,200</u>	<u>146,587</u>	<u>141,059</u>	<u>(5,528)</u>
<i>Budget</i>				
Salaries	65,750	65,750	65,741	(9)
Other	21,830	21,830	17,812	(4,018)
	<u>87,580</u>	<u>87,580</u>	<u>83,553</u>	<u>(4,027)</u>
<i>City Attorney</i>				
Salaries	219,000	221,668	221,565	(103)
Other	80,470	129,323	128,623	(700)
	<u>299,470</u>	<u>350,991</u>	<u>350,188</u>	<u>(803)</u>
<i>Independent auditor</i>				
Other	100,000	90,700	90,675	(25)
<i>Public affairs</i>				
Other	64,360	64,360	61,948	(2,412)
<i>Commissioner of Revenue</i>				
Salaries	368,560	373,882	373,882	-
Other	111,520	91,646	89,702	(1,944)
	<u>480,080</u>	<u>465,528</u>	<u>463,584</u>	<u>(1,944)</u>
<i>Real estate assessment</i>				
Salaries	319,080	294,080	267,715	(26,365)
Other	101,110	101,503	86,739	(14,764)
	<u>420,190</u>	<u>395,583</u>	<u>354,454</u>	<u>(41,129)</u>

See report of Independent auditors  
(Continued on next page)

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

**Year Ended June 30, 2011**

	Original Budget	Final Budget	Actual	Variance
<b>General government administration</b>				
Real Estate Board of Equal				
Salaries	1,800	1,800	810	(990)
Other	290	346	267	(79)
	<u>2,090</u>	<u>2,146</u>	<u>1,077</u>	<u>(1,069)</u>
<i>Central collections</i>				
Salaries	465,420	450,318	434,105	(16,213)
Other	260,040	288,971	272,846	(16,125)
	<u>725,460</u>	<u>739,289</u>	<u>706,951</u>	<u>(32,338)</u>
<i>Treasurer</i>				
Salaries	151,340	151,340	151,308	(32)
Other	38,750	36,262	35,191	(1,071)
	<u>190,090</u>	<u>187,602</u>	<u>186,499</u>	<u>(1,103)</u>
<i>Finance and accounting</i>				
Salaries	679,060	671,981	652,710	(19,271)
Other	162,950	170,809	157,407	(13,402)
	<u>842,010</u>	<u>842,790</u>	<u>810,117</u>	<u>(32,673)</u>
<i>Internal audit</i>				
Salaries	69,760	69,760	69,757	(3)
Other	15,650	15,834	15,384	(450)
	<u>85,410</u>	<u>85,594</u>	<u>85,141</u>	<u>(453)</u>
<i>Purchasing</i>				
Salaries	174,950	172,388	171,651	(737)
Other	52,160	55,366	54,413	(953)
	<u>227,110</u>	<u>227,754</u>	<u>226,064</u>	<u>(1,690)</u>
<i>Management information systems</i>				
Salaries	1,210,840	1,215,963	1,200,122	(15,841)
Other	1,415,140	1,597,628	1,288,627	(309,001)
	<u>2,625,980</u>	<u>2,813,591</u>	<u>2,488,749</u>	<u>(324,842)</u>
<b>Total general and financial administration</b>	<b>7,376,760</b>	<b>7,659,666</b>	<b>7,152,577</b>	<b>(507,089)</b>
<b>Board of Elections</b>				
<i>Elections</i>				
Salaries	41,900	41,900	36,594	(5,306)
Other	44,100	30,930	27,880	(3,050)
	<u>86,000</u>	<u>72,830</u>	<u>64,474</u>	<u>(8,356)</u>
<i>Registrar</i>				
Salaries	79,380	79,380	79,349	(31)
Other	26,900	23,717	22,893	(824)
	<u>106,280</u>	<u>103,097</u>	<u>102,242</u>	<u>(855)</u>
Total Board of Elections	<u>192,280</u>	<u>175,927</u>	<u>166,716</u>	<u>(9,211)</u>
<b>Total General Government</b>	<b>7,667,640</b>	<b>7,922,383</b>	<b>7,400,571</b>	<b>(521,812)</b>
<b>Judicial Administration</b>				
<b>Courts</b>				
<i>Circuit Court</i>				
Salaries	145,740	145,740	136,071	(9,669)
Other	59,590	47,497	39,714	(7,783)
	<u>205,330</u>	<u>193,237</u>	<u>175,785</u>	<u>(17,452)</u>

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(Continued on next page)

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

**Year Ended June 30, 2011**

	Original Budget	Final Budget	Actual	Variance
<i>General District Court</i>				
Salaries - legal services	33,000	33,000	24,244	(8,756)
Other	17,850	18,605	15,823	(2,782)
	50,850	51,605	40,067	(11,538)
<i>Courts</i>				
Other	2,330	2,330	1,021	(1,309)
<i>District Court service unit</i>				
Other	7,000	7,000	4,755	(2,245)
<i>Juvenile and Domestic Relations Court</i>				
Other	37,450	24,537	21,376	(3,161)
<i>Clerk of the Circuit Court</i>				
Salaries	95,950	95,958	95,950	(8)
Other	172,170	167,969	159,643	(8,326)
	268,120	263,927	255,593	(8,334)
<i>City Sheriff</i>				
Salaries	2,705,710	2,688,955	2,662,960	(25,995)
Other	860,930	829,650	762,101	(67,549)
	3,566,640	3,518,605	3,425,061	(93,544)
<b>Total courts</b>	<b>4,137,720</b>	<b>4,061,241</b>	<b>3,923,658</b>	<b>(137,583)</b>
<b>Commonwealth's Attorney</b>				
Salaries	900,620	900,620	895,028	(5,592)
Other	322,930	339,741	287,608	(52,133)
<b>Total Commonwealth's Attorney</b>	<b>1,223,550</b>	<b>1,240,361</b>	<b>1,182,636</b>	<b>(57,725)</b>
<b>Total judicial administration</b>	<b>5,361,270</b>	<b>5,301,602</b>	<b>5,106,294</b>	<b>(195,308)</b>
<b>Public Safety</b>				
<b>Law enforcement and traffic control</b>				
<i>Police</i>				
Salaries	6,219,710	5,974,195	5,789,301	(184,894)
Other	2,474,650	2,682,803	2,247,124	(435,679)
	8,694,360	8,656,998	8,036,425	(620,573)
<i>Traffic control and maintenance</i>				
Salaries	340,470	321,037	321,034	(3)
Other	520,250	544,175	487,997	(56,178)
	860,720	865,212	809,031	(56,181)
<b>Total law enforcement and traffic control</b>	<b>9,555,080</b>	<b>9,522,210</b>	<b>8,845,456</b>	<b>(676,754)</b>
<b>Fire and rescue services</b>				
<i>Fire</i>				
Salaries	5,486,850	5,440,641	5,400,064	(40,577)
Other	2,010,080	2,108,614	2,006,528	(102,086)
	7,496,930	7,549,255	7,406,592	(142,663)

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

**Year Ended June 30, 2011**

	Original Budget	Final Budget	Actual	Variance
<i>Ambulance and rescue services</i>				
Other	124,060	124,060	121,373	(2,687)
<b>Total fire and rescue services</b>	<b>7,620,990</b>	<b>7,673,315</b>	<b>7,527,965</b>	<b>(145,350)</b>
<b>Correction and detention</b>				
<i>Juvenile detention</i>				
Salaries	1,754,590	1,790,818	1,702,530	(88,288)
Other	2,089,190	2,078,783	1,963,839	(114,944)
<b>Total juvenile detention</b>	<b>3,843,780</b>	<b>3,869,601</b>	<b>3,666,369</b>	<b>(203,232)</b>
<i>City Jail</i>				
Salaries	31,350	39,459	39,458	(1)
Other	1,019,580	1,309,676	1,306,396	(3,280)
<b>Total City Jail</b>	<b>1,050,930</b>	<b>1,349,135</b>	<b>1,345,854</b>	<b>(3,281)</b>
<i>Adult detention</i>				
Salaries	1,526,530	1,480,570	1,421,620	(58,950)
Other	1,138,420	1,171,167	1,140,134	(31,033)
<b>Total adult detention</b>	<b>2,664,950</b>	<b>2,651,737</b>	<b>2,561,754</b>	<b>(89,983)</b>
<b>Total correction and detention</b>	<b>7,559,660</b>	<b>7,870,473</b>	<b>7,573,977</b>	<b>(296,496)</b>
<b>Inspections</b>				
Salaries	426,470	449,276	449,275	(1)
Other	232,070	326,818	303,962	(22,856)
<b>Total inspections</b>	<b>658,540</b>	<b>776,094</b>	<b>753,237</b>	<b>(22,857)</b>
<b>Other protection</b>				
<i>Animal control</i>				
Other	124,850	124,850	124,921	71
<i>Medical examiner</i>				
Other	1,000	1,000	800	(200)
<i>Emergency services</i>				
Salaries	90,100	90,100	88,444	(1,656)
Other	97,010	113,226	69,471	(43,755)
<b>Total emergency services</b>	<b>187,110</b>	<b>203,326</b>	<b>157,915</b>	<b>(45,411)</b>
<i>Emergency E-911</i>				
Salaries	774,140	744,140	672,373	(71,767)
Other	284,720	275,353	239,015	(36,338)
<b>Total emergency E-911</b>	<b>1,058,860</b>	<b>1,019,493</b>	<b>911,388</b>	<b>(108,105)</b>
<b>Total other protection</b>	<b>1,371,820</b>	<b>1,348,669</b>	<b>1,195,024</b>	<b>(153,645)</b>
<b>Total public safety</b>	<b>26,766,090</b>	<b>27,190,761</b>	<b>25,895,659</b>	<b>(1,295,102)</b>

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

**Year Ended June 30, 2011**

	Original Budget	Final Budget	Actual	Variance
<b>Public Works</b>				
<b>Maintenance of highways, streets, bridges and sidewalks</b>				
<i>Warehouse</i>				
Salaries	83,120	84,203	84,201	(2)
Other	54,220	65,478	61,195	(4,283)
	<u>137,340</u>	<u>149,681</u>	<u>145,396</u>	<u>(4,285)</u>
<i>Airport</i>				
Salaries	222,130	222,964	218,465	(4,499)
Other	258,740	272,225	256,920	(15,305)
	<u>480,870</u>	<u>495,189</u>	<u>475,385</u>	<u>(19,804)</u>
<i>Amtrak operations</i>				
Other	34,730	34,730	34,608	(122)
<i>Director of public works and engineering</i>				
Salaries	371,620	384,119	384,118	(1)
Other	179,770	188,054	181,894	(6,160)
	<u>551,390</u>	<u>572,173</u>	<u>566,012</u>	<u>(6,161)</u>
<i>Engineering</i>				
Salaries	531,560	543,222	543,203	(19)
Other	151,950	167,178	161,948	(5,230)
	<u>683,510</u>	<u>710,400</u>	<u>705,151</u>	<u>(5,249)</u>
<i>Right of way landscaping</i>				
Other	70,000	76,257	63,853	(12,404)
<i>Street maintenance</i>				
Salaries	858,560	844,534	747,515	(97,019)
Other	4,233,340	4,520,637	4,102,788	(417,849)
	<u>5,091,900</u>	<u>5,365,171</u>	<u>4,850,303</u>	<u>(514,868)</u>
<i>Storm drainage</i>				
Salaries	151,660	131,660	74,956	(56,704)
Other	118,830	118,021	101,090	(16,931)
	<u>270,490</u>	<u>249,681</u>	<u>176,046</u>	<u>(73,635)</u>
<i>Street lighting</i>				
Other	952,800	1,129,505	1,129,500	(5)
<i>Snow removal and storm damage</i>				
Drainage repair	31,500	20,265	18,791	(1,474)
Salaries	176,720	160,796	105,835	(54,961)
Other	289,640	340,334	328,124	(12,210)
	<u>497,860</u>	<u>521,395</u>	<u>452,750</u>	<u>(68,645)</u>
<i>Street cleaning</i>				
Salaries	207,110	204,595	187,759	(16,836)
Other	172,780	178,620	171,747	(6,873)
	<u>379,890</u>	<u>383,215</u>	<u>359,506</u>	<u>(23,709)</u>
<b>Total maintenance of highways, streets, bridges, and sidewalks</b>	<b>9,150,780</b>	<b>9,687,397</b>	<b>8,958,510</b>	<b>(728,887)</b>

See report of Independent auditors  
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**GENERAL FUND**  
**SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL**

**Year Ended June 30, 2011**

	Original Budget	Final Budget	Actual	Variance
<b>Maintenance of general buildings and grounds</b>				
<i>Maintenance of buildings and facilities</i>				
Salaries	148,830	165,480	165,480	-
Other	207,880	217,829	198,314	(19,515)
	356,710	383,309	363,794	(19,515)
<i>Maintenance of public grounds</i>				
Salaries	566,290	521,572	499,135	(22,437)
Other	731,290	713,061	661,804	(51,257)
	1,297,580	1,234,633	1,160,939	(73,694)
<i>Weed abatement program</i>				
Salaries	36,030	36,030	36,027	(3)
Other	108,140	117,577	107,919	(9,658)
	144,170	153,607	143,946	(9,661)
<i>City Beautiful</i>				
Other	10,000	9,551	9,283	(268)
<i>Municipal building</i>				
Salaries	237,560	211,667	204,862	(6,805)
Other	329,740	264,723	239,857	(24,866)
	567,300	476,390	444,719	(31,671)
<i>Courts and jail building</i>				
Salaries	120,140	115,140	105,497	(9,643)
Other	298,240	308,855	291,747	(17,108)
	418,380	423,995	397,244	(26,751)
<i>Financial services center</i>				
Salaries	11,690	11,690	5,396	(6,294)
Other	93,020	92,778	85,425	(7,353)
	104,710	104,468	90,821	(13,647)
<b>Total maintenance of general buildings and grounds</b>	<b>2,898,850</b>	<b>2,785,953</b>	<b>2,610,746</b>	<b>(175,207)</b>
<b>Total Public Works</b>	<b>12,049,630</b>	<b>12,473,350</b>	<b>11,569,256</b>	<b>(904,094)</b>
<b>Health and Welfare</b>				
<b>Health</b>				
Other	586,210	555,800	534,741	(21,059)
<b>Mental health and mental retardation</b>				
Other	170,940	170,940	170,940	-
<b>Welfare and social services</b>				
<i>Director of human services</i>				
Salaries	129,220	144,208	144,207	(1)
Other	39,000	38,268	36,255	(2,013)
	168,220	182,476	180,462	(2,014)
<i>Social services bureau</i>				
Salaries	3,555,050	3,251,698	3,239,470	(12,228)
Other	6,236,670	6,538,314	5,219,714	(1,318,600)
	9,791,720	9,790,012	8,459,184	(1,330,828)

See report of Independent auditors  
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**GENERAL FUND**  
**SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL**

**Year Ended June 30, 2011**

	Original Budget	Final Budget	Actual	Variance
<i>Southern Area Agency on Aging</i>				
Other	5,290	5,290	5,283	(7)
<i>Child care initiative</i>				
Other	9,310	9,310	-	(9,310)
<i>Property tax relief for the elderly</i>				
Other	70,000	46,110	46,107	(3)
<b>Total welfare and social services</b>	<b>10,044,540</b>	<b>10,033,198</b>	<b>8,691,036</b>	<b>(1,342,162)</b>
<b>Total Health and Welfare</b>	<b>10,801,690</b>	<b>10,759,938</b>	<b>9,396,717</b>	<b>(1,363,221)</b>
<b>Education</b>				
Danville Community College	10,760	30,757	30,757	-
Danville School Board	17,924,860	23,537,548	19,170,049	(4,367,499)
<b>Total Education</b>	<b>17,935,620</b>	<b>23,568,305</b>	<b>19,200,806</b>	<b>(4,367,499)</b>
<b>Parks, Recreation, and Cultural</b>				
<b>Parks and Recreation</b>				
<i>Recreation</i>				
Salaries	1,290,350	1,287,484	1,273,463	(14,021)
Other	646,660	692,080	691,200	(880)
	1,937,010	1,979,564	1,964,663	(14,901)
<i>After school instructional program</i>				
Salaries	118,870	118,869	115,683	(3,186)
Other	32,960	32,960	87,338	54,378
	151,830	151,829	203,021	51,192
<i>Carrington Pavilion</i>				
Salaries	13,110	14,207	4,622	(9,585)
Other	7,470	11,428	10,619	(809)
	20,580	25,635	15,241	(10,394)
<i>Recreation buildings - maintenance</i>				
Salaries	98,930	70,352	54,749	(15,603)
Other	407,200	447,612	398,140	(49,472)
	506,130	517,964	452,889	(65,075)

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

**Year Ended June 30, 2011**

	Original Budget	Final Budget	Actual	Variance
<i>Recreation grounds - maintenance</i>				
Salaries	489,500	488,350	433,094	(55,256)
Other	650,320	659,534	643,445	(16,089)
	<u>1,139,820</u>	<u>1,147,884</u>	<u>1,076,539</u>	<u>(71,345)</u>
<b>    Total parks and recreation</b>	<b>3,755,370</b>	<b>3,822,876</b>	<b>3,712,353</b>	<b>(110,523)</b>
<b>Cultural enrichment</b>				
<i>Tourism and preservation</i>				
Salaries	168,830	164,830	151,510	(13,320)
Other	230,180	231,460	184,303	(47,157)
	<u>399,010</u>	<u>396,290</u>	<u>335,813</u>	<u>(60,477)</u>
<b>Public libraries</b>				
Salaries	621,370	613,170	537,946	(75,224)
Other	567,610	571,724	545,605	(26,119)
Total public libraries	<u>1,188,980</u>	<u>1,184,894</u>	<u>1,083,551</u>	<u>(101,343)</u>
<b>    Total Parks, Recreation, and Cultural</b>	<b>5,343,360</b>	<b>5,404,060</b>	<b>5,131,717</b>	<b>(272,343)</b>
<b>Community Development</b>				
<b>Planning and community development</b>				
<i>Director of community development</i>				
Salaries	206,290	266,180	266,179	(1)
Other	61,930	69,211	61,807	(7,404)
	<u>268,220</u>	<u>335,391</u>	<u>327,986</u>	<u>(7,405)</u>
<i>Economic development</i>				
Salaries	270,190	271,986	271,984	(2)
Other	358,060	347,977	329,448	(18,529)
	<u>628,250</u>	<u>619,963</u>	<u>601,432</u>	<u>(18,531)</u>
<i>Housing and development</i>				
Other	25,000	31,763	31,745	(18)
<i>Enterprise zone activities</i>				
Other	288,000	235,782	252,142	16,360
<i>Planning</i>				
Salaries	170,780	110,619	70,702	(39,917)
Other	61,980	85,508	56,792	(28,716)
	<u>232,760</u>	<u>196,127</u>	<u>127,494</u>	<u>(68,633)</u>
<i>Planning commission</i>				
Other	6,100	8,539	8,539	-
West Piedmont Planning District				
Other	25,800	25,382	25,377	(5)
<i>Zoning board</i>				
Salaries	1,050	765	765	-
Other	2,550	4,727	4,678	(49)
	<u>3,600</u>	<u>5,492</u>	<u>5,443</u>	<u>(49)</u>

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

Year Ended June 30, 2011

	Original Budget	Final Budget	Actual	Variance
Total planning and community development	1,477,730	1,458,439	1,380,158	(78,281)
<i>Virginia Cooperative Extension</i> Other	38,380	38,380	37,978	(402)
<b>Total Community Development</b>	<b>1,516,110</b>	<b>1,496,819</b>	<b>1,418,136</b>	<b>(78,683)</b>
<b>Nondepartmental</b>				
Employee benefits	6,132,200	6,947,863	6,053,112	(894,751)
Other	(91,780)	240,167	8,918	(231,249)
<b>Total Nondepartmental</b>	<b>6,040,420</b>	<b>7,188,030</b>	<b>6,062,030</b>	<b>(1,126,000)</b>
<b>Debt Service</b>				
Principal	1,367,630	1,367,630	992,617	(375,013)
Interest	1,299,170	1,514,549	916,047	(598,502)
<b>Total debt service</b>	<b>2,666,800</b>	<b>2,882,179</b>	<b>1,908,664</b>	<b>(973,515)</b>
<b>Total General Fund Expenditures</b>	<b>\$ 96,148,630</b>	<b>\$ 104,187,427</b>	<b>\$ 93,089,850</b>	<b>\$ (11,097,577)</b>

See report of Independent auditors

**June 30, 2011**

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***Budgets and Budgetary Accounting***

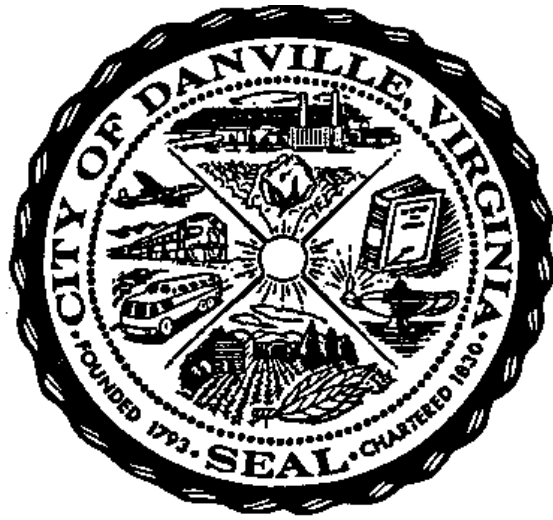
Prior to April 1, the City Manager submits to City Council a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means to finance them. After a public hearing has been conducted to obtain taxpayer comments, the budget 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.



# **CITY OF DANVILLE, VIRGINIA**

Other Supplementary Information

For the Year Ended June 30, 2011

# **CITY OF DANVILLE, VIRGINIA**

## Combining Statements

### Nonmajor Governmental Funds

For the Year Ended June 30, 2011

- ❖ 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, 2011

	Special Revenue	Cemetery Maintenance	Total
<b>ASSETS</b>			
Cash and investments	\$ 241,486	\$ 2,642,472	\$ 2,883,958
Receivables - net	99,309	-	99,309
Due from other governments	950,260	-	950,260
<b>Total assets</b>	<b>\$ 1,291,055</b>	<b>\$ 2,642,472</b>	<b>\$ 3,933,527</b>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
Accounts payable	\$ 126,160	\$ 125	\$ 126,285
Deferred revenue	19,516	-	19,516
<b>Total liabilities</b>	<b>145,676</b>	<b>125</b>	<b>145,801</b>
<b>FUND BALANCES</b>			
Nonspendable:			
Cemetery maintenance	-	2,642,347	2,642,347
Restricted:			
Special revenue	1,145,379	-	1,145,379
<b>Total fund balances</b>	<b>1,145,379</b>	<b>2,642,347</b>	<b>3,787,726</b>
<b>Total liabilities and fund balances</b>	<b>\$ 1,291,055</b>	<b>\$ 2,642,472</b>	<b>\$ 3,933,527</b>

See report of independent auditors

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

**Year Ended June 30, 2011**

	Special Revenue	Cemetery Maintenance	Total
<b>REVENUES</b>			
Miscellaneous	\$ 395,269	\$ 35,750	\$ 431,019
Intergovernmental	3,524,516	-	3,524,516
<b>Total revenues</b>	<b>3,919,785</b>	<b>35,750</b>	<b>3,955,535</b>
<b>EXPENDITURES</b>			
General government	136,974	-	136,974
Judicial administration	7,985	-	7,985
Public safety	901,926	-	901,926
Public works	215,256	-	215,256
Health and welfare	3,255,686	-	3,255,686
Parks, recreation, and cultural	407,927	-	407,927
Community Development	40,782	-	40,782
<b>Total expenditures</b>	<b>4,966,536</b>	<b>-</b>	<b>4,966,536</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>(1,046,751)</b>	<b>35,750</b>	<b>(1,011,001)</b>
<b>OTHER FINANCING SOURCES</b>			
Transfers in	1,500,326	-	1,500,326
Net change in fund balances	453,575	35,750	489,325
Fund balances - beginning of year	691,804	2,606,597	3,298,401
Fund balances - end of year	<b>\$ 1,145,379</b>	<b>\$ 2,642,347</b>	<b>\$ 3,787,726</b>

*See report of independent auditors*

# **CITY OF DANVILLE, VIRGINIA**

Combining Statements

Nonmajor Enterprise Funds

For the Year Ended June 30, 2011

- ❖ 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 operating activities.
- ❖ 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, 2011

	Transportation	Sanitation	Cemetery Operations	Telecommunications	Total
<b>ASSETS</b>					
Current assets					
Cash and investments	\$ 76,459	\$ 297,678	\$ 61,927	\$ 1,257,213	\$ 1,693,277
Receivables - net	1,516	144,607	-	96,077	242,200
Due from other governments	297,618	-	-	-	297,618
Inventory	-	-	-	260,869	260,869
<b>Total current assets</b>	<b>375,593</b>	<b>442,285</b>	<b>61,927</b>	<b>1,614,159</b>	<b>2,493,964</b>
Noncurrent assets					
Pension asset	-	98,315	-	-	98,315
Capital assets:					
Construction in progress	238,353	509,232	-	-	747,585
Buildings, structures, and improvements	1,858,764	1,601,809	-	-	3,460,573
Equipment	2,134,193	430,622	-	5,037,244	7,602,059
Less - accumulated depreciation	(1,305,125)	(1,866,404)	-	(608,144)	(3,779,673)
<b>Total noncurrent assets - net</b>	<b>2,926,185</b>	<b>773,574</b>	<b>-</b>	<b>4,429,100</b>	<b>8,128,859</b>
<b>Total assets</b>	<b>\$ 3,301,778</b>	<b>\$ 1,215,859</b>	<b>\$ 61,927</b>	<b>\$ 6,043,259</b>	<b>\$ 10,622,823</b>
<b>LIABILITIES</b>					
Current liabilities					
Accounts payable	\$ 17,652	\$ 67,204	\$ 15,032	\$ 39,411	\$ 139,299
Accrued interest	13	258	-	-	271
Long-term liabilities - due within one year	17,096	68,080	15,778	6,550	107,504
<b>Total current liabilities</b>	<b>34,761</b>	<b>135,542</b>	<b>30,810</b>	<b>45,961</b>	<b>247,074</b>
Long-term liabilities - due in more than one year					
Pension liability	677	13,481	-	-	14,158
Compensated absences	11,809	-	29,372	9,075	50,256
	1,890	7,454	1,745	742	11,831
<b>Total noncurrent liabilities</b>	<b>14,376</b>	<b>20,935</b>	<b>31,117</b>	<b>9,817</b>	<b>76,245</b>
<b>Total liabilities</b>	<b>49,137</b>	<b>156,477</b>	<b>61,927</b>	<b>55,778</b>	<b>323,319</b>
<b>NET ASSETS</b>					
Invested in capital assets - net of related debt	2,925,469	661,021	-	4,429,100	8,015,590
Restricted - capital projects	36,976	-	-	214,144	251,120
Unrestricted	290,196	398,361	-	1,344,237	2,032,794
<b>Total net assets</b>	<b>\$ 3,252,641</b>	<b>\$ 1,059,382</b>	<b>\$ -</b>	<b>\$ 5,987,481</b>	<b>\$ 10,299,504</b>

See report of independent auditors

**COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN  
FUND NET ASSETS - NONMAJOR ENTERPRISE FUNDS**
**Year Ended June 30, 2011**

	Transportation	Sanitation	Cemetery Operations	Telecommunications	Total
<b>OPERATING REVENUES</b>					
Charges for services	\$ 274,840	\$ 3,545,452	\$ 565,420	\$ 1,471,463	\$ 5,857,175
<b>OPERATING EXPENSES</b>					
Services	1,298,217	3,524,403	816,264	691,740	6,330,624
Depreciation	244,323	10,640	-	200,971	455,934
<b>Total operating expenses</b>	<b>1,542,540</b>	<b>3,535,043</b>	<b>816,264</b>	<b>892,711</b>	<b>6,786,558</b>
<b>Operating income (loss)</b>	<b>(1,267,700)</b>	<b>10,409</b>	<b>(250,844)</b>	<b>578,752</b>	<b>(929,383)</b>
<b>NONOPERATING REVENUES (EXPENSES)</b>					
Sales income	9,186	-	159,200	-	168,386
Jobbing income	-	-	-	(16,241)	(16,241)
Rental income	26,408	7,811	-	-	34,219
Gain on sale of assets	4,909	-	-	-	4,909
Federal and state grants	1,131,782	-	-	-	1,131,782
In-kind contributions	142,630	-	-	-	142,630
Interest income	549	4,614	33,757	14,646	53,566
Interest expense	(61)	(1,210)	-	-	(1,271)
<b>Total nonoperating revenues</b>	<b>1,315,403</b>	<b>11,215</b>	<b>192,957</b>	<b>(1,595)</b>	<b>1,517,980</b>
<b>Income (loss) before transfers and capital contributions</b>	<b>47,703</b>	<b>21,624</b>	<b>(57,887)</b>	<b>577,157</b>	<b>588,597</b>
<b>Transfers and capital contributions</b>					
Capital contributions	553,572	-	-	38,932	592,504
Transfer in from other funds	161,540	-	57,887	-	219,427
Transfer out to general fund	-	-	-	(302,000)	(302,000)
<b>Total transfers and capital contributions</b>	<b>715,112</b>	<b>-</b>	<b>57,887</b>	<b>(263,068)</b>	<b>509,931</b>
<b>Change in net assets</b>	<b>762,815</b>	<b>21,624</b>	<b>-</b>	<b>314,089</b>	<b>1,098,528</b>
<b>Net assets - beginning of year</b>	<b>2,489,826</b>	<b>1,037,758</b>	<b>-</b>	<b>5,673,392</b>	<b>9,200,976</b>
<b>Net assets - end of year</b>	<b>\$ 3,252,641</b>	<b>\$ 1,059,382</b>	<b>\$ -</b>	<b>\$ 5,987,481</b>	<b>\$ 10,299,504</b>

*See report of independent auditors*

## COMBINING STATEMENT OF CASH FLOWS - NONMAJOR ENTERPRISE FUNDS

Year Ended June 30, 2011

	Transportation	Sanitation	Cemetery Operations	Telecommunications	Total
<b>Cash flows from operating activities</b>					
Received from customers	\$ 280,844	\$ 3,531,280	\$ 565,420	\$ 1,430,521	\$ 5,808,065
Payments to suppliers for goods and services	(856,544)	(1,636,450)	(217,119)	(527,333)	(3,237,446)
Payments to employees for services	(699,170)	(1,496,260)	(491,004)	(228,341)	(2,914,775)
Payments to internal service funds for goods and services	(3,915)	(413,314)	(97,767)	-	(514,996)
Nonoperating revenue	35,594	7,811	159,200	(16,242)	186,363
<b>Net cash from operating activities</b>	<b>(1,243,191)</b>	<b>(6,933)</b>	<b>(81,270)</b>	<b>658,605</b>	<b>(672,789)</b>
<b>Cash flows from noncapital financing activities</b>					
Transfers from other funds	161,540	-	57,887	-	219,427
Transfers to other funds	-	-	-	(302,000)	(302,000)
Operating grants received	1,624,176	-	-	-	1,624,176
<b>Net cash from noncapital financing activities</b>	<b>1,785,716</b>	<b>-</b>	<b>57,887</b>	<b>(302,000)</b>	<b>1,541,603</b>
<b>Cash flows from capital and related financing activities</b>					
Acquisition of capital assets	(1,029,966)	-	-	(295,845)	(1,325,811)
Interest payments on long-term debt	(62)	(1,226)	-	-	(1,288)
Proceeds from sale of capital assets	9,818	-	-	-	9,818
Contributed capital	553,572	-	-	38,932	592,504
<b>Net cash from capital and related financing activities</b>	<b>(466,638)</b>	<b>(1,226)</b>	<b>-</b>	<b>(256,913)</b>	<b>(724,777)</b>
<b>Cash flows from investing activities</b>					
Interest on investments	549	5,626	41,159	17,857	65,191
Net activity in investment securities	23	(560)	(7,402)	(3,211)	(11,150)
<b>Net cash from investing activities</b>	<b>572</b>	<b>5,066</b>	<b>33,757</b>	<b>14,646</b>	<b>54,041</b>
<b>Net increase (decrease) in cash and investments</b>	<b>76,459</b>	<b>(3,093)</b>	<b>10,374</b>	<b>114,338</b>	<b>198,078</b>
<b>Cash and investments - beginning of year</b>	<b>-</b>	<b>300,771</b>	<b>51,553</b>	<b>1,142,875</b>	<b>1,495,199</b>
<b>Cash and investments - end of year</b>	<b>\$ 76,459</b>	<b>\$ 297,678</b>	<b>\$ 61,927</b>	<b>\$ 1,257,213</b>	<b>\$ 1,693,277</b>
Reconciliation of operating income (loss) to net cash from operating activities					
Operating income (loss)	\$ (1,267,700)	\$ 10,409	\$ (250,844)	\$ 578,752	\$ (929,383)
Adjustments:					
Depreciation charged to operations	244,323	10,640	-	200,971	455,934
In-kind contributions	142,630	-	-	-	142,630
Change in noncash employee benefits charged to operations	1,138	(131)	1,172	2,489	4,668
Nonoperating revenue	35,594	7,811	159,200	(16,242)	186,363
Changes in assets and liabilities:					
Accounts receivable	6,003	(14,172)	-	(40,940)	(49,109)
Inventory	-	-	-	(21,471)	(21,471)
Accounts payable	(405,179)	(21,490)	9,202	(44,954)	(462,421)
<b>Net cash from operating activities</b>	<b>\$ (1,243,191)</b>	<b>\$ (6,933)</b>	<b>\$ (81,270)</b>	<b>\$ 658,605</b>	<b>\$ (672,789)</b>
<b>Supplemental disclosure of noncash investing, capital, and financing activities:</b>					
Decrease in fair value of investments	\$ 23	\$ (560)	\$ (7,402)	\$ (3,211)	\$ (11,150)

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# **CITY OF DANVILLE, VIRGINIA**

Combining Statements

Internal Service Funds

For the Year Ended June 30, 2011

- ❖ 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, 2011

	Motorized Equipment	Central Services	Insurance	Total
<b>ASSETS</b>				
<b>Current assets</b>				
Cash and investments	\$ 91,481	\$ -	\$ 4,608,991	\$ 4,700,472
Cash and investments - held by fiscal agent	-	-	60,000	60,000
Receivables - net	-	3,404	-	3,404
Inventories	-	133,522	-	133,522
<b>Total current assets</b>	<b>91,481</b>	<b>136,926</b>	<b>4,668,991</b>	<b>4,897,398</b>
<b>Noncurrent assets</b>				
Pension asset	9,788	2,238	-	12,026
Capital assets -				
Equipment	10,465,819	304,533	-	10,770,352
Less - accumulated depreciation	(8,316,707)	(250,494)	-	(8,567,201)
<b>Total noncurrent assets</b>	<b>2,158,900</b>	<b>56,277</b>	<b>-</b>	<b>2,215,177</b>
<b>Total assets</b>	<b>\$ 2,250,381</b>	<b>\$ 193,203</b>	<b>\$ 4,668,991</b>	<b>\$ 7,112,575</b>
<b>LIABILITIES</b>				
<b>Current liabilities</b>				
Accounts payable	\$ 53,200	\$ 8,962	\$ 27,745	\$ 89,907
Accrued interest	422	-	-	422
Due to other funds	-	110,544	-	110,544
Long-term liabilities - due within one year	17,223	1,235	-	18,458
<b>Total current liabilities</b>	<b>70,845</b>	<b>120,741</b>	<b>27,745</b>	<b>219,331</b>
Long-term liabilities - due in more than one year	23,831	140	-	23,971
<b>Total liabilities</b>	<b>94,676</b>	<b>120,881</b>	<b>27,745</b>	<b>243,302</b>
<b>NET ASSETS</b>				
Invested in capital assets - net of related debt	2,240,476	61,840	-	2,302,316
Unrestricted	(84,772)	10,483	4,641,246	4,566,957
<b>Total net assets</b>	<b>\$ 2,155,704</b>	<b>\$ 72,323</b>	<b>\$ 4,641,246</b>	<b>\$ 6,869,273</b>

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


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**Year Ended June 30, 2011**


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	Motorized Equipment	Central Services	Insurance	Total
<b>OPERATING REVENUES</b>				
Charges for services	\$ 2,980,131	\$ 480,745	\$ 2,285,266	\$ 5,746,142
<b>OPERATING EXPENSES</b>				
Operations	2,489,940	506,998	2,285,266	5,282,204
Depreciation	534,130	15,954	-	550,084
<b>Total operating expenses</b>	<b>3,024,070</b>	<b>522,952</b>	<b>2,285,266</b>	<b>5,832,288</b>
Operating loss	(43,939)	(42,207)	-	(86,146)
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Gain on sale of assets	53,232	-	-	53,232
Federal and state grants	37,786	-	-	37,786
Miscellaneous	59,250	-	-	59,250
Interest income	31	-	53,833	53,864
Interest expense	(1,977)	-	-	(1,977)
<b>Total nonoperating revenues</b>	<b>148,322</b>	<b>-</b>	<b>53,833</b>	<b>202,155</b>
<b>Income loss</b>	<b>104,383</b>	<b>(42,207)</b>	<b>53,833</b>	<b>116,009</b>
<b>Change in net assets</b>	<b>104,383</b>	<b>(42,207)</b>	<b>53,833</b>	<b>116,009</b>
<b>Net assets - beginning of year</b>	<b>2,051,321</b>	<b>114,530</b>	<b>4,587,413</b>	<b>6,753,264</b>
<b>Net assets - end of year</b>	<b>\$ 2,155,704</b>	<b>\$ 72,323</b>	<b>\$ 4,641,246</b>	<b>\$ 6,869,273</b>

See report of independent auditors

## COMBINING STATEMENT OF CASH FLOWS - INTERNAL SERVICE FUNDS

Year Ended June 30, 2011

	Motorized Equipment	Central Services	Insurance	Total
<b>Cash flows from operating activities</b>				
Received from customers	\$ 2,980,131	\$ 478,087	\$ 2,285,266	\$ 5,743,484
Payments to suppliers for goods and services	(1,860,468)	(316,968)	(2,263,385)	(4,440,821)
Payments to employees for services	(610,463)	(135,068)	-	(745,531)
Payments to internal service funds for goods and services	(42,513)	(9,996)	-	(52,509)
Nonoperating revenue	59,250	-	-	59,250
<b>Net cash from operating activities</b>	<b>525,937</b>	<b>16,055</b>	<b>21,881</b>	<b>563,873</b>
<b>Cash flows from noncapital financing activities</b>				
Nonoperating grant received	37,786	-	-	37,786
<b>Cash flows from capital and related financing activities</b>				
Acquisition of capital assets	(479,221)	(16,055)	-	(495,276)
Interest payments on long-term debt	(2,002)	-	-	(2,002)
Proceeds from sale of capital assets	8,213	-	-	8,213
<b>Net cash from capital and related financing activities</b>	<b>(473,010)</b>	<b>(16,055)</b>	<b>-</b>	<b>(489,065)</b>
<b>Cash flows from investing activities</b>				
Interest on investments	-	-	65,637	65,637
Net activity in investments	768	-	(11,804)	(11,036)
<b>Net cash from investing activities</b>	<b>768</b>	<b>-</b>	<b>53,833</b>	<b>54,601</b>
<b>Net increase (decrease) in cash and investments</b>	<b>91,481</b>	<b>-</b>	<b>75,714</b>	<b>167,195</b>
<b>Cash and investments - beginning of year</b>	<b>-</b>	<b>-</b>	<b>4,593,277</b>	<b>4,593,277</b>
<b>Cash and investments - end of year</b>	<b>\$ 91,481</b>	<b>\$ -</b>	<b>\$ 4,668,991</b>	<b>\$ 4,760,472</b>
Reconciliation of operating income (loss) to net cash from operating activities				
Operating income (loss)	\$ (43,939)	\$ (42,207)	\$ -	\$ (86,146)
Adjustments:				
Depreciation charged to operations	534,130	15,954	-	550,084
Nonoperating revenue	59,250	-	-	59,250
Change in noncash employee benefits charged to operations	(295)	(3,504)	-	(3,799)
Changes in assets and liabilities:				
Accounts receivable	-	(2,658)	-	(2,658)
Inventories	-	(4,549)	-	(4,549)
Accounts payable	(23,209)	53,019	21,881	51,691
<b>Net cash from operating activities</b>	<b>\$ 525,937</b>	<b>\$ 16,055</b>	<b>\$ 21,881</b>	<b>\$ 563,873</b>
<b>Supplemental disclosure of noncash investing, capital and financing activities:</b>				
Decrease in fair value of investments	\$ (31)	\$ -	\$ (11,804)	\$ (11,835)

See report of independent auditors.

# **CITY OF DANVILLE, VIRGINIA**

Combining Statements

Agency Funds

For the Year Ended June 30, 2011

- ❖ Veterans Memorial Fund – the City acts as custodian of monies donated to the Veterans Memorial in Danville, Virginia.



**Schedules of Changes in Assets and Liabilities - Veterans Memorial Fund**

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**Year Ended June 30, 2011**

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	<u>Balance</u> <u>June 30, 2010</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2011</u>
Assets				
Cash	\$ 14,041	\$ -	\$ 10,707	\$ 3,334
Liabilities - accounts payable	\$ 14,041	\$ -	\$ 10,707	\$ 3,334

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## SCHEDULE OF CAPITAL ASSETS BY FUNCTION AND ACTIVITY

For the Year Ended June 30, 2011

Function and Activity	Land and Land Improvements	Buildings	Furniture and Equipment	Infrastructure	Total
General government administration:					
General and financial administration	\$ 367,558	\$ -	\$ 3,354,205	\$ -	\$ 3,721,763
Social services building	-	139,826	165,490	-	305,316
Public safety:					
Law enforcement and traffic control	-	17,668	-	-	17,668
Fire and rescue services	193,081	934,874	333,751	-	1,461,706
Corrections and detention	-	7,394,365	155,718	-	7,550,083
Inspections and other	-	113,612	-	-	113,612
Public works:					
Airport	3,198,128	4,191,009	799	-	7,389,936
General	305,000	1,481,273	235,102	-	2,021,375
Maintenance of highways, bridges and sidewalks	125,000	2,618,876	1,471,249	7,867,768	12,082,893
Health and welfare	-	-	-	-	-
Parks, recreation and cultural	-	4,171,306	224,011	-	4,395,317
Community development	86,190	474,687	(65,467)	-	495,410
General property	11,065,092	3,282,638	(1,814,619)	-	12,533,111
	15,340,049	24,820,134	4,060,239	7,867,768	52,088,190
Construction in progress	2,911,491	1,033,568	1,768,931	5,320,495	11,034,485
	18,251,540	25,853,702	5,829,170	13,188,263	63,122,675
Capital assets from Danville School Board	3,408,072	565,224	7,540,205	-	11,513,501
	\$ 21,659,612	\$ 26,418,926	\$ 13,369,375	\$ 13,188,263	\$ 74,636,176

\* All totals are net of depreciation

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

For the Year Ended June 30, 2011

Function and Activity	Balance June 30, 2010	Additions	Depreciation/ Deletions	Balance June 30, 2011
General government administration:				
General and financial administration	\$ 3,529,246	\$ 466,650	\$ (503,374)	\$ 3,492,522
Social services building	58,080	174,200	(14,071)	218,209
Public safety:				
Law enforcement and traffic control	495,783	254,452	(584,203)	166,032
Fire and rescue services	2,502,355	427,212	(186,260)	2,743,307
Corrections and detention	7,989,585	325,734	(341,905)	7,973,414
Inspections and other	101,156	-	(4,356)	96,800
Public works:				
Airport	6,972,456	58,925	(222,274)	6,809,107
General	976,632	1,235,401	(104,289)	2,107,744
Maintenance of highways, streets and bridges	16,050,116	1,270,392	(74,241)	17,246,267
Health and welfare	(240,729)	331,927	(91,198)	-
Parks, recreation and cultural	4,127,681	65,467	(170,324)	4,022,824
Community development	556,278	66,170	(197,391)	425,057
General property	8,220,732	-	(1,433,825)	6,786,907
	51,339,371	4,676,530	(3,927,711)	52,088,190
Construction in progress	6,575,309	6,985,884	(2,526,708)	11,034,485
	57,914,680	11,662,414	(6,454,419)	63,122,675
Capital assets from Danville School Board	13,436,941	-	(1,923,440)	11,513,501
	\$ 71,351,621	\$ 11,662,414	\$ (8,377,859)	\$ 74,636,176

\* All totals are net of depreciation

**SCHEDULE OF CAPITAL ASSETS - BY SOURCE****June 30, 2011**

Land and land improvements	\$	15,340,049
Buildings		24,820,134
Infrastructure		7,867,768
Equipment		4,060,239
Construction in progress		11,034,485
	\$	<u>63,122,675</u>
Capital projects funds:		
General obligation bonds	\$	30,919,792
General appropriations		9,368,369
General fund revenues		13,175,874
Special revenue fund revenues		538,329
Federal grants		3,023,877
State grants		5,099,009
Contributions		997,425
		<u>63,122,675</u>
Danville School Board		<u>11,513,501</u>
	\$	<u>74,636,176</u>

\* All totals are net of depreciation



# **CITY OF DANVILLE, VIRGINIA**

Statistical Section

For the Year Ended June 30, 2011

# 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>	129
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>	135
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>	140
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>	144
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>	146

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 TEN FISCAL YEARS**

	Fiscal Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
<b>Governmental activities</b>										
Invested in capital assets, net of related debt	\$ 9,219,518	\$ 14,927,384	\$ 20,589,644	\$ 21,592,954	\$ 24,811,422	\$ 28,858,705	\$ 29,933,932	\$ 37,094,092	\$ 43,276,891	\$ 41,235,117
Restricted	13,760,973	10,170,443	6,153,666	6,573,688	8,602,821	10,031,903	8,229,657	10,207,310	10,668,601	15,329,590
Unrestricted	36,949,622	38,991,299	39,360,575	38,433,286	40,651,729	47,172,244	50,143,933	46,202,951	48,669,847	52,958,594
<b>Total governmental activities net assets</b>	<b>\$ 59,930,113</b>	<b>\$ 64,089,126</b>	<b>\$ 66,103,885</b>	<b>\$ 66,599,928</b>	<b>\$ 74,065,972</b>	<b>\$ 86,062,852</b>	<b>\$ 88,307,522</b>	<b>\$ 93,504,353</b>	<b>\$ 102,615,339</b>	<b>\$ 109,523,301</b>
<b>Business-type activities</b>										
Invested in capital assets, net of related debt	\$ 112,403,637	\$ 125,436,377	\$ 141,102,057	\$ 158,570,378	\$ 162,072,054	\$ 172,325,000	\$ 189,153,872	\$ 190,621,794	\$ 197,322,894	\$ 205,342,317
Restricted	5,908,783	4,072,210	9,419,436	14,528,018	26,205,121	29,047,292	30,889,610	42,001,357	36,946,909	39,376,676
Unrestricted	56,440,907	59,009,400	48,615,924	35,172,773	30,425,855	34,299,631	32,524,963	34,605,909	47,102,049	49,019,935
<b>Total business-type activities net assets</b>	<b>\$ 174,753,327</b>	<b>\$ 188,517,987</b>	<b>\$ 199,137,417</b>	<b>\$ 208,271,169</b>	<b>\$ 218,703,030</b>	<b>\$ 235,671,923</b>	<b>\$ 252,568,445</b>	<b>\$ 267,229,060</b>	<b>\$ 281,371,852</b>	<b>\$ 293,738,928</b>
<b>Primary government</b>										
Invested in capital assets, net of related debt	\$ 121,623,155	\$ 140,363,761	\$ 161,691,701	\$ 180,163,332	\$ 186,883,476	\$ 201,183,705	\$ 219,087,804	\$ 227,715,886	\$ 240,599,785	\$ 246,577,434
Restricted	19,669,756	14,242,653	15,573,102	21,101,706	34,807,942	39,079,195	39,119,267	52,208,667	47,615,510	54,706,266
Unrestricted	93,390,529	98,000,699	87,976,499	73,606,059	71,077,584	81,471,875	82,668,896	80,808,860	95,771,896	101,978,529
<b>Total primary government net assets</b>	<b>\$ 234,683,440</b>	<b>\$ 252,607,113</b>	<b>\$ 265,241,302</b>	<b>\$ 274,871,097</b>	<b>\$ 292,769,002</b>	<b>\$ 321,734,775</b>	<b>\$ 340,875,967</b>	<b>\$ 360,733,413</b>	<b>\$ 383,987,191</b>	<b>\$ 403,262,229</b>



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

	Fiscal Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
<b>Expenses</b>										
Governmental activities:										
General government	\$ 12,835,788	\$ 11,080,064	\$ 11,208,242	\$ 11,563,702	\$ 10,706,147	\$ 10,978,148	\$ 16,703,620	\$ 17,366,229	\$ 11,190,407	\$ 11,513,535
Judicial administration	5,339,394	5,290,396	4,232,325	4,506,834	4,803,342	5,218,767	4,853,835	4,680,120	4,677,118	4,895,286
Public safety	21,443,155	21,611,220	20,971,031	23,709,019	25,172,041	24,929,011	25,809,136	27,871,098	27,905,805	27,211,372
Public works	8,965,027	9,748,494	10,129,695	12,961,903	11,832,496	10,844,883	12,423,465	18,044,882	13,746,621	10,468,862
Health and welfare	11,312,848	11,908,642	10,589,382	10,751,310	12,285,520	12,844,403	13,743,677	14,011,832	13,662,743	12,236,155
Parks, recreation, cultural	4,870,006	4,926,303	5,621,196	5,456,588	5,009,150	5,367,886	5,666,299	5,834,463	5,831,486	6,227,105
Community development	5,130,797	5,444,251	7,893,504	7,893,276	7,392,661	11,796,198	4,133,310	4,127,674	4,429,763	3,862,302
Education	31,803,899	21,623,266	23,598,363	17,932,956	20,143,175	16,903,673	22,343,504	19,762,967	21,190,425	29,939,742
Interest on long-term debt	1,045,005	2,112,705	2,461,084	1,886,516	1,665,956	1,617,511	6,732,839	6,988,805	6,447,064	12,513,650
Nondepartmental	740,944	1,013,117	672,598	3,861,787	-	1,617,511	-	-	-	-
Total governmental activities expenses	\$ 103,486,863	\$ 94,758,458	\$ 97,377,420	\$ 100,523,891	\$ 99,010,488	\$ 100,500,436	\$ 112,409,685	\$ 118,688,070	\$ 109,081,432	\$ 118,868,009
Business-type activities:										
Wastewater	6,359,787	6,301,012	6,304,213	6,162,912	6,464,670	6,561,949	6,975,203	6,696,533	6,912,126	6,954,269
Water	4,611,032	4,355,081	4,204,395	4,545,575	4,598,119	4,739,464	5,035,842	5,299,264	5,676,850	5,407,252
Gas	25,448,813	27,037,186	22,667,165	22,305,387	31,008,668	23,320,491	28,436,785	29,694,406	21,633,916	20,911,099
Electric	37,736,028	38,815,555	40,030,479	41,008,206	61,160,771	72,817,037	75,313,686	84,712,087	92,884,951	95,215,780
Nonmajor	4,295,274	4,293,078	4,488,681	4,901,655	5,393,641	5,836,847	6,313,481	6,586,104	6,711,765	6,787,829
Total business-type activities expenses	\$ 78,450,934	\$ 80,801,912	\$ 77,694,933	\$ 78,923,735	\$ 108,625,869	\$ 113,275,788	\$ 122,074,997	\$ 132,988,394	\$ 133,819,608	\$ 135,276,229
Total primary government expenses	\$ 181,937,797	\$ 175,560,370	\$ 175,072,353	\$ 179,447,626	\$ 207,636,357	\$ 213,776,224	\$ 234,484,682	\$ 251,676,464	\$ 242,901,040	\$ 254,144,233
<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	\$ 5,727,677	\$ 6,071,953	\$ 6,838,951	\$ 6,171,322
Judicial administration	529,341	439,554	549,137	487,228	576,841	1,489,794	618,268	652,091	717,847	1,044,237
Public safety	264,842	381,372	191,826	242,548	219,838	231,309	312,503	201,788	253,638	223,330
Public works	279,913	230,255	224,905	-	-	-	-	-	-	-
Health and welfare	-	-	-	-	-	-	-	-	-	-
Parks, recreation, cultural	160,700	171,666	220,943	213,037	202,418	210,182	224,462	232,848	310,103	68,083
Community development	-	-	-	-	-	-	-	-	-	-
Education	3,155,683	-	-	-	-	-	-	-	-	-
Operating grants and contributions	21,266,728	28,413,626	30,964,009	32,700,459	36,552,849	38,205,373	41,172,782	43,012,678	39,784,055	39,799,066
Capital grants and contributions	10,251,248	5,102,140	4,807,968	2,905,657	1,596,539	4,055,930	2,139,975	6,580,922	5,887,846	4,654,262
Total governmental activities program revenues	\$ 41,018,438	\$ 39,055,290	\$ 41,811,873	\$ 41,549,792	\$ 44,252,142	\$ 49,878,179	\$ 50,278,818	\$ 56,752,280	\$ 53,792,440	\$ 51,960,300
Business-type activities:										
Charges for services:										
Wastewater	7,265,020	7,009,576	6,918,502	6,059,995	7,528,176	7,805,221	8,362,522	9,306,293	9,511,518	9,812,296
Water	5,578,086	5,388,944	5,223,867	5,075,326	6,117,848	7,012,772	7,142,932	6,930,045	6,480,696	6,230,140
Gas	27,526,419	30,029,152	25,989,471	25,211,996	33,414,367	26,290,132	32,949,771	32,501,486	27,060,176	24,700,569
Electric	51,759,880	54,793,952	55,491,259	53,740,565	72,751,817	88,910,376	90,181,855	98,949,812	106,248,347	109,022,347
Nonmajor	3,289,939	3,269,499	3,208,290	3,568,492	5,433,299	5,602,965	5,719,119	5,782,975	5,731,883	5,857,175
Operating grants and contributions	544,799	477,774	-	299,476	500,546	355,921	405,673	500,537	826,340	2,101,602
Capital grants and contributions	385,972	56,343	1,065,942	1,074,434	3,333,743	1,741,248	2,735,406	2,317,309	1,524,609	1,511,920
Total business-type activities program revenues	\$ 96,350,115	\$ 101,025,240	\$ 97,907,331	\$ 95,030,284	\$ 129,079,796	\$ 137,718,635	\$ 147,487,278	\$ 156,288,457	\$ 157,383,559	\$ 159,236,049
Total primary government program revenues	\$ 137,368,553	\$ 140,080,530	\$ 139,719,204	\$ 136,580,076	\$ 173,331,938	\$ 187,596,814	\$ 197,776,096	\$ 213,040,737	\$ 211,175,999	\$ 211,196,349
Net (expense)/revenue	\$ (62,468,425)	\$ (55,703,168)	\$ (55,565,547)	\$ (58,974,099)	\$ (54,758,346)	\$ (50,622,257)	\$ (62,130,867)	\$ (61,935,790)	\$ (55,288,992)	\$ (66,907,709)
Governmental activities	17,899,181	20,223,328	20,212,398	16,106,549	20,453,927	24,442,847	25,422,281	23,300,063	23,959,820	23,563,951
Business-type activities	\$ (44,569,244)	\$ (35,479,840)	\$ (35,353,149)	\$ (42,867,550)	\$ (34,304,419)	\$ (26,179,410)	\$ (36,708,586)	\$ (38,635,727)	\$ (31,725,041)	\$ (42,947,869)

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

Fiscal Year

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
<b>General Revenues and Other Changes in Net Assets</b>										
Governmental activities:										
Taxes										
Property taxes	\$ 22,477,673	\$ 23,943,675	\$ 23,289,443	\$ 24,540,038	\$ 25,453,656	\$ 25,930,246	\$ 26,590,389	\$ 26,487,289	\$ 26,464,571	\$ 25,869,256
Sales taxes	6,569,709	6,630,318	6,767,056	6,941,295	7,326,695	7,598,276	8,071,419	7,800,856	7,662,498	7,745,308
Business licenses	3,386,808	3,536,402	3,597,621	3,777,830	4,889,518	4,572,218	4,989,707	4,474,854	4,419,042	4,677,012
Utility taxes	3,334,340	3,435,728	3,896,209	4,237,844	4,246,590	2,654,769	994,536	1,013,694	985,162	997,935
Hotel and meals taxes	3,868,262	3,784,413	4,196,327	4,334,822	4,499,854	5,165,368	5,495,291	5,488,960	6,629,741	7,008,520
Recordation and bank stock taxes	889,675	907,760	895,694	982,914	1,109,217	946,397	948,038	862,181	978,498	957,247
Auto license and recordation taxes	923,851	1,021,664	1,005,918	983,762	895,776	1,034,967	1,047,044	1,055,948	1,159,830	1,095,474
Investment income	2,875,706	1,247,279	104,591	758,666	701,529	885,861	1,626,835	1,327,296	683,469	591,487
Miscellaneous	797,885	3,400,681	3,297,463	3,183,697	775,157	1,047,591	1,235,600	5,260,403	2,044,711	11,461,568
Transfers	10,563,001	10,557,137	10,529,984	10,405,773	12,326,398	12,783,444	13,376,678	13,361,140	13,372,456	13,411,864
Total governmental activities	<u>55,686,910</u>	<u>58,465,057</u>	<u>57,580,306</u>	<u>60,146,641</u>	<u>62,224,390</u>	<u>62,619,137</u>	<u>64,375,537</u>	<u>67,132,621</u>	<u>64,399,978</u>	<u>73,815,671</u>
Business-type activities:										
Investment income	2,406,942	2,686,690	78,404	1,471,314	1,481,092	3,452,939	2,610,753	2,023,614	1,440,386	1,373,048
Miscellaneous	438,549	1,411,779	858,612	1,961,662	823,241	1,856,551	2,240,166	2,698,079	2,510,911	446,072
Transfers	(10,563,001)	(10,557,137)	(10,529,984)	(10,405,773)	(12,326,398)	(12,783,444)	(13,376,678)	(13,361,141)	(13,372,456)	(13,411,864)
Total business-type activities	<u>(7,717,510)</u>	<u>(6,458,668)</u>	<u>(9,592,968)</u>	<u>(6,972,797)</u>	<u>(10,022,065)</u>	<u>(7,473,954)</u>	<u>(8,525,759)</u>	<u>(8,639,448)</u>	<u>(9,421,159)</u>	<u>(11,592,744)</u>
Total primary government	<u>\$ 47,969,400</u>	<u>\$ 52,006,389</u>	<u>\$ 47,987,338</u>	<u>\$ 53,173,844</u>	<u>\$ 52,202,325</u>	<u>\$ 55,145,183</u>	<u>\$ 55,849,778</u>	<u>\$ 58,493,173</u>	<u>\$ 54,978,819</u>	<u>\$ 62,222,927</u>
<b>Change in Net Assets</b>										
Governmental activities	\$ (6,781,515)	\$ 2,761,889	\$ 2,014,759	\$ 1,172,542	\$ 7,466,044	\$ 11,996,880	\$ 2,244,670	\$ 5,196,831	\$ 9,110,986	\$ 6,907,962
Business-type activities	10,181,671	13,764,660	10,619,430	9,133,752	10,431,862	16,968,893	16,896,522	14,660,615	14,142,792	12,367,076
Total primary government	<u>\$ 3,400,156</u>	<u>\$ 16,526,549</u>	<u>\$ 12,634,189</u>	<u>\$ 10,306,294</u>	<u>\$ 17,897,906</u>	<u>\$ 28,965,773</u>	<u>\$ 19,141,192</u>	<u>\$ 19,857,446</u>	<u>\$ 23,253,778</u>	<u>\$ 19,275,038</u>

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

Fiscal Year	Other Local Taxes						Total	Grand Total
	Property Taxes	Sales Taxes	Business License Taxes	Utility Taxes	Hotel & Meals Taxes	Recordation & Bank Stock Taxes		
2002	19,346,304	6,569,709	3,386,808	3,334,340	3,868,262	889,675	923,851	38,318,949
2003	24,045,407	6,630,318	3,536,402	3,435,728	3,784,413	907,760	1,021,664	43,361,692
2004	23,289,443	6,767,056	3,597,621	3,896,209	4,196,327	895,694	1,005,918	43,648,268
2005	24,540,038	6,941,295	3,777,830	4,237,844	4,334,822	982,914	983,762	45,798,505
2006	25,453,656	7,326,695	4,889,518	4,246,590	4,499,854	1,109,217	895,778	48,421,308
2007	25,930,246	7,598,276	4,572,218	2,654,769	5,165,368	946,397	1,034,967	47,902,241
2008	26,590,389	8,071,419	4,989,707	994,536	5,495,291	948,038	1,047,044	48,136,424
2009	26,487,289	7,800,856	4,474,854	1,013,694	5,488,960	862,181	1,055,948	47,183,782
2010	26,464,571	7,662,498	4,419,042	985,162	6,629,741	978,498	1,159,830	48,299,342
2011	25,869,256	7,745,308	4,677,012	997,935	7,008,520	957,247	1,095,474	48,350,752

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

	Fiscal Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
<b>General Fund</b>										
Nonspendable/Restricted/Committed/Assigned	\$ 2,923,331	\$ 3,042,193	\$ 2,476,902	\$ 3,851,704	\$ 5,526,954	\$ 7,242,459	\$ 8,568,727	\$ 9,436,920	\$ 9,872,609	\$ 7,721,548
Unassigned	22,305,505	21,324,394	21,001,767	20,393,893	24,843,213	26,731,939	27,812,317	24,728,115	26,107,235	30,350,466
<b>Total general fund</b>	<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>	<u>\$ 36,381,044</u>	<u>\$ 34,165,035</u>	<u>\$35,979,844</u>	<u>\$38,072,014</u>
<b>All other governmental funds</b>										
Nonspendable/Restricted/Committed Community Development	\$ 1,594,374	\$ 1,504,173	\$ 1,280,935	\$ 1,128,246	\$ 968,016	\$ 662,725	\$ 510,543	\$ 470,193	\$ 439,347	\$ 264,537
Nonspendable/Restricted/Committed Capital Projects	9,149,451	7,344,662	3,221,109	3,533,438	3,212,561	4,931,135	4,479,245	6,479,604	6,934,477	12,422,706
Restricted - Special Revenue	361,173	315,088	298,213	2,430,437	691,607	602,405	704,385	652,711	691,804	1,145,379
Nonspendable - Cemetery Maintenance	2,323,268	2,389,170	2,430,437	517,233	2,475,562	2,504,847	2,541,972	2,569,222	2,606,597	2,642,347
<b>Total all other governmental funds</b>	<u>\$13,428,266</u>	<u>\$11,553,093</u>	<u>\$ 7,230,694</u>	<u>\$ 7,609,354</u>	<u>\$ 7,347,746</u>	<u>\$ 8,701,112</u>	<u>\$ 8,236,145</u>	<u>\$ 10,171,730</u>	<u>\$10,672,225</u>	<u>\$16,474,969</u>

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

	Fiscal Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
<b>Revenues</b>										
Property taxes	\$ 22,477,673	\$ 24,045,407	\$ 23,289,443	\$ 24,540,038	\$ 25,453,656	\$ 25,930,246	\$ 26,556,332	\$ 27,085,091	\$ 26,898,585	\$ 26,150,093
Local taxes	18,972,645	19,316,285	20,358,825	21,258,467	22,963,374	21,971,995	21,546,035	20,696,492	21,834,771	22,481,496
Fines and forfeitures	526,315	480,224	430,796	541,399	505,328	541,399	560,327	564,204	614,983	597,250
Permits, privilege fees, and regulatory licenses	189,514	221,100	189,405	239,617	219,668	235,358	270,052	170,178	225,791	210,694
Revenue from use of money and property	2,311,815	1,826,965	680,314	1,185,015	957,075	2,194,319	2,013,713	2,753,033	1,331,257	1,296,328
Charges for services	4,827,539	4,573,521	3,555,551	3,689,094	3,511,114	3,770,733	3,562,920	3,679,665	3,543,026	3,536,954
Miscellaneous	1,116,101	877,071	2,937,622	2,538,070	2,600,487	1,838,547	1,014,896	5,006,274	944,433	1,074,889
Recovered costs	3,420,537	3,688,855	4,129,121	4,032,607	4,194,578	5,173,681	4,951,992	5,270,698	5,166,640	5,502,072
Intergovernmental	30,977,287	27,803,342	28,431,487	29,972,172	28,728,127	34,136,326	35,080,153	39,894,367	37,863,690	36,122,952
Total revenues	<u>84,819,426</u>	<u>82,832,770</u>	<u>84,059,168</u>	<u>87,885,876</u>	<u>89,133,407</u>	<u>95,792,604</u>	<u>95,556,420</u>	<u>105,120,002</u>	<u>98,423,176</u>	<u>96,972,728</u>
<b>Expenditures</b>										
General government	6,860,476	7,055,245	7,121,782	7,815,842	6,024,273	9,211,810	9,753,673	7,809,264	6,362,187	5,459,861
Judicial administration	4,200,274	4,123,767	4,242,578	4,409,910	4,584,788	5,128,684	5,379,273	5,423,448	5,256,851	5,114,279
Public safety	23,304,556	24,249,727	23,402,433	23,392,708	22,423,516	24,673,695	25,657,267	27,704,661	27,249,668	26,797,585
Public works	10,712,405	10,553,828	10,483,502	11,117,739	10,277,641	10,407,920	12,114,049	19,096,899	11,528,184	11,784,512
Health and welfare	10,059,091	10,690,249	10,483,034	11,495,688	11,808,295	15,352,675	13,675,562	14,066,073	13,632,948	12,652,403
Education	19,924,453	16,776,100	19,453,244	18,772,404	18,219,735	17,370,028	19,918,463	17,538,766	17,931,496	19,608,733
Parks, recreation, and cultural	4,807,819	5,249,673	5,509,938	4,833,862	5,131,578	6,144,838	5,150,624	5,266,742	5,064,459	5,172,499
Community development	3,382,732	3,410,345	3,937,381	4,464,673	4,757,407	3,026,397	4,164,824	4,284,071	3,982,907	4,044,531
Nondepartmental	3,030,177	4,320,956	3,356,058	3,861,787	3,301,482	3,542,949	3,952,931	4,370,594	5,494,121	6,062,030
Capital outlay	4,147,136	2,715,548	5,876,051	1,878,935	3,298,494	2,993,314	1,544,060	7,704,522	10,482,170	9,063,568
Debt service										
Principal	2,981,288	4,429,139	3,812,362	3,516,046	3,438,597	4,181,152	4,242,206	4,275,988	1,410,402	992,617
Interest	1,045,006	2,112,704	2,461,084	1,886,516	1,654,538	1,567,139	1,438,487	1,654,426	1,086,885	916,047
Total expenditures	<u>94,455,413</u>	<u>95,687,281</u>	<u>100,139,447</u>	<u>97,446,110</u>	<u>94,920,344</u>	<u>103,600,601</u>	<u>106,991,419</u>	<u>119,195,454</u>	<u>109,482,278</u>	<u>107,668,665</u>
Ratio of debt service to total non-capital expenditures	4.5%	7.0%	6.7%	5.7%	5.6%	5.7%	5.4%	5.3%	2.5%	1.9%
Excess of revenues over (under) expenditures	(9,635,987)	(12,854,511)	(16,080,279)	(9,560,234)	(5,786,937)	(7,807,997)	(11,434,999)	(14,075,452)	(11,059,102)	(10,695,937)
<b>Other financing sources (uses)</b>										
Transfers in	13,729,573	15,238,926	15,086,335	17,068,419	16,878,713	20,753,576	20,415,323	24,236,283	20,420,329	18,714,276
Transfers out	(15,046,017)	(5,121,837)	(4,206,351)	(6,362,647)	(4,552,315)	(7,987,982)	(7,038,645)	(10,875,142)	(7,045,923)	(5,302,412)
Bonds issued	17,491,369	-	8,647,271	-	-	-	-	-	-	-
Refunding bonds issued	10,263,909	-	23,490,000	-	-	-	-	12,227,851	-	9,721,943
Payments to refunded bond escrow agent	(23,263,909)	-	(32,147,294)	-	-	-	-	(11,793,964)	-	(4,542,956)
Total other financing sources (uses)	<u>3,174,925</u>	<u>10,117,089</u>	<u>10,869,961</u>	<u>10,705,772</u>	<u>12,326,398</u>	<u>12,765,594</u>	<u>13,376,678</u>	<u>13,795,028</u>	<u>13,374,406</u>	<u>18,590,851</u>
Net change in fund balances	<u>\$ (6,461,062)</u>	<u>\$ (2,737,422)</u>	<u>\$ (5,210,318)</u>	<u>\$ 1,145,538</u>	<u>\$ 6,539,461</u>	<u>\$ 4,957,597</u>	<u>\$ 1,941,679</u>	<u>\$ (280,424)</u>	<u>\$ 2,315,304</u>	<u>\$ 7,894,914</u>

**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>
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
2007-08	90,181,855	32,949,607	8,362,522	7,142,932	138,636,916
2008-09	98,949,807	32,455,492	9,306,293	6,930,045	147,641,637
2009-10	106,248,337	27,060,176	9,511,518	6,480,696	149,300,727
2010-11	109,022,347	24,700,569	9,812,296	6,230,140	149,765,352

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

Fiscal Year	Assessed Value of Real Property (1)	Assessed Value of Personal Property (2)	Assessed Value of Machinery and Tools (2)	Assessed Value of Mobile Homes (2)	Assessed Value of Public Service Corp. (2)	Assessed Value of Aircraft (2)	Total Assessed Value	Weighted Average Rate
2002	1,593,365,800	260,503,705	93,412,803	5,207,888	51,751,357	2,429,800	2,006,671,353	\$ 1.16 per \$100
2003	1,740,967,100	257,461,270	94,496,913	4,663,036	51,413,068	3,869,920	2,152,871,307	1.13 per \$100
2004	1,765,839,000	246,282,106	97,002,334	5,065,627	54,285,263	5,165,235	2,173,629,565	1.12 per \$100
2005	1,864,447,500	257,033,492	90,504,892	4,977,283	52,021,885	4,306,540	2,273,291,592	1.11 per \$100
2006	1,953,694,100	277,466,101	82,870,885	4,548,776	51,149,212	3,135,840	2,372,864,914	1.12 per \$100
2007	2,067,848,400	291,749,737	79,708,821	4,261,308	50,697,018	3,394,102	2,497,659,386	1.11 per \$100
2008	2,089,774,400	302,143,014	79,506,859	4,229,328	50,798,716	4,858,771	2,531,311,088	1.12 per \$100
2009	2,252,885,600	272,726,836	84,884,957	4,347,353	45,683,587	4,218,048	2,664,746,381	1.07 per \$100
2010	2,267,080,000	275,696,657	84,694,634	4,232,127	50,738,735	4,433,349	2,686,875,502	1.08 per \$100
2011	2,235,675,600	279,862,350	86,749,356	4,286,745	49,939,634	4,448,493	2,660,962,178	1.08 per \$100

Rate for all years shown:

See note (3) below      \$3.00 per \$100      \$1.50 per \$100      See note (3) below      \$3.00 per \$100      \$0.30 per \$100

- (1) Assessed on a fiscal year basis.
- (2) Assessed on a calendar year basis.
- (3) 2002      \$0.785 per \$100  
 2003 - 2004      \$0.80 per \$100  
 2005 - 2008      \$0.77 per \$100  
 2009 - 2011      \$0.73 per \$100
- (4) Real property in the City is reassessed every two years. Personal property is assessed annually. The City assesses property at approximately 100% of actual value for all types of real and personal property.

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

<u>Taxpayer</u>	<u>2011</u>			<u>2002</u>		
	<u>Total Assessed</u>	<u>Rank</u>	<u>Percentage of Total Assessed Value<sup>1</sup></u>	<u>Total Assessed Value</u>	<u>Rank</u>	<u>Percentage of Total Assessed Value</u>
	<u>Value</u>			<u>Value</u>		<u>Value</u>
Danville Regional Medical Center LLC	\$ 74,803,900	1	3.35%			
Goodyear Tire and Rubber Company	32,466,900	2	1.45%	33,647,500	2	2.11%
Piedmont Mall LLC	25,393,300	3	1.14%	22,638,500	4	1.42%
NAP Coleman Marketplace LLC	24,295,000	4	1.09%			
Daniel Group Inc.	18,527,900	5	0.83%			
Nestle USA Inc. (formerly Carnation Co.)	10,136,500	6	0.45%	9,733,700	6	0.61%
Sams Real Estate Business Trust	10,108,500	7	0.45%			
EBI LLC	10,102,300	8	0.45%			
Wal-Mart Real Estate Business Trust	9,854,500	9	0.44%	8,232,400	11	0.52%
JTI Leaf Services US LLC	9,344,200	10	0.42%			
Lorillard Tobacco Company	8,208,200	11	0.37%	9,043,300	8	0.57%
Finlay Interests 5 LTD	7,961,800	12	0.36%			
Marshall, Robert & Margaret D. (Rev Trust)	7,408,400	13	0.33%			
MJRW Inc.	6,994,400	14	0.31%	9,190,900	7	0.58%
Industrial Development Authority of Danville	<sup>2</sup> 6,979,800	15	0.31%			
Dan River Inc.				46,803,900	1	2.94%
General Development Co., Inc				24,439,500	3	1.53%
Dibrell Brothers Inc.				13,684,100	5	0.86%
Southern Processors				8,663,500	9	0.54%
Lowe's Home Centers, Inc.				8,310,600	10	0.52%
Belk Stores of Virginia				7,374,800	12	0.46%
Medical Facilities of America XXII				7,148,900	13	0.45%
Dan Shopping Center Inc				6,642,800	14	0.42%
Sears, Roebuck and Co.				6,342,400	15	0.40%
	<u>\$ 262,585,600</u>		<u>11.75%</u>	<u>\$ 221,896,800</u>		<u>13.93%</u>

<sup>1</sup> Total 2011 Assessed Real Estate Value is \$2,235,675,600 for the City of Danville.

<sup>2</sup> Industrial Development Authority of Danville includes Esselpropack, Telvista and Luna.



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

Fiscal Year	Tax Rate Per \$100	Original Levy (1)	Collections & Adjustments Thru		Uncollected at End of Month in which 2nd Half Tax Due (1)	Percentage of Original Levy Uncollected at End of Month in which 2nd Half Tax Due (1)	Collections & Adjustments After Month		Uncollected Balance June 30, 2011	Percentage of Original Levy Uncollected June 30, 2011
			End of Month in which 2nd Half Tax Due (1)	End of Month in which 2nd Half Tax Due (1)			in which 2nd Half Tax Due (1)	in which 2nd Half Tax Due (1)		
2002	0.785	12,507,984	11,779,079	728,905	5.83	700,569	28,336	0.23		
2003	0.8	13,927,737	13,103,406	824,331	5.92	786,517	37,814	0.27		
2004	0.8	14,126,712	13,185,128	941,584	6.67	894,137	47,447	0.34		
2005	0.77	14,356,246	13,540,558	815,688	5.68	755,936	59,752	0.42		
2006	0.77	15,043,445	14,242,460	800,985	5.32	729,830	71,154	0.47		
2007	0.77	15,922,433	14,964,100	958,333	6.02	859,863	98,470	0.62		
2008	0.77	15,980,915	15,126,749	854,166	5.34	693,845	160,321	1.00		
2009	0.73	16,320,733	15,419,024	901,709	5.52	675,590	226,119	1.39		
2010	0.73	16,415,615	15,475,506	940,109	5.73	455,768	484,341	2.95		
2011	0.73	16,156,634	15,134,880	1,021,754	6.32	-	1,021,754	6.32		

(1) Real Estate taxes are assessed on a fiscal year basis with 1st half taxes due December 5th and 2nd half taxes due June 5th.

**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 (1)	Uncollected at End of Month in which 2nd Half Tax Due (1)	Percentage of Original Levy Uncollected at End of Month in which 2nd Half Tax Due (1)	Collections & Adjustments After Month in which 2nd Half Tax Due (1)	Uncollected Balance June 30, 2011 (2)	Percentage of Original Levy Uncollected June 30, 2011
2002	3.00	9,283,231	9,052,351	230,880 (3)	2.49	230,880	-	-
2003	3.00	9,227,252	9,034,063	193,189 (3)	2.09	193,189	-	-
2004	3.00	8,897,075	8,259,740	637,335 (3)	7.16	637,335	-	-
2005	3.00	9,112,715	8,826,339	286,376 (3)	3.14	286,376	-	-
2006	3.00	9,581,768	9,238,435	343,333 (3)	3.58	262,633	80,700	0.84
2007	3.00	9,722,045	9,391,605	330,440 (3)	3.40	216,768	113,671	1.17
2008	3.00	10,114,292	9,837,085	277,207 (3)	2.74	144,287	132,920	1.31
2009	3.00	9,360,208	9,123,802	236,405 (3)	2.53	84,808	151,597	1.62
2010	3.00	9,708,729	9,527,123	181,606 (3)	1.87	-	181,606	1.87
2011	3.00	9,516,667	3,087,522	6,429,146 (4)	67.56	-	6,429,146	67.56

(1) Beginning on January 1, 1999, the City has levied taxes on a calendar year basis with 1st half taxes due June 5th and 2nd half taxes due December 5th.

(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) This includes second half of the tax levy which is not due until December 5th 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; therefore, are shown as uncollected at June 30.

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

Fiscal Year	Governmental Activities			Business-Type Activities			Total Primary Government	Bond Debt Per Capita	Ratio of Bond Debt to Danville MSA Personal Income <sup>1</sup>
	General Obligation Bonds	Lease Revenue Bonds	Capital Leases	Revenue Bonds	General Obligation Bonds	Capital Leases			
2002	46,081,284	17,124,015	1,400,000	9,065,380	40,845,037	-	114,515,716	2,431	45.20
2003	42,352,275	16,381,472	223,163	8,256,918	37,583,274	-	104,797,102	2,225	40.14
2004	39,269,396	12,622,935	45,718	7,628,686	35,081,625	-	94,648,360	2,031	35.35
2005	35,666,775	11,841,989	-	6,990,317	31,770,451	-	86,269,532	1,880	30.94
2006	32,105,970	11,047,929	-	6,349,929	37,001,542	-	86,505,370	1,875	31.02
2007	28,488,092	10,230,059	-	5,708,574	38,073,432	-	82,500,157	1,810	29.59
2008	24,819,277	9,394,098	-	5,133,548	33,909,608	-	73,256,531	1,614	26.51
2009	22,068,904	8,535,748	-	4,575,890	40,766,777	-	75,947,319	1,682	26.59
2010	21,223,853	7,651,912	-	4,011,631	52,266,777	-	85,154,172	1,978 <sup>2</sup>	29.82
2011	29,882,557	3,681,077	-	3,440,544	55,336,177	-	92,340,355	2,152	29.00

<sup>1</sup> Danville MSA includes Danville and Pittsylvania County.

<sup>2</sup> Bond Debt Per Capita based on 2010 US Census Bureau population count of 43,055.

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

Fiscal Year Ended June 30	Population	Bonder Debt		Ratio of Bonded Debt To Assessed Value		Bonded Debt Per Capita		
		Assessed Value	General Fund Supported	Self- Sustaining Utilities	General Fund Supported	Self- Sustaining Utilities	General Fund Supported	Self- Sustaining Utilities
2002	48,411	1,593,365,800	46,081,284	49,910,417	2.89	3.13	951.88	1,030.97
2003	48,411	1,740,967,100	42,352,275	45,840,192	2.43	2.63	874.85	946.90
2004	46,600	1,765,839,000	39,269,396	42,710,311	2.22	2.42	842.69	916.53
2005	45,900	1,864,447,500	35,666,775	38,760,768	1.91	2.08	777.05	844.46
2006	46,143	1,953,694,100	32,105,970	43,351,471	1.64	2.22	695.79	939.50
2007	45,586	2,067,848,400	28,488,092	43,782,006	1.38	2.12	624.93	960.43
2008	45,385	2,089,774,400	24,819,277	39,043,156	1.19	1.87	546.86	860.27
2009	45,152	2,252,885,600	22,068,904	45,342,667	0.98	2.01	488.77	1,004.22
2010	43,055	2,267,080,000	21,223,853	56,278,408	0.94	2.48	492.95	1,307.13
2011	42,918	2,235,675,600	29,882,557	58,776,721	1.34	2.63	696.27	1,369.51

<sup>1</sup> 2010 US Census Bureau population count.

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

	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
Assessed value	\$ 1,593,365,800	\$ 1,740,967,100	\$ 1,765,839,000	\$ 1,864,447,500	\$ 1,953,694,100	\$ 2,067,848,400	\$ 2,089,774,400	\$ 2,252,885,600	\$ 2,267,080,000	\$ 2,235,675,600
City debt limit (7.5% of assessed value) <sup>1</sup>	119,502,435	130,572,533	132,437,925	139,833,563	146,527,058	155,088,630	156,733,080	168,966,420	170,031,000	167,675,670
Gross bond debt	95,991,701	88,192,467	81,979,707	74,427,543	75,457,441	72,270,098	63,862,433	67,411,571	77,502,261	88,659,278
Less bond debt not applicable to limit:										
Revenue Bonds	9,065,380	8,256,918	7,628,686	6,990,317	6,349,929	5,708,574	5,133,548	4,575,890	4,011,631	3,440,544
Total debt not applicable to limit	9,065,380	8,256,918	7,628,686	6,990,317	6,349,929	5,708,574	5,133,548	4,575,890	4,011,631	3,440,544
Total net debt applicable to limit	86,926,321	79,935,549	74,351,021	67,437,226	69,107,512	66,561,524	58,728,885	62,835,681	73,490,630	85,218,734
Legal debt margin	\$ 32,576,114	\$ 50,636,984	\$ 58,086,904	\$ 72,396,337	\$ 77,419,546	\$ 88,527,106	\$ 98,004,195	\$ 106,130,739	\$ 96,540,370	\$ 82,456,936
Total net debt applicable to the limit as a percentage of debt limit	72.74%	61.22%	56.14%	48.23%	47.16%	42.92%	37.47%	37.19%	43.22%	50.82%
Total net debt applicable to the limit as a percentage of assessed value	5.46%	4.59%	4.21%	3.62%	3.54%	3.22%	2.81%	2.79%	3.24%	3.81%

<sup>1</sup> The State restricts the amount of General Obligation debt to 10% of assessed value of real property. The City limitation is 7.5% of assessed value which is more restrictive than the State limit.

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

<b>Fiscal Year Ended June 30</b>	<b>Gross Revenue (1)</b>	<b>Direct Operating Expenses (2)</b>	<b>Net Revenue Available for Debt Service</b>	<b>Debt Service Requirements (3)</b>			
				<b>Principal</b>	<b>Interest</b>	<b>Total</b>	<b>Coverage</b>
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
2008	142,592,168	106,285,500	36,306,668	575,026	216,425	791,451	45.87
2009	151,047,640	112,334,067	38,713,572	557,658	194,366	752,025	51.48
2010	152,152,488	113,953,671	38,198,818	564,259	173,348	737,607	51.79
2011	152,286,825	115,389,621	36,897,204	571,087	152,103	723,190	51.02

(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.

**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>
2002	48,411	22,644	40.5	13.9	N/A	2,533,518	9.60
2003	48,411	24,373	40.5	13.9	7,668	2,611,053	10.90
2004	46,600	25,469	40.5	13.9	7,232	2,677,216	12.30
2005	45,900	26,414	40.5	13.9	7,114	2,788,486	10.80
2006	46,143	27,082	40.5	13.9	6,951	2,788,486	10.60
2007	45,586	27,544	40.5	13.9	6,904	2,788,486	7.20
2008	45,385	28,803	40.5	13.9	6,606	2,763,550	8.90
2009	45,152	29,789	40.5	13.9	6,303	2,855,919	14.40
2010	43,055	29,789	40.5	13.9	6,237	2,855,919	13.50
2011	42,918	30,092	42.6	15.7	6,120	3,184,116	12.00

(1) Source: Weldon Cooper Center for Public Services, University of Virginia estimated population for 2002 - 2009 & 2011. US Census Bureau actual count for 2010.

(2) Source: Bureau of Economic Analysis (BEA), U.S. Department of Commerce  
Data includes both the City of Danville and Pittsylvania County.

(3) Source: 2000 & 2010 U.S. Census Bureau. Profile of Selected Social characteristics.

(4) Source: 2000 & 2010 U.S. Census Bureau. Profile of Selected Social characteristics.  
Percent based on population 25 years and over.

(5) Source: 2002-2003 through National Center for Education Statistics.  
2004-2011 through Weldon Cooper Center for Public Services, University of Virginia.  
Includes Grades K-12.

(6) Source: Bureau of Economic Analysis (BEA), U.S. Department of Commerce  
Danville MSA includes Danville and Pittsylvania County.

(7) Source: Virginia Employment Commission, June 2011.

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

<u>Employer</u>	<u>2011</u>			<u>2002</u>		
	<u>Employees<sup>1</sup></u>	<u>Rank</u>	<u>Percentage of Total City Employment<sup>2</sup></u>	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment<sup>2</sup></u>
City of Danville	2,381	1	13.20%	1,948	3	9.90%
Goodyear Tire & Rubber Co.	2,250	2	12.48%	2,480	2	12.60%
Danville Regional Health System	1,294	3	7.18%	1,700	4	8.64%
Telvista	780	4	4.33%			
Nestle Refrigerated Food	600	5	3.33%	425	7	2.16%
Averett University	550	6	3.05%			
EBI	550	7	3.05%			
Wal-Mart	474	8	2.63%			
Food Lion	376	9	2.09%			
Swedwood	375	10	2.08%			
Dan River, Inc.				3,900	1	19.81%
VF Playwear				500	6	2.54%
Corning Glass Works				252	8	1.28%
Dimon				610	5	3.10%
Intertape Polymer				235	9	1.19%
Wood Fiber Industries				193	10	0.98%

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

<sup>2</sup> Source: Virginia Employment Commission - employed civilian labor force for June 2011 (18,033) and June 2002 (19,683).



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

Function	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
General Fund										
General Government Administration	88	88	96	97	97	98	98	102	102	99
Judicial Administration	89	92	94	95	98	98	97	97	97	97
Public Safety	403	402	403	403	403	403	406	406	406	408
Public Works	110	110	110	110	110	111	111	111	111	111
Health, Welfare & Social Services	98	98	100	100	100	101	101	101	101	101
Park, Recreational and Cultural	65	65	64	49	49	49	49	49	49	51
Community Development	11	12	18	18	18	18	19	19	19	18
Total General Fund	<u>864</u>	<u>867</u>	<u>885</u>	<u>872</u>	<u>875</u>	<u>878</u>	<u>881</u>	<u>885</u>	<u>885</u>	<u>885</u>
Wastewater Fund	11	11	11	11	11	11	11	11	11	11
Water Fund	16	16	16	16	16	16	16	16	16	19
Gas Fund	55	56	56	56	55	55	55	55	56	54
Electric Fund	115	115	115	115	116	114	114	114	113	106
Telecommunications Fund	-	-	-	-	-	2	2	4	4	4
Transportation Fund	17	17	17	17	17	16	16	16	17	17
Central Services Fund	4	4	4	4	4	4	4	4	3	3
Motorized Equipment Fund	23	23	22	22	22	22	22	20	20	20
Sanitation Fund	53	53	53	57	53	53	46	43	43	43
Cemetery Fund	-	-	-	16	16	16	16	16	16	16
Total Other Funds	<u>294</u>	<u>295</u>	<u>294</u>	<u>314</u>	<u>310</u>	<u>309</u>	<u>302</u>	<u>299</u>	<u>299</u>	<u>293</u>
Total	<u>1,158</u>	<u>1,162</u>	<u>1,179</u>	<u>1,186</u>	<u>1,185</u>	<u>1,187</u>	<u>1,183</u>	<u>1,184</u>	<u>1,184</u>	<u>1,178</u>

Source: City Council Approved Budget - Authorized Positions

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

Date of Incorporation Form of Government Area in Square Miles	1830 Council / Manager 44		2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
				1,251	1,240	1,240	1,173	1,219	1,212	1,237	1,267	1,258
<b>Number of Employees (Full &amp; Part-Time)</b>												
<b>Name of Government Facilities and Services:</b>												
Miles of streets	311	314	314	315	314	315	315	316	316	318	318	318
Number of street lights	8,394	8,407	8,477	8,703	8,477	8,485	8,483	8,483	8,804	8,804	8,822	8,822
<b>Culture and Recreation:</b>												
Recreation Centers	11	12	12	12	12	12	12	12	10	10	10	8
Number of parks	9	9	9	10	9	10	10	10	10	11	11	11
Park Acreage	344	344	344	349	344	349	349	349	466	575	575	575
Number of trails	10	10	11	8	11	8	8	8	8	8	8	8
Trail Mileage	9	9	10	18	10	25	25	25	28	28	28	38
Number of athletic fields	23	23	23	23	23	23	23	23	31	31	31	31
Athletic field acreage	45	45	45	45	45	45	45	45	49	49	49	49
Number of playgrounds	24	24	24	24	24	24	24	24	22	20	20	21
Playground acreage	88	88	88	88	88	74	74	74	74	74	74	74
Number of outdoor basketball courts	8	10	10	10	10	10	10	10	12	10	10	10
Number of tennis courts	19	19	19	19	19	19	19	19	21	21	21	21
<b>Fire Protection:</b>												
Number of stations	7	7	7	7	7	7	7	7	7	7	7	7
Number of fire personnel and officers	123	123	123	123	123	123	123	123	123	123	123	123
Number of calls answered	4,370	4,529	4,648	4,734	4,648	4,860	5,002	5,002	5,143	5,176	5,836	6,326
Number of inspections conducted	3,172	2,935	2,542	3,170	2,542	2,821	2,152	2,152	1,030	1,569	929	997
<b>Police Protection:</b>												
Number of stations	3	3	3	3	3	3	3	3	3	2	2	2
Number of police officers	139	139	139	137	139	137	137	137	137	136	136	133
Number of patrol units	12	12	12	12	12	40	53	53	53	53	53	54
<b>Number of law violations:</b>												
Physical arrests	8,371	8,499	6,399	7,075	6,399	7,253	7,434	7,434	5,840	7,427	7,603	8,183
Traffic violations	8,956	7,780	6,481	5,498	6,481	6,127	6,571	6,571	7,896	8,276	9,476	8,190
Parking violations	2,464	2,179	1,831	1,178	1,831	2,132	2,515	2,515	1,813	1,599	2,042	2,374

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

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
<u>Sewerage System:</u>										
Miles of sanitary sewers	350	354	384	384	384	386	386	386	371	385
Number of treatment plants	1	1	1	1	1	1	1	1	1	1
Number of service connections	17,047	17,194	17,302	16,883	16,651	16,589	16,665	16,665	16,511	16,511
Average daily treatment	12.44	13.99	13.57	10.54	6.26	5.46	5.95	6.71	6.81	6.47
- Million Gallons per Day (MGD)										
Maximum daily capacity of treatment plant - MGD	24	24	24	24	24	24	24	24	24	24
<u>Water System:</u>										
Miles of water mains	310	310	312	312	312	317	319	319	319	331
Active number of service connections	18,047	17,957	17,949	17,956	17,880	17,826	17,942	19,029	17,734	17,426
Number of fire hydrants	1,902	1,909	1,930	1,945	1,951	1,967	2,029	2,050	2,056	2,065
Average daily consumption - MGD	7.75	7.88	7.54	6.76	6.38	6.39	4.76	5.79	5.28	5.40
Maximum daily capacity of treatment plant - MGD	18	18	18	18	18	18	18	18	18	18
<u>Electric Distribution System:</u>										
Square Miles of service	500	500	500	500	500	500	500	500	500	500
Number of distribution stations	16	16	16	14	14	14	14	14	17	17
<u>Facilities and services not included in the primary government:</u>										
<u>Education:</u>										
Number of preschools	-	-	-	-	1	1	1	1	1	1
Number of elementary schools	10	10	10	10	9	9	9	9	9	9
Number of middle schools	3	3	3	3	3	3	3	3	3	3
Number of high schools	1	2	2	2	2	2	2	2	2	2
Number of alternative schools	1	1	1	1	1	1	1	1	1	1
Number of preschool instructors					21	18	19	22	21	21
Number of elementary school instructors	389	388	271	276	255	250	251	254	252	251
Number of middle school instructors			136	136	134	137	144	134	127	125
Number of high school instructors			202	188	186	183	182	174	172	175
Number of secondary school instructors	260	252								
<u>Facilities and services not included in the reporting entity:</u>										
<u>Hospitals:</u>										
Number of hospitals	1	1	1	1	1	1	1	1	1	1
Number of patient beds	350	350	350	350	350	350	350	290	290	290

# **CITY OF DANVILLE, VIRGINIA**

Single Audit Section

For The Year Ended June 30, 2011



**DIXON HUGHES GOODMAN** LLP  
Certified Public Accountants and Advisors

***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***

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

We have audited the financial statements of ***City of Danville, Virginia*** as of and for the year ended June 30, 2011, and have issued our report thereon dated November 30, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

***Internal Control Over Financial Reporting***

Management of ***City of Danville, Virginia*** is responsible for establishing and maintaining effective 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 *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether ***City of Danville, Virginia*** financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of

our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters we reported to management of *City of Danville, Virginia* in a separate letter dated November 30, 2011.

This report is intended solely for the information and use of management, City Council, 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.

*Dixon Hughes Goodman LLP*

Danville, Virginia  
November 30, 2011



***Independent Auditors' Report on Compliance with Requirements  
That Could Have a Direct and Material Effect on Each Major Program and on Internal  
Control Over Compliance in Accordance with OMB Circular A-133***

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

***Compliance***

We have audited *City of Danville, Virginia's* compliance with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect *on City of Danville, Virginia's* major federal program for the year ended June 30, 2011. *City of Danville, Virginia's* major federal programs are identified in the summary of auditors' 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 could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

***Internal Control over Compliance***

Management of *City of Danville, Virginia* is responsible for establishing and maintaining effective internal control over compliance with the compliance requirements of laws, regulation, contract, and grants applicable to federal programs. In planning and performing our audit, we considered *City of Danville, Virginia's* internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of *City of Danville, Virginia's* internal control over compliance.

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

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

### **Schedule of Expenditures of Federal Awards**

We have audited the basic financial statements of *City of Danville, Virginia* as of and for the year ended June 30, 2011, and have issued our report thereon dated November 30, 2011. Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by *OMB Circular A-133* and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

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

*Dixon Hughes Goodman LLP*

Danville, Virginia  
November 30, 2011





**DIXON HUGHES GOODMAN** LLP  
Certified Public Accountants and Advisors

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

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, 2011, and have issued our report thereon dated November 30, 2011.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; 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

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.

*Dixon Hughes Goodman LLP*

Danville, Virginia  
November 30, 2011

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2011

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:		
Supplemental Nutrition Assistance Program Cluster		
State Administrative Matching Grants for Supplemental Nutrition Assistance Program	10.561	\$ 692,913
Department of Agriculture		
Fresh Fruit and Vegetable Program	10.582	31,697
Wildland Fire Management		
American Recovery and Reinvestment Act of 2009 funds	10.688	125,393
<b>DEPARTMENT OF COMMERCE</b>		
Direct payments:		
Public Safety Interoperable Communications Grant	11.555	45,731
<b>DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</b>		
Direct payments:		
CDBG - Entitlement Grants Cluster		
Community development block grant program and entitlement grants	14.218	2,111,420
HOME investment partnership program	14.239	294,818
Economic Development Initiative - Special Projects, Neighborhood Initiative, Misc Grants	14.251	30,782
<b>DEPARTMENT OF JUSTICE</b>		
Direct payments:		
Criminal Justice - Financial Assistance to Administration	16.523	831
Criminal Justice - Financial Assistance to Administration	16.548	56,874
Allocation to State (Title II)	16.540	62,496
Cops Technology Grant	16.710	66,543
JAG Program Cluster		
Justice Assistance Act Grant Program	16.738	17,301
Edward Byrne Memorial Justice Assistance Grant (JAG)		
American Recovery and Reinvestment Act of 2009 funds	16.804	68,160
<b>DEPARTMENT OF TRANSPORTATION</b>		
Direct payments:		
Airport improvements	20.106	230,708
Highway Planning and Construction Cluster		
National Recreation Trails	20.219	33,700
Alcohol Open Container Requirements	20.607	39,503
Police Department - Ground Transportation System	20.UNK	9,342
<b>FEDERAL EMERGENCY MANAGEMENT AGENCY</b>		
Department of Emergency Services		
Emergency Management Preparedness Grant	97.042	27,013
Assistance to Firefighters	97.044	14,347
Department of Homeland Security		
Emergency Management Preparedness Grant	97.073	457,179
Emergency Management Preparedness Grant	97.074	129,302

(Continued on next page)

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2011

Grantor/Pass - Through Grantor/Program Title	Federal Catalog Number	Federal Expenditures
<b>DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>		
Department of Social Services:		
Temporary Assistance for Needy Families Cluster		
Temporary assistance for needy families	93.558	733,760
Low income energy assistance	93.568	49,426
Child Care and Development Funds (CCDF) Cluster		
Child Care and Development Block Grant	93.575	510,510
Child Care Mandatory and Matching Funds of the CCDF	93.596	416,152
Refugee and Entrant Assistance	93.566	1,006
Independent Living	93.674	16,979
State Children's Insurance Program (SCHIP)	93.767	20,396
Aging Cluster		
Special Programs for the Aging - Title III, Part B - Grants for Supportive Services and Senior Centers	93.044	77,298
Foster care - Title IV-E	93.658	671,836
Adoption assistance	93.659	230,483
Social services block grant	93.667	547,413
Medicaid assistance program-Administrative expenses only	93.778	406,665
Promoting Safe & Stable Families	93.556	30,856
Chafee education & Training Vouchers Program	93.599	7,875
Child welfare services-state grant	93.645	3,164
Department of Mental Health, Mental Retardation and Substance Abuse:		
Block grants for community mental health services	93.958	75,400
Block grants for prevention and treatment of substance abuse	93.959	<u>767,204</u>
Total assistance - City of Danville		<u>\$ 9,112,476</u>

(Continued on next page)

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2011

Grantor/Pass - Through Grantor/Program Title	Federal Catalog Number	Federal Expenditures
<b><u>DANVILLE PUBLIC SCHOOLS</u></b>		
<b>DEPARTMENT OF AGRICULTURE</b>		
Department of Agriculture (USDA):		
Child Nutrition Cluster		
School breakfast program	10.553	\$ 724,870
National school lunch program	10.555	1,887,011
Department of Agriculture and Consumer Services		
Food distribution - donated commodities	10.555	237,065
<b>Department of Energy</b>		
Department of Education:		
Conservation research and development	81.086	86,364
<b>DEPARTMENT OF EDUCATION</b>		
Department of Education:		
Adult education - state administered basic grant program	84.002	89,040
Title I, Part A Cluster		
Title I Grants to Local Education Agencies	84.010	2,992,475
American Recovery and Reinvestment Act of 2009 funds	84.389	784,794
Detention Facilities	84.013	52,958
Special Education (IDEA) Cluster		
Special Education - Grants to States (IDEA, Part B)	84.027	2,055,565
Special Education - Preschool Grants (IDEA Preschool)	84.173	42,028
American Recovery and Reinvestment Act of 2009 funds	84.391	187,964
Special Education - Preschool Grants (IDEA Preschool)		
American Recovery and Reinvestment Act	84.392	60,543
Vocational education - consumer and homemaking education	84.048	216,758
Education Technology State Grants Cluster		
Education Technology State Grants (Enhancing Education Through Technology)	84.318	39,144
American Recovery and Reinvestment Act	84.386	34,246
Safe and Drug - Free Schools - State Grants	84.186	40,662
Twenty-First Century Community Learning Centers	84.287	147,435
English language acquisition grants	84.365	14,889
Improving teacher quality state grants	84.367	566,213
School Improvement Grants Cluster		
American Recovery and Reinvestment Act	84.388	630,657
State Fiscal Stabilization Fund Cluster		
State Fiscal Stabilization Fund - Educational State Grants,		
American Recovery and Reinvestment Act of 2009 funds	84.394	1,807,141
Early Intervention Services (IDEA) Cluster		
Special Education - Grants for Infants and Families	84.181	104,098
American Recovery and Reinvestment Act of 2009 funds	84.393	55,524
Gaining Early Awareness and Readiness for Undergraduate Programs	84.334	37,648
Total assistance - Danville Public Schools		<u>\$ 12,895,092</u>
Total assistance - reporting entity		<u>\$ 22,007,568</u>

See report of independent auditors

**CITY OF DANVILLE, VIRGINIA**

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

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**June 30, 2011**

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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 2011:

<b>Program Title</b>	<b>CFDA</b>	<b>Amount</b>
Block grants for prevention and treatment of substance abuse	20.607	\$ 39,503
Special Education - Grants for Infants and Families	84.181	104,098
American Recovery and Reinvestment Act of 2009 Funds	84.393	55,524

**CITY OF DANVILLE, VIRGINIA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

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**Year Ended June 30, 2011**

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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:

- Supplemental Nutrition Assistance Program (10.561)
- Community development block grant program (14.218)
- Temporary assistance for needy families (93.558)
- Block grants for prevention and treatment of substance abuse (93.959)
- Child care and development funds cluster
  - Child care and development fund (93.596)
  - Child care and development block grant (93.575)
- Foster care – Title IV-E (93.658)
- Block grants for prevention and treatment of substance abuse (93.959)
- Child nutrition cluster
  - School breakfast program (10.553)
  - National school lunch program (10.555)
  - Food distribution – donated commodities (10.555)
- Title I, Part A cluster
  - Title I grants to local education agencies (84.010)
  - Title I grants to local education agencies - ARRA (84.389)

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**CITY OF DANVILLE, VIRGINIA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

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**Year Ended June 30, 2011**

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- Special education cluster
  - Special education, grants to states (84.027)
  - Special education, preschool grants (84.173)
  - Special education, grants to states - ARRA (84.391)
  - Special education, preschool grants – ARRA (84.392)
- State fiscal stabilization fund, education state grants - ARRA (84.394)

Dollar threshold used to distinguish between Type A and Type B programs: \$660,227

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

**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



