

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



**FOR THE FISCAL YEAR**  
**JULY 1, 2009 TO JUNE 30, 2010**

# CITY OF DANVILLE, VIRGINIA

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended  
June 30, 2010

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, 2010**

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# **CITY OF DANVILLE, VIRGINIA**

Introductory Section

For the Year Ended June 30, 2010



# *City of Danville* *Virginia*

*November 5, 2010*

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, 2010.

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.

Goodman & Company, licensed certified public accountants, has audited the City of Danville's financial statements. The goal of the independent audit is to provide reasonable assurance that the financial statements are free of material misstatement. Tests were made of the City's internal control structure and of its compliance with applicable laws and regulations. The audit of the financial statements of the City of Danville for the fiscal year ending June 30, 2010, 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 45,152.

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

Fiscal Year 2010 has been a year of hope for the Danville area. Even though Engineering Design & Sales (EDS) in Airside Business Park closed their operation, resulting in the loss of 20 jobs, we were able to reopen the former Knight Celotex facility in November 2009 and find a new tenant to purchase the EDS building.

Since the last annual report, Danville has seen several companies progressing with their construction and renovation projects that were announced in the previous year. The City also enjoyed three announcements totaling the creation of 248 jobs and a capital investment of \$19 million.

Date	Company	Sector	Type	Jobs	Investment
Nov 2009	Blue Ridge Fiber Board	Commercial Roofing	New	88	\$7 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
		<b>TOTALS</b>		248	\$19 million

In November 2009, just five months after the closing of Knight Celotex, W.R. Meadows, of Illinois, announced they would reopen the facility, operating under the name of Blue Ridge Fiberboard. Company officials realized the name brand demand for Celotex roofing products, and had five plants to choose from in the Knight Celotex portfolio. The operation in Danville stood head and shoulders above the competition with its infrastructure and ready-to-go workforce. Blue Ridge Fiberboard will invest \$7 million and create 88 jobs over a three-year period.

In April, 2010, Ecomnets, headquartered in Herndon, Virginia, announced plans to purchase the former EDS facility in Airside Business Park for the manufacture of Verdio computers, a green table top unit that uses 70% less energy than a typical personal computer. The company will also have a data center and IT service solutions at its Danville location. Ecomnets will create 160 new jobs at an overall average salary of \$50,000 and invest \$2 million.

In September 2010, Essel Propack and Arista Tubes announced they would be consolidating their operations for synergistic reasons and expanding the Airside Business Park facility 120,000 square feet. The company will invest \$10 million in the project. Essel is further showing their willingness to invest in the area by purchasing their facility from the Industrial Development Authority for \$2,700,000.

To provide an update on the progress of some of the projects from last year, a table is attached of the 2009 announcements included in the report.

<b>Date</b>	<b>Company</b>	<b>Sector</b>		<b>Jobs</b>	<b>INV (\$M)</b>
Jan-09	Donnachaidh	Recycle/energy	New	25	7.0
May-09	Riverside Roof Truss	Manufacture of roof trusses	Expand	35	1.5
May-09	LiFeBATT	Batteries	New	5	0.0
Jul-09	White Mill Dev, LLC	Data Center	New	400	400.0
Aug-09	Batolli Sportswear	Apparel Headquarters	New	30	1.5
Oct-09	Japan Tobacco Int.	Tobacco processing	New	39	19.5
		<b>TOTALS</b>		<b>534</b>	<b>429.5</b>

Donnachaidh employs 3 people in the area and has begun grading their site in Cyber Park. Riverside Roof Truss has already created 25 new jobs and made major investments in new building space. LiFeBATT is set to locate in the renovated Old Belt One Building in October 2010 where they will distribute, market, and assemble lithium phosphate batteries.

Gibbs International has been busy renovating the White Mill building this past year and has spent in excess of \$5 million gutting the facility and preparing it for data center space. The building owners are in discussions with several companies to locate in the facility.

Japan Tobacco International has renovated the former Dan River Distribution Center and purchased the adjoining Arista Tubes building to use as tobacco leaf storage. The company is opening their operation in September 2010 with a full contingent of 39 full-time employees and 150 seasonal workers.

Progress continues on the 3,500-acre Mega Park project for the City and County under the auspices of the Regional Industrial Facility Authority (RIFA). In order for the site to be certified, engineering estimates state the Mega Park project will require a total investment of \$163 million to extend the utilities, complete the environmental and engineering studies, and grade the sites. RIFA has hired the consultant team of McCallum Sweeney to certify the site is shovel-ready for prospects to begin construction immediately. We are undergoing a rigorous process to ensure all of the testing has been completed, wetlands delineated, and engineering plans conducted especially for utility easements. RIFA is working with Eden, North Carolina to provide a source of water and sewer for the project. Presently, we are in the process of completing environmental testing, wetland delineation, and historical review of the first 1,000 acres with a pending Tobacco Commission grant request from Pittsylvania County to complete the rest.

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

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.

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

More information on the Institute and the Danville Office of Economic Development Incentive Programs can be found at [www.discoverdanville.com](http://www.discoverdanville.com).

### **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 \$13,457,420; Sewer and Wastewater Capital Improvements of \$1,625,000; Water and Gas Capital Improvements of \$3,435,000; and Electric and Telecom Capital Improvements of \$7,577,300. A pay-as-you-go philosophy has been in effect since fiscal year 2002 for all funds other than Electric.

A regional effort between the City of Danville and Pittsylvania County has resulted in the organization of the Danville-Pittsylvania Regional Industrial Facility Authority (Authority). The Authority 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. In August 2005, the first private-sector investment was made in the park by EIT Inc. Since then, the Authority has constructed the Research Addition, which is being leased to the IALR for private research and development. Also part of the Cyber Park is CBN Secure Technologies, Inc. and Advanced Vehicle Research Center (AVRC). CBN opened its high security production facility in early 2009. This new facility produces driver's licenses and identification cards, under the new regulations, for the Virginia Department of Motor Vehicles. 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. Donnachaidh Associates, LLC also made its home in the Cyber Park, with plans to create 25 new jobs and an investment of up to \$7 million. Donnachaidh Associates, LLC is a company that recycles waste material and reuses it in a way that is profitable and good for the environment. 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, the Authority 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 100 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 that 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 the Authority has been the creation of the Berry Hill Mega Park located west of Danville in the Berry Hill community of Pittsylvania County. The Authority 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 is in the process of being Mega Park certified. 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.

Danville is also committed to preserving and increasing the quality of life for our citizens. The Crossing at the Dan fulfills several community needs that include the revitalization of the Tobacco Warehouse District (TWD), enhancing the community's "quality of life", and strengthening the educational system in the region.

The Crossing Project was proposed as a development "spark" that would lead to increased private investment in adjoining areas. Most recently, the private investment projects in the TWD have dramatically increased and are listed 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, twenty-one units are occupied.
- 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. Because of the downturn in the economy and the tight

lending environment, the completion date for the residential units has stalled. However, the commercial space is 100% occupied with the following tenants – Congressman Tom Perriello, Senator Jim Webb, United Way, and Zinc Total Salon.

- 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.
- Bridge Street Lofts – a mixed-use development featuring 70 apartments and 30,000 sq. ft. of commercial space is due to begin construction in winter 2010. The project is located in the heart of the Tobacco Warehouse Historic District.
- Horizontech – a document scanning and storage company located in the former Richmond Cedar Works building announced 100 new jobs and a capital investment of \$1.1 million in June 2007. To date, Horizontech has hired 33 new employees and invested over \$1.375 million in the Tobacco Warehouse District.
- Infinity Global Packaging – a high-end luxury packaging business in the former Carrington Conference Center announced 86 new jobs and a capital investment of \$1.65 million in June 2008. Currently, Infinity has hired 25 new employees and made capital investments of over \$1 million.
- White Mill Number 8 – In July 2009, the City announced the redevelopment of the White Mill Number 8 building. The 650,000 sq. ft. building was purchased by Gibbs International and will be redeveloped into a facility that will be marketed to an IT related end user. Four hundred jobs were announced with a capital investment of \$400 million. The redevelopment of this building will serve as a catalyst for future development in the Downtown and Tobacco Warehouse Historic Districts.
- LiFeBATT, Inc. USA - In May 2009, LiFeBATT announced its intention to move its headquarters location to Danville, VA. Currently located in Las Vegas, NV, the company represents LiFeBATT, Inc. TAIWAN in the sale of high technology lithium ion batteries in the Americas, Europe, and Australia.

A community's "quality of life" indicators typically include activities such as those available at the Crossing at the Dan; i.e., trails, science centers, entertainment. The Crossing has become Danville's "hub" for entertainment and educational activities; hence, the centerpiece of the community's "quality of life" offerings.

Over 210,000 people annually visit the Crossing at the Dan Project, which includes the Danville Science Center Campus, Riverwalk Trail, Community Market, Amtrak station, Carrington Pavilion, and the Pepsi Building. This number will surely rise because of an exciting announcement made in 2008. The Danville Science Center (DSC) announced the addition of a Large Format Theater to be constructed adjacent to its newest facility in the historic Southern Railway Administration Building. This project is funded with a \$2.3 million allocation from the Governor's Education Bond and matched with a \$1.2 million private local foundation match. Construction is expected during Fiscal Year 2011.

There are many different organizations that partner with the City to bring quality events to downtown, such as: Danville Harvest Jubilee, Southern VA Mountain Bike Association (SVMBA), the Downtown Danville Association, the Rotary Club, and a host of other local, nonprofit organizations and civic clubs.

The Historic Murals of Danville Committee is one such organization that is responsible for the advocacy of public art in the Downtown Historic District. There are currently 2 murals in the district and plans are underway for the 3<sup>rd</sup> mural, which will be tobacco themed.

A significant increase in the number of pedestrians and bicyclists has resulted from the improvements that have occurred in the area, as well as through the City's new on-street bicycle lanes. These new bike lanes are improvements to the trail system that are designed to allow for additional points of access to the Crossing, which in turn will help ensure the success of the facilities and the programs and services provided. The Southern VA Mountain Bike Association continues to partner with the City to provide and maintain over 18 miles of world-class mountain bike trails.

In order to accommodate these new investments and future projects in the TWD, the City began construction of a 400-space parking area on a Brownfield site in 2008. Completion of the lot was July 2009. This former junkyard was converted through the use of the Tobacco Commission, an EPA Brownfield Grant, and City funding. The project, having a component of the Southside Trail System crossing it, was also funded through existing Enhancement funds. Adjacent to the TWD is the Downtown Historic District, which is benefiting greatly from the success and the synergy currently underway in the TWD.

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) 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 investment, Downtown and TWD have seen over \$63 million in public/private improvements and investment over the previous 60 months. Local, state, and federal incentives play a major role in the recruitment of new projects to both 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 type of financing tool available for both the Downtown and Tobacco Warehouse Historic Districts.

In addition to the incentives listed above, the City designed a new program specifically to recruit targeted business sectors to the Downtown and Tobacco Warehouse Historic Districts. The proposal includes a program that is flexible, but aggressive, in order to spur new development and tenant growth. It is proposed that the amount and the term of financial assistance be tailored on a case-by-case basis since each project has different needs to be successful. Further, the funding would be discretionary so the award would be based on the impact of the project in terms of jobs, investment, and/or fills a niche need. To date, two grants have been given that will place two new restaurants in downtown by March 2011.

The Director of Economic Development oversees this funding and makes recommendations to the City Manager on the amount of the grant or loan and terms. The City Manager provides the final approval. Businesses that are approved for the grant or loan are required to sign a performance agreement stating: (1) they will stay in the Central Business District or the Tobacco Warehouse District for at least seven years; (2) they will commit to a specific job creation and capital investment goal within a three-year period. If the business moves or closes prior to the seven-year timeframe, the company will be required to pay back the entire grant amount. If the business falls short on the job creation and/or investment goals within the three-year period, the company will be required to pay back a proportional amount of the grant funds equal to the percentage of the shortfall. To minimize the City's risk in the case of start-ups and earlier stage companies, the City may require some form of collateral in lieu of a promise of a payback of grant funds. The value of the collateral pledged to the City would be decreased in value by 1/7<sup>th</sup> each year upon the anniversary of the tenant's location in the Central Business District or the Tobacco Warehouse District. To receive this funding, businesses are evaluated according to the following priorities:

1. Job Generators – back office, headquarters, research and development, and technology companies that will employ a significant number of people with above average salaries. These types of companies will provide the payroll and needed traffic to attract future restaurants, niche stores, and housing to the downtown area. The fund will give priority to these uses and potential amounts will be greater.
2. Upscale Restaurants and Unique Eateries: Our second priority based on a defined need in the City of Danville and the Central Business District and Tobacco Warehouse District is an upscale restaurant and unique eatery. We will consider participating with a restaurant based on fully researching the company's business

plan and financial wherewithal. It will be highly preferred that the company owns the building rather than leases it.

3. Noncompeting Niche Retailers: Our third priority will be the consideration of providing funds to niche retailers that will neither compete directly with any other current business in Danville nor relocate a business within the city limits. The Office of Economic Development will be responsible for assuring the retailer does not directly compete with other retailers and the business has a good plan for long-term stability in the market. We will also need to examine the company's business plan and financial strength before considering any funding.

The Utility Department is currently conducting its biennial rate study for the City's water, wastewater, gas, and electric utilities. Subsequent recommendations concerning changes to rates will be made to City Council based upon results of the rate study.

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, 78,000 of the meters have been installed with an expected completion of the installation process by November 1, 2010. Fine tuning of the AMI system will be completed by year end and full functionality should be realized by January 1, 2011.

The Electric Fund 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 2010, several milestones have been accomplished: completion of a four-mile transmission line to provide a two-way feed into the Airside Substation; completion of the new Tunstall Substation; and completion of the Cane Creek Substation. Development of the Third Delivery Point is progressing with an expected completion in December 2010. The two new substations along with the expansion of an additional substation and the development of a third delivery point will provide approximately 100 megawatts of much needed additional capacity on the electric system.

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 \$894,683.80 in 2010, which was passed on to our customers.

Construction efforts concentrated on Economic Development areas and infrastructure improvements by installing both water and gas lines on Park Avenue Extension, upgrading supply lines which will connect to the new Robertson Bridge, upgrading service lines to JTI Tobacco, and starting the extension of water and gas to the new section of Franklin Turnpike. Infrastructure improvements included completion of phase 9 of the gas pipeline replacement program along with various short sections of pipeline replacement which were completed by our in-house crews. Using the Water Distribution System Hydraulic Analysis, in-house crews began replacing water lines starting with undersized galvanized piping.

In FY 2010, a new monitoring system was installed at each of the ten water system pump stations. The system tracks power outage, flow, pump operation in use, run times, pump

starts, signal transmission, station access, and high liquid level. This system is internet-based and can be accessed from any computer with the correct identification and password. It is designed to reduce after-hour calls and minimize repair time. Other significant projects in progress at the plant include: new variable speed drives for the six influent pumps, design of plant improvements to convert to conventional activated sludge treatment (operation and maintenance costs to be reduced), and installation of a new liner for the diversion basin and new pumps and valves at the Airside Pump Station.

A major focus in 2010 was the nDanville fiber to the home (FTTH) project that was originally included in the 2011 bond projects. City Council decided not to proceed with the project as presented and the project will be revamped and brought back to City Council at a later date. The original project called for borrowing \$2.5 million to build out to one or more residential neighborhoods with approximate total of 2,000-3,000 homes. The revamped FTTH project would use funds available in the current budget and be sized accordingly. Approximately \$300,000 is left from the debt service repayment of the original project that could be used towards a 500-750 home area. The "pay-as-you-go" concept will be evaluated each year.

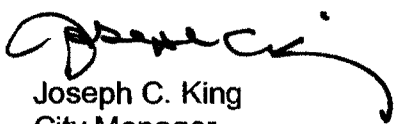
### **Awards and Acknowledgements**

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Danville for its Comprehensive Annual Financial Report (CAFR), for the fiscal year ended June 30, 2009. This was the twenty-fourth consecutive year the City of Danville has received this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized Comprehensive Annual Financial Report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

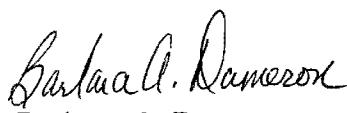
A Certificate of Achievement is valid for a period of one year. We believe that our current Comprehensive Annual Financial Report continues to meet the Certificate of Achievement Program's requirement, and we are submitting it to the GFOA to determine its eligibility for another certificate.

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

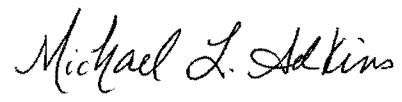
Respectfully submitted,



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, 2009

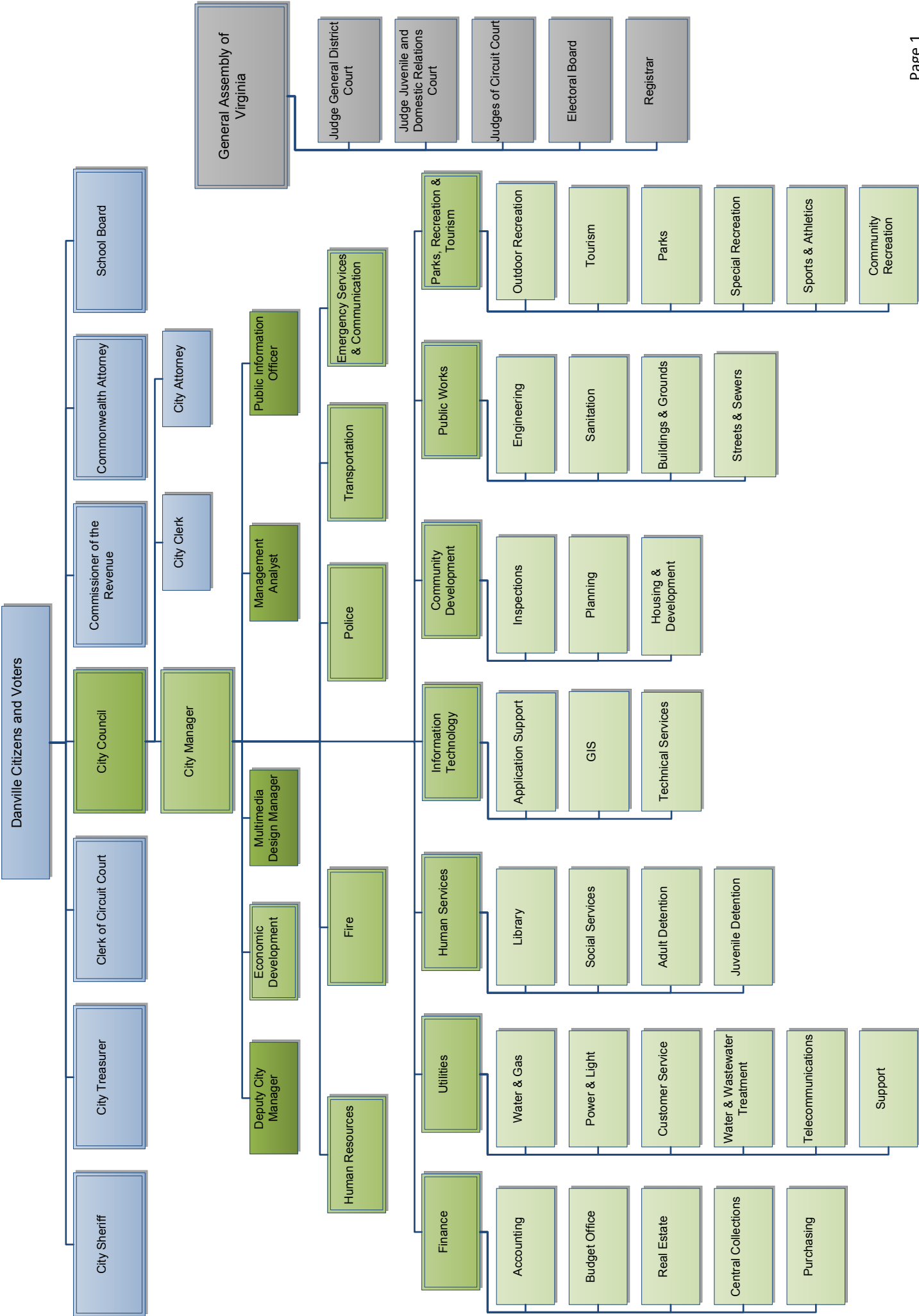
A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards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

Ruby B. Archie

T. David Luther

Albert K. "Buddy" Rawley Jr.

T. Wayne Oakes  
Vice Mayor

L. G. "Larry" Campbell Jr.

Gary P. Miller

Fred O. Shanks III

Adam J. Tomer

**LEGISLATIVE STAFF**

W. Clarke Whitfield Jr.

Annette Y. Crane

City Attorney

City Clerk

**ADMINISTRATIVE OFFICIALS**

Joseph C. King

Cynthia L. Thomasson

Jeremy A. Stratton

Marc D. Adelman

Barbara A. Dameron

Richard Drazenovich

Gwendolyn M. Edwards

Kenneth C. Gillie Jr.

Inez J. Harville

David R. Eagle

Philip A. Broadfoot

Sara B. Weller

Bernard "Buster" Brown

William O. Sgrinia

R. B. Sloan

City Manager

Budget Director

Director of Economic Development

Director of Transportation Services

Director of Finance

Director of Public Works

Director of Human Services

Interim 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**

James Dooley

W. H. "Bill" Fuller

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

Malcom W. Huckabee

Rebecca L. Bolton

Edward C. Polhamus  
Vice Chairman

O. Renee' Hughes

Dr. Philip W. Campbell

Millie Dunston

### **ADMINISTRATIVE OFFICIALS**

Dr. Sue B. Davis

Dr. Kathy J. Osborne

Carrie H. Merricks

Dr. Juliet C. Jennings

Andrew W. Tyrrell

Superintendent

Assistant Superintendent for  
Administrative Services

Clerk of School Board

Assistant Superintendent for Human  
Resource Services

Assistant Superintendent for  
Instruction

## **EMPLOYEES' RETIREMENT SYSTEM OFFICIALS**

### **BOARD OF TRUSTEES**

#### City Employee Members

Carolyn B. Evans  
Chairman

Kenneth D. Fitzgerald  
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, 2010



Certified Public Accountants  
Specialized Services  
Business Solutions

## 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, 2010, which collectively comprise the **City of Danville, Virginia's** basic financial statements as listed in the table of contents. These financial statements are the responsibility of the **City of Danville, Virginia's** management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America; and *Specifications for Audits of Counties, Cities and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards and specifications require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the **City of Danville, Virginia** as of June 30, 2010, 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 11, 2010 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 and budgetary comparison information and the budgetary information 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 made for the purpose of forming opinions on the financial statements that collectively comprise the **City of Danville, Virginia's** basic financial statements. The information identified as the Other Supplementary Information section, the Single Audit Section, and the Legal Debt Margin Information in the Statistical Section of the accompanying table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements of the **City of Danville, Virginia**. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements, and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

*Goodman + Company, LLP*

Danville, Virginia  
November 11, 2010



# **CITY OF DANVILLE, VIRGINIA**

Management's Discussion and Analysis (MD&A)

Required Supplementary Information  
(RSI)

For the Year Ended June 30, 2010

## **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 \$383,987,191 (total net assets - government-wide). Of this amount, \$95,771,896 (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, 2010 were \$281,371,852, an increase of \$14,142,792 from net assets of \$267,229,060 reported at June 30, 2009. Net assets of \$47,102,049 are reported as unrestricted, a \$12,496,140 increase from unrestricted net assets reported at June 30, 2009.
- As of June 30, 2010, the City's governmental activities for government-wide statements reported net assets of \$102,615,339, an increase of \$9,110,986 over the beginning net assets of \$93,504,353. Net assets of \$48,669,847 at June 30, 2010, 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 \$46,652,069, an increase of \$2,315,304 in comparison to the fund balance reported at June 30, 2009 of \$44,336,765. Fifty-six percent of the total fund balance at June 30, 2010, \$26,114,561, is available for spending at the government's discretion (unreserved fund balance).
- At the end of the current fiscal year, the unreserved fund balance for the General Fund was \$26,107,235, or twenty-eight 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 \$55,963,270 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 an unreserved fund balance of \$26,114,561 and a reserved fund balance of \$20,537,508. Government-wide net assets for governmental activities report total restricted assets of \$10,668,601 and unrestricted net assets of \$48,669,847. The conversion from the unreserved fund balance to unrestricted net assets can be shown as follows:

Unreserved fund balance (fund statement)	\$ 26,114,561
Deferred revenue for fund statements no longer deferred for government-wide	13,400,690
Internal Service Funds noncapital assets merged into governmental activities for government-wide statements	4,573,813
Workers' compensation, accrued interest, and other compensated absences	(5,719,614)
Encumbrances not restricted externally	7,287,327
Group Health, and OPEB related funds, restricted only for fund statements	<u>3,013,070</u>
Unrestricted net assets – per government-wide governmental activities	<u>\$ 48,669,847</u>

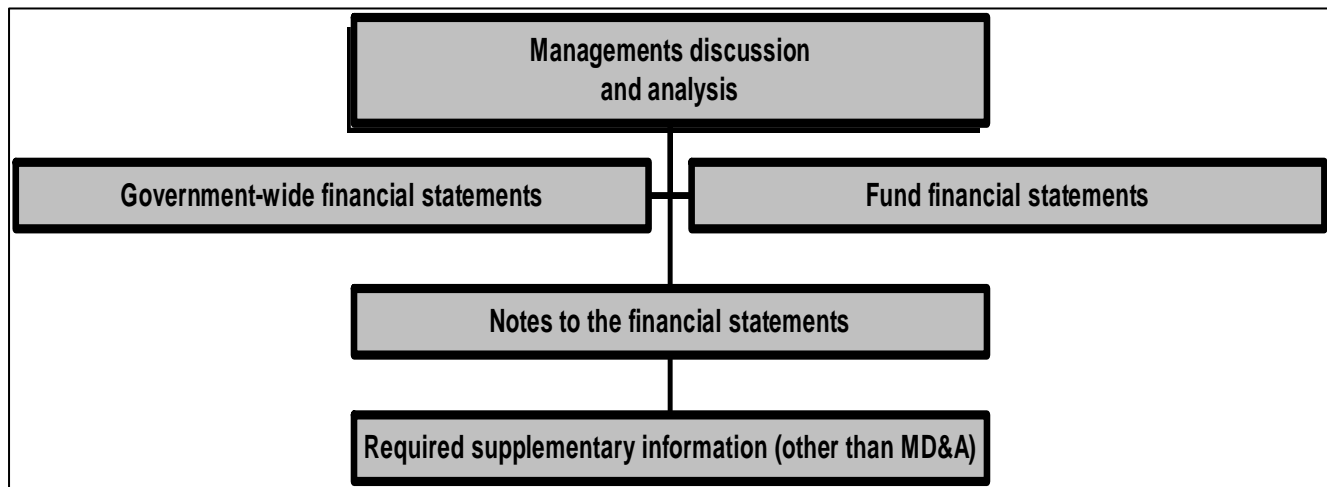
The conversion from reserved fund balance to restricted net assets can be shown as follows:

Reserved fund balance (fund statement)	\$ 20,537,508
Reserved for OPEB Liability	(750,000)
Group Health funds, restricted for fund statements	(1,831,580)
Encumbrances that do not meet GASB Statement 34 definition of restricted	<u>(7,287,327)</u>
Restricted net assets - governmental activities	<u>\$ 10,668,601</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, 2010. 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, 2010

	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
Current and Other Assets	\$ 73,747,504	\$ 71,585,592	\$ 99,943,746	\$ 94,717,075	\$ 173,691,250	\$ 166,302,667
Capital Assets	71,351,621	66,803,050	255,478,423	234,691,338	326,830,044	301,494,388
Total Assets	\$ 145,099,125	\$ 138,388,642	\$ 355,422,169	\$ 329,408,413	\$ 500,521,294	\$ 467,797,055
Long-Term Liabilities Outstanding	\$ 33,443,293	\$ 35,694,249	\$ 58,945,120	\$ 47,924,330	\$ 92,388,413	\$ 83,618,579
Other Liabilities	9,040,493	9,190,040	15,105,198	14,255,023	24,145,691	23,445,063
Total Liabilities	\$ 42,483,786	\$ 44,884,289	\$ 74,050,318	\$ 62,179,353	\$ 116,534,104	\$ 107,063,642
Net Assets:						
Invested in Capital Assets, Net of Related Debt	\$ 43,276,891	\$ 37,094,092	\$ 197,322,894	\$ 190,621,794	\$ 240,599,785	\$ 227,715,886
Restricted for Cemetery Maintenance	2,606,597	2,569,222	-	-	2,606,597	2,569,222
Restricted for Capital Projects	6,934,477	6,479,604	36,946,909	42,001,357	43,881,386	48,480,961
Restricted for Special Programs	439,347	470,193	-	-	439,347	470,193
Restricted for Debt Service	688,180	688,291	-	-	688,180	688,291
Unrestricted	48,669,847	46,202,951	47,102,049	34,605,909	95,771,896	80,808,860
Total Net Assets	\$ 102,615,339	\$ 93,504,353	\$ 281,371,852	\$ 267,229,060	\$ 383,987,191	\$ 360,733,413

The City's combined net assets at June 30, 2010 of \$383,987,191, represents an increase of \$23,253,778 from combined net assets at June 30, 2009. Twenty-five percent of total net assets (\$95,771,896) is unrestricted and available for providing services to the citizens of the City of Danville and satisfying creditors. Sixty-three percent of total net assets is invested in capital assets (land, buildings, machinery, and equipment); less any related outstanding debt used to acquire these assets. These assets are used in providing services to the citizens; consequently, these assets are not available for future spending. Although the City of Danville's investment in capital assets is reported net of related outstanding debt, it should be noted that the resources needed to repay this debt must be provided from other sources. Eleven 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 (\$3,734,124)

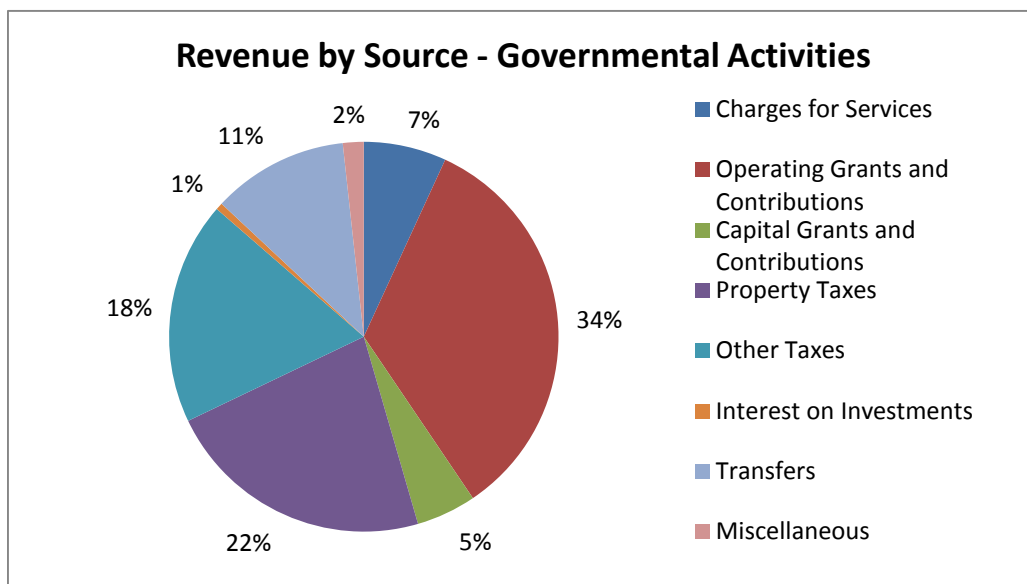
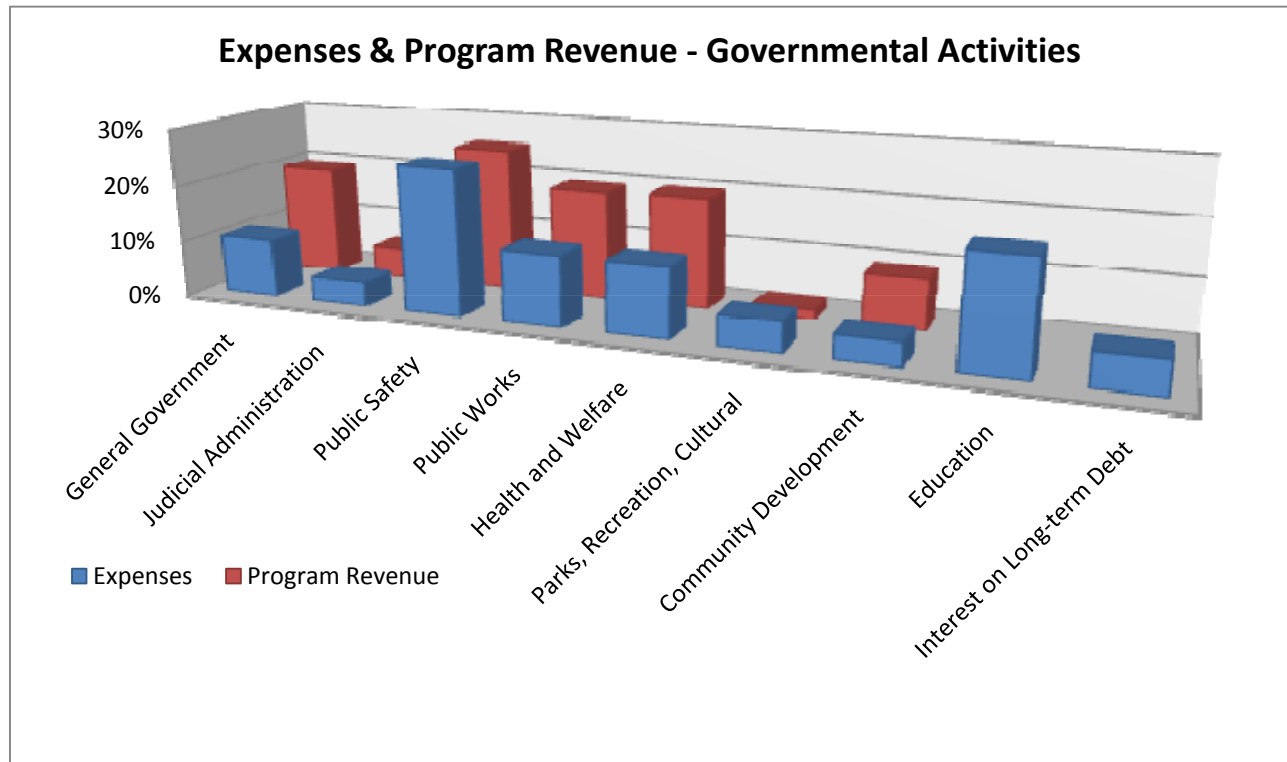
is restricted for other special projects (grants), debt service, net pension assets, and the perpetual care of the municipal cemetery. The composition of fund balance at June 30, 2009 was as follows: Unrestricted net assets - 22%, Invested in Capital Assets net of related debt – 63%, Restricted for Capital Projects – 14% (Invested in Capital Assets and Restricted for Capital Projects combined - 77%), and the remaining 1% was restricted for other purposes. Despite the economic stresses locally, the City of Danville reported positive balances in all three categories of net assets for the government as a whole. Unrestricted 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, 2010

	Governmental Activities		Business-type Activities		Total Primary Government	
	2010	2009	2010	2009	2010	2009
Revenues:						
Program Revenues:						
Charges for Services	\$ 8,120,539	\$ 7,158,680	\$ 155,032,610	\$ 153,470,611	\$ 163,153,149	\$ 160,629,291
Operating Grants and Contributions	39,784,055	43,012,678	826,340	500,537	40,610,395	43,513,215
Capital Grants and Contributions	5,887,846	6,580,922	1,524,609	2,317,309	7,412,455	8,898,231
General Revenues:						
Real Estate and Personal Property	26,464,571	26,487,289	-	-	26,464,571	26,487,289
Other Taxes (See Exhibit B for detail)	21,834,771	20,696,493	-	-	21,834,771	20,696,493
Interest on Investments	683,469	1,327,296	1,440,386	2,023,614	2,123,855	3,350,910
Miscellaneous	2,044,711	5,260,402	2,510,911	2,698,079	4,555,622	7,958,481
Total Revenues	<u>\$ 104,819,962</u>	<u>\$ 110,523,760</u>	<u>\$ 161,334,856</u>	<u>\$ 161,010,150</u>	<u>\$ 266,154,818</u>	<u>\$ 271,533,910</u>
Expenses:						
General Government	\$ 11,190,407	\$ 17,366,229	\$ -	\$ -	\$ 11,190,407	\$ 17,366,229
Judicial Administration	4,677,118	4,680,120	-	-	4,677,118	4,680,120
Public Safety	27,905,805	27,871,098	-	-	27,905,805	27,871,098
Public Works	13,746,621	18,044,882	-	-	13,746,621	18,044,882
Health and Welfare	13,662,743	14,011,832	-	-	13,662,743	14,011,832
Parks, Recreation, and Culture	5,831,486	5,834,463	-	-	5,831,486	5,834,463
Community Development	4,429,763	4,127,674	-	-	4,429,763	4,127,674
Education (payment to school district)	21,190,425	19,762,967	-	-	21,190,425	19,762,967
Interest on Long Term Debt	6,447,064	6,988,805	-	-	6,447,064	6,988,805
Wastewater	-	-	6,912,126	6,696,533	6,912,126	6,696,533
Water	-	-	5,676,850	5,299,264	5,676,850	5,299,264
Gas	-	-	21,633,916	29,694,406	21,633,916	29,694,406
Electric	-	-	92,884,951	84,712,087	92,884,951	84,712,087
Transportation	-	-	1,423,951	1,431,124	1,423,951	1,431,124
Telecommunication	-	-	802,516	766,088	802,516	766,088
Sanitation	-	-	3,674,045	3,506,276	3,674,045	3,506,276
Cemetery Operations	-	-	811,253	882,616	811,253	882,616
Total Expenses	<u>\$ 109,081,432</u>	<u>\$ 118,688,070</u>	<u>\$ 133,819,608</u>	<u>\$ 132,988,394</u>	<u>\$ 242,901,040</u>	<u>\$ 251,676,464</u>
Subtotal Revenue over Expenses	<u>\$ (4,261,470)</u>	<u>\$ (8,164,310)</u>	<u>\$ 27,515,248</u>	<u>\$ 28,021,756</u>	<u>\$ 23,253,778</u>	<u>\$ 19,857,446</u>
Transfers	13,372,456	13,361,141	(13,372,456)	(13,361,141)	-	-
Increase in Net Assets	9,110,986	5,196,831	14,142,792	14,660,615	23,253,778	19,857,446
Beginning Net Assets	<u>93,504,353</u>	<u>88,307,522</u>	<u>267,229,060</u>	<u>252,568,445</u>	<u>360,733,413</u>	<u>340,875,967</u>
Ending Net Assets	<u>\$ 102,615,339</u>	<u>\$ 93,504,353</u>	<u>\$ 281,371,852</u>	<u>\$ 267,229,060</u>	<u>\$ 383,987,191</u>	<u>\$ 360,733,413</u>

## **Governmental Activities**

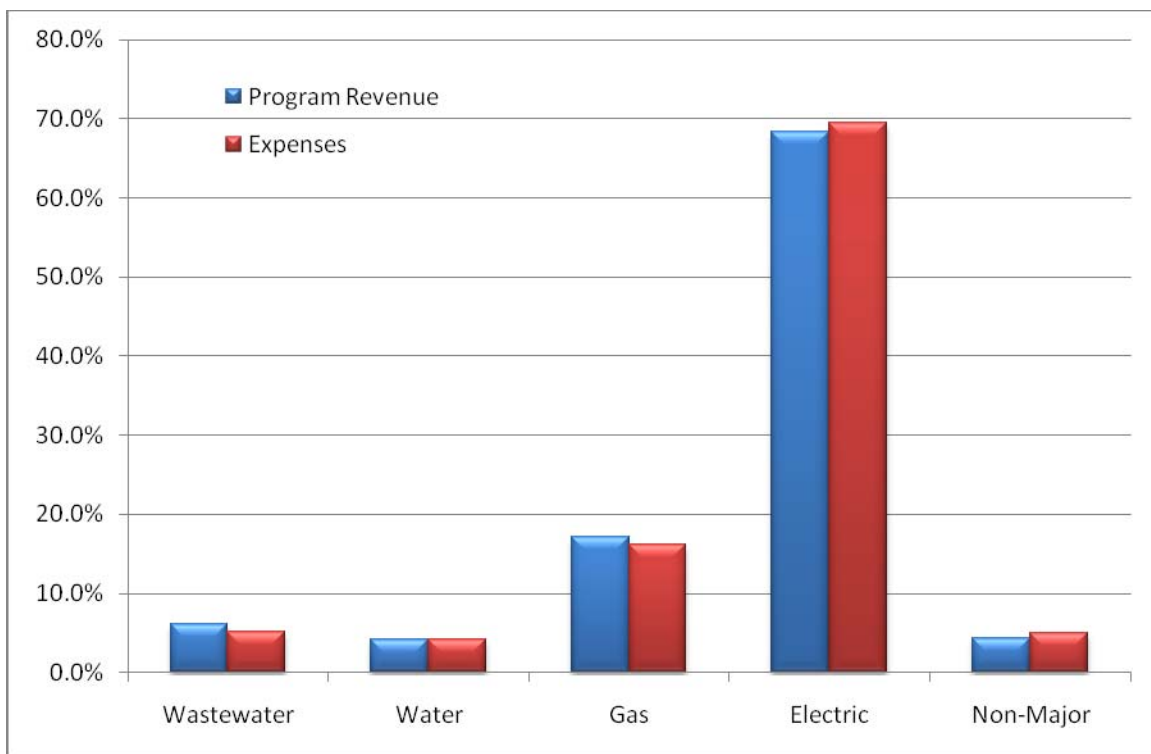
Governmental activities increased the City of Danville's net assets by \$9,110,986. Revenues (including transfers) from governmental activities totaled \$118,192,418, with Property Taxes 22%, Other Taxes 18%, Operating Grants and Contributions 34%, and Transfers 11%, representing 85% of the City's revenues. Expenses for governmental activities totaled \$109,081,432, of which 49% was supported from program revenues and the remaining 51% from general revenues. Expenses for Public Safety 26%, Education 19%, Health & Welfare 13%, General Government 10%, Public Works 12%, and Interest on Long-Term Debt 6% make up 86% of the total governmental expenses for the fiscal year.



## **Business-type Activities**

Business-type activities increased the City's net assets by \$14,142,792 compared to last year's increase in net assets of \$14,660,615. At June 30, 2010, total net assets were \$281,371,852 of which \$36,946,909 was restricted for capital improvement projects and \$47,102,049 was unrestricted. GASB Statement 34 requires that restricted assets have external restrictions imposed (grantors, contributions, and debt covenants). Revenues for business-type activities were \$161,334,856 of which 96% 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 31.

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 \$46,652,069, an increase of \$2,315,304 when compared with the combined fund balance at June 30, 2009 of \$44,336,765. The fund balance in the Capital Projects Fund, also known as Construction In Progress (CIP), increased \$454,873. Of the \$9,675,492 expended in the CIP fund, \$4,832,842 was expended in economic development. Funds of \$1,877,067 were expended for streets and parking lot improvement and construction. \$2,334,640 was expended for improvements to various public buildings, facilities, and equipment, school expansion, and information technology upgrades, and \$414,389 was expended for improvements at the municipal airport.

Fifty-six percent (\$26,114,561) of the combined governmental funds balance is unreserved fund balance, which is available for spending at the government's discretion. The remaining forty-four percent (\$20,537,508) of combined fund balance is reserved and not available for new spending, because it has already been committed to encumbrances (\$4,339,385); perpetual care of the municipal cemetery (\$2,606,597); debt service (\$688,180); prepaid expenses (\$257,442); health insurance and other post-employment benefits (\$2,581,580); and specific projects (\$10,064,324).

The General Fund, which is the chief operating fund of the City, reports a combined fund balance at June 30, 2010 of \$35,979,844. This is an increase of \$1,814,809 compared to last year's fund balance of \$34,165,035. The General Fund reported an unreserved fund balance of \$26,107,235, an increase of \$1,379,120 from the June 30, 2009 unreserved fund balance of \$24,728,115. The ability of the General Fund to generate cash on demand can be calculated by comparing both the unreserved fund balance and total fund balance to total funds expended. Unreserved fund balance represents 28% of total General Fund expenditures while total fund balance represents 39% of total fund expenditures. When transfers out of \$6,973,893 are added to expenditures, then unreserved fund balance is 26% percent of expenditures and transfers out. The following table represents General Fund support shown as transfers out:

Support of CIP Projects	\$4,284,550
Support of Regional Authority	1,427,241
Support of Grants	1,074,588
Support of Cemetery	21,333
Support of Transportation	166,181
	<hr/>
	\$6,973,893

The increase in fund balance of \$1,814,809 resulted from \$9,173,909 unexpended budgeted expenditures and \$321,374 unrealized revenue; offset by \$215,684 in unexpended transfers out; prior year encumbrance carryforwards of \$6,215,449; and \$1,037,961 in supplemental appropriations from fund balance.

Some key factors of unexpended appropriations are as follows:

- City Support of Public Schools had an unexpended balance of \$5,612,688. The unencumbered portion of this amount is reserved as a carryforward for fiscal 2011.
- City-wide savings in salaries of nearly \$1,000,000 were realized through vacancies in the General Fund.
- The remaining savings of more than \$2,500,000 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 2010.

Some key factors of the net unrealized revenue are as follows:

- General Property Tax collections were \$1,879,685 over budget. The primary components of this variance exist in the following areas:

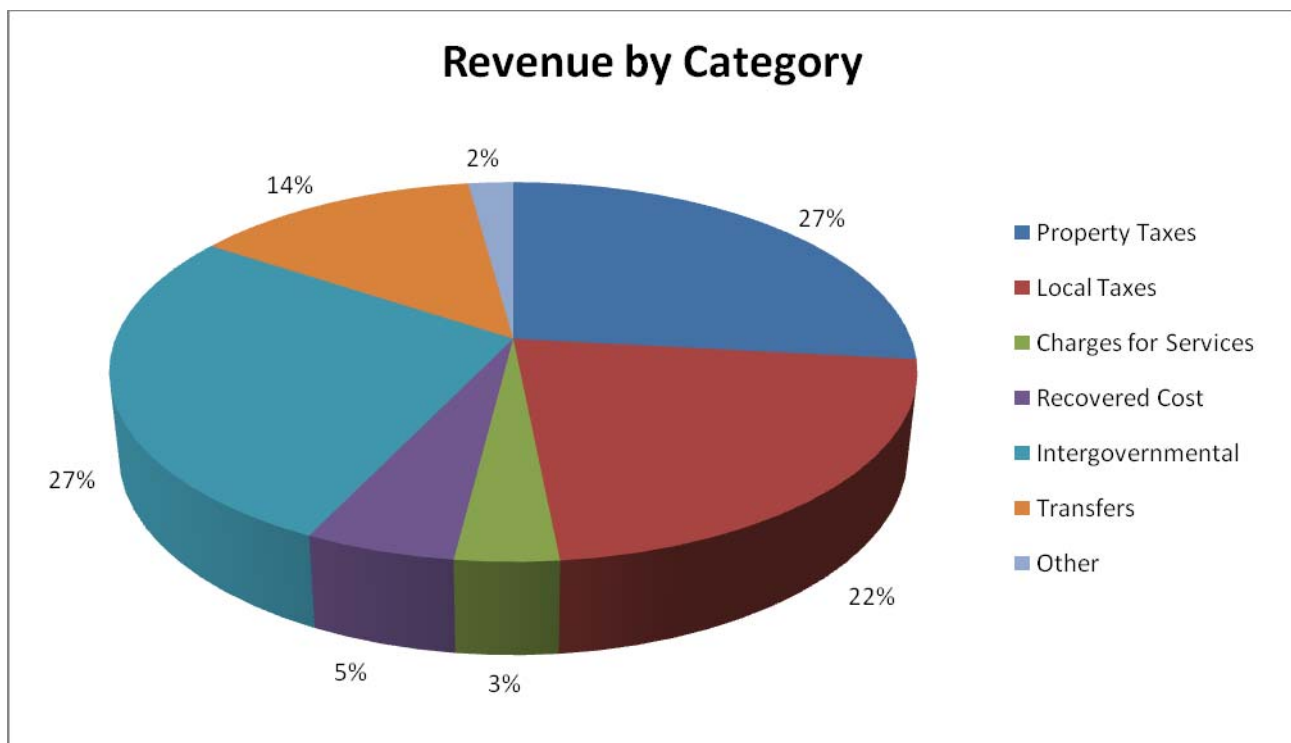
Real Estate	\$	803,832
Personal Property	\$	984,592
Public Service	\$	16,528
Penalties & Interest	\$	74,733

- Real Estate realized additional revenues due to increased efforts in collecting delinquent taxes. This is also reflected in increased collections of penalty and interest. Personal property tax revenues exceeded budget because of increased collections in machinery and tools taxes, as well as improved collection of delinquencies through the DMV stop program.
- Other Local Taxes exceeded the final budget of \$21,801,375 by \$33,396. FY 2010 marked increases in two local tax rates. The lodging tax was doubled, from 3% to 6%, effective July 1, 2009. There was also a 20% increase to the prepared meals tax rate, from 5% to 6% effective July 1, 2009. Negative budget variances in sales tax, prepared meals tax, and lodging taxes resulted from the sluggish economy, but were covered by surpluses in bank stock taxes and motor vehicle license fees. Local Sales Taxes were collected at 99.5% of budget, Business Licenses were collected at 100% of budget, Hotel Taxes were at 86% of budget, and Prepared Meals Tax collections also fell below estimates at 98% of budget. Areas contributing to the budget variance include:

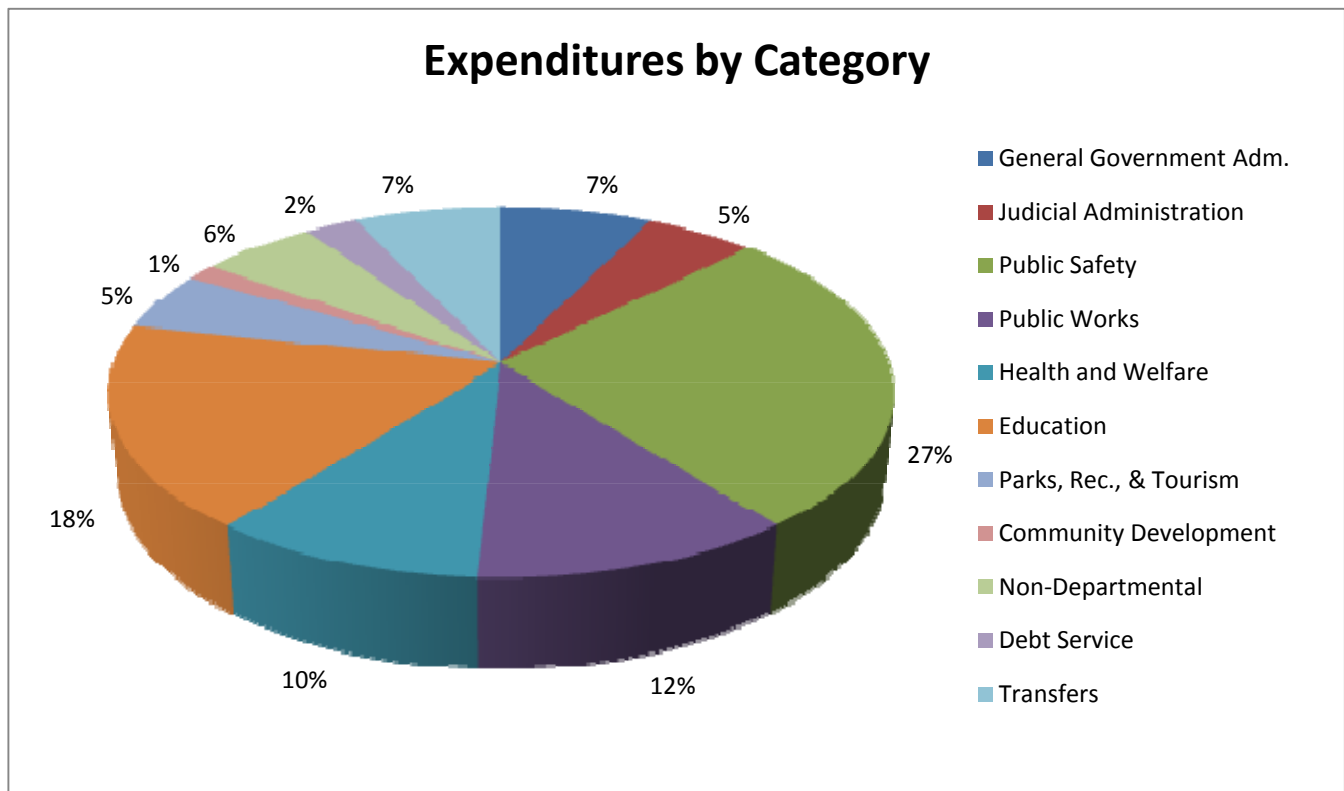
Bank Stock Taxes	\$	198,353
Prepared Meals Tax	\$	(153,491)
Motor Vehicle License Fees	\$	159,830
Lodging Taxes	\$	(107,769)
Others	\$	(63,527)

- Charges for services fell short of budget by \$315,259. This resulted from decreases in correction and detention collections at the City jail and adult detention center.
- Revenue from the Commonwealth of Virginia was significantly under budget as the Virginia General Assembly made dramatic cuts to locality support. Welfare was under budgeted amounts by \$701,298, while support of constitutional offices fell \$519,132 below budget. VDOT revenues were also under by \$311,937. The total effect on intergovernmental revenue was a shortfall of \$2,019,331.
- Revenue from Use of Money and Property fell short of budget by \$209,943 because of depressed interest rates. Actual cash receipts of interest were \$749,129, combined with a market value loss of \$63,732.

The following graph depicts General Fund revenue by categories as a percent of total revenues for fiscal year ending June 30, 2010. Total revenues are \$100,580,449, including transfers in of \$13,632,000.



The next graph shows General Fund expenditures by category as a percent of total expenditures for fiscal year ending June 30, 2010. Total expenditures are \$98,765,640, including transfers out of \$6,973,893.



### **Enterprise Funds**

Enterprise funds reported combined ending net assets of \$281,371,852; an increase of \$14,142,793 compared to combined net assets reported at June 30, 2009. Each of the following enterprise funds contributed to this increase: Electric Fund, 46% or \$6,474,694; Water Fund, 2% or \$244,863; Wastewater Fund, 17% or \$2,389,717; Gas Fund, 34% or \$4,777,055; Telecommunications Fund, 3% or \$364,324; and the Transportation Fund, 1%, or \$75,149. A decrease in net assets was reported in the Sanitation Fund, \$183,009. The fund balance of the Cemetery Operations Fund remained unchanged at \$0.

Revenues from all sources combined, including contributed capital and transfers in, increased \$2,287,795 in fiscal year ended June 30, 2010 compared to fiscal year ended June 30, 2009. The details of this net increase in revenue result from the following:

Charges for Services	\$	1,605,789
Gain (Loss) on Fixed Assets and Hedges	\$	3,095,310
Contributed Capital	\$	(741,897)
Interest Income	\$	(656,303)
Recoveries & Rebates	\$	(909,604)
Sales/Jobbing/Rental/Transfers/Inkind/Grants	\$	(105,500)

Charges for Services increased in the Electric Fund \$7,298,530, reflecting the unusual sustained cold temperatures experienced during the past winter. Likewise, the cost of purchased power rose proportionately. There were no increases in utility rates during FY 2010. A decrease of \$5,395,316 in gas revenue resulted from the loss of industrial consumption. The Water and Wastewater Funds remained fairly constant with a combined decrease of \$244,124 related to a decrease in consumption. Non-major Funds (Transportation, Sanitation, Cemetery, and Telecommunication) were fairly stable with a combined decrease of \$53,301.

The increase in Gain on Fixed Assets and Hedges reflects a gain recorded as gas hedges were adjusted to fair market value at June 30, 2010. These hedges will be used in the heating season of 2011, 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. Income before transfers for all enterprise funds combined remained constant with the prior year, increasing by \$235,390.

The Utilities contributed \$13,632,000 in transfers to the General Fund for fiscal year ending June 30, 2010. Enterprise Funds' net assets of \$281,371,852 include \$47,102,049 unrestricted, \$36,946,909 restricted for incomplete projects, and \$197,322,894 invested in capital assets, net of related debt.

## **General Budgetary Highlights**

City of Danville  
General Fund Budget  
Year Ended June 30, 2010

	Original Budget	Amended Budget	Actual
Revenues, Transfers, and Other Financial Sources			
Taxes	\$46,804,375	\$46,820,275	\$48,733,356
Intergovernmental	29,364,451	29,383,709	27,364,378
Other	24,584,267	24,697,839	25,952,872
Total	100,753,093	100,901,823	100,580,449
Expenditures, Transfers, and Other Financial Uses			
Expenditures	94,393,082	100,965,656	91,791,747
Transfers and other	6,360,011	7,189,577	6,973,893
Total	100,753,093	108,155,233	98,765,640
Change in Fund Balance	\$ 0	\$(7,253,410)	\$1,814,809

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 \$6,215,449 and additional appropriations totaling \$1,186,691. \$148,730 of the additional appropriations had matching revenues and the remaining \$1,037,961 was appropriated from fund balance, represented as follows:

Appropriations with matching revenue:

Police – Forfeited Funds	\$ 4,413
Fire Grants and Donations	\$ 11,798
Juvenile Detention – Electronic Monitoring	\$ 112,137
City Library – Private Donation	\$ 170
Hazardous Material Response	\$ 2,812
Project Lifesaver	\$ 1,500
DMV Stop Administrative Fees	\$ 15,900

Appropriations from fund balance:

New Fire / EOC Station	\$ 700,000
Mega Park Debt Service	\$ 337,961

Revenues fell short of budget primarily because of the cuts in funding from the Commonwealth of Virginia. This negative budget variance was offset by strong performance in tax collection. 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 2011 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, 2010, the City of Danville's capital assets investment for its governmental and business-type activities amounts to \$326,830,044 (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 6 in the notes to the financial statements.

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

- Acquisitions of land related to the new fire station headquarters were executed during fiscal year 2010. Current year expenditures for land totaled \$143,863. The site development for this project is well underway.
- Economic development incentives totaling \$3,510,210 were granted to White Mill, Inc., Riverside Roof Truss, Inc., Batolli Sports, Com40, Inc., JTI Leaf Services LLC, Blue Ridge Fiberboard, Inc., and EcomNets. Each of these businesses has recently made Danville its home, encouraging the local economy and creating numerous jobs.
- Improvements in the amount of \$3,456,166 were made to the City's infrastructure such as streets, parking lots, and various public buildings and facilities during the fiscal year. Of this amount, \$459,000 was spent to improve the Crossing at the Dan, a venue for arts and culture.

City of Danville  
Capital Assets (net of depreciation)  
June 30, 2010

	Governmental Activities	Business-type Activities	Total
Land	\$ 15,281,152	\$ 1,327,361	\$ 16,608,513
Building & Improvements	23,249,188	184,609,670	207,858,858
Machinery & Equipment	4,941,263	29,883,236	34,824,499
Infrastructure	7,867,768	-	7,867,768
Construction in Progress	6,575,309	39,658,156	46,233,465
Subtotal	57,914,680	255,478,423	313,393,103
Assets Transferred from School Board	13,436,941	-	13,436,941
Total	\$ 71,351,621	\$ 255,478,423	\$ 326,830,044

### **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 \$77,502,261, capital lease revenue bonded debt of \$7,651,911, and notes payable of \$2,888,748 for a total of \$88,042,920.

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

	Governmental Activities		Business-type Activities		Total	
	2009-10	2008-09	2009-10	2008-09	2009-10	2008-09
General Obligation Bonds	\$ 21,223,853	\$ 22,068,904	\$ 52,266,777	\$ 40,766,777	\$ 73,490,630	\$ 62,835,681
Revenue Bonds	-	-	4,011,631	4,575,890	4,011,631	4,575,890
Capital Lease Revenue Bonds	7,651,911	8,535,747	-	-	7,651,911	8,535,747
Notes Payable	-	-	2,888,748	3,000,000	2,888,748	3,000,000
Total	<u>\$ 28,875,764</u>	<u>\$ 30,604,651</u>	<u>\$ 59,167,156</u>	<u>\$ 48,342,667</u>	<u>\$ 88,042,920</u>	<u>\$ 78,947,318</u>

Notes payable is comprised an inter-fund loan between Electric, Gas, and Wastewater. The inter-fund loan balance was \$2,888,748 at June 30, 2010. The lease-revenue bonds cover three items: (1) addition and renovation to the courts and jail, (2) expansion of the juvenile detention home, and (3) renovation of the Social Services building, which houses the Social Services departments.

During the 2010 fiscal year, the City made principal payments of \$2,798,146. Principal payments in fiscal year 2010 were significantly lower than prior years due to the issuance of general obligation refunding bonds in 2009 which deferred the first principal payment until March 2012. A new debt issue of \$12.005 million in general obligation bonds occurred in the utility funds. This was done to finance the capital costs for improving utility infrastructure and the renovation of the utility operation center.

At the time of the City's last bond rating review, we received an "A3" rating from Moody's for general obligation and revenue bond debt. The City of Danville's debt management policy states total general obligation net debt will not exceed 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, 2010, net debt for the City of Danville was 1.81%.

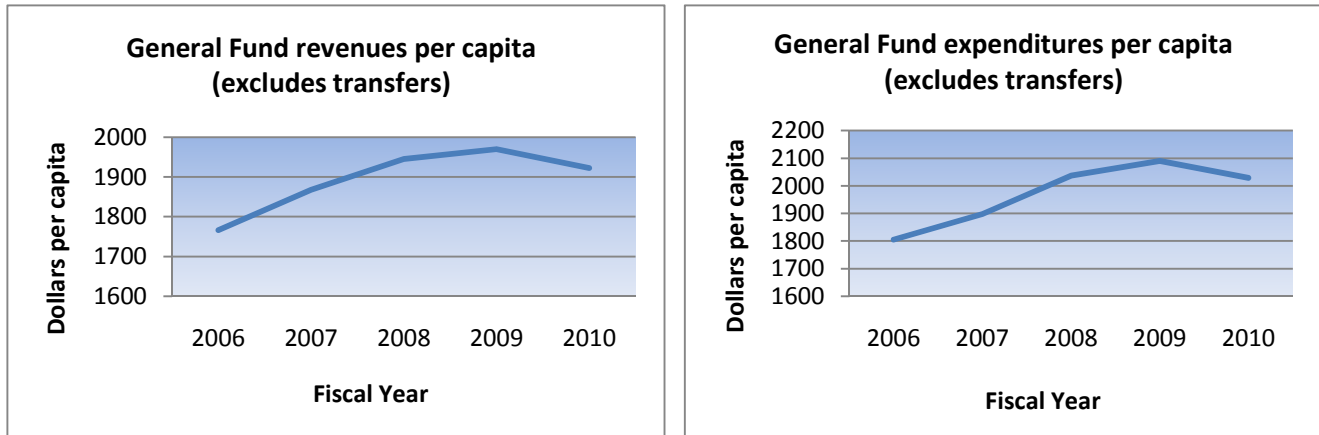
Additional information on the City of Danville's long-term debt can be found in note 8 of the notes to the financial statements.

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

- As of September 30, 2010, the average unemployment rate for the City of Danville was 12.6 percent, which is a decrease from a rate of 13 percent at September 30, 2009. This compares to the Commonwealth's average unemployment rate of 6.5 percent and the national average rate of 9.2 percent.
- Danville continues to make economic development a priority in its effort to reduce unemployment. From January 2009 to September 2010, the City has announced 782 new jobs and capital investments of \$448.5 million. For fiscal year 2011, the City's budget includes \$747,850 in economic development incentives.
- During fiscal year 2009-2010, management's continued goal is 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. The real estate tax rate was decreased from \$0.77 to \$0.73 per \$100 for fiscal 2008-2009. Lodging tax rates were doubled, from 3% to 6% for the fiscal 2009-2010 year. The tax rate for prepared meals was also increased from 5% to 6% for fiscal year 2009-2010. There were no tax rate changes passed in the adoption of the FY 2011 budget.
- Danville has an estimated population of 45,232, based on the 2000 census. Per capita income is \$29,789 for Danville and \$44,224 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 with the recent economic downturn shown over the last 12 months. Although the overall increase in revenue per capita is partially attributable to a declining population, there was a 2% decrease in revenues from 2009 to 2010. Expenditures have increased 11% from 2006 to 2010, demonstrating management's excellent efforts in containing costs despite ever increasing costs of goods and services. Expenditures in FY 2010 decreased about \$2.5 million due to debt refinancing which lowered the debt service requirements. 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, 2010

## STATEMENT OF NET ASSETS

June 30, 2010

	Primary Government			Component
	Governmental	Business-type	Total	Units
	Activities	Activities		
ASSETS				
Cash and investments				
Restricted expendable permanently	\$ -	\$ 29,926,763	\$ 29,926,763	\$ -
Unrestricted	40,590,068	45,536,874	86,126,942	2,094,983
Cash and investments - held by fiscal agents	901,788	-	901,788	1,582,354
Receivables - net	26,680,508	20,126,205	46,806,713	183,031
Due from the City	-	-	-	4,705,498
Due from other governments	4,546,411	790,012	5,336,423	3,829,024
Prepayments	257,442	-	257,442	185,205
Inventories	316,449	3,358,849	3,675,298	847,754
Pension asset	454,838	205,043	659,881	-
Capital assets:				
Land and Construction in Progress	21,856,461	40,985,517	62,841,978	5,994,379
Other capital assets - net	49,495,160	214,492,906	263,988,066	21,247,378
<b>Total assets</b>	<b>\$ 145,099,125</b>	<b>\$ 355,422,169</b>	<b>\$ 500,521,294</b>	<b>\$ 40,669,606</b>
LIABILITIES				
Accounts payable	\$ 2,839,494	\$ 11,288,535	\$ 14,128,029	\$ 478,725
Accrued salaries	152,292	-	152,292	3,902,373
Accrued payroll taxes	-	-	-	298,530
Accrued interest	374,821	777,891	1,152,712	-
Accrued expenses	-	-	-	266,666
Loan escrow	64,163	-	64,163	-
Due to component unit	4,705,498	-	4,705,498	-
Due to other governments	117,669	-	117,669	-
Refundable deposits	169,188	2,733,081	2,902,269	-
Hedging liability	-	305,690	305,690	-
Deferred grant revenue	-	-	-	2,020,472
Unearned revenue	617,368	-	617,368	-
Long-term liabilities:				
Due within one year	4,258,598	2,549,392	6,807,990	2,034,891
Due in more than one year	29,184,695	56,395,728	85,580,423	14,176,584
<b>Total liabilities</b>	<b>\$ 42,483,786</b>	<b>\$ 74,050,317</b>	<b>\$ 116,534,103</b>	<b>\$ 23,178,241</b>
NET ASSETS				
Invested in capital assets - net of related debt	\$ 43,276,891	\$ 197,322,894	\$ 240,599,785	\$ 15,935,501
Restricted for expendable purposes:				
Insurance payments	-	-	-	-
Workmen's compensation	-	-	-	-
Capital projects	6,934,477	36,946,909	43,881,386	-
Special programs	439,347	-	439,347	1,582,354
Debt service	688,180	-	688,180	-
Restricted for nonexpendable purposes:				
Cemetery maintenance	2,606,597	-	2,606,597	-
Unrestricted	48,669,847	47,102,049	95,771,896	(26,490)
<b>Total net assets</b>	<b>\$ 102,615,339</b>	<b>\$ 281,371,852</b>	<b>\$ 383,987,191</b>	<b>\$ 17,491,365</b>

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

CITY OF DANVILLE, VIRGINIA  
STATEMENT OF ACTIVITIES

Exhibit B

Year Ended June 30, 2010

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Charges For Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
					Governmental Activities	Business-Type Activities	Total	Component Units
<b>Primary Government:</b>								
Government activities:								
General government	\$ 11,190,407	\$ 6,838,951	\$ 3,642,845	\$ -	\$ (708,611)	\$ -	\$ (708,611)	\$ -
Judicial administration	4,677,118	717,847	2,182,743	-	(1,776,528)	-	(1,776,528)	-
Public safety	27,905,805	253,638	13,404,125	-	(14,248,042)	-	(14,248,042)	-
Public works	13,746,621	-	9,305,411	1,066,780	(3,374,430)	-	(3,374,430)	-
Health and welfare	13,662,743	-	10,586,084	-	(3,096,659)	-	(3,096,659)	-
Parks, recreation, cultural	5,831,486	310,103	645,063	-	(4,876,320)	-	(4,876,320)	-
Community development	4,429,763	-	37,784	-	429,087	-	429,087	-
Education	21,190,425	-	-	-	(21,190,425)	-	(21,190,425)	-
Interest on long-term debt	6,447,064	-	-	-	(6,447,064)	-	(6,447,064)	-
Total governmental activities	109,091,432	8,120,539	39,784,055	5,887,846	(55,288,992)	-	(55,288,992)	-
<b>Business-type activities:</b>								
Wastewater	6,912,126	9,511,518	-	33,991	-	2,633,383	2,633,383	-
Water	5,676,350	6,490,696	-	5,157	-	809,003	809,003	-
Gas	21,633,916	27,060,176	-	-	-	5,426,260	5,426,260	-
Electric	92,884,951	106,248,337	-	1,210,935	-	14,574,321	14,574,321	-
Nonmajor	6,711,765	5,731,883	826,340	274,526	-	120,984	120,984	-
Total business-type activities	133,819,808	155,032,610	826,340	1,524,609	-	23,563,951	23,563,951	-
Total primary government	242,901,040	163,153,149	40,610,395	7,412,455	(55,288,992)	23,563,951	(31,725,041)	-
<b>Component Units:</b>								
Danville Public Schools	73,445,893	1,085,442	26,324,737	1,386,638	-	-	-	(44,649,076)
Industrial Development Authority	4,556,682	833,470	3,576,083	100,000	-	-	-	(47,129)
Total component units	\$ 78,002,575	\$ 1,918,912	\$ 29,900,820	\$ 1,486,638	-	-	-	(44,696,205)
<b>General Revenues - unrestricted:</b>								
Real estate and personal property taxes					26,464,571	-	26,464,571	-
Other taxes -								
Sales and use taxes					7,662,498	-	7,662,498	-
Business license taxes					4,419,042	-	4,419,042	-
Utility taxes					985,162	-	985,162	-
Hotel and meals taxes					6,629,741	-	6,629,741	-
Recordation and bank stock taxes					978,498	-	978,498	-
Auto license and recordation taxes					1,159,830	-	1,159,830	-
Payments from City of Danville					-	-	-	19,012,211
State aid - unrestricted					-	-	-	26,038,842
Investment income					683,469	1,440,386	2,123,855	8,649
Miscellaneous - gifts and donations					2,044,711	2,510,911	4,555,622	345,375
Transfers - net					13,372,456	(13,372,456)	-	-
Total general revenues, transfers and miscellaneous					64,399,978	(9,421,159)	54,978,819	45,405,077
Change in net assets					9,110,986	14,142,792	23,253,778	708,872
Net assets - beginning of year					93,504,353	267,229,060	360,733,413	16,782,493
Net assets - end of year					\$ 102,615,339	\$ 281,371,852	\$ 383,987,191	\$ 17,491,365

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

## BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2010

	General	Community Development	Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
<b>ASSETS</b>					
Cash and investments	\$ 33,450,194	\$ -	\$ -	\$ 2,606,597	\$ 36,056,791
Cash and investments - held by fiscal agent	841,788	-	-	-	841,788
Receivables - net	-	-	-	-	-
Taxes and licenses	9,878,128	-	-	-	9,878,128
Accounts	836,702	-	10,678,219	-	11,514,921
Accrued interest	404,119	-	-	-	404,119
Loans	-	4,863,078	-	19,516	4,882,594
Due from other funds	4,596,417	-	-	-	4,596,417
Due from other governments	1,953,885	499,237	1,101,177	992,112	4,546,411
Prepayments	-	255,207	2,235	-	257,442
Inventories	187,476	-	-	-	187,476
<b>Total assets</b>	<b>\$ 52,148,709</b>	<b>\$ 5,617,522</b>	<b>\$ 11,781,631</b>	<b>\$ 3,618,225</b>	<b>\$ 73,166,087</b>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>LIABILITIES</b>					
Accounts payable	\$ 1,876,060	\$ 121,458	\$ 616,046	\$ 77,169	\$ 2,690,733
Accrued salaries	152,292	-	-	-	152,292
Loan escrow held for others	-	64,163	-	-	64,163
Due to other funds	-	193,353	4,231,108	171,956	4,596,417
Due to component unit	4,654,315	-	-	51,183	4,705,498
Due to other governments	117,669	-	-	-	117,669
Refundable deposits	169,188	-	-	-	169,188
Deferred revenue	9,199,341	4,799,201	-	19,516	14,018,058
<b>Total liabilities</b>	<b>\$ 16,168,865</b>	<b>\$ 5,178,175</b>	<b>\$ 4,847,154</b>	<b>\$ 319,824</b>	<b>\$ 26,514,018</b>
<b>FUND BALANCES</b>					
Reserved for:					
Encumbrances	2,272,329	28,500	1,354,078	684,478	4,339,385
Cemetery maintenance	-	-	-	2,606,597	2,606,597
Health insurance	1,831,580	-	-	-	1,831,580
OPEB	750,000	-	-	-	750,000
Debt service	688,180	-	-	-	688,180
Specific projects	4,330,520	155,640	5,578,164	-	10,064,324
Prepayments	-	255,207	2,235	-	257,442
Unreserved:					
General fund	26,107,235	-	-	-	26,107,235
Special revenue fund	-	-	-	7,326	7,326
<b>Total fund balances</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>Total liabilities and fund balances</b>	<b>\$ 52,148,709</b>	<b>\$ 5,617,522</b>	<b>\$ 11,781,631</b>	<b>\$ 3,618,225</b>	<b>\$ 73,166,087</b>

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

**Reconciliation of the Governmental Funds Balance Sheet  
to the Statement of Net Assets****June 30, 2010**

<b>Total fund balances - governmental funds</b>	<b>\$</b>	<b>46,652,069</b>
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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	\$ 69,138,680	
Capital assets - internal services	<u>2,212,941</u>	
		71,351,621

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

Unearned revenue	\$ 13,400,690	
Pension asset - governmental funds	436,985	
Pension asset - internal services	17,853	
Accrued interest	<u>(374,399)</u>	
		13,481,129

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	\$ 6,753,264	
Less - capital assets shown above	(2,212,941)	
Less - pension asset- shown above	(17,853)	
Add - long-term debt shown below	<u>51,343</u>	
		4,573,813

Obligations for OPEB is not due and payable in the current period  
and is not recorded as a liability in the governmental funds.

(23,348)

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	\$ (33,368,602)	
Long-term debt - internal services	<u>(51,343)</u>	
		<u>(33,419,945)</u>

**Total net assets-governmental activities****\$ 102,615,339**

*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, 2010

	General	Community Development	Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
<b>REVENUES</b>					
Property taxes	\$ 26,898,585	\$ -	\$ -	\$ -	\$ 26,898,585
Local taxes	21,834,771	-	-	-	21,834,771
Fines and forfeitures	614,983	-	-	-	614,983
Permits, privilege fees, and regulatory licenses	225,791	-	-	-	225,791
Revenue from use of money and property	1,180,927	17,770	132,560	-	1,331,257
Charges for services	3,543,026	-	-	-	3,543,026
Miscellaneous	120,248	379,101	155,480	289,604	944,433
Recovered costs	5,165,740	900	-	-	5,166,640
Intergovernmental	27,364,378	2,158,809	4,200,614	4,139,889	37,863,690
<b>Total revenues</b>	<b>86,948,449</b>	<b>2,556,580</b>	<b>4,488,654</b>	<b>4,429,493</b>	<b>98,423,176</b>
<b>EXPENDITURES</b>					
Current:					
General government	7,168,865	-	4,857,794	-	11,826,659
Judicial administration	5,224,144	-	-	32,707	5,256,851
Public safety	26,405,393	-	270,177	844,275	27,519,845
Public works	11,389,785	-	3,257,911	138,399	14,786,095
Health and welfare	9,655,762	-	2,500	3,977,186	13,635,448
Education	17,522,038	-	599,990	409,458	18,531,486
Parks, recreation, and cultural	5,038,871	-	199,170	25,588	5,263,629
Community development	1,395,481	2,587,426	887,950	-	4,670,857
Nondepartmental	5,494,121	-	-	-	5,494,121
Debt service:					
Principal	1,410,402	-	-	-	1,410,402
Interest	1,086,885	-	-	-	1,086,885
<b>Total expenditures</b>	<b>91,791,747</b>	<b>2,587,426</b>	<b>9,675,492</b>	<b>5,427,613</b>	<b>109,482,278</b>
<b>Deficiency of revenues over expenditures</b>	<b>(4,843,298)</b>	<b>(30,846)</b>	<b>(5,186,838)</b>	<b>(998,120)</b>	<b>(11,059,102)</b>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	13,632,000	-	5,713,741	1,074,588	20,420,329
Transfers out	(6,973,893)	-	(72,030)	-	(7,045,923)
<b>Total other financing sources (uses)</b>	<b>6,658,107</b>	<b>-</b>	<b>5,641,711</b>	<b>1,074,588</b>	<b>13,374,406</b>
<b>Net change in fund balances</b>	<b>1,814,809</b>	<b>(30,846)</b>	<b>454,873</b>	<b>76,468</b>	<b>2,315,304</b>
<b>Fund balances - beginning of year</b>	<b>34,165,035</b>	<b>470,193</b>	<b>6,479,604</b>	<b>3,221,933</b>	<b>44,336,765</b>
<b>Fund balances- end 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>

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

**Reconciliation of the Statement of Revenues, Expenditures, and Changes in  
Fund Balances of the Governmental Funds to the Statement of Activities****Year Ended June 30, 2010****Net change in fund balances - total governmental funds** \$ 2,315,304

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	\$ 10,482,170	
Depreciation - City	(4,010,159)	
Depreciation - Schools	<u>(1,923,440)</u>	
		4,548,571

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	\$ 1,728,887	
Bond issue costs	(285,010)	
Change in reimbursement agreements	190,351	
Reduction of pension asset	(434,014)	
OPEB Obligation	<u>47,539</u>	
		1,247,753

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	\$ 670,598	
Changes in compensated absences	<u>(30,522)</u>	
		640,076

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	\$ 12,156	
Increase in accrued interest	<u>(115,850)</u>	
		(103,694)

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.

462,976**Change in net assets of governmental activities****\$ 9,110,986***The accompanying notes are an integral part of these financial statements.*

## STATEMENT OF NET ASSETS - ENTERPRISE FUNDS

June 30, 2010

	Wastewater	Water	Gas	Electric	Nonmajor Enterprise Funds	Total	Governmental Internal Service Funds
<b>ASSETS</b>							
<b>Current assets</b>							
Cash and investments	\$ 4,845,467	\$ 6,651,527	\$ 8,413,433	\$ 24,535,956	\$ 1,495,199	\$ 45,941,582	\$ 4,533,277
Cash and investments - held by fiscal agents	-	-	-	-	-	-	60,000
Receivables - net	1,225,017	370,678	3,113,197	15,224,222	193,091	20,126,205	746
Due from other governments	-	-	-	-	790,012	790,012	-
Inventories	-	350,012	911,786	1,857,653	239,398	3,358,849	128,973
<b>Total current assets</b>	<b>6,070,484</b>	<b>7,372,217</b>	<b>12,438,416</b>	<b>41,617,831</b>	<b>2,717,700</b>	<b>70,216,648</b>	<b>4,722,996</b>
<b>Noncurrent assets</b>							
Cash and investments - restricted	-	2,594,906	3,581,533	23,750,324	-	29,926,763	-
Pension asset	-	46,922	11,640	100,598	110,513	269,673	17,853
Capital assets:							
Land and improvements	63,945	60,477	14,944	678,763	509,232	1,327,361	-
Construction in progress	3,279,436	2,264,714	1,765,266	31,046,680	1,302,060	39,658,156	-
Buildings, structures, and improvements	44,075,762	42,631,610	45,030,577	159,702,510	3,460,573	294,901,032	-
Equipment	31,889,275	12,842,829	1,949,754	13,467,933	5,290,714	65,440,505	10,339,007
Less - accumulated depreciation	(31,466,952)	(24,645,357)	(16,434,739)	(69,904,579)	(3,397,004)	(145,848,631)	(8,126,066)
<b>Total noncurrent assets - net</b>	<b>47,841,466</b>	<b>35,796,101</b>	<b>35,918,975</b>	<b>158,842,229</b>	<b>7,276,088</b>	<b>285,674,859</b>	<b>2,230,794</b>
<b>Total assets</b>	<b>\$ 53,911,950</b>	<b>\$ 43,168,318</b>	<b>\$ 48,357,391</b>	<b>\$ 200,460,060</b>	<b>\$ 9,993,788</b>	<b>\$ 355,891,507</b>	<b>\$ 6,953,790</b>
<b>LIABILITIES</b>							
<b>Current liabilities</b>							
Accounts payable	\$ 1,026,264	\$ 315,107	\$ 1,241,757	\$ 8,508,395	\$ 197,012	\$ 11,288,535	\$ 148,761
Accrued interest	174,856	131,172	43,368	428,224	271	777,891	422
Due to other funds	-	-	-	-	404,708	404,708	-
Refundable deposits	-	-	-	2,733,081	-	2,733,081	-
Hedging liability	-	-	305,690	-	-	305,690	-
Long-term liabilities - due within one year	763,440	371,614	234,024	1,063,723	118,591	2,549,392	28,375
<b>Total current liabilities</b>	<b>1,964,560</b>	<b>817,893</b>	<b>1,824,839</b>	<b>12,733,423</b>	<b>718,582</b>	<b>18,059,297</b>	<b>177,558</b>
<b>Noncurrent liabilities</b>							
Long-term liabilities - due in more than one year	13,936,072	8,138,245	2,460,571	31,789,542	21,520	56,345,950	22,968
Pension liability	24,680	-	-	-	39,950	64,630	-
Compensated absences	-	7,070	5,079	24,869	12,760	49,778	-
<b>Total noncurrent liabilities</b>	<b>13,960,752</b>	<b>8,145,315</b>	<b>2,465,650</b>	<b>31,814,411</b>	<b>74,230</b>	<b>56,460,358</b>	<b>22,968</b>
<b>Total liabilities</b>	<b>15,925,312</b>	<b>8,963,208</b>	<b>4,290,489</b>	<b>44,547,834</b>	<b>792,812</b>	<b>74,519,655</b>	<b>200,526</b>
<b>NET ASSETS</b>							
Invested in capital assets - net of related debt	33,142,888	24,753,631	29,704,815	102,570,482	7,151,078	197,322,894	2,190,393
Restricted for incomplete capital projects	6,014,576	2,594,906	3,581,533	23,750,324	1,005,570	36,946,909	-
Unrestricted	(1,170,826)	6,856,573	10,790,554	29,591,420	1,044,328	47,102,049	4,562,871
<b>Total net assets</b>	<b>\$ 37,966,638</b>	<b>\$ 34,205,110</b>	<b>\$ 44,066,902</b>	<b>\$ 155,912,226</b>	<b>\$ 9,200,976</b>	<b>\$ 281,371,852</b>	<b>\$ 6,753,264</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, 2010									
	Wastewater	Water	Gas	Electric	Nonmajor Enterprise Funds	Total		Governmental Internal Service Funds	
<b>OPERATING REVENUES</b>									
Charges for services	\$ 9,511,518	\$ 6,480,696	\$ 27,060,176	\$ 106,248,337	\$ 5,738,200	\$ 155,038,927	\$	6,535,454	
<b>OPERATING EXPENSES</b>									
Purchased services	-	-	17,120,762	75,721,966	-	92,842,728	-	-	
Production	-	-	-	596,532	-	596,532	-	-	
Transmission	2,818,979	1,350,328	-	1,138,333	-	5,307,640	-	-	
Engineering	-	161,649	309,354	551,220	-	1,022,223	-	-	
Distribution	940,020	646,995	591,106	2,843,428	-	5,021,549	-	-	
Services	131,663	72,460	55,579	-	6,334,265	6,593,967	-	-	
Depreciation	1,748,435	1,496,485	1,178,956	5,714,232	376,211	10,514,379	-	618,938	
Meters/regulators	-	75,603	112,068	448,251	-	635,922	-	-	
General and administrative	536,411	1,376,919	2,133,727	4,641,525	-	8,688,582	-	5,744,929	
<b>Total operating expenses</b>	<b>6,175,508</b>	<b>5,180,439</b>	<b>21,501,552</b>	<b>91,655,547</b>	<b>6,710,476</b>	<b>131,223,522</b>		<b>6,363,867</b>	
<b>Operating income (loss)</b>	<b>\$ 3,336,010</b>	<b>\$ 1,300,257</b>	<b>\$ 5,558,624</b>	<b>\$ 14,592,790</b>	<b>\$ (972,276)</b>	<b>\$ 23,815,405</b>		<b>\$ 171,587</b>	
<b>NONOPERATING REVENUES (EXPENSES)</b>									
Sales income	\$ -	\$ -	\$ -	\$ -	\$ 169,425	\$ 169,425	\$	-	
Jobbing income	346,640	64,662	(260,745)	395,375	15,995	561,927	-	-	
Rental income	-	35,583	256,955	-	30,784	323,322	-	-	
Recovered cost	-	22,190	5,103	8,213	17,870	53,376	-	8,536	
Gain (loss) on sale of capital assets	-	8,654	1,730,519	23,527	(64,512)	1,698,188	-	212,318	
Federal and state grants	-	-	-	-	973,054	973,054	-	-	
In-kind contributions	-	-	-	-	127,812	127,812	-	-	
Interest income	87,454	166,040	275,293	764,438	74,087	1,367,312	-	74,490	
Interest expense	(736,618)	(496,410)	(132,364)	(1,457,974)	(1,289)	(2,824,655)	-	(2,005)	
<b>Total nonoperating revenues (expenses)</b>	<b>(302,524)</b>	<b>(199,281)</b>	<b>1,874,761</b>	<b>(266,421)</b>	<b>1,343,226</b>	<b>2,449,761</b>		<b>293,339</b>	
<b>Income before contributions and transfers</b>	<b>3,033,486</b>	<b>1,100,976</b>	<b>7,433,385</b>	<b>14,326,369</b>	<b>370,950</b>	<b>26,265,166</b>		<b>464,926</b>	
Capital contributions	33,991	5,157	-	1,210,935	-	1,250,083	-	-	
Transfers in	-	72,030	-	-	187,514	259,544	-	-	
Transfers out	(677,760)	(933,300)	(2,656,330)	(9,082,610)	(302,000)	(13,632,000)	-	(1,950)	
<b>Total</b>	<b>(643,769)</b>	<b>(856,113)</b>	<b>(2,656,330)</b>	<b>(7,851,675)</b>	<b>(114,486)</b>	<b>(12,122,373)</b>		<b>(1,950)</b>	
<b>Change in net assets</b>	<b>2,389,717</b>	<b>244,863</b>	<b>4,777,055</b>	<b>6,474,694</b>	<b>256,464</b>	<b>14,142,793</b>		<b>462,976</b>	
<b>Total net assets - beginning of year</b>	<b>35,536,921</b>	<b>33,960,247</b>	<b>39,289,847</b>	<b>149,437,532</b>	<b>8,944,512</b>	<b>267,229,059</b>		<b>6,290,288</b>	
<b>Total net assets - end of year</b>	<b>\$ 37,986,638</b>	<b>\$ 34,205,110</b>	<b>\$ 44,066,902</b>	<b>\$ 155,912,226</b>	<b>\$ 9,200,976</b>	<b>\$ 281,371,852</b>		<b>\$ 6,753,264</b>	

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

## STATEMENT OF CASH FLOWS - ENTERPRISE FUNDS

Year Ended June 30, 2010

	Wastewater	Water	Gas	Electric	Nonmajor Enterprise Funds	Total	Governmental Internal Service Funds
<b>Cash flows from operating activities</b>							
Received from customers	\$ 9,349,128	\$ 6,698,911	\$ 27,831,966	\$ 105,123,782	\$ 5,799,985	\$ 154,803,772	\$ 6,538,172
Payments to suppliers for goods and services	(2,980,572)	(1,928,999)	(18,744,956)	(79,324,304)	(2,411,090)	(105,389,921)	(5,333,470)
Payments to employees for services	(485,034)	(1,540,453)	(1,109,198)	(5,372,667)	(3,026,974)	(11,534,326)	(807,493)
Payments to internal service funds for goods and services	(186,850)	(5,350)	(1,269)	(3,438)	(515,845)	(712,752)	(62,181)
Nonoperating revenue	-	122,435	1,312	552,160	234,074	909,981	8,535
<b>Net cash from operating activities</b>	5,696,672	3,346,544	7,977,855	20,975,533	80,150	38,076,754	343,563
<b>Cash flows from noncapital financing activities</b>							
Transfers from other funds	-	72,030	-	-	187,514	259,544	-
Transfers to other funds	(677,760)	(933,300)	(2,656,330)	(9,062,610)	(302,000)	(13,632,000)	(1,950)
Operating grants received	346,106	-	-	-	787,029	1,133,135	-
<b>Net cash from noncapital financing activities</b>	(331,654)	(861,270)	(2,656,330)	(9,062,610)	672,543	(12,239,321)	(1,950)
<b>Cash flows from capital and related financing activities</b>							
Acquisition of capital assets	(3,925,134)	(2,477,204)	(4,472,911)	(19,213,331)	(1,307,190)	(31,395,770)	(280,946)
Principal payments on long-term debt	(631,540)	(11,228)	-	(505,000)	-	(1,147,768)	-
Proceeds on long-term debt	2,088,127	2,050,454	1,517,432	6,086,535	(1,111)	11,741,437	-
Interest payments on long-term debt	(626,204)	(384,241)	(67,515)	(1,364,401)	6,333	(2,436,028)	(1,728)
Proceeds from sale of capital assets	-	8,654	1,751,673	46,989	-	1,807,316	(68,341)
Nonoperating grants received	-	-	113,879	-	-	113,879	-
Contributed capital	33,991	5,157	-	1,210,935	-	1,250,083	-
<b>Net cash from capital and related financing activities</b>	(3,050,760)	(808,408)	(1,157,442)	(13,738,273)	(1,301,968)	(20,066,851)	(351,015)
<b>Cash flows from investing activities</b>							
Interest on investments	97,360	186,155	275,293	757,428	83,292	1,399,528	83,466
Net activity in investment securities	76,486	93,484	(1,779,389)	99,432	(8,731)	(1,518,718)	(8,239)
<b>Net cash from investing activities</b>	173,846	279,639	(1,504,096)	856,860	74,561	(119,190)	75,227
<b>Net (decrease) increase in cash and investments</b>	2,478,104	1,956,505	2,659,987	(968,490)	(474,714)	5,651,392	65,825
<b>Cash and investments - beginning of year</b>	2,367,363	7,289,928	9,334,979	49,254,770	1,969,913	70,216,953	4,527,452
<b>Cash and investments - end of year</b>	\$ 4,845,467	\$ 9,246,433	\$ 11,994,966	\$ 48,286,280	\$ 1,495,199	\$ 75,868,345	\$ 4,593,277

(Continued on next page)

## CITY OF DANVILLE, VIRGINIA

Exhibit G  
(Continued)

## STATEMENT OF CASH FLOWS - ENTERPRISE FUNDS

Year Ended June 30, 2010

	Wastewater	Water	Gas	Electric	Nonmajor Enterprise Funds	Total	Governmental Internal Service Funds
Reconciliation of operating income (loss) to net cash from operating activities							
Operating income (loss)	\$ 3,336,010	\$ 1,300,257	\$ 5,558,624	\$ 14,592,790	\$ (972,276)	\$ 23,815,405	\$ 171,587
Adjustments:							
Depreciation charged to operations	1,748,435	1,496,485	1,178,956	5,714,292	376,211	10,514,379	618,938
In-kind contributions	-	-	-	-	127,812	127,812	-
Change in noncash employee benefits charged to operations	5,518	10,666	(46,880)	25,739	40,946	35,989	11,549
Nonoperating revenue	-	122,435	1,311	403,587	224,096	751,429	8,535
Changes in assets and liabilities:							
Receivables	(162,389)	218,215	771,790	(1,275,097)	61,783	(385,698)	2,718
Reserve for uncollectibles	300	(2,300)	(3,000)	(12,100)	-	(17,100)	-
Inventories	-	(56,714)	192,567	190,848	9,040	335,741	(14,335)
Accounts payable	768,798	257,500	324,487	1,036,359	212,538	2,599,682	(455,429)
Refundable deposits	-	-	-	299,115	-	299,115	-
Net cash from operating activities	\$ 5,696,672	\$ 3,346,544	\$ 7,977,855	\$ 20,975,533	\$ 80,150	\$ 38,076,754	\$ 343,563
Supplemental disclosure of noncash investing, capital, and financing activities							
Decrease in fair value of investments	\$ (9,907)	\$ (20,115)	\$ (21,153)	\$ (73,074)	\$ (6,609)	\$ (130,858)	\$ (8,976)

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

## STATEMENT OF FIDUCIARY NET ASSETS

June 30, 2010

	Pension	Agency
	Employees'	Veterans
	Retirement Plan	Memorial Fund
<b>ASSETS</b>		
Cash	\$ 1,201	\$ 14,041
Accrued interest and dividends	51,223	-
Investments - at fair value:		
Common stocks	93,901,594	-
Preferred stocks	226,037	-
Corporate bonds	32,405,694	-
Foreign stocks	25,136,987	-
Real estate - timberland	9,859,414	-
Temporary cash investments	2,308,432	-
Private equity	1,177,835	-
Total investments	165,015,993	-
<b>Total assets</b>	<b>165,068,417</b>	<b>14,041</b>
<b>LIABILITIES</b>		
Accounts payable	196,081	1,320
<b>NET ASSETS</b>		
Held in trust	\$ 164,872,336	\$ 12,721

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

## STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS

Year Ended June 30, 2010

	Employees' Retirement Plan
<b>ADDITIONS</b>	
<b>Contributions:</b>	
Employer	\$ 4,611,296
Investment earnings:	
Net increase in fair value of investments	15,873,869
Interest	268,958
Dividends	1,933,433
<b>Total investment income</b>	18,076,260
Less - investment expenses	(812,557)
<b>Net investment income</b>	17,263,703
<b>Total additions</b>	21,874,999
<b>DEDUCTIONS</b>	
Benefits paid to participants	8,976,431
Refunds of contributions	3,660
Administrative expenses	118,562
<b>Total deductions</b>	9,098,653
<b>Change in net assets</b>	12,776,346
<b>Net assets held in trust for pension benefits - beginning of year</b>	152,095,990
<b>Net assets held in trust for pension benefits - end of year</b>	\$ 164,872,336

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

## STATEMENT OF NET ASSETS - COMPONENT UNITS

June 30, 2010

	Danville Public Schools	Industrial Development Authority	Total
<b>ASSETS</b>			
Cash and investments	\$ 1,739,168	\$ 355,815	\$ 2,094,983
Cash and investments - held by fiscal agents	1,582,354	-	1,582,354
Receivables - net	30,789	152,242	183,031
Due from City of Danville	4,705,498	-	4,705,498
Due from other governments	3,829,024	-	3,829,024
Prepayments	142,649	42,556	185,205
Inventories	847,754	-	847,754
Capital assets:			
Land and construction in progress	5,352,941	641,438	5,994,379
Other capital assets - net	8,647,242	12,600,136	21,247,378
<b>Total assets</b>	<b>\$ 26,877,419</b>	<b>\$ 13,792,187</b>	<b>\$ 40,669,606</b>
<b>LIABILITIES</b>			
Accounts payable	\$ 368,753	\$ 109,972	\$ 478,725
Accrued salaries	3,902,373	-	3,902,373
Accrued payroll taxes	298,530	-	298,530
Accrued expenses	181,398	85,268	266,666
Deferred grant revenue	2,020,472	-	2,020,472
Long-term liabilities:			
Due within one year	1,726,860	308,031	2,034,891
Due in more than one year	4,636,707	9,539,877	14,176,584
<b>Total liabilities</b>	<b>13,135,093</b>	<b>10,043,148</b>	<b>23,178,241</b>
<b>NET ASSETS</b>			
Invested in capital assets - net of related debt	14,000,183	1,935,318	15,935,501
Restricted for:			
Insurance payments	1,195,434	-	1,195,434
Workmen's compensation	386,920	-	386,920
Unrestricted	(1,840,211)	1,813,721	(26,490)
<b>Total net assets</b>	<b>\$ 13,742,326</b>	<b>\$ 3,749,039</b>	<b>\$ 17,491,365</b>

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

## STATEMENT OF ACTIVITIES - COMPONENT UNITS

Year Ended June 30, 2010		Net (Expense) Revenue and Changes in Net Assets				
		Program Revenues				
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Danville Public Schools	Industrial Development Authority
		Expense				Totals
<b>DANVILLE PUBLIC SCHOOLS</b>						
Education	\$ 73,445,893	\$ 1,085,442	\$ 26,324,737	\$ 1,386,638	\$ (44,649,076)	\$ - \$ (44,649,076)
	4,556,682	833,470	3,576,083	100,000	-	(47,129)
	\$ 78,002,575	\$ 1,918,912	\$ 29,900,820	\$ 1,486,638	(44,649,076)	(47,129) (44,696,205)
<b>INDUSTRIAL DEVELOPMENT AUTHORITY</b>						
Economic Development						
Total component units						
<b>General revenues:</b>						
City of Danville					18,111,604	900,607
State aid - unrestricted					26,038,842	-
Investment income					4,991	3,658
Miscellaneous					345,375	-
<b>Total general revenues</b>					44,500,812	904,265
<b>Change in net assets</b>					(148,264)	857,136
<b>Net assets - beginning of year</b>					13,890,590	2,891,903
<b>Net assets - end of year</b>					\$ 13,742,326	\$ 3,749,039
						\$ 17,491,365

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, 2010

## **CITY OF DANVILLE, VIRGINIA**

### **NOTES TO FINANCIAL STATEMENTS**

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**June 30, 2010**

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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 45,000.

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.

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

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

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

## **2. Enterprise Funds**

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

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

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

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

## **3. Fiduciary Funds**

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

### **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, 2010, the City provided \$168,411 in funding for Danville-Pittsylvania Community Services. In addition, state and federal grants totaling \$9,115,566 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, 2010, the City provided \$62,490 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, 2010:

- Approximately \$1.2 million in outstanding engineering and consulting contracts, of which \$260,000 had not been expended.

- In July 2010, the Facility Authority was awarded a grant of approximately \$2.3 million from the Economic Development Administration to develop certain properties at the Cane Creek Centre.

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

The Government-wide Statement of Net Assets and Statement of Activities, all enterprise funds and pension trust funds are accounted for using the economic resources measurement focus and the accrual basis of accounting. With this measurement focus, all assets and all liabilities associated with the operation of these activities are included on the Statement of Net Assets. Enterprise fund-type operating statements present increases; e.g., revenues, and decreases; e.g., expenses as changes in net assets. Long-term assets and long-term liabilities are included in the government-wide statements. 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 and fiduciary funds are presented on the accrual basis of accounting. Under this method of accounting, revenues are recognized when earned and expenses are recorded when liabilities are incurred without regard to receipt or disbursement of cash.

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

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

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

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

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

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

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

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

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

##### **General Fund allowance:**

Fines and forfeitures receivable	\$ 3,377,364
Taxes receivable	797,971
Miscellaneous reserves	347,073
	<u>\$ 4,522,408</u>

##### **Enterprise Fund allowance:**

Consumer receivables	
Wastewater	\$ 9,500
Water	3,000
Gas	15,000
Electric	96,900
	<u>\$ 124,400</u>

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

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

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

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

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

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

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

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

works of art. The City maintains many items and buildings of historical significance. The City does not require that the proceeds from the sale of historical treasures or works of art be used to acquire other items for the collection.

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

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

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

##### **1. Vacation Pay**

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

##### **2. Sick Pay**

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

##### **3. Group Hospitalization**

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

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

The City is self-insured for all workers' compensation claims. There were no significant claims incurred but not reported as of June 30, 2010. 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.

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

Included in deferred revenue in the Governmental Funds Balance Sheet is \$8,633,932 of property taxes not collected within forty-five days of year-end.

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

For governmental fund types, bond premiums or discounts as well as issuance costs are recognized during the current period. Bond proceeds are reported as 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.

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

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

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

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

##### **2. Encumbrances**

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

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

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

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

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

#### **O. New Accounting Pronouncements**

Effective for the fiscal year ending June 30, 2010, the City adopted the following Statement of the Governmental Accounting Standards Board (GASB):

GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*. This Statement establishes accounting and financial reporting requirements for derivative instruments entered into by state and local governments. The requirements of this statement had no material effect on the financial statements.

Effective for the fiscal year ending June 30, 2011, the City and *DPS* will adopt 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.

#### **P. Subsequent Events**

In preparing these financial statements, the City has evaluated events and transactions for potential recognition or disclosure through November 11, 2010, 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 \$5,801,712, and the bank balances were \$6,665,567. 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 \$916,167 and the bank balance was \$2,305,007. The entire bank balance was covered by federal depository insurance or collateralized in accordance with the Act at June 30, 2010. Cash held by physical agents of \$1,582,354 is comprised of \$1,195,434 in the self-insurance fund for health coverage by the carrier and \$386,920 in the escrow account of the workman's compensation carrier.

At year-end, the IDA's deposits with banks were \$355,815. Of the bank balance, \$250,000 was covered by federal depository insurance, and \$133,261 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, 2010.

A designated portfolio manager managed the investments in U.S. Treasuries during fiscal year 2010. 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, 2010 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, 2010, the City had the following investments and maturities:

**Investment Maturities**

	Fair Value	Less than 1 year	1 -5 years	Long-term
U.S. Treasuries	\$ 35,998,083	\$ 4,096,690	\$ 31,901,393	\$ -
CDs	24,992,681	13,205,285	11,787,396	-
LGIP	11,012,852	-	-	-
Total investments	72,003,616	17,301,975	43,688,789	-
Employees' Retirement System	165,015,993	-	-	165,015,993
Total	237,019,609	\$ -	\$ 43,688,789	\$ 165,015,993

**Reconciliation to Total Cash  
and Investments:**

Add:	
Cash on hand and in banks	44,050,089
Cash with fiscal agents	901,788

**Total deposits and investments:** \$ 281,971,486

**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, 2010 were as follows:

Investment	Fair Value
LGIP	\$ 821,551

The following is a reconciliation of total deposits and investments to the government-wide financial statements at June 30, 2010.

**Governmental Activities:**

	Governmental Activities	Fiduciary Assets	Total
Cash and investments	\$ 40,590,068	\$ 1,201	\$ 40,591,269
Cash and investments with fiscal agents	901,788	165,015,993	165,917,781
Total primary government	41,491,856	165,017,194	206,509,050

**Business-Type Activities**

Cash and investments	75,463,637	-	75,463,637
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**Component Units**

Cash and investments	2,094,983	-	2,094,983
Cash held by fiscal agents	1,582,354	-	1,582,354
Total component units	3,677,337	-	3,677,337
Total cash and investments	\$ 120,632,830	\$ 165,017,194	\$ 285,650,024

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

	Reserved for Incomplete Projects	Reserved for Other Purposes	Total Reserved Cash
General fund:			
Encumbrances	\$ -	\$ 2,272,329	\$ 2,272,329
Health Insurance	-	1,831,580	1,831,580
OPEB	-	750,000	750,000
Debt service	-	688,180	688,180
	\$ -	\$ 5,542,089	\$ 5,542,089
Enterprise funds:			
Wastewater	6,014,576	-	6,014,576
Water	2,594,906	-	2,594,906
Gas	3,581,533	-	3,581,533
Electric	23,750,324	-	23,750,324
Nonmajor	1,005,570	-	1,005,570
	\$ 36,946,909	\$ -	\$ 36,946,909

**4. Fair Value Measurements**

Accounting standards establish a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described below:

- Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the City has the ability to access.
- Level 2 Inputs to the valuation methodology include:
- quoted prices for similar assets or liabilities in active markets;
  - quoted prices for identical assets or liabilities in inactive markets;
  - inputs other than quoted prices that are observable for the asset or liability;
  - inputs that are derived principally from or corroborated by observable market data by correlation or other means.
- If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.
- Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

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

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2010.

**Primary Government:**

*U.S. Treasuries:* Valued at the closing price reported on the active market on which the stocks are traded.

**Employees' Retirement System:**

*Common stocks and foreign stocks:* Valued at the closing price reported on the active market on which the stocks are traded.

*Corporate bonds, U.S. government and agency issues:* Valued at the closing price reported on the active market on which the securities are traded.

*Real Estate-Timberland:* Valued at appraised value by licensed appraisers annually.

*Temporary cash investments:* Valued as cash at the end of the period.

*Private equity:* Valued using the market approach using a multiple of earnings measurement .

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

The following table sets forth by level, within the fair value hierarchy, the ERS's assets at fair value:

Assets at Fair Value as of June 30, 2010					
	Level 1	Level 2	Level 3	Total	
Common stocks	\$ 93,901,594	\$ -	\$ -	\$	93,901,594
Corporate bonds	32,405,694	-	-		32,405,694
Foreign stocks	25,136,987	-	-		25,136,987
Preferred stocks	226,037	-	-		226,037
Real estate – timberland	-	-	9,859,414		9,859,414
Temporary cash investments	2,308,432	-	-		2,308,432
Private equity	-	-	1,177,835		1,177,835
<b>Totals assets at fair value</b>	<b>\$ 153,978,744</b>	<b>\$ -</b>	<b>\$ 11,037,249</b>	<b>\$</b>	<b>165,015,993</b>

### Level 3 Gains and Losses

The following schedule summarizes the changes in the fair value of the ERS's level 3 investment assets for 2010:

<b>Balance – beginning of year</b>	<b>\$ 10,806,604</b>
Purchases	494,599
Sales	(325,897)
Change in fair value	61,943
<b>Balance – end of year</b>	<b><u>\$ 11,037,249</u></b>

## 5. Receivables

Receivables in the fund financial statements at June 30, 2010 consist of the following:

### Governmental Funds

	General	Community Development	Capital Projects	Nonmajor Governmental Funds	Total	Business-type Activities
Receivables:						
Taxes and Licenses	\$ 14,400,536	\$ -	\$ -	\$ -	\$ 14,400,536	\$ -
Accounts	836,702	-	10,678,219	-	11,514,921	17,361,857
Accrued Interest	404,119	-	-	-	404,119	-
Loans	-	4,863,078	-	19,516	4,882,594	2,888,748
Due from other governments	1,953,885	499,237	1,101,177	992,112	4,546,411	790,012
Gross receivables	17,595,242	5,362,315	11,779,396	1,011,628	35,748,581	21,040,617
Less -						
Allowances for uncollectible accounts	(4,522,408)	-	-	-	(4,522,408)	(124,400)
Receivables - net	<u>\$ 13,072,834</u>	<u>\$ 5,362,315</u>	<u>\$ 11,779,396</u>	<u>\$ 1,011,628</u>	<u>\$ 31,226,173</u>	<u>\$ 20,916,217</u>

Total receivables for the governmental funds of \$31,226,173 shown in the chart above plus the receivables in the Internal Service Funds of \$746 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	\$ 3,829,024	\$ -	\$ 3,829,024
Due from City	4,705,498	-	4,705,498
Other	30,789	152,242	183,031
Total receivables	\$ 8,565,311	\$ 152,242	\$ 8,717,553

## 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 2010 and 2009 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, 2010 includes amounts not yet received from the January 1, 2010 levy due June 5, 2010.

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.

## 6. Capital Assets

The table below is a summary of the changes in capital assets for the fiscal year ended June 30, 2010.

### Governmental Activities

	Balance June 30, 2009	Increases	Decreases	Balance June 30, 2010
Capital assets not being depreciated:				
Land	\$ 11,701,752	\$ 3,579,400	\$ -	\$ 15,281,152
Construction in progress	9,829,830	14,704,458	(17,958,979)	6,575,309
Total capital assets not being depreciated	21,531,582	18,283,858	(17,958,979)	21,856,461
Other capital assets:				
Buildings	32,345,722	3,829,963	-	36,175,685
Infrastructure	27,207,442	1,144,726	-	28,352,168
Furniture and other equipment	17,801,939	5,182,602	(208,601)	22,775,940
Total other capital assets	77,355,103	10,157,291	(208,601)	87,303,793
Less- accumulated depreciation for:				
Buildings	(12,153,966)	(772,531)	-	(12,926,497)
Infrastructure	(18,977,306)	(1,507,094)	-	(20,484,400)
Furniture and other equipment	(16,312,744)	(1,730,534)	208,601	(17,834,677)
Total accumulated depreciation	(47,444,016)	(4,010,159)	208,601	(51,245,574)
Total capital assets- depreciated	29,911,087	6,147,132	-	36,058,219
	51,442,669	24,430,990	(17,958,979)	57,914,680
Assets transferred from Danville School Board	77,837,094	-	-	77,837,094
Less- accumulated depreciation	(62,476,713)	(1,923,440)	-	(64,400,153)
	15,360,381	(1,923,440)	-	13,436,941
Total capital assets – net	\$ 66,803,050	\$ 22,507,550	\$ (17,958,979)	\$ 71,351,621

Depreciation was charged to government functions as follows:

General government administration	\$ 1,911,297
Judicial administration	119,409
Public safety	1,086,507
Public works	299,782
Health and welfare	221,554
Parks, recreation, and cultural	164,886
Community development	206,724
<b>Total</b>	<b>\$ 4,010,159</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

	Balance June 30, 2009	Increases	Decreases	Balance June 30, 2010
Capital assets not being depreciated:				
Land and land improvements	\$ 4,056,386	\$ 1,296,555	\$ -	\$ 5,352,941
Other capital assets				
Buildings	66,259,724	(27,630)	-	66,232,094
Furniture and other equipment	22,027,289	1,399,632	-	23,426,921
Total other capital assets	88,287,013	1,372,002	-	89,659,015
Less -				
Total accumulated depreciation	(51,944,339)	(303,966)	-	(52,248,305)
Capital assets – net	40,399,060	2,364,591	-	42,763,651
Assets transferred to the City of Danville				
to match long-term debt	(28,763,468)	-	-	(28,763,468)
Total	\$ 11,635,592	\$ 2,364,591	\$ -	\$ 14,000,183

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

	Balance June 30, 2009	Balance June 30, 2010
Property held for lease:		
Land	\$ 620,615	\$ 641,438
Building	11,865,813	12,945,521
Less – accumulated depreciation	(1,506,571)	(1,803,733)
	10,979,857	11,783,226
Property held for sale:		
Land and building	1,458,348	1,458,348
Total	\$ 12,438,205	\$ 13,241,574

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

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

The IDA also leases buildings in the City's historic district to Luna Technologies and the Advanced Vehicle Research Center for \$1 each per year.

Future estimated minimum rental payments due under the leases at June 30, 2010 follows:

Year Ending June 30,	Amount
2011	\$ 813,252
2012	813,252
2013	813,252
2014	813,252
2015	813,252
	<u>\$ 4,066,260</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, 2010:

	Balance June 30, 2009	Increases	Decreases	Balance June 30, 2010
Business-type activities:				
Land	\$ 1,340,170	\$ 2,207	\$ (15,016)	\$ 1,327,361
Construction in progress	21,887,436	22,995,856	(5,225,136)	39,658,156
Total capital assets not being depreciated	23,227,606	22,998,063	(5,240,152)	40,985,517
Buildings	285,985,306	11,908,144	(2,992,418)	294,901,032
Equipment	61,370,675	4,775,209	(705,379)	65,440,505
Less- accumulated depreciation for:				
Buildings	(103,278,109)	(7,465,051)	451,798	(110,291,362)
Equipment	(32,614,140)	(3,049,106)	105,977	(35,557,269)
Total accumulated depreciation	(135,892,249)	(10,514,157)	557,775	(145,848,631)
Other capital assets – net	211,463,732	6,169,196	(3,140,022)	214,492,906
Total capital assets – net	<u>\$ 234,691,338</u>	<u>\$ 29,167,259</u>	<u>\$ (8,380,174)</u>	<u>\$ 255,478,423</u>

## Governmental Funds

Capital outlay – Primary government	\$ 13,792,197	
Capital outlay – Internal services	658,472	
Capital outlay – City – not capitalized	<u>(3,968,499)</u>	\$ 10,482,170
Depreciation expense - City	(3,391,221)	
Depreciation expense – Internal services	(618,938)	
Depreciation expense - Schools	<u>(1,923,440)</u>	\$ (5,933,599)
		<u>\$ 4,548,571</u>

## 7. 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, 2010. 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, 2009.

	<u>City of Danville</u>
Contracts	\$ 12,819,442
Less: paid or recorded as liabilities	<u>(11,321,873)</u>
	<u>\$ 1,497,569</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, 2010 the cumulative amount of dividends held in escrow by the Association for the Danville Public Schools amounted to \$386,920.

#### **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 (\$1,195,434) is the balance of premiums paid net of claims received by Anthem (\$1,709,661) and the estimated claims incurred but not paid as of for the same period (\$514,127) for the period ended June 30, 2010.

#### **E. Reimbursable Agreements**

At June 30, 2010, the City had outstanding agreements representing reimbursements to developers for streets, sewers, and utility facilities. These agreements totaled \$643,718 with \$308,597 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, 2010:

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

## G. Self-Insurance

The noncurrent portion of unpaid workers' compensation claims amounted to approximately \$3,007,769 and the amount expected to be paid within one year amounted to \$968,192 as of June 30, 2010, and is reflected in the government-wide statements. Liabilities are reported when it is probable that losses have occurred, and the amounts of the losses can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported to date. Liabilities are determined using a combination of actual claims experience and actuarially determined amounts and include incremental claims, adjustment expense, and estimated recoveries. An independent contractor processes the public liability claims and the City records a provision and liability in the entity-wide statements and General Fund (current portion only) for an estimate of incurred but not reported claims.

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

	FY 2010	FY 2009
Estimated claims payable at beginning of period	\$ 4,759,233	\$ 3,498,200
Current fiscal year claims, changes in estimates, and payouts	689,896	2,128,998
Claim payments	(1,473,168)	(867,965)
Estimated claims payable at end of period	\$ 3,975,961	\$ 4,759,233

## H. 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.

## 8. 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, 2010
<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	\$ 342,349
School Series 2001B	6,512,513	\$ 296,369 – 371,160	3.10 – 5.10 %	7/15/21	4,096,266
School Series 2001B	5,210,006	\$ 237,088 – 296,928	3.10 – 5.10 %	7/15/21	3,277,015
School Series 2001B – Loan	2,500,000	\$ 125,000	3.10 – 5.10 %	7/15/21	1,500,000
General Improvements 2005	8,800,000	\$ 290,000 – 640,000	3.70 – 4.25 %	12/1/25	7,575,000
General Improvements 2007	5,000,000	\$ 165,000 – 360,000	3.625 – 3.90 %	3/1/27	4,485,000
General Improvements 2008	9,800,000	\$ 50,000 – 900,000	4.120 %	8/1/28	9,800,000
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	12,005,000	\$ 425,000 – 811,000	1.50 – 5.00 %	8/1/29	12,005,000
	<u>82,925,779</u>				<u>73,490,630</u>
<b>Revenue Bonds</b>					
Utility Revenue 93 – 94	2,900,000	\$ 46,104 – 207,971	4.50 %	6/1/14	791,421
Utility Revenue 94 – 95	300,000	\$ 12,829 – 19,148	4.50 %	6/1/14	76,270
Utility Revenue 96 – 97	7,300,000	\$ 223,940 – 365,000	4.50 %	2/1/19	3,143,940
	<u>\$ 10,500,000</u>				<u>4,011,631</u>
Total Outstanding Bonds					<u>\$ 77,502,261</u>

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
2011	\$ 856,896	\$ 1,000,000	\$ 1,856,896
2012	1,509,023	2,115,378	3,624,401
2013	1,562,635	2,489,472	4,052,107
2014	1,929,403	3,102,127	5,031,530
2015	1,947,559	3,208,886	5,156,445
2016 – 2020	10,639,045	18,461,062	29,100,107
2021 – 2025	2,779,292	13,094,852	15,874,144
2026 – 2030	-	8,795,000	8,795,000
	<u>\$ 21,223,853</u>	<u>\$ 52,266,777</u>	<u>\$ 73,490,630</u>

**Interest:**

Fiscal Year Ending June 30,	Governmental	Enterprise	Total
2011	\$ 987,801	\$ 2,159,565	\$ 3,147,366
2012	943,820	2,127,431	3,071,251
2013	884,302	2,062,321	2,946,622
2014	817,823	1,979,092	2,796,914
2015	733,968	1,865,141	2,599,109
2016 – 2020	2,218,248	7,208,593	9,426,841
2021 – 2025	175,656	3,380,383	3,556,038
2026 – 2030	-	861,883	861,883
	<u>\$ 6,761,618</u>	<u>\$ 21,644,409</u>	<u>\$ 28,406,024</u>

**Revenue Bonds:**

Fiscal Year Ending June 30,	Principal	Interest	Total
2011	\$ 571,087	\$ 152,103	\$ 723,190
2012	578,148	130,624	708,772
2013	585,451	108,903	694,354
2014	593,005	86,932	679,937
2015	365,000	66,516	431,516
2016 – 2019	1,318,940	121,888	1,440,828
	<u>\$ 4,011,631</u>	<u>\$ 666,966</u>	<u>\$ 4,678,597</u>

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

**Principal:**

Fiscal Year Ending June 30,	Governmental	Enterprise	Total
2011	\$ 135,721	\$ 162,785	\$ 298,506
2012	52,471	120,136	172,607
2013	52,470	120,135	172,605
	<u>\$ 240,662</u>	<u>\$ 403,056</u>	<u>\$ 643,718</u>

**Capital Lease Bonds:**

Fiscal Year Ending June 30,	Principal	Interest	Total
2011	\$ 910,834	\$ 393,222	\$ 1,304,056
2012	938,233	347,073	1,285,306
2013	971,586	298,593	1,270,179
2014	767,818	247,360	1,015,179
2015	788,703	207,351	996,054
2016 – 2020	3,274,737	409,090	3,683,827
	<u>\$ 7,651,911</u>	<u>\$ 1,902,689</u>	<u>\$ 9,554,601</u>

**Advance To/From other Funds:**

Fiscal Year Ending June 30,	Principal	Interest	Total
2011	\$ 272,950	\$ 115,550	\$ 388,500
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 – 2019	1,410,362	143,810	1,554,173
	<u>\$ 2,888,748</u>	<u>\$ 607,924</u>	<u>\$ 3,496,673</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 is a summary of the changes in long-term liabilities that are recorded in the Statement of Net Assets ended June 30, 2010:

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

	<b>Balance June 30, 2009</b>	<b>Additions</b>	<b>Changes/ Reductions</b>	<b>Balance June 30, 2010</b>	<b>Due within 1 year</b>
General obligation bonds	\$ 22,068,904	\$ -	\$ 845,051	\$ 21,223,853	\$ 856,896
Reimbursement agreements	431,013	-	190,351	240,662	142,259
Capital lease obligations	8,535,747	-	883,836	7,651,911	910,834
Compensated absences	1,606,294	1,781,032	1,750,510	1,636,816	1,473,134
Worker's compensation	4,378,997	425,394	1,095,992	3,708,399	875,475
Net OPEB obligation	70,887	-	47,539	23,348	-
Other bond related items	(1,326,706)	-	(285,010)	(1,041,696)	-
	<b>\$ 35,765,136</b>	<b>\$ 2,206,426</b>	<b>\$ 4,528,269</b>	<b>\$ 33,443,293</b>	<b>\$ 4,258,598</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, 2010:

	<b>Balance June 30, 2009</b>	<b>Additions</b>	<b>Changes/ Reductions</b>	<b>Balance June 30, 2010</b>	<b>Due within 1 year</b>
General obligation bonds	\$ 40,766,777	\$ 12,005,000	\$ 505,000	\$ 52,266,777	\$ 1,000,000
Revenue bonds	4,575,890	-	564,259	4,011,631	571,087
Reimbursement agreements	481,565	-	78,509	403,056	162,785
Advance to/from other funds	3,000,000	-	111,252	2,888,748	272,950
Compensated absences	474,550	554,284	528,999	499,835	449,853
Workers' compensation	380,236	-	112,674	267,562	92,717
Net OPEB obligation	22,191	-	-	22,191	-
Bond related items	(1,754,688)	(15,098)	(355,106)	(1,414,680)	-
	<b>\$ 47,946,521</b>	<b>\$ 12,544,186</b>	<b>\$ 1,545,587</b>	<b>\$ 58,945,120</b>	<b>\$ 2,549,392</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, 2010 is computed as follows:

	<b>Legal Debt Margin</b>
Assessed value (as of June 30, 2010) – taxable real property, including public service corporations	<b>\$ 2,267,080,000</b>
Legal debt limits:	
10% of assessed value (authorized by the Commonwealth of Virginia for all cities)	<b>\$ 226,708,000</b>
Deduct amount of debt applicable to debt limit:	
Gross general debt*	<b>73,490,630</b>
Legal debt margin	<b>\$ 153,217,370</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, 2009</b>	<b>Additions</b>	<b>Changes/ Reductions</b>	<b>Balance June 30, 2010</b>	<b>Due within 1 year</b>
Early retirement plan (January 1, 2008)	\$ 886,842	\$ 2,792,003	\$ (233,476)	\$ 3,445,369	\$ 622,528
Early retirement plan (July 1, 1997)	2,266,006	-	(745,586)	1,520,420	562,649
Employee benefits	1,437,317	538,211	(577,750)	1,397,778	541,683
	<b>\$ 4,590,165</b>	<b>\$ 3,330,214</b>	<b>\$ (1,556,812)</b>	<b>\$ 6,363,567</b>	<b>\$ 1,726,860</b>

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
2011	\$ 562,649	\$ 110,493	\$ 622,528	\$ 16,919
2012	458,755	109,105	599,716	39,732
2013	340,637	94,804	571,159	68,290
2014	158,379	49,426	543,962	95,488
2015	-	-	494,285	114,022
2016 – 2017	-	-	613,719	177,648
	<b>\$ 1,520,420</b>	<b>\$ 363,828</b>	<b>\$ 3,445,369</b>	<b>\$ 512,099</b>

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, 2010:

	<b>Balance June 30, 2009</b>	<b>Additions</b>	<b>Reductions</b>	<b>Balance June 30, 2010</b>	<b>Due within 1 year</b>
Deeds of trust payable	\$ 10,135,174	-	287,266	\$ 9,847,908	\$ 308,031

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
2011	\$ 308,031
2012	325,878
2013	344,802
2014	364,872
2015	386,157
2016 – 2020	2,298,231
2021 – 2025	3,062,701
2026 – 2030	2,757,236
	<b>\$ 9,847,908</b>

The City of Danville issued \$12,005,000 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 August 1 from 2010 through 2029.

## 9. 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, 2010.

	Transfers In	Transfers Out	Net Transfers
<b>Governmental Funds – Exhibit D</b>			
General	\$ 13,632,000	\$ (6,973,893)	\$ 6,658,107
Capital Projects	5,713,741	(72,030)	5,641,711
Special Revenue	1,074,588	-	1,074,588
Internal Service – Exhibit F	-	(1,950)	(1,950)
	<u>\$ 20,420,329</u>	<u>\$ (7,047,873)</u>	<u>\$ 13,372,456</u>
<b>Enterprise Funds – Exhibit F</b>			
Wastewater	\$ -	\$ (677,760)	\$ (677,760)
Water	72,030	(933,300)	(861,270)
Gas	-	(2,656,330)	(2,656,330)
Electric	-	(9,062,610)	(9,062,610)
Transportation	166,181	-	166,181
Telecommunication	-	(302,000)	(302,000)
Nonmajor	21,333	-	21,333
	<u>\$ 259,544</u>	<u>\$ (13,632,000)</u>	<u>\$ (13,372,456)</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.

## 10. 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, 2010 are as follows:

### Governmental Funds

	Interfund Receivable	Interfund Payable
City of Danville:		
General fund	\$ 4,596,417	\$ -
Capital Projects fund	-	4,231,108
Community Development	-	193,353
Nonmajor fund:		
Special Revenue fund	-	171,956
	<u>\$ 4,596,417</u>	<u>\$ 4,596,417</u>

**Component Unit**

	Interfund Receivable	Interfund Payable
Danville Public Schools:		
General fund	\$ -	\$ 1,603,733
Capital projects fund	54,764	-
Special grants fund	-	561,608
Nonmajor funds:		
Textbook	1,987,511	-
Cafeteria	123,066	-
	<u>\$ 2,165,341</u>	<u>\$ 2,165,341</u>

The primary reason for interfund receivables and payables of the primary government due at June 30, 2010 are as follows:

Interfund receivable to the General Fund from the Special Revenue Fund represent amounts expended for the localities matching portion of state and federal grants paid out and due from the General Fund. The same applies to the Capital Projects, Community Development and cafeteria.

The primary reason for interfund receivables and payables of the component unit due at June 30, 2010 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.

**11. Due From Other Governments**

	City of Danville	Enterprise Fund	Danville Public Schools
Commonwealth of Virginia -			
State grants	\$ 2,734,210	\$ 9,230	\$ 1,074,682
Social Services	522,995	-	-
	<u>3,257,205</u>	<u>9,230</u>	<u>1,074,682</u>
Local government	-	-	1,221
Federal government -			
Federal grants	1,289,206	780,782	2,753,121
	<u>\$ 4,546,411</u>	<u>\$ 790,012</u>	<u>\$ 3,829,024</u>

**12. 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, 2010, employee membership in the ERS was as follows:

	<b>General Employees</b>	<b>Public Safety Employees</b>	<b>Total</b>
Retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them	518	174	692
Active plan participants:			
Vested	452	181	633
Nonvested	292	68	360
	744	249	993

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, 2010, the City's total payroll for all employees was \$46,658,152 and the City's total covered payroll amounted to \$38,724,457 of which \$27,837,274 was for general employees and \$10,887,182 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, 2010 amounted to \$4,611,297 of which the City, on behalf of its employees, paid \$705,680. 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 6.9% of covered payroll for the year for a total of 11.9%.

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

The annual pension cost at June 30, 2010 was \$5,097,536, and the contributions made by the City were \$4,611,297. At year-end June 30, 2010, the Enterprise Funds have recorded a net pension asset of \$205,043. In accordance with GASB 27, the General Fund asset of \$523,685 has been recorded in the Statement of Net Assets for the governmental funds.

### Three-Year Trend Information

Actuarial Date	City Supplemental		
	6/30/10	6/30/09	6/30/08
Annual Pension Cost (APC)	\$ 5,097,536	\$ 4,638,670	\$ 4,111,258
Percentage of APC Contributed	90.46%	96.27%	94.93%
Net Pension Asset	\$ 728,728	\$ 1,214,968	\$ 1,388,218

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, 2010 was 30 years.

For the year ended June 30, 2010, 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.

June 30, 2010	Governmental	Enterprise
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
Annual Pension Cost	3,980,144	1,117,392
Contributions Made	(3,607,299)	(1,003,997)
Decrease in NPO	372,845	113,395
Net pension asset – beginning of year	896,530	318,438
Net pension asset - end of year	\$ 523,685	\$ 205,043

The net pension asset shown above for the enterprise funds is net of the liability. Wastewater has a liability of \$24,680, Cemetery Operations fund has a liability of \$25,408, Telecommunications has a liability of \$7,170, and Transportation fund has a liability of \$7,372 which is applied to the assets of the other enterprise funds of \$269,673 to arrive at the balance shown in the chart above.

June 30, 2009	Governmental	Enterprise
Annual Required Contribution (ARC)	\$ 3,647,069	\$ 988,480
Interest on beginning Net Pension Obligation (NPO)	(92,461)	(18,597)
Adjustment to ARC	95,059	19,120
Annual Pension Cost	3,649,667	989,003
Contributions Made	(3,499,510)	(965,911)
Decrease in NPO	150,157	23,092
Net pension asset – beginning of year	1,046,687	341,530
Net pension asset - end of year	\$ 896,530	\$ 318,438

**E. Schedule of Funding Progress:**

Actuarial Valuation Date	6/30/10	6/30/09	6/30/08
Actuarial Value of assets (a)	\$ 178,430,719	\$ 181,583,002	\$ 184,158,579
Actuarial Accrued Liability (AAL) – Entry Age (b)	\$ 199,018,107	\$ 194,996,863	\$ 193,054,077
Unfunded (Overfunded) (AAL) (UAAL) (b-a)	\$ 20,587,388	\$ 13,413,861	\$ 8,895,498
Funded Ratio (a/b)	89.77%	93.12%	95.39%
Covered Payroll (c)	\$ 39,091,589	\$ 39,431,058	\$ 38,837,884
UAAL as a Percentage of Covered Payroll ((b-a)/c)	52.66%	34.02%	22.90%

**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/2010-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, 2010 was 13.81% (8.81% 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, 2010, the Danville Public School's annual contribution of \$203,790 for nonprofessional and \$4,190,176 for professional employees, and the City's annual contribution of \$566,966 were equal to the required and actual contributions. The contribution was determined as part of the June 30, 2008 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	2010	\$ 566,966	100%	\$ -
	2009	\$ 604,234	100%	\$ -
	2008	\$ 591,147	100%	\$ -
School Board	2010	\$ 203,790	100%	\$ -
Nonprofessional	2009	\$ 203,404	100%	\$ -
	2008	\$ 274,786	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, 2009).

Actuarial Valuation Date	6/30/09	6/30/08	6/30/07
Actuarial Value of assets (a)	\$ 18,471,983	\$ 18,048,580	\$ 16,301,462
Actuarial Accrued Liability (AAL) – Entry Age (b)	\$ 18,883,767	\$ 17,807,585	\$ 16,853,288
Unfunded (Overfunded) (AAL) (UAAL) (b-a)	\$ 411,784	\$ (240,994)	\$ 551,826
Funded Ratio (a/b)	97.82%	101.35%	96.73%
Covered Payroll (c)	\$ 4,739,581	\$ 4,533,963	\$ 4,482,616
UAAL as a Percentage of Covered Payroll ((b-a)/c)	8.69%	(5.32%)	12.31%

## Notes to Schedules of Employer Contributions and Funding Progress

	School Board June 30, 2009	City June 30, 2009
Valuation date	Entry Age Normal	Entry Age Normal
Actuarial cost method	Level percent, open	Level percent, open
Amortization method	3.00%	3.00%
Payroll growth method	20 years	20 years
Remaining amortization period	Five-Year Smoothed	Five-Year Smoothed
Asset valuation method	Market Value	Market Value
Actuarial assumptions:		
Investment of return*	7.50%	7.50%
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, 2009, 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.

## **13. Postretirement 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, 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 postretirement 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.

#### **Postretirement 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, 2010, membership consisted of:

Number of Costed Employees	
1. Active Employees	1,426
2. Retirees eligible for benefits	177
3. Covered spouses of retirees and beneficiaries	83
4. Retirees with life insurance only	174
	<hr/>
5. Total employees	1,860
	<hr/>

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

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

	2010	2009	2008
Annual Required Contribution	\$ 274,589	\$ 409,230	\$ 550,384
Interest on Net OPEB Obligation	6,981	-	-
Adjustments to Annual Required Contribution	(7,331)	62	-
Annual OPEB Cost	274,239	409,292	550,384
Contributions Made	(321,778)	(866,598)	-
Increase in Net OPEB Obligation	(47,539)	(457,306)	550,384
Net OPEB Obligation, Beginning of Year	93,078	550,384	-
Net OPEB Obligation, End of Year	\$ 45,539	\$ 93,078	\$ 550,384

\*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, 2009 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 \$2,790,043. The plan's unfunded actuarial accrued liability is being amortized using the fresh start method. The remaining amortization period at June 30, 2009 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)
2010	\$ -	\$ 2,790,043	\$ - %	2,790,043	\$ 46,658,152	5.98 %
2009	-	3,873,533	- %	3,873,533	46,559,196	8.32 %
2008	-	4,875,297	- %	4,875,297	44,413,309	10.98 %

## G. Schedule of Employee Contributions

Year Ended June 30,	Employer Contributions	Annual Required Contribution (ARC)	Percentage Contributed
2010	\$ 321,778	\$ 274,239	\$ 117.3 %
2009	866,598	409,230	211.8%
2008	-	550,384	- %

## 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, 2010, the City purchased contracts totaling \$3,769,221, of which \$3,312,554 is hedged on behalf of Rate 45 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 \$305,690 above the June 30 market value of \$886,080, and there were no outstanding gas hedges remaining for remaining customers at June 30, 2010.

## 15. Impact of Subsequent Stock Market Declines (Unaudited)

Subsequent to June 30, 2010, no significant inclines or declines in fair value occurred in worldwide securities markets. Fair value estimates for securities are currently volatile, difficult to predict and subject to material changes that could affect the ERS financial condition and results of operations in the near term.

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# **CITY OF DANVILLE, VIRGINIA**

Required Supplemental Information

Other Than MD&A  
(RSI)

For The Year Ended June 30, 2010

## GENERAL FUND

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

Year Ended June 30, 2010

## GENERAL FUND REVENUES

	Original Budget	Final Budget	Actual	Variance
<b>Property taxes</b>				
Real property taxes	\$ 15,500,000	\$ 15,500,000	\$ 16,303,832	\$ 803,832
Real and personal public service corporation property taxes	380,000	380,000	396,528	16,528
Personal property taxes	8,623,000	8,638,900	9,623,492	984,592
Penalties and interest	500,000	500,000	574,733	74,733
<b>Total property taxes</b>	<b>25,003,000</b>	<b>25,018,900</b>	<b>26,898,585</b>	<b>1,879,685</b>
<b>Local taxes</b>				
Local sales and use taxes	7,700,000	7,700,000	7,662,498	(37,502)
Business license taxes	4,400,000	4,400,000	4,408,666	8,666
Prepared meals taxes	6,120,000	6,120,000	5,966,509	(153,491)
Consumer utility tax	1,000,000	1,000,000	985,162	(14,838)
Franchise license taxes	10,375	10,375	10,375	-
Motor vehicle license	1,000,000	1,000,000	1,159,830	159,830
Bank stock taxes	600,000	600,000	798,353	198,353
Taxes on recordation and wills	200,000	200,000	180,145	(19,855)
Daily property and room rental taxes	771,000	771,000	663,231	(107,769)
Telephone tax	-	-	2	2
<b>Total local taxes</b>	<b>21,801,375</b>	<b>21,801,375</b>	<b>21,834,771</b>	<b>33,396</b>
<b>Fines and forfeitures</b>	<b>482,450</b>	<b>482,450</b>	<b>614,983</b>	<b>132,533</b>
<b>Permits, privilege fees and regulatory licenses</b>				
Dog tags	15,000	15,000	26,093	11,093
Permits and other licenses	201,495	201,495	199,698	(1,797)
<b>Total permits, privilege fees and regulatory licenses</b>	<b>216,495</b>	<b>216,495</b>	<b>225,791</b>	<b>9,296</b>
<b>Revenue from use of money and property</b>				
Revenue from use of money	900,000	900,000	749,129	(150,871)
Revenue from the use of property	490,870	490,870	495,530	4,660
Market value adjustment	-	-	(63,732)	(63,732)
<b>Total revenue from use of money and property</b>	<b>1,390,870</b>	<b>1,390,870</b>	<b>1,180,927</b>	<b>(209,943)</b>
<b>Charges for services</b>				
Court costs	24,000	24,000	19,932	(4,068)
Correction and detention	3,302,684	3,414,821	3,031,907	(382,914)
Commonwealth's Attorney	150,000	150,000	153,635	3,635
Other protection	9,500	9,500	6,419	(3,081)
Parks and recreation	207,464	207,464	289,650	82,186
Library	31,500	31,500	21,284	(10,216)
Planning and community development	500	500	5,346	4,846
Lot clearing	20,000	20,000	14,653	(5,347)
Tax abatement applications	500	500	200	(300)
<b>Total charges for services</b>	<b>3,746,148</b>	<b>3,858,285</b>	<b>3,543,026</b>	<b>(315,259)</b>

See report of Independent auditors

(Continued on next page)

## GENERAL FUND

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

Year Ended June 30, 2010

	Original Budget	Final Budget	Actual	Variance
<b>Miscellaneous</b>	135,500	131,020	120,248	(10,772)
<b>Recovered costs</b>	4,980,804	4,986,719	5,165,740	179,021
<b>Intergovernmental</b>				
<i>Revenue from the Commonwealth</i>				
Noncategorical aid	6,506,907	6,506,907	6,016,356	(490,551)
Shared expenditures:				
Commonwealth's Attorney	906,330	906,330	764,695	(141,635)
Sheriff	2,984,266	2,984,266	2,648,893	(335,373)
Commissioner of Revenue	164,998	164,998	147,614	(17,384)
Treasurer	119,561	119,561	116,666	(2,895)
Medical examiner	1,000	1,000	-	(1,000)
Registrar and electoral board	55,800	55,800	46,620	(9,180)
Clerk of Circuit Court	70,000	70,000	58,335	(11,665)
<b>Total shared expenditures</b>	4,301,955	4,301,955	3,782,823	(519,132)
Welfare	7,854,757	7,854,757	7,153,459	(701,298)
Other categorical aid:				
Forfeited property	-	18,494	18,494	-
Emergency services	88,563	88,563	91,766	3,203
E911 wireless	115,634	115,634	131,984	16,350
Fire services	114,854	118,166	136,873	18,707
Juvenile and domestic relations	1,321,253	1,321,253	1,269,826	(51,427)
National Guard armory	16,000	16,000	18,696	2,696
Street and highway maintenance	8,869,410	8,880,943	8,569,006	(311,937)
Library	171,404	171,404	166,551	(4,853)
<b>Total other categorical aid</b>	10,697,118	10,730,457	10,403,196	(327,261)
<i>Revenue from the federal government:</i>				
Payments in lieu of taxes	3,714	3,714	3,714	-
Law enforcement	-	-	18,911	18,911
Forfeited property	-	(14,081)	(14,081)	-
<b>Total revenue from the federal government</b>	3,714	(10,367)	8,544	18,911
<b>Total intergovernmental</b>	29,364,451	29,383,709	27,364,378	(2,019,331)
<b>Total General Fund revenues</b>	\$ 87,121,093	\$ 87,269,823	\$ 86,948,449	\$ (321,374)

See report of Independent auditors

## GENERAL FUND

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

Year Ended June 30, 2010

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	53,860	43,138	36,073	(7,065)
	93,860	83,139	76,073	(7,066)
<i>Mayor</i>				
Salaries	7,000	7,000	7,000	-
Other	1,736	1,736	620	(1,116)
	8,736	8,736	7,620	(1,116)
<b>Total legislative</b>	102,596	91,875	83,693	(8,182)
<b>General and financial administration</b>				
<i>City Manager</i>				
Salaries	420,641	364,597	356,154	(8,443)
Other	138,448	155,801	126,645	(29,156)
	559,089	520,398	482,799	(37,599)
<i>Personnel</i>				
Salaries	336,867	301,667	294,366	(7,301)
Other	130,710	134,844	109,937	(24,907)
	467,577	436,511	404,303	(32,208)
<i>Occupational health services</i>				
Salaries	74,248	73,719	70,460	(3,259)
Other	70,460	71,048	64,527	(6,521)
	144,708	144,767	134,987	(9,780)
<i>Budget</i>				
Salaries	65,741	65,741	65,741	-
Other	27,207	23,885	22,228	(1,657)
	92,948	89,626	87,969	(1,657)
<i>City Attorney</i>				
Salaries	219,000	219,000	215,317	(3,683)
Other	78,595	76,143	61,465	(14,678)
	297,595	295,143	276,782	(18,361)
<i>Independent auditor</i>				
Other	130,000	130,000	82,959	(47,041)
<i>Public affairs</i>				
Other	79,391	79,391	65,192	(14,199)
<i>Commissioner of Revenue</i>				
Salaries	373,502	373,944	373,944	-
Other	111,326	110,678	101,386	(9,292)
	484,828	484,622	475,330	(9,292)
<i>Real estate assessment</i>				
Salaries	319,079	319,080	319,079	(1)
Other	92,638	92,339	84,680	(7,659)
	411,717	411,419	403,759	(7,660)

See report of Independent auditors  
(Continued on next page)

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

**Year Ended June 30, 2010**

	Original Budget	Final Budget	Actual	Variance
<b>General government administration</b>				
<i>Central collections</i>				
Salaries	465,411	465,411	461,161	(4,250)
Other	232,883	248,831	243,032	(5,799)
	698,294	714,242	704,193	(10,049)
<i>Treasurer</i>				
Salaries	151,308	151,166	150,728	(438)
Other	45,084	44,952	43,442	(1,510)
	196,392	196,118	194,170	(1,948)
<i>Finance and accounting</i>				
Salaries	751,320	757,620	757,619	(1)
Other	167,587	171,628	166,670	(4,958)
	918,907	929,248	924,289	(4,959)
<i>Purchasing</i>				
Salaries	174,946	174,946	174,945	(1)
Other	50,554	51,204	50,914	(290)
	225,500	226,150	225,859	(291)
<i>Management information systems</i>				
Salaries	1,197,641	1,203,803	1,196,009	(7,794)
Other	1,397,694	1,478,157	1,236,637	(241,520)
	2,595,335	2,681,960	2,432,646	(249,314)
<b>Total general and financial administration</b>	7,302,281	7,339,595	6,895,237	(444,358)
<b>Board of Elections</b>				
<i>Elections</i>				
Salaries	41,900	52,450	52,254	(196)
Other	43,410	43,410	35,933	(7,477)
	85,310	95,860	88,187	(7,673)
<i>Registrar</i>				
Salaries	79,372	79,372	79,368	(4)
Other	26,565	26,487	22,380	(4,107)
	105,937	105,859	101,748	(4,111)
<b>Total Board of Elections</b>	191,247	201,719	189,935	(11,784)
<b>Total General Government</b>	7,596,124	7,633,189	7,168,865	(464,324)
<b>Judicial Administration</b>				
<b>Courts</b>				
<i>Circuit Court</i>				
Salaries	147,807	147,807	125,351	(22,456)
Other	46,918	48,766	38,415	(10,351)
	194,725	196,573	163,766	(32,807)

See report of Independent auditors  
(Continued on next page)

## GENERAL FUND

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

Year Ended June 30, 2010

	Original Budget	Final Budget	Actual	Variance
<i>General District Court</i>				
Salaries - legal services	33,000	33,000	30,155	(2,845)
Other	20,400	20,879	16,649	(4,230)
	53,400	53,879	46,804	(7,075)
<i>Courts</i>				
Other	2,325	2,325	1,685	(640)
<i>District Court service unit</i>				
Other	7,000	7,000	4,279	(2,721)
<i>Juvenile and Domestic Relations Court</i>				
Other	36,000	38,087	31,330	(6,757)
<i>Clerk of the Circuit Court</i>				
Salaries	93,228	107,176	107,175	(1)
Other	157,957	166,624	145,572	(21,052)
	251,185	273,800	252,747	(21,053)
<i>City Sheriff</i>				
Salaries	2,789,992	2,680,290	2,627,525	(52,765)
Other	856,621	963,567	888,901	(74,666)
	3,646,613	3,643,857	3,516,426	(127,431)
<b>Total courts</b>	<b>4,191,248</b>	<b>4,215,521</b>	<b>4,017,037</b>	<b>(198,484)</b>
<b>Commonwealth's Attorney</b>				
Salaries	972,204	971,969	897,728	(74,241)
Other	331,936	373,375	309,379	(63,996)
<b>Total Commonwealth's Attorney</b>	<b>1,304,140</b>	<b>1,345,344</b>	<b>1,207,107</b>	<b>(138,237)</b>
<b>Total judicial administration</b>	<b>5,495,388</b>	<b>5,560,865</b>	<b>5,224,144</b>	<b>(336,721)</b>
<b>Public Safety</b>				
<b>Law enforcement and traffic control</b>				
<i>Police</i>				
Salaries	6,261,225	6,108,843	6,196,380	87,537
Other	2,422,716	2,430,285	2,379,063	(51,222)
	8,683,941	8,539,128	8,575,443	36,315
<i>Traffic control and maintenance</i>				
Salaries	340,452	331,877	331,728	(149)
Other	516,408	658,037	623,282	(34,755)
	856,860	989,914	955,010	(34,904)
<b>Total law enforcement and traffic control</b>	<b>9,540,801</b>	<b>9,529,042</b>	<b>9,530,453</b>	<b>1,411</b>
<b>Fire and rescue services</b>				
<i>Fire</i>				
Salaries	5,492,274	5,420,938	5,421,657	719
Other	1,944,482	2,302,836	2,228,054	(74,782)
	7,436,756	7,723,774	7,649,711	(74,063)

See report of Independent auditors  
(Continued on next page)

## GENERAL FUND

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

Year Ended June 30, 2010

	Original Budget	Final Budget	Actual	Variance
<i>Ambulance and rescue services</i>				
Other	143,555	143,555	123,808	(19,747)
<b>Total fire and rescue services</b>	<b>7,580,311</b>	<b>7,867,329</b>	<b>7,773,519</b>	<b>(93,810)</b>
 <b>Correction and detention</b>				
<i>Juvenile detention</i>				
Salaries	1,759,979	1,864,669	1,623,430	(241,239)
Other	2,050,496	1,982,172	1,868,496	(113,676)
	<u>3,810,475</u>	<u>3,846,841</u>	<u>3,491,926</u>	<u>(354,915)</u>
<i>City Jail</i>				
Salaries	31,350	37,321	37,321	-
Other	1,014,735	1,247,420	1,239,385	(8,035)
	<u>1,046,085</u>	<u>1,284,741</u>	<u>1,276,706</u>	<u>(8,035)</u>
<i>Adult detention</i>				
Salaries	1,463,312	1,409,291	1,357,207	(52,084)
Other	1,141,010	1,177,389	1,096,028	(81,361)
	<u>2,604,322</u>	<u>2,586,680</u>	<u>2,453,235</u>	<u>(133,445)</u>
<b>Total correction and detention</b>	<b>7,460,882</b>	<b>7,718,262</b>	<b>7,221,867</b>	<b>(496,395)</b>
 <b>Inspections</b>				
Salaries	422,906	422,906	411,974	(10,932)
Other	223,539	274,161	259,987	(14,174)
<b>Total inspections</b>	<b>646,445</b>	<b>697,067</b>	<b>671,961</b>	<b>(25,106)</b>
 <b>Other protection</b>				
<i>Animal control</i>				
Other	124,842	124,842	124,841	(1)
<i>Medical examiner</i>				
Other	1,000	1,000	980	(20)
<i>Emergency services</i>				
Salaries	95,228	95,228	84,946	(10,282)
Other	107,047	105,836	92,481	(13,355)
	<u>202,275</u>	<u>201,064</u>	<u>177,427</u>	<u>(23,637)</u>
<i>Emergency E-911</i>				
Salaries	787,134	722,134	656,813	(65,321)
Other	281,770	297,871	247,532	(50,339)
	<u>1,068,904</u>	<u>1,020,005</u>	<u>904,345</u>	<u>(115,660)</u>
<b>Total other protection</b>	<b>1,397,021</b>	<b>1,346,911</b>	<b>1,207,593</b>	<b>(139,318)</b>
<b>Total public safety</b>	<b>26,625,460</b>	<b>27,158,611</b>	<b>26,405,393</b>	<b>(753,218)</b>

See report of Independent auditors  
(Continued on next page)

## GENERAL FUND

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

Year Ended June 30, 2010

	Original Budget	Final Budget	Actual	Variance
<b>Public Works</b>				
<b>Maintenance of highways, streets, bridges and sidewalks</b>				
<i>Warehouse</i>				
Salaries	83,119	85,699	85,691	(8)
Other	55,393	57,466	(9,932)	(67,398)
	138,512	143,165	75,759	(67,406)
<i>Airport</i>				
Salaries	222,124	222,124	218,362	(3,762)
Other	255,443	254,234	235,664	(18,570)
	477,567	476,358	454,026	(22,332)
<i>Amtrak operations</i>				
Other	-	33,239	33,239	-
<i>Director of public works and engineering</i>				
Salaries	371,618	382,158	382,148	(10)
Other	171,209	196,842	188,766	(8,076)
	542,827	579,000	570,914	(8,086)
<i>Engineering</i>				
Salaries	533,875	533,876	533,872	(4)
Other	151,002	173,952	169,858	(4,094)
	684,877	707,828	703,730	(4,098)
<i>Right of way landscaping</i>				
Other	70,000	109,045	102,273	(6,772)
<i>Street maintenance</i>				
Salaries	862,810	746,927	720,087	(26,840)
Other	4,499,460	4,240,100	3,790,850	(449,250)
	5,362,270	4,987,027	4,510,937	(476,090)
<i>Storm drainage</i>				
Salaries	152,388	92,388	64,213	(28,175)
Other	142,659	125,744	94,539	(31,205)
	295,047	218,132	158,752	(59,380)
<i>Street lighting</i>				
Other	950,000	1,123,742	1,123,465	(277)
<i>Snow removal and storm damage</i>				
Drainage repair	31,500	21,298	19,819	(1,479)
Salaries	177,374	196,014	157,363	(38,651)
Other	268,558	457,791	446,290	(11,501)
	477,432	675,103	623,472	(51,631)
<i>Street cleaning</i>				
Salaries	206,445	186,445	166,679	(19,766)
Other	173,020	163,782	149,847	(13,935)
	379,465	350,227	316,526	(33,701)
<b>Total maintenance of highways,         streets, bridges, and sidewalks</b>	<b>9,377,997</b>	<b>9,402,866</b>	<b>8,673,093</b>	<b>(729,773)</b>

See report of Independent auditors  
(Continued on next page)

## GENERAL FUND

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

Year Ended June 30, 2010

	Original Budget	Final Budget	Actual	Variance
<b>Maintenance of general buildings and grounds</b>				
<i>Maintenance of buildings and facilities</i>				
Salaries	158,919	148,137	148,007	(130)
Other	199,291	226,755	209,384	(17,371)
	358,210	374,892	357,391	(17,501)
<i>Maintenance of public grounds</i>				
Salaries	573,075	543,076	514,632	(28,444)
Other	740,536	779,705	711,265	(68,440)
	1,313,611	1,322,781	1,225,897	(96,884)
<i>Weed abatement program</i>				
Salaries	36,027	36,937	36,935	(2)
Other	81,047	95,283	87,794	(7,489)
	117,074	132,220	124,729	(7,491)
<i>City Beautiful</i>				
Other	10,000	14,070	5,970	(8,100)
<i>Municipal building</i>				
Salaries	234,309	208,219	197,412	(10,807)
Other	314,237	290,211	271,103	(19,108)
	548,546	498,430	468,515	(29,915)
<i>Courts and jail building</i>				
Salaries	122,355	122,355	155,913	33,558
Other	295,848	341,921	281,504	(60,417)
	418,203	464,276	437,417	(26,859)
<i>Financial services center</i>				
Salaries	11,904	11,904	5,144	(6,760)
Other	102,460	98,247	91,629	(6,618)
	114,364	110,151	96,773	(13,378)
<b>Total maintenance of general buildings and grounds</b>	2,880,008	2,916,820	2,716,692	(200,128)
<b>Total Public Works</b>	12,258,005	12,319,686	11,389,785	(929,901)
<b>Health and Welfare</b>				
<b>Health</b>				
Other	586,201	586,201	586,201	-
<b>Mental health and mental retardation</b>				
Other	168,411	168,411	168,411	-
<b>Welfare and social services</b>				
<i>Director of human services</i>				
Salaries	129,212	129,212	129,211	(1)
Other	36,882	36,342	35,394	(948)
	166,094	165,554	164,605	(949)
<i>Social services bureau</i>				
Salaries	3,563,204	3,391,184	3,297,845	(93,339)
Other	5,863,183	6,004,387	5,371,164	(633,223)
	9,426,387	9,395,571	8,669,009	(726,562)

See report of Independent auditors  
(Continued on next page)

## GENERAL FUND

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

Year Ended June 30, 2010

	Original Budget	Final Budget	Actual	Variance
<i>Southern Area Agency on Aging</i>				
Other	5,283	5,283	5,283	-
<i>Child care initiative</i>				
Other	-	9,459	8,942	(517)
<i>Property tax relief for the elderly</i>				
Other	75,000	75,000	53,311	(21,689)
<b>Total welfare and social services</b>	<b>9,672,764</b>	<b>9,650,867</b>	<b>8,901,150</b>	<b>(749,717)</b>
<b>Total Health and Welfare</b>	<b>10,427,376</b>	<b>10,405,479</b>	<b>9,655,762</b>	<b>(749,717)</b>
<b>Education</b>				
Danville Community College	10,425	10,425	10,424	(1)
Danville School Board	18,424,857	23,124,302	17,511,614	(5,612,688)
<b>Total Education</b>	<b>18,435,282</b>	<b>23,134,727</b>	<b>17,522,038</b>	<b>(5,612,689)</b>
<b>Parks, Recreation, and Cultural</b>				
<b>Parks and Recreation</b>				
<i>Recreation</i>				
Salaries	1,259,404	1,255,355	1,224,594	(30,761)
Other	623,837	639,302	621,753	(17,549)
	<b>1,883,241</b>	<b>1,894,657</b>	<b>1,846,347</b>	<b>(48,310)</b>
<i>After school instructional program</i>				
Salaries	118,870	118,870	113,400	(5,470)
Other	25,894	25,894	105,271	79,377
	<b>144,764</b>	<b>144,764</b>	<b>218,671</b>	<b>73,907</b>
<i>Carrington Pavilion</i>				
Salaries	13,110	12,952	9,362	(3,590)
Other	10,606	10,695	9,878	(817)
	<b>23,716</b>	<b>23,647</b>	<b>19,240</b>	<b>(4,407)</b>
<i>Recreation buildings - maintenance</i>				
Salaries	100,697	54,697	46,969	(7,728)
Other	405,787	425,070	381,790	(43,280)
	<b>506,484</b>	<b>479,767</b>	<b>428,759</b>	<b>(51,008)</b>

See report of Independent auditors  
(Continued on next page)

## GENERAL FUND

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

Year Ended June 30, 2010

	Original Budget	Final Budget	Actual	Variance
<i>Recreation grounds - maintenance</i>				
Salaries	485,946	485,946	467,057	(18,889)
Other	648,052	639,160	632,455	(6,705)
	1,133,998	1,125,106	1,099,512	(25,594)
<b>Total parks and recreation</b>	3,692,203	3,667,941	3,612,529	(55,412)
<b>Cultural enrichment</b>				
<i>Tourism and preservation</i>				
Salaries	168,818	169,211	167,180	(2,031)
Other	230,840	236,051	208,490	(27,561)
	399,658	405,262	375,670	(29,592)
<b>Public libraries</b>				
Salaries	621,364	620,516	516,859	(103,657)
Other	568,940	564,313	533,813	(30,500)
Total public libraries	1,190,304	1,184,829	1,050,672	(134,157)
<b>Total Parks, Recreation, and Cultural</b>	5,282,165	5,258,032	5,038,871	(219,161)
<b>Community Development</b>				
<b>Planning and community development</b>				
<i>Director of community development</i>				
Salaries	175,691	179,519	179,519	-
Other	83,327	62,706	58,779	(3,927)
	259,018	242,225	238,298	(3,927)
<i>Economic development</i>				
Salaries	366,797	316,797	301,929	(14,868)
Other	373,908	406,634	357,617	(49,017)
	740,705	723,431	659,546	(63,885)
<i>Housing and development</i>				
Other	-	20,000	13,237	(6,763)
<i>Enterprise zone activities</i>				
Other	113,000	170,040	170,039	(1)
<i>Planning</i>				
Salaries	172,409	162,645	160,091	(2,554)
Other	63,275	128,469	83,670	(44,799)
	235,684	291,114	243,761	(47,353)
<i>Planning commission</i>				
Other	6,100	6,100	5,857	(243)
West Piedmont Planning District				
Other	25,796	25,796	25,555	(241)
<i>Zoning board</i>				
Salaries	1,000	972	435	(537)
Other	2,600	2,091	1,903	(188)
	3,600	3,063	2,338	(725)

See report of Independent auditors  
(Continued on next page)

## GENERAL FUND

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

Year Ended June 30, 2010

	Original Budget	Final Budget	Actual	Variance
Total planning and community development	1,383,903	1,481,769	1,358,631	(123,138)
Virginia Cooperative Extension Other	40,100	40,100	36,850	(3,250)
<b>Total Community Development</b>	<b>1,424,003</b>	<b>1,521,869</b>	<b>1,395,481</b>	<b>(126,388)</b>
<b>Nondepartmental</b>				
Employee benefits	4,597,759	5,098,207	5,317,047	218,840
Other	(239,750)	377,701	177,074	(200,627)
<b>Total Nondepartmental</b>	<b>4,358,009</b>	<b>5,475,908</b>	<b>5,494,121</b>	<b>18,213</b>
<b>Debt Service</b>				
Principal	1,410,404	1,410,404	1,410,402	(2)
Interest	1,080,866	1,086,886	1,086,885	(1)
<b>Total debt service</b>	<b>2,491,270</b>	<b>2,497,290</b>	<b>2,497,287</b>	<b>(3)</b>
<b>Total General Fund Expenditures</b>	<b>\$ 94,393,082</b>	<b>\$ 100,965,656</b>	<b>\$ 91,791,747</b>	<b>\$ (9,173,909)</b>

See report of Independent auditors

**June 30, 2010**

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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, 2010**

# **CITY OF DANVILLE, VIRGINIA**

Combining Statements

Nonmajor Governmental Funds

For the Year Ended June 30, 2010

- ❖ 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, 2010**

	Special Revenue	Cemetery Maintenance	Total
<b>ASSETS</b>			
Cash and investments	\$ -	\$ 2,606,597	\$ 2,606,597
Receivables - net	19,516	-	19,516
Due from other governments	992,112	-	992,112
<b>Total assets</b>	<b>\$ 1,011,628</b>	<b>\$ 2,606,597</b>	<b>\$ 3,618,225</b>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
Accounts payable	\$ 77,169	\$ -	\$ 77,169
Due to other funds	171,956	-	171,956
Due to component unit	51,183	-	51,183
Deferred revenue	19,516	-	19,516
<b>Total liabilities</b>	<b>319,824</b>	<b>-</b>	<b>319,824</b>
<b>FUND BALANCES</b>			
Reserved for:			
Encumbrances	684,478	-	684,478
Cemetery maintenance	-	2,606,597	2,606,597
Unreserved	7,326	-	7,326
<b>Total fund balances</b>	<b>691,804</b>	<b>2,606,597</b>	<b>3,298,401</b>
<b>Total liabilities and fund balances</b>	<b>\$ 1,011,628</b>	<b>\$ 2,606,597</b>	<b>\$ 3,618,225</b>

*See report of independent auditors*

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

<b>Year Ended June 30, 2010</b>			
	Special Revenue	Cemetery Maintenance	Total
<b>REVENUES</b>			
Miscellaneous	\$ 252,229	\$ 37,375	\$ 289,604
Intergovernmental	4,139,889	-	4,139,889
<b>Total revenues</b>	<b>4,392,118</b>	<b>37,375</b>	<b>4,429,493</b>
<b>EXPENDITURES</b>			
Judicial administration	32,707	-	32,707
Public safety	844,275	-	844,275
Public works	138,399	-	138,399
Health and welfare	3,977,186	-	3,977,186
Parks, recreation, and cultural	409,458	-	409,458
Community Development	25,588	-	25,588
<b>Total expenditures</b>	<b>5,427,613</b>	<b>-</b>	<b>5,427,613</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>(1,035,495)</b>	<b>37,375</b>	<b>(998,120)</b>
<b>OTHER FINANCING SOURCES</b>			
Transfers in	1,074,588	-	1,074,588
<b>Net change in fund balances</b>	<b>39,093</b>	<b>37,375</b>	<b>76,468</b>
Fund balances - beginning of year	652,711	2,569,222	3,221,933
Fund balances - end of year	\$ 691,804	\$ 2,606,597	\$ 3,298,401

See report of independent auditors

# **CITY OF DANVILLE, VIRGINIA**

Combining Statements

Nonmajor Enterprise Funds

For the Year Ended June 30, 2010

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

## COMBINING BALANCE SHEET-NONMAJOR ENTERPRISE FUNDS

June 30, 2010

	Transportation	Sanitation	Cemetery Operations	Telecommunications	Total
<b>ASSETS</b>					
Current assets					
Cash and investments	\$ -	\$ 300,771	\$ 51,553	\$ 1,142,875	\$ 1,495,199
Receivables - net	7,519	130,435	-	55,137	193,091
Due from other governments	790,012	-	-	-	790,012
Inventory	-	-	-	239,398	239,398
<b>Total current assets</b>	<b>797,531</b>	<b>431,206</b>	<b>51,553</b>	<b>1,437,410</b>	<b>2,717,700</b>
Noncurrent assets					
Pension asset	-	110,513	-	-	110,513
Capital assets:					
Land and improvements	-	509,232	-	-	509,232
Construction in progress	291,966	-	-	1,010,094	1,302,060
Buildings, structures, and improvements	1,858,764	1,601,809	-	-	3,460,573
Equipment	1,128,787	430,622	-	3,731,305	5,290,714
Less - accumulated depreciation	(1,134,067)	(1,855,764)	-	(407,173)	(3,397,004)
<b>Total noncurrent assets - net</b>	<b>2,145,450</b>	<b>796,412</b>	<b>-</b>	<b>4,334,226</b>	<b>7,276,088</b>
<b>Total assets</b>	<b>\$ 2,942,981</b>	<b>\$ 1,227,618</b>	<b>\$ 51,553</b>	<b>\$ 5,771,636</b>	<b>\$ 9,993,788</b>
<b>LIABILITIES</b>					
Current liabilities					
Accounts payable	\$ 18,122	\$ 88,694	\$ 5,830	\$ 84,366	\$ 197,012
Accrued interest	13	258	-	-	271
Due to other funds	404,708	-	-	-	404,708
Long-term liabilities - due within one year	18,899	74,606	17,199	5,887	116,591
<b>Total current liabilities</b>	<b>441,742</b>	<b>163,558</b>	<b>23,029</b>	<b>90,253</b>	<b>718,582</b>
Long-term liabilities - due in more than one year	1,587	17,958	1,975	-	21,520
Pension liability	7,372	-	25,408	7,170	39,950
Compensated absences	2,454	8,344	1,141	821	12,760
<b>Total noncurrent liabilities</b>	<b>11,413</b>	<b>26,302</b>	<b>28,524</b>	<b>7,991</b>	<b>74,230</b>
<b>Total liabilities</b>	<b>453,155</b>	<b>189,860</b>	<b>51,553</b>	<b>98,244</b>	<b>792,812</b>
<b>NET ASSETS</b>					
Invested in capital assets - net of related debt	2,144,757	672,096	-	4,334,225	7,151,078
Restricted - capital projects	566,198	-	-	439,372	1,005,570
Unrestricted	(221,129)	365,662	-	899,795	1,044,328
<b>Total net assets</b>	<b>\$ 2,489,826</b>	<b>\$ 1,037,758</b>	<b>\$ -</b>	<b>\$ 5,673,392</b>	<b>\$ 9,200,976</b>

See report of independent auditors

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

**Year Ended June 30, 2010**

	Transportation	Sanitation	Cemetery Operations	Telecommunications	Total
<b>OPERATING REVENUES</b>					
Charges for services	\$ 254,230	\$ 3,476,809	\$ 573,210	\$ 1,433,951	\$ 5,738,200
<b>OPERATING EXPENSES</b>					
Services	1,217,820	3,662,683	811,253	642,509	6,334,265
Depreciation	206,069	10,135	-	160,007	376,211
<b>Total operating expenses</b>	<b>1,423,889</b>	<b>3,672,818</b>	<b>811,253</b>	<b>802,516</b>	<b>6,710,476</b>
<b>Operating income (loss)</b>	<b>(1,169,659)</b>	<b>(196,009)</b>	<b>(238,043)</b>	<b>631,435</b>	<b>(972,276)</b>
<b>NONOPERATING REVENUES (EXPENSES)</b>					
Sales income	-	-	169,425	-	169,425
Jobbing income	-	-	-	15,995	15,995
Rental income	24,009	6,775	-	-	30,784
Recovered cost	17,870	-	-	-	17,870
Gain on sale of assets	(64,512)	-	-	-	(64,512)
Federal and state grants	973,054	-	-	-	973,054
In-kind contributions	127,812	-	-	-	127,812
Interest income	456	7,452	47,285	18,894	74,087
Interest expense	(62)	(1,227)	-	-	(1,289)
<b>Total nonoperating revenues</b>	<b>1,078,627</b>	<b>13,000</b>	<b>216,710</b>	<b>34,889</b>	<b>1,343,226</b>
<b>Income (loss) before transfers</b>	<b>(91,032)</b>	<b>(183,009)</b>	<b>(21,333)</b>	<b>666,324</b>	<b>370,950</b>
<b>Transfers</b>					
Transfer in from other funds	166,181	-	21,333	-	187,514
Transfer out to general fund	-	-	-	(302,000)	(302,000)
<b>Total transfers</b>	<b>166,181</b>	<b>-</b>	<b>21,333</b>	<b>(302,000)</b>	<b>(114,486)</b>
<b>Change in net assets</b>	<b>75,149</b>	<b>(183,009)</b>	<b>-</b>	<b>364,324</b>	<b>256,464</b>
<b>Net assets - beginning of year</b>	<b>2,414,677</b>	<b>1,220,767</b>	<b>-</b>	<b>5,309,068</b>	<b>8,944,512</b>
<b>Net assets - end 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>

See report of independent auditors

## COMBINING STATEMENT OF CASH FLOWS - NONMAJOR ENTERPRISE FUNDS

Year Ended June 30, 2010

	Transportation	Sanitation	Cemetery Operations	Telecommunications	Total
<b>Cash flows from operating activities</b>					
Received from customers	\$ 253,554	\$ 3,461,349	\$ 573,210	\$ 1,511,872	\$ 5,799,985
Payments to suppliers for goods and services	(157,610)	(1,659,322)	(204,089)	(390,069)	(2,411,090)
Payments to employees for services	(702,733)	(1,572,748)	(509,677)	(241,816)	(3,026,974)
Payments to internal service funds for goods and services	(4,166)	(414,292)	(97,355)	(32)	(515,845)
Nonoperating revenue	41,879	6,775	169,425	15,995	234,074
<b>Net cash from operating activities</b>	<b>(569,076)</b>	<b>(178,238)</b>	<b>(68,486)</b>	<b>895,950</b>	<b>80,150</b>
<b>Cash flows from noncapital financing activities</b>					
Transfers from other funds	166,181	-	21,333	-	187,514
Transfers to other funds	-	-	-	(302,000)	(302,000)
Operating grants received	787,029	-	-	-	787,029
<b>Net cash from noncapital financing activities</b>	<b>953,210</b>	<b>-</b>	<b>21,333</b>	<b>(302,000)</b>	<b>672,543</b>
<b>Cash flows from capital and related financing activities</b>					
Acquisition of capital assets	(390,893)	(28,340)	-	(887,957)	(1,307,190)
Interest payments on long-term debt	(53)	(1,058)	-	-	(1,111)
Proceeds from sale of capital assets	6,333	-	-	-	6,333
<b>Net cash from capital and related financing activities</b>	<b>(384,613)</b>	<b>(29,398)</b>	<b>-</b>	<b>(887,957)</b>	<b>(1,301,968)</b>
<b>Cash flows from investing activities</b>					
Interest on investments	456	8,384	52,962	21,490	83,292
Net activity in investment securities	23	(481)	(5,677)	(2,596)	(8,731)
<b>Net cash from investing activities</b>	<b>479</b>	<b>7,903</b>	<b>47,285</b>	<b>18,894</b>	<b>74,561</b>
<b>Net increase (decrease) in cash and investments</b>	<b>-</b>	<b>(199,733)</b>	<b>132</b>	<b>(275,113)</b>	<b>(474,714)</b>
<b>Cash and investments - beginning of year</b>	<b>-</b>	<b>500,504</b>	<b>51,421</b>	<b>1,417,988</b>	<b>1,969,913</b>
<b>Cash and investments - end of year</b>	<b>\$ -</b>	<b>\$ 300,771</b>	<b>\$ 51,553</b>	<b>\$ 1,142,875</b>	<b>\$ 1,495,199</b>
Reconciliation of operating income (loss) to net cash from operating activities					
Operating income (loss)	\$ (1,169,659)	\$ (196,009)	\$ (238,043)	\$ 631,435	\$ (972,276)
Adjustments:					
Depreciation charged to operations	206,069	10,135	-	160,007	376,211
In-kind contributions	127,812	-	-	-	127,812
Change in noncash employee benefits charged to operations	517	16,961	7,473	15,995	40,946
Nonoperating revenue	41,879	6,775	169,425	6,017	224,096
Changes in assets and liabilities:					
Accounts receivable	(676)	(15,461)	-	77,920	61,783
Inventory	-	-	-	9,040	9,040
Accounts payable	224,982	(639)	(7,341)	(4,464)	212,538
<b>Net cash from operating activities</b>	<b>\$ (569,076)</b>	<b>\$ (178,238)</b>	<b>\$ (68,486)</b>	<b>\$ 895,950</b>	<b>\$ 80,150</b>
<b>Supplemental disclosure of noncash investing, capital, and financing activities:</b>					
Decrease in fair value of investments	\$ -	\$ (932)	\$ (5,677)	\$ -	\$ (6,609)

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# **CITY OF DANVILLE, VIRGINIA**

Combining Statements

Internal Service Funds

For the Year Ended June 30, 2010

- ❖ 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, 2010

	Motorized Equipment	Central Services	Insurance	Total
<b>ASSETS</b>				
<b>Current assets</b>				
Cash and investments	\$ -	\$ -	\$ 4,533,277	\$ 4,533,277
Cash and investments - held by fiscal agent	-	-	60,000	60,000
Receivables - net	-	746	-	746
Inventories	-	128,973	-	128,973
<b>Total current assets</b>	<b>-</b>	<b>129,719</b>	<b>4,593,277</b>	<b>4,722,996</b>
<b>Noncurrent assets</b>				
Pension asset	14,666	3,187	-	17,853
Capital assets -				
Equipment	10,050,528	288,479	-	10,339,007
Less - accumulated depreciation	(7,891,525)	(234,541)	-	(8,126,066)
<b>Total noncurrent assets</b>	<b>2,173,669</b>	<b>57,125</b>	<b>-</b>	<b>2,230,794</b>
<b>Total assets</b>	<b>\$ 2,173,669</b>	<b>\$ 186,844</b>	<b>\$ 4,593,277</b>	<b>\$ 6,953,790</b>
<b>LIABILITIES</b>				
<b>Current liabilities</b>				
Accounts payable	\$ 76,410	\$ 66,487	\$ 5,864	\$ 148,761
Accrued interest	422	-	-	422
Long-term liabilities - due within one year	22,548	5,827	-	28,375
<b>Total current liabilities</b>	<b>99,380</b>	<b>72,314</b>	<b>5,864</b>	<b>177,558</b>
Long-term liabilities - due in more than one year	22,968	-	-	22,968
<b>Total liabilities</b>	<b>122,348</b>	<b>72,314</b>	<b>5,864</b>	<b>200,526</b>
<b>NET ASSETS</b>				
Invested in capital assets -				
net of related debt	2,136,455	53,938	-	2,190,393
Unrestricted	(85,134)	60,592	4,587,413	4,562,871
<b>Total net assets</b>	<b>\$ 2,051,321</b>	<b>\$ 114,530</b>	<b>\$ 4,587,413</b>	<b>\$ 6,753,264</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, 2010**


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	Motorized Equipment	Central Services	Insurance	Total
<b>OPERATING REVENUES</b>				
Charges for services	\$ 3,142,060	\$ 495,873	\$ 2,897,521	\$ 6,535,454
<b>OPERATING EXPENSES</b>				
Operations	2,334,234	513,174	2,897,521	5,744,929
Depreciation	605,708	13,230	-	618,938
<b>Total operating expenses</b>	<b>2,939,942</b>	<b>526,404</b>	<b>2,897,521</b>	<b>6,363,867</b>
Operating loss	202,118	(30,531)	-	171,587
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Gain on sale of assets	212,318	-	-	212,318
Miscellaneous	8,536	-	-	8,536
Interest income	-	-	74,490	74,490
Interest expense	(2,005)	-	-	(2,005)
<b>Total nonoperating revenues</b>	<b>218,849</b>	<b>-</b>	<b>74,490</b>	<b>293,339</b>
<b>Income (loss) before transfers</b>	<b>420,967</b>	<b>(30,531)</b>	<b>74,490</b>	<b>464,926</b>
<b>Operating Transfers</b>				
Transfer Out	-	-	(1,950)	(1,950)
<b>Change in net assets</b>	<b>420,967</b>	<b>(30,531)</b>	<b>72,540</b>	<b>462,976</b>
<b>Net assets - beginning of year</b>	<b>1,630,354</b>	<b>145,061</b>	<b>4,514,873</b>	<b>6,290,288</b>
<b>Net assets - end of year</b>	<b>\$ 2,051,321</b>	<b>\$ 114,530</b>	<b>\$ 4,587,413</b>	<b>\$ 6,753,264</b>

See report of independent auditors

## COMBINING STATEMENT OF CASH FLOWS - INTERNAL SERVICE FUNDS

Year Ended June 30, 2010

	Motorized Equipment	Central Services	Insurance	Total
<b>Cash flows from operating activities</b>				
Received from customers	\$ 3,142,060	\$ 498,591	\$ 2,897,521	\$ 6,538,172
Payments to suppliers for goods and services	(2,110,914)	(330,899)	(2,891,657)	(5,333,470)
Payments to employees for services	(674,449)	(133,044)	-	(807,493)
Payments to internal service funds for goods and services	(56,697)	(5,484)	-	(62,181)
Nonoperating revenue	8,535	-	-	8,535
<b>Net cash from operating activities</b>	<b>308,535</b>	<b>29,164</b>	<b>5,864</b>	<b>343,563</b>
<b>Cash flows from noncapital financing activities</b>				
Transfers to other funds	-	-	(1,950)	(1,950)
<b>Cash flows from capital and related financing activities</b>				
Acquisition of capital assets	(239,203)	(41,743)	-	(280,946)
Interest payments on long-term debt	(1,728)	-	-	(1,728)
Proceeds from sale of capital assets	(68,341)	-	-	(68,341)
<b>Net cash from capital and related financing activities</b>	<b>(309,272)</b>	<b>(41,743)</b>	<b>-</b>	<b>(351,015)</b>
<b>Cash flows from investing activities</b>				
Interest on investments	-	-	83,466	83,466
Net activity in investments	737	-	(8,976)	(8,239)
<b>Net cash from investing activities</b>	<b>737</b>	<b>-</b>	<b>74,490</b>	<b>75,227</b>
<b>Net increase (decrease) in cash and investments</b>	<b>-</b>	<b>(12,579)</b>	<b>78,404</b>	<b>65,825</b>
<b>Cash and investments - beginning of year</b>	<b>-</b>	<b>12,579</b>	<b>4,514,873</b>	<b>4,527,452</b>
<b>Cash and investments - end of year</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 4,593,277</b>	<b>\$ 4,593,277</b>
Reconciliation of operating income (loss) to net cash from operating activities				
Operating income (loss)	\$ 202,118	\$ (30,531)	\$ -	\$ 171,587
Adjustments:				
Depreciation charged to operations	605,708	13,230	-	618,938
Nonoperating revenue	8,535	-	-	8,535
Change in noncash employee benefits charged to operations	9,395	2,154	-	11,549
Changes in assets and liabilities:				
Accounts receivable	-	2,718	-	2,718
Inventories	-	(14,335)	-	(14,335)
Accounts payable	(517,221)	55,928	5,864	(455,429)
<b>Net cash from operating activities</b>	<b>\$ 308,535</b>	<b>\$ 29,164</b>	<b>\$ 5,864</b>	<b>\$ 343,563</b>
<b>Supplemental disclosure of noncash investing, capital and financing activities:</b>				
Decrease in fair value of investments	\$ -	\$ -	\$ (8,976)	\$ (8,976)

See report of independent auditors.

# **CITY OF DANVILLE, VIRGINIA**

Combining Statements

Agency Funds

For the Year Ended June 30, 2010

- ❖ 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, 2010				
	Balance June 30, 2009	Additions	Deductions	Balance June 30, 2010
Assets				
Cash	<u>\$ 13,421</u>	<u>\$ 115,000</u>	<u>\$ 114,380</u>	<u>\$ 14,041</u>
Liabilities - accounts payable	<u>\$ 13,421</u>	<u>\$ 620</u>	<u>\$ -</u>	<u>\$ 14,041</u>

*See report of independent auditors.*

## SCHEDULE OF CAPITAL ASSETS BY FUNCTION AND ACTIVITY

For the Year Ended June 30, 2010					
Function and Activity	Land and Land Improvements	Buildings	Furniture and Equipment	Infrastructure	Total
General government administration:					
General and financial administration	\$ 367,558	\$ -	\$ 3,390,929	\$ -	\$ 3,758,487
Social services building	-	145,187	-	-	145,187
Public safety:					
Law enforcement and traffic control	-	86,078	1,156	-	87,234
Fire and rescue services	193,081	974,218	53,455	-	1,220,754
Corrections and detention	-	7,639,431	187,008	-	7,826,439
Inspections and other	-	117,968	-	-	117,968
Public works:					
Airport	3,198,128	4,333,700	21,457	-	7,553,285
General	305,000	350,997	234,265	-	890,262
Maintenance of highways, bridges and sidewalks	125,000	1,424,695	1,469,279	7,867,768	10,886,742
Health and welfare	-	78,312	-	-	78,312
Parks, recreation and cultural	-	4,328,391	171,784	-	4,500,175
Community development	27,293	474,687	124,651	-	626,631
General property	11,065,092	3,295,524	(712,721)	-	13,647,895
	15,281,152	23,249,188	4,941,263	7,867,768	51,339,371
Construction in progress	2,086,346	2,308,560	502,408	1,677,995	6,575,309
	17,367,498	25,557,748	5,443,671	9,545,763	57,914,680
Capital assets from Danville School Board	3,408,072	699,354	9,329,515	-	13,436,941
	\$ 20,775,570	\$ 26,257,102	\$ 14,773,186	\$ 9,545,763	\$ 71,351,621

\* All totals are net of depreciation

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

For the Year Ended June 30, 2010

Function and Activity	Balance June 30, 2009	Additions	Depreciation/ Deletions	Balance June 30, 2010
General government administration:				
General and financial administration	\$ 217,530	\$ 4,151,443	\$ (839,727)	\$ 3,529,246
Social services building	63,441	-	(5,361)	58,080
Public safety:				
Law enforcement and traffic control	860,943	584,761	(949,921)	495,783
Fire and rescue services	2,444,042	200,686	(142,373)	2,502,355
Corrections and detention	8,074,925	232,526	(317,866)	7,989,585
Inspections and other	105,512	-	(4,356)	101,156
Public works:				
Airport	7,096,908	94,528	(218,980)	6,972,456
General	964,620	43,499	(31,487)	976,632
Maintenance of highways, streets and bridges	13,518,511	2,580,920	(49,315)	16,050,116
Health and welfare	(149,531)	-	(91,198)	(240,729)
Parks, recreation and cultural	4,216,337	76,230	(164,886)	4,127,681
Community development	(43,060)	806,062	(206,724)	556,278
General property	4,242,661	5,174,637	(1,196,566)	8,220,732
	41,612,839	13,945,292	(4,218,760)	51,339,371
Construction in progress	9,829,830	14,704,458	(17,958,979)	6,575,309
	51,442,669	28,649,750	(22,177,739)	57,914,680
Capital assets from Danville School Board	15,360,381	-	(1,923,440)	13,436,941
	\$ 66,803,050	\$ 28,649,750	\$ (24,101,179)	\$ 71,351,621

\* All totals are net of depreciation

**SCHEDULE OF CAPITAL ASSETS - BY SOURCE****June 30, 2010**

Land and land improvements	\$	15,281,152
Buildings		23,249,188
Infrastructure		7,867,768
Equipment		4,941,263
Construction in progress		<u>6,575,309</u>
	\$	<u>57,914,680</u>
Capital projects funds:		
General obligation bonds	\$	25,711,797
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		<u>997,425</u>
		57,914,680
Danville School Board		<u>13,436,941</u>
	\$	<u>71,351,621</u>

\* All totals are net of depreciation



# **CITY OF DANVILLE, VIRGINIA**

Statistical Section

For the Year Ended June 30, 2010

# 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									
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
<b>Governmental activities</b>										
Invested in capital assets, net of related debt	\$ 14,159,109	\$ 9,219,518	\$ 14,927,384	\$ 20,589,644	\$ 21,592,954	\$ 24,811,422	\$ 28,858,705	\$ 29,933,932	\$ 37,094,092	\$ 43,276,891
Restricted	21,010,002	13,760,973	10,170,443	6,153,666	6,573,888	8,602,821	10,031,903	8,229,657	10,207,310	10,668,601
Unrestricted	39,168,249	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
Total governmental activities net assets	\$ 74,337,360	\$ 59,930,113	\$ 64,089,126	\$ 66,103,885	\$ 66,599,928	\$ 74,065,972	\$ 86,062,852	\$ 88,307,522	\$ 93,504,353	\$ 102,615,339
<b>Business-type activities</b>										
Invested in capital assets, net of related debt	\$ 102,319,875	\$ 112,403,637	\$ 125,436,377	\$ 141,102,057	\$ 158,570,378	\$ 162,072,054	\$ 172,325,000	\$ 189,153,872	\$ 190,621,794	\$ 197,322,894
Restricted	8,516,533	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
Unrestricted	53,735,248	56,440,907	59,009,400	48,615,924	35,172,773	30,425,855	34,289,631	32,524,963	34,605,909	47,102,049
Total business-type activities net assets	\$ 164,571,656	\$ 174,753,327	\$ 188,517,987	\$ 199,137,417	\$ 208,271,169	\$ 218,703,030	\$ 235,671,923	\$ 252,568,445	\$ 267,229,060	\$ 281,371,852
<b>Primary government</b>										
Invested in capital assets, net of related debt	\$ 116,478,984	\$ 121,623,155	\$ 140,363,761	\$ 161,691,701	\$ 180,163,332	\$ 186,883,476	\$ 201,183,705	\$ 219,087,804	\$ 227,715,886	\$ 240,599,785
Restricted	29,526,535	19,669,756	14,242,653	15,573,102	21,101,706	34,807,942	39,079,195	38,119,267	52,208,667	47,615,510
Unrestricted	92,903,497	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
Total primary government net assets	\$ 238,909,016	\$ 234,683,440	\$ 252,607,113	\$ 265,241,302	\$ 274,871,097	\$ 292,769,002	\$ 321,734,775	\$ 340,875,967	\$ 360,733,413	\$ 383,987,191

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

Fiscal Year

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
<b>Expenses</b>										
Governmental activities:										
General government	\$ 6,184,350	\$ 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
Judicial administration	4,160,634	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
Public safety	20,318,750	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
Public works	8,845,087	8,965,027	9,748,494	10,129,685	12,961,903	11,832,496	10,844,833	12,423,465	18,044,882	13,746,621
Health and welfare	8,176,523	11,312,848	11,908,642	10,589,382	10,751,310	12,285,520	12,844,409	13,743,677	14,011,832	13,662,743
Parks, recreation, cultural	4,849,461	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
Community development	3,852,704	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
Education	17,487,152	31,803,899	21,623,266	23,598,363	17,932,556	20,143,175	16,903,673	22,343,504	19,762,967	21,190,425
Interest on long-term debt	2,561,321	1,045,005	2,112,705	2,461,084	1,896,516	1,665,956	1,617,511	6,732,839	6,988,805	6,447,064
Nondepartmental	2,613,717	740,944	1,013,117	672,598	3,861,787	-	-	-	-	-
Total governmental activities expenses	<u>79,049,699</u>	<u>103,486,863</u>	<u>94,758,458</u>	<u>97,377,420</u>	<u>100,523,891</u>	<u>99,010,488</u>	<u>100,500,436</u>	<u>112,409,685</u>	<u>118,688,070</u>	<u>109,081,432</u>
Business-type activities:										
Wastewater	6,323,595	6,359,787	6,301,012	6,304,213	6,162,912	6,464,670	6,561,949	6,875,203	6,896,533	6,912,126
Water	4,402,118	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
Gas	37,997,998	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
Electric	37,196,563	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
Normal	4,229,726	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
Total business-type activities expenses	<u>90,150,000</u>	<u>78,450,934</u>	<u>80,801,912</u>	<u>77,684,933</u>	<u>78,923,735</u>	<u>108,625,869</u>	<u>113,275,788</u>	<u>122,074,997</u>	<u>132,988,394</u>	<u>133,813,608</u>
Total primary government expenses	<u>\$ 169,199,699</u>	<u>\$ 181,937,797</u>	<u>\$ 175,560,370</u>	<u>\$ 175,072,353</u>	<u>\$ 179,447,626</u>	<u>\$ 207,636,357</u>	<u>\$ 213,776,224</u>	<u>\$ 234,484,682</u>	<u>\$ 251,676,464</u>	<u>\$ 242,901,040</u>
<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
Judicial administration	515,434	529,341	439,554	549,137	487,228	576,841	1,489,794	618,268	652,091	717,847
Public safety	3,977,864	264,842	381,372	191,826	242,548	219,838	231,309	312,503	201,788	253,638
Public works	607,279	279,913	230,255	224,905	-	-	-	-	-	-
Health and welfare	344,602	-	-	-	-	-	-	-	-	-
Parks, recreation, cultural	116,586	160,700	171,666	220,943	213,037	202,418	210,182	224,462	232,848	310,103
Community development	200,236	-	-	-	-	-	-	-	-	-
Education	-	3,155,683	-	-	-	-	-	-	-	-
Operating grants and contributions	24,833,329	21,266,728	-	-	-	-	-	-	-	-
Capital grants and contributions	5,296,314	10,251,248	28,413,626	30,964,009	32,700,459	36,552,849	38,205,373	41,172,782	43,012,678	39,784,055
Total governmental activities program revenues	<u>35,891,624</u>	<u>41,018,438</u>	<u>39,055,290</u>	<u>41,811,873</u>	<u>41,549,792</u>	<u>44,252,142</u>	<u>49,878,179</u>	<u>50,278,818</u>	<u>56,752,280</u>	<u>53,792,440</u>
Business-type activities:										
Charges for services:										
Wastewater	7,854,636	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
Water	5,557,279	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
Gas	42,596,777	27,526,419	30,029,152	25,999,471	25,211,996	33,414,367	26,290,132	32,949,771	32,501,486	27,060,176
Electric	53,234,742	51,759,880	54,793,952	55,491,259	53,740,565	72,751,817	88,910,376	90,181,955	98,949,812	106,248,337
Normal	3,313,400	3,289,939	3,269,499	3,208,290	3,568,492	5,433,299	5,719,119	5,782,975	5,782,975	5,731,883
Operating grants and contributions	545,237	544,799	477,774	-	299,476	500,546	355,921	405,673	500,537	826,340
Capital grants and contributions	1,767,215	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
Total business-type activities program revenues	<u>114,669,286</u>	<u>96,350,115</u>	<u>101,025,240</u>	<u>97,907,331</u>	<u>95,030,284</u>	<u>129,079,796</u>	<u>137,718,635</u>	<u>147,497,278</u>	<u>156,289,457</u>	<u>157,383,559</u>
Total primary government program revenues	<u>\$ 150,560,910</u>	<u>\$ 137,368,553</u>	<u>\$ 140,080,530</u>	<u>\$ 139,719,204</u>	<u>\$ 136,580,076</u>	<u>\$ 173,331,938</u>	<u>\$ 187,596,814</u>	<u>\$ 197,776,096</u>	<u>\$ 213,040,737</u>	<u>\$ 211,175,999</u>
Net (expense)/revenue										
Governmental activities	\$ (43,158,075)	\$ (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)
Business-type activities	24,519,286	17,899,181	20,223,328	20,212,398	16,106,549	20,453,927	24,442,847	25,422,281	23,300,063	23,563,951
Total primary government net expense	<u>\$ (18,638,789)</u>	<u>\$ (44,569,244)</u>	<u>\$ (35,479,840)</u>	<u>\$ (35,353,149)</u>	<u>\$ (42,867,550)</u>	<u>\$ (34,304,419)</u>	<u>\$ (26,179,410)</u>	<u>\$ (36,708,586)</u>	<u>\$ (38,635,727)</u>	<u>\$ (31,725,041)</u>

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

	Fiscal Year									
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
<b>General Revenues and Other Changes in Net Assets</b>										
Governmental activities:										
Taxes										
Property taxes	\$ 22,140,959	\$ 22,477,573	\$ 23,943,575	\$ 23,289,443	\$ 24,540,038	\$ 25,453,556	\$ 25,930,246	\$ 26,590,389	\$ 26,487,289	\$ 26,464,571
Sales taxes	6,768,919	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
Business licenses	3,360,151	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
Utility taxes	3,156,029	3,334,340	3,435,728	3,896,209	4,237,844	4,246,590	2,654,769	994,536	1,013,894	985,162
Hotel and meals taxes	3,655,315	3,868,262	3,784,413	4,196,327	4,334,822	4,499,854	5,165,368	5,485,291	5,488,960	6,629,741
Recordation and bank stock taxes	955,818	889,675	907,760	895,694	982,914	1,109,217	946,397	948,038	862,181	978,498
Auto license and recordation taxes	1,017,775	923,851	1,021,664	1,005,918	983,762	895,776	1,034,967	1,047,044	1,055,948	1,159,830
Investment income	2,027,052	2,875,706	1,247,279	104,591	758,666	701,529	885,861	1,626,835	1,327,296	683,469
Miscellaneous	528,717	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
Transfers	9,890,532	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
Total governmental activities	<u>53,503,267</u>	<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>
Business-type activities:										
Investment income	3,658,526	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
Miscellaneous	9,887	438,549	1,411,779	858,612	1,961,662	823,241	1,856,551	2,240,166	2,698,079	2,510,911
Transfers	(10,158,049)	(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)
Total business-type activities	<u>(6,489,636)</u>	<u>(7,717,510)</u>	<u>(6,486,668)</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>
Total primary government	<u>\$ 47,013,631</u>	<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>
<b>Change in Net Assets</b>										
Governmental activities	\$ 10,345,192	\$ (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
Business-type activities	18,029,650	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
Total primary government	<u>\$ 28,374,842</u>	<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>

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

Fiscal Year	Other Local Taxes										Grand Total
	Property Taxes	Sales Taxes	Business License Taxes	Utility Taxes	Hotel & Meals Taxes	Recordation & Bank Stock Taxes	Auto License & Recordation Taxes	Total			
2001	\$ 19,453,031	\$ 6,768,919	\$ 3,360,151	\$ 3,158,029	\$ 3,655,315	\$ 955,818	\$ 1,017,775	\$ 18,916,007	\$ 38,369,038		
2002	19,346,304	6,569,709	3,386,808	3,334,340	3,868,262	889,675	923,851	18,972,645	38,318,949		
2003	24,045,407	6,630,318	3,536,402	3,435,728	3,784,413	907,760	1,021,664	19,316,285	43,361,692		
2004	23,289,443	6,767,056	3,597,621	3,896,209	4,196,327	895,694	1,005,918	20,358,825	43,648,268		
2005	24,540,038	6,941,295	3,777,830	4,237,844	4,334,822	982,914	983,762	21,258,467	45,798,505		
2006	25,453,656	7,326,695	4,889,518	4,246,590	4,499,854	1,109,217	895,778	22,967,652	48,421,308		
2007	25,930,246	7,598,276	4,572,218	2,654,769	5,165,368	946,397	1,034,967	21,971,995	47,902,241		
2008	26,590,389	8,071,419	4,989,707	994,536	5,495,291	948,038	1,047,044	21,546,035	48,136,424		
2009	26,487,289	7,800,856	4,474,854	1,013,694	5,488,960	862,181	1,055,948	20,696,493	47,183,782		
2010	26,464,571	7,662,498	4,419,042	985,162	6,629,741	978,498	1,159,830	21,834,771	48,299,342		

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

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
General Fund										
Reserved	\$ 3,454,240	\$ 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
Unreserved	19,993,053	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
Total general fund	<u>\$23,447,293</u>	<u>\$25,228,836</u>	<u>\$24,366,587</u>	<u>\$23,478,669</u>	<u>\$24,245,597</u>	<u>\$30,370,167</u>	<u>\$33,974,398</u>	<u>\$36,381,044</u>	<u>\$34,165,035</u>	<u>\$35,979,844</u>
All other governmental funds										
Reserved	\$21,295,791	\$12,976,881	\$11,103,280	\$7,145,275	\$6,660,002	\$7,337,086	\$8,690,452	\$8,225,485	\$10,161,070	\$10,664,899
Unreserved, reported in:										
Special Revenue	180,020	186,782	119,308	85,419	272,853	10,660	10,660	10,660	10,660	7,326
Cemetery Maintenance - Permanent Fund	195,060	264,603	330,505	-	-	-	-	-	-	-
Total all other governmental funds	<u>\$21,670,871</u>	<u>\$13,428,266</u>	<u>\$11,553,093</u>	<u>\$7,230,694</u>	<u>\$6,932,855</u>	<u>\$7,347,746</u>	<u>\$8,701,112</u>	<u>\$8,236,145</u>	<u>\$10,171,730</u>	<u>\$10,672,225</u>

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

	<u>2001</u>	<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>
<b>Revenues</b>										
Property taxes	\$19,453,031	\$22,477,673	\$24,045,407	\$23,289,443	\$24,540,038	\$25,453,656	\$25,930,246	\$26,556,332	\$27,085,091	\$26,898,585
Local taxes	18,916,007	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
Fines and forfeitures	536,455	526,315	480,224	487,400	430,796	505,328	541,399	560,327	564,204	614,983
Permits, privilege fees, and regulatory licenses	208,934	189,514	221,100	189,405	239,617	219,668	235,358	270,052	170,178	225,791
Revenue from use of money and property	2,977,310	2,311,815	1,826,985	680,314	1,185,015	957,075	2,194,319	2,013,713	2,753,033	1,331,257
Charges for services	4,251,374	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
Miscellaneous	878,030	1,116,101	877,071	2,937,622	2,538,070	2,600,487	1,838,547	1,014,886	5,006,274	944,433
Recovered costs	2,585,748	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
Intergovernmental	30,437,105	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
Total revenues	<u>80,243,994</u>	<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>
<b>Expenditures</b>										
General government	4,774,011	4,860,476	5,055,245	5,121,782	5,815,842	6,024,273	6,443,419	6,965,300	7,313,591	7,168,865
Judicial administration	4,038,651	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
Public safety	19,586,854	20,304,556	20,482,466	21,402,433	22,182,965	22,423,516	24,673,895	25,857,267	27,704,661	27,519,845
Public works	8,695,353	8,697,285	9,553,828	9,298,498	11,117,739	10,277,641	10,407,920	12,114,049	19,096,899	14,786,095
Health and welfare	7,956,954	9,059,091	9,690,249	10,483,034	10,495,688	11,808,295	15,352,675	13,675,562	14,066,073	13,635,448
Education	17,487,152	19,924,453	16,776,100	19,483,244	18,219,735	18,219,735	17,370,028	19,918,463	17,538,766	18,531,486
Parks, recreation, and cultural	4,776,271	4,807,819	5,249,673	5,509,938	4,833,862	5,131,578	6,144,838	5,150,624	5,266,742	5,263,629
Community development	3,779,514	3,382,732	3,410,345	3,937,381	4,464,673	6,512,278	3,026,397	4,164,824	4,284,071	4,670,857
Nondepartmental	2,613,717	3,030,177	4,320,956	3,386,058	3,861,787	3,301,482	3,542,949	3,952,931	4,370,594	5,494,121
Capital outlay	13,344,462	12,162,256	10,482,809	11,061,055	8,088,678	1,543,623	5,761,705	4,332,433	8,200,195	4,657,794
Debt service										
Principal	4,086,282	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
Interest	2,561,321	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
Total expenditures	<u>93,700,542</u>	<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>106,891,419</u>	<u>119,195,454</u>	<u>109,482,278</u>
Ratio of debt service to total expenditures	7.1%	4.3%	6.8%	6.3%	5.5%	5.4%	5.5%	5.3%	5.0%	2.3%
Excess of revenues over (under) expenditures	(13,456,548)	(9,635,987)	(12,854,511)	(16,080,279)	(9,560,234)	(5,786,937)	(7,807,997)	(11,434,999)	(14,075,452)	(11,059,102)
<b>Other financing sources (uses)</b>										
Transfers in	13,523,636	13,729,573	15,238,926	15,086,335	17,068,419	16,878,713	20,753,576	20,415,323	24,236,283	20,420,329
Transfers out	(6,499,659)	(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)
Bonds issued	10,000,000	17,491,369	-	8,647,271	-	-	-	-	-	-
Refunding bonds issued	-	10,263,909	-	23,490,000	-	-	-	-	12,227,851	-
Payments to refunded bond escrow agent	-	(23,263,909)	-	(32,147,294)	-	-	-	-	(11,793,964)	-
Total other financing sources (uses)	<u>17,023,977</u>	<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>
Net change in fund balances	<u>\$ 3,567,429</u>	<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>

**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>
2000-01	\$ 51,899,293	\$ 41,941,876	\$ 7,654,636	\$ 5,557,279	\$ 107,053,084
2001-02	51,772,550	27,509,613	7,267,220	5,601,798	92,151,181
2002-03	54,793,952	30,029,152	7,009,576	5,388,944	97,221,624
2003-04	55,491,259	25,999,471	6,918,502	5,223,867	93,633,099
2004-05	53,740,565	25,211,996	6,059,995	5,075,326	90,087,882
2005-06	72,751,817	33,414,367	7,528,176	6,117,848	119,812,208
2006-07	88,910,376	26,290,132	7,805,221	7,012,772	130,018,501
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

**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		Total
						Aircraft (2)	Assessed Value	
2001	\$ 1,574,720,000	\$ 265,599,262	\$ 91,355,628	\$ 5,351,056	\$ 52,559,426	\$ -	\$	1,989,585,372
2002	1,593,365,800	260,503,705	93,412,803	5,207,888	51,751,357	2,429,800		2,006,671,353
2003	1,740,967,100	257,461,270	94,496,913	4,863,036	51,413,068	3,869,920		2,152,871,307
2004	1,765,839,000	246,282,106	97,002,334	5,055,627	54,285,263	5,165,235		2,173,629,565
2005	1,864,447,500	257,033,492	90,504,892	4,977,283	52,021,885	4,306,540		2,273,291,592
2006	1,953,694,100	277,466,101	82,870,885	4,548,776	51,149,212	3,135,840		2,372,864,914
2007	2,067,848,400	291,749,737	79,708,821	4,261,308	50,697,018	3,394,102		2,497,659,386
2008	2,089,774,400	302,143,014	79,506,859	4,229,328	50,798,716	4,858,771		2,531,311,088
2009	2,252,885,600	272,726,836	84,884,957	4,347,353	45,683,587	4,218,048		2,664,746,381
2010	2,267,080,000	275,696,657	84,694,634	4,232,127	50,738,735	4,433,349		2,686,875,502

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)      2001 - 2002      \$0.785 per \$100  
          2003 - 2004      \$0.80 per \$100  
          2005 - 2008      \$0.77 per \$100  
          2009 - 2010      \$0.73 per \$100

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

	2010			2001		
	Total Assessed Value	Rank	Percentage of Total Assessed Value <sup>1</sup>	Total Assessed Value	Rank	Percentage of Total Assessed Value
<b>Taxpayer</b>						
Danville Regional Medical Center LLC	\$ 74,994,700	1	3.31%			
Goodyear Tire and Rubber Company	33,191,000	2	1.46%	32,229,400	2	2.05%
Piedmont Mall LLC	31,091,100	3	1.37%	22,249,200	3	1.41%
NAP Coleman Marketplace LLC	23,593,900	4	1.04%	-	-	-
Daniel Group Inc.	18,451,900	5	0.81%	-	-	-
Nestle USA Inc. (formerly Carnation Co.)	10,749,200	6	0.47%	8,265,300	9	0.52%
Sams Real Estate Business Trust	10,113,800	7	0.45%	-	-	-
JTI Leaf Services US LLC	10,012,700	8	0.44%	-	-	-
Riverside Shopping Center LP	9,947,700	9	0.44%	-	-	-
Wal-Mart Real Estate Business Trust	9,724,200	10	0.43%	7,986,100	10	0.51%
Lorillard Tobacco Company	8,300,600	11	0.37%	10,478,000	6	0.67%
Finlay Interests 5 LTD	8,208,400	12	0.36%	-	-	-
Dan Shopping Center Inc	7,866,300	13	0.35%	6,303,800	12	0.40%
Marshall, Robert & Margaret D. (Rev Trust)	7,503,000	14	0.33%	-	-	0.00%
Belk Stores of Virginia	7,309,800	15	0.32%	7,490,900	11	0.48%
Dan River Inc.	-	-	-	44,588,300	1	2.81%
Dibrell Brothers Inc.	-	-	-	11,732,500	5	0.75%
Southern Processors	-	-	-	8,364,400	8	0.53%
MJRW Inc.	-	-	-	5,881,200	15	0.37%
General Development Co., Inc	-	-	-	20,552,200	4	1.31%
Lowe's Home Centers, Inc.	-	-	-	8,374,800	7	0.53%
Sears, Roebuck and Co.	-	-	-	6,099,500	13	0.39%
Stratford House	-	-	-	6,019,200	14	0.38%
	<u>\$ 271,058,300</u>		<u>11.96%</u>	<u>\$ 206,614,800</u>		<u>13.12%</u>

<sup>1</sup> Total 2010 Assessed Real Estate Value is \$2,267,080,000 for the City of Danville.

**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 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)	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, 2010	Percentage of Original Levy Uncollected June 30, 2010
2001	0.785	\$ 12,361,615	\$ 11,646,307	\$ 715,308	5.79	5.79	688,632	\$ 26,676	0.22 %
2002	0.785	12,507,984	11,779,079	728,905	5.83	5.83	695,373	33,532	0.27
2003	0.8	13,927,737	13,103,406	824,331	5.92	5.92	780,486	43,845	0.31
2004	0.8	14,126,712	13,185,128	941,584	6.67	6.67	887,935	53,649	0.38
2005	0.77	14,356,246	13,540,558	815,688	5.68	5.68	746,739	68,949	0.48
2006	0.77	15,043,445	14,242,460	800,985	5.32	5.32	716,786	84,199	0.56
2007	0.77	15,922,433	14,964,100	958,333	6.02	6.02	838,644	119,689	0.75
2008	0.77	15,980,915	15,126,749	854,166	5.34	5.34	635,839	218,327	1.37
2009	0.73	16,320,733	15,419,024	901,709	5.52	5.52	548,965	352,744	2.16
2010	0.73	16,415,615	15,475,506	940,109	5.73	5.73	-	940,109	5.73

(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, 2010 (2)	Percentage of Original Levy Uncollected June 30, 2010
2001	\$ 3.00	\$ 9,386,391	\$ 9,113,208	\$ 273,183 (3)	2.91 % (3)	\$ 273,183	-	-
2002	3.00	9,283,231	9,052,351	230,880 (3)	2.49 (3)	230,880	-	-
2003	3.00	9,227,252	9,034,063	193,189 (3)	2.09 (3)	193,189	-	-
2004	3.00	8,897,075	8,259,740	637,335 (3)	7.16 (3)	637,335	-	-
2005	3.00	9,112,715	8,826,339	286,376 (3)	3.14 (3)	172,288	114,089	1.25
2006	3.00	9,581,768	9,238,435	343,333 (3)	3.58 (3)	258,002	85,331	0.89
2007	3.00	9,722,045	9,391,605	330,440 (3)	3.40 (3)	196,938	133,501	1.37
2008	3.00	10,114,292	9,837,085	277,207 (3)	2.74 (3)	104,974	172,232	1.70
2009	3.00	9,360,208	9,123,802	236,405 (3)	2.53 (3)	-	236,405	2.53
2010	3.00	9,708,729	3,148,330	6,560,399 (4)	67.57 (4)	-	6,560,399	67.57

(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					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	Total Primary Government	Bond Debt Per Capita	
2001	\$ 34,139,347	\$ 17,880,000	\$ 758,478	\$ 9,858,952	\$ 43,548,657	\$ -	\$ 106,235,434	2,194	44.11 %
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	1,662	26.59
2010	21,223,853	7,651,912	-	4,011,631	52,266,777	-	85,154,172	1,883	29.82

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

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

Fiscal Year Ended June 30	Population	Assessed Value	Bonded Debt			Ratio of Bonded Debt To Assessed Value			Bonded Debt Per Capita	
			General Fund Supported	Sustaining Utilities	Self- Utilities	General Fund Supported	Sustaining Utilities	Self- Utilities	General Fund Supported	Sustaining Utilities
2001	48,411	\$ 1,574,720,000	\$ 34,189,347	\$ 53,407,609		2.17 %		3.39 %	706.23	1,103.21
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	45,232	2,267,080,000	21,223,853	56,278,408		0.94		2.48	469.22	1,244.22

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 2001	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
Assessed value	\$ 1,574,720,000	\$ 1,593,365,800	\$ 1,740,967,100	\$ 1,765,839,000	\$ 1,864,447,500	\$ 1,953,894,100	\$ 2,067,848,400	\$ 2,089,774,400	\$ 2,252,885,600	\$ 2,267,080,000
City debt limit (7.5% of assessed value) <sup>1</sup>	118,104,000	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
Gross bond debt	87,586,956	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
Less bond debt not applicable to limit:										
Section 10 Bonds										
Revenue Bonds	9,858,952	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
Total debt not applicable to limit	9,858,952	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
Total net debt applicable to limit	77,738,004	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
Legal debt margin	\$ 40,365,996	\$ 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
Total net debt applicable to the limit as a percentage of debt limit	65.82%	72.74%	61.22%	56.14%	48.23%	47.16%	42.92%	37.47%	37.19%	43.22%
Total net debt applicable to the limit as a percentage of assessed value	4.94%	5.46%	4.59%	4.21%	3.62%	3.54%	3.22%	2.81%	2.79%	3.24%

<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>
2001	\$ 110,711,610	\$ 77,683,958	\$ 33,027,652	\$ 781,443	\$ 479,267	\$ 1,260,710	26.20
2002	94,938,429	65,790,877	29,147,553	793,573	444,553	1,238,126	23.54
2003	99,876,892	68,128,146	31,748,746	808,462	406,581	1,215,043	26.13
2004	93,618,466	64,551,919	29,066,547	628,232	345,917	974,149	29.84
2005	91,551,655	64,946,537	26,605,118	638,369	293,344	931,713	28.56
2006	122,978,875	94,409,837	28,569,038	640,388	267,776	908,164	31.46
2007	134,864,905	97,930,083	36,934,822	641,355	242,102	883,457	41.81
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

(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>
2001	48,411	\$ 21,791	40.5	13.9	7,659	\$ 2,408,584	7.70
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	45,232	29,789	40.5	13.9	6,237	2,855,919	13.50

(1) Source: Weldon Cooper Center for Public Services, University of Virginia. Estimated population.

(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 U.S. Census Bureau. Profile of Selected Social characteristics.

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

(5) Source: 2001-2003 through National Center for Education Statistics.  
2004-2010 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 2010.

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

<b><u>Employer</u></b>	<b><u>2010</u></b>			<b><u>2001</u></b>		
	<b><u>Employees<sup>1</sup></u></b>	<b><u>Rank</u></b>	<b><u>Percentage of Total City Employment<sup>3</sup></u></b>	<b><u>Employees</u></b>	<b><u>Rank</u></b>	<b><u>Percentage of Total City Employment<sup>3</sup></u></b>
City of Danville	2,541	1	14.36%	1,948	3	9.85%
Goodyear Tire & Rubber Co.	2,000	2	11.31%	2,480	2	12.54%
Danville Regional Health System	1,339	3	7.57%	1,700	4	8.59%
Telvista	780	4	4.41%	-	-	-
Nestle Refrigerated Food	575	5	3.25%	425	7	2.15%
Wal-Mart	474	6	2.68%	-	-	-
Averett University	400	7	2.26%	-	-	-
Food Lion	376	8	2.13%	-	-	-
Roman Eagle Memorial Home	363	9	2.05%	-	-	-
Danville Community College	356	10	2.01%	-	-	-
Dan River, Inc.	-	-	-	3,900	1	19.72%
VF Playwear	-	-	-	500	6	2.53%
CIT Commercial	-	-	-	-	-	-
Corning Glass Works	-	-	-	252	8	1.27%
Dimon	-	-	-	610	5	3.08%
Intertape Polymer	-	-	-	235	9	1.19%
Wood Fiber Industries	-	-	-	193	10	0.98%
Health-Tex, Inc.	-	-	-	-	-	-
Durham Hosiery	-	-	-	-	-	-
C.M. Offray & Son, Inc.	-	-	-	-	-	-

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

<sup>2</sup> Source: The Preliminary Official Statement for 2001 General Obligation Refunding Bond Series.

<sup>3</sup> Source: Virginia Employment Commission - employed civilian labor force for June 2010 (17,689) and June 2001 (19,779).

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

Function	<u>2001</u>	<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>
General Fund										
General Government Administration	88	88	88	96	97	97	98	98	102	102
Judicial Administration	89	89	92	94	95	98	98	97	97	97
Public Safety	366	403	402	403	403	403	403	406	406	406
Public Works	107	110	110	110	110	110	111	111	111	111
Health, Welfare & Social Services	98	98	98	100	100	100	101	101	101	101
Park, Recreational and Cultural	63	65	65	64	49	49	49	49	49	49
Community Development	6	11	12	18	18	18	18	19	19	19
Total General Fund	817	864	867	885	872	875	878	881	885	885
Wastewater Fund	11	11	11	11	11	11	11	11	11	11
Water Fund	16	16	16	16	16	16	16	16	16	16
Gas Fund	55	55	56	56	56	55	55	55	55	56
Electric Fund	115	115	115	115	115	116	114	114	114	113
Telecommunications Fund	-	-	-	-	-	-	2	2	4	4
Transportation Fund	17	17	17	17	17	17	16	16	16	17
Central Services Fund	4	4	4	4	4	4	4	4	4	3
Motorized Equipment Fund	23	23	23	22	22	22	22	22	20	20
Sanitation Fund	56	53	53	53	57	53	53	46	43	43
Cemetery Fund	-	-	-	-	16	16	16	16	16	16
Total Other Funds	297	294	295	294	314	310	309	302	299	299
Total	1,114	1,158	1,162	1,179	1,186	1,185	1,187	1,183	1,184	1,184

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		2001		2002		2003		2004		2005		2006		2007		2008		2009		2010	
<b>Number of Employees (Full &amp; Part-Time)</b>			1260		1,251		1,240		1,240		1,173		1,219		1,212		1,237		1,267		1,258	
<b>Name of Government Facilities and Services:</b>																						
Miles of streets			309		311		314		314		315		315		316		316		318		318	
Number of street lights			8,378		8,394		8,407		8,477		8,703		8,485		8,483		8,804		8,804		8,822	
<b>Culture and Recreation:</b>																						
Recreation Centers			11		11		12		12		12		12		12		10		10		10	
Number of parks			9		9		9		9		10		10		10		10		11		11	
Park Acreage			337		344		344		344		349		349		349		466		575		575	
Number of trails			8		10		10		11		8		8		8		8		8		8	
Trail Mileage			7		9		9		10		18		25		25		28		28		28	
Number of athletic fields			21		23		23		23		23		23		23		31		31		31	
Athletic field acreage			40		45		45		45		45		45		45		49		49		49	
Number of playgrounds			24		24		24		24		24		24		24		22		20		20	
Playground acreage			69		88		88		88		88		74		74		74		74		74	
Number of outdoor basketball courts			8		8		10		10		10		10		10		12		10		10	
Number of tennis courts			4		19		19		19		19		19		19		21		21		21	
<b>Fire Protection:</b>																						
Number of stations			7		7		7		7		7		7		7		7		7		7	
Number of fire personnel and officers			122		123		123		123		123		123		123		123		123		123	
Number of calls answered			4,296		4,370		4,529		4,648		4,734		4,860		5,002		5,143		5,176		5,836	
Number of inspections conducted			3,185		3,172		2,935		2,542		3,170		2,821		2,152		1,030		1,569		929	
<b>Police Protection:</b>																						
Number of stations			3		3		3		3		3		3		3		3		2		2	
Number of police officers			141		139		139		139		137		137		137		137		136		136	
Number of patrol units			24		12		12		12		12		40		53		53		53		53	
Number of law violations:																						
Physical arrests			8,010		8,371		8,499		6,399		7,075		7,253		7,434		5,840		7,427		7,603	
Traffic violations			12,120		8,956		7,780		6,481		5,498		6,127		6,571		7,896		8,276		9,476	
Parking violations			3,144		2,464		2,179		1,831		1,178		2,132		2,515		1,813		1,599		2,042	

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

	<u>2001</u>	<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>
<b><u>Sewerage System:</u></b>										
Miles of sanitary sewers	350	350	354	384	384	384	386	386	386	371
Number of treatment plants	1	1	1	1	1	1	1	1	1	1
Number of service connections	16,944	17,047	17,194	17,302	18,883	16,651	16,589	16,665	16,665	16,511
Average daily treatment										
- Million Gallons per Day (MGD)	12.50	12.44	13.99	13.57	10.54	6.26	5.46	5.95	6.71	6.81
Maximum daily capacity of treatment plant - MGD	24	24	24	24	24	24	24	24	24	24
<b><u>Water System:</u></b>										
Miles of water mains	309	310	310	312	312	312	317	319	319	319
Active number of service connections	18,041	18,047	17,957	17,949	17,956	17,880	17,826	17,942	19,029	17,734
Number of fire hydrants	1,889	1,902	1,909	1,930	1,945	1,951	1,967	2,029	2,050	2,056
Average daily consumption - MGD	7.30	7.75	7.88	7.54	6.76	6.38	6.39	4.76	5.79	5.28
Maximum daily capacity of treatment plant - MGD	18	18	18	18	18	18	18	18	18	18
<b><u>Electric Distribution System:</u></b>										
Square Miles of service	500	500	500	500	500	500	500	500	500	500
Number of distribution stations	16	16	16	16	14	14	14	14	14	17
<b><u>Facilities and services not included in the primary government:</u></b>										
<b><u>Education:</u></b>										
Number of preschools	-	-	-	-	-	1	1	1	1	1
Number of elementary schools	10	10	10	10	10	9	9	9	9	9
Number of middle schools	3	3	3	3	3	3	3	3	3	3
Number of high schools	1	1	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
Number of elementary school instructors	389	389	388	271	276	265	250	251	254	252
Number of middle school instructors				136	136	134	137	144	134	127
Number of high school instructors				202	188	186	183	182	174	172
Number of secondary school instructors	280	260	252							
<b><u>Facilities and services not included in the reporting entity:</u></b>										
<b><u>Hospitals:</u></b>										
Number of hospitals	1	1	1	1	1	1	1	1	1	1
Number of patient beds	350	350	350	350	350	350	350	350	290	290

# **CITY OF DANVILLE, VIRGINIA**

**Single Audit Section**

**For The Year Ended June 30, 2010**



Certified Public Accountants  
Specialized Services  
Business Solutions

***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, 2010, and have issued our report thereon dated November 11, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

***Internal Control Over Financial Reporting***

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

A *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 11, 2010

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.

*Goodman - Company, LLP*

Danville, Virginia  
November 11, 2010



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

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

***Compliance***

We have audited the compliance of ***City of Danville, Virginia*** with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal program for the year ended June 30, 2010. ***City of Danville, Virginia's*** major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of the management of ***City of Danville, Virginia***. Our responsibility is to express an opinion on ***City of Danville, Virginia's*** compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about ***City of Danville, Virginia's*** compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of ***City of Danville, Virginia's*** compliance with those requirements.

In our opinion, ***City of Danville, Virginia*** complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010.

***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, 2010, and have issued our report thereon dated November 11, 2010. 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.

*Goodman + Company, LLP*

Danville, Virginia  
November 11, 2010

***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, 2010, and have issued our report thereon dated November 11, 2010.

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.

*Goodman - Company, LLP*

Danville, Virginia  
November 11, 2010

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2010

Grantor/Pass - Through Grantor/Program Title	Federal Catalog Number	Federal Expenditures
<b><u>CITY OF DANVILLE</u></b>		
<b>DEPARTMENT OF AGRICULTURE</b>		
Department of Social Services:		
State administrative matching grants for food stamp program	* 10.561	\$ 716,298
Department of Agriculture		
Fresh Fruit and Vegetable Program	10.582	12,773
Child Nutrition Discretionary Grants Limited Availability	10.579	134,117
Wildland Fire Management		
American Recovery and Reinvestment Act of 2009 funds	* 10.688	10,000
<b>DEPARTMENT OF COMMERCE</b>		
Direct payments:		
Public Safety Interoperable Communications Grant	11.555	97,954
<b>DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</b>		
Direct payments:		
Community development block grant program and entitlement grants	* 14.218	1,510,990
American Recovery and Reinvestment Act of 2009 funds	* 14.253	283,220
HOME investment partnership program	14.239	718,188
Economic Development Initiative - Special Projects,		
Neighborhood Initiative, Misc Grants	14.251	15,518
Lead based paint hazard control	14.900	25,892
<b>DEPARTMENT OF JUSTICE</b>		
Direct payments:		
Crime victim assistance	16.575	21,415
Allocation to State (Title II)	16.540	63,446
Cops Technology Grant	16.710	1,050
Justice Assistance Act Grant Program	16.738	61,707
Edward Byrne Memorial Justice Assistance Grant (JAG)		
American Recovery and Reinvestment Act of 2009 funds	* 16.803	171,348
American Recovery and Reinvestment Act of 2009 funds	* 16.804	92,883
<b>DEPARTMENT OF TRANSPORTATION</b>		
Direct payments:		
Airport improvements	20.106	300,628
National Recreation Trails	20.219	73,345
Safe Driving Program for Older Americans	20.600	258,970
Alcohol Open Container Requirements	20.607	22,276
Interagency Hazardous Materials Public Sector		
Training and Planning Grants	20.703	27,000
<b>FEDERAL EMERGENCY MANAGEMENT AGENCY</b>		
Department of Emergency Services		
Emergency Management Preparedness Grant	97.042	27,013
State Domestic Preparedness Equipment Support	97.004	283,734
Assistance to Firefighters	97.044	6,766
Homeland Security	97.073	84,300

(Continued on next page)

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2010

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	93.558	745,511
Low income energy assistance	93.568	38,411
Child care and development block grant	* 93.575	386,226
Refugee and entrant assistance	93.566	1,782
Independent living	93.674	14,406
State Children's Insurance Program (SCHIP)	93.767	34,765
Aging Title III-B	93.044	111,474
Department of Social Services:		
Child care and development fund	* 93.596	412,324
American Recovery and Reinvestment Act of 2009 funds	* 93.713	139,619
Foster care - Title IV-E	* 93.658	678,621
American Recovery and Reinvestment Act of 2009 funds	* 93.658	46,174
Adoption assistance	* 93.659	220,038
American Recovery and Reinvestment Act of 2009 funds	* 93.659	24,622
Social services block grant	93.667	325,293
National Bioterrorism Hospital Preparedness Program	93.889	875
Medicaid assistance program-Administrative expenses only	93.778	409,174
Promoting Safe & Stable Families	93.556	29,209
Chafee education & Training Vouchers Program	93.599	4,750
Child welfare services-state grant	93.645	2,635
Department of Mental Health, Mental Retardation and Substance Abuse:		
Block grants for community mental health services	93.958	84,162
Block grants for prevention and treatment of substance abuse	* 93.959	526,953
<b>NATIONAL ENDOWMENT FOR THE ARTS</b>		
Direct payments:		
Promotion of the Arts-Partnership Agreements	45.025	5,000
Total assistance - City of Danville		<u>\$ 9,262,855</u>

(Continued on next page)

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2010

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 Education:		
School breakfast program	10.553	\$ 711,878
National school lunch program	10.555	1,916,440
Department of Agriculture and Consumer Services		
Food distribution - donated commodities	10.555	176,666
<b>DEPARTMENT OF EDUCATION</b>		
Department of Education:		
Adult education - state administered basic grant program	84.002	120,786
Title I grants to local education agencies	* 84.010	3,122,631
American Recovery and Reinvestment Act of 2009 funds	* 84.389	706,180
Detention Facilities	84.013	28,991
Special education - grants to states	* 84.027	1,288,673
American Recovery and Reinvestment Act of 2009 funds	* 84.391	1,416,065
Vocational education - consumer and homemaking education	84.048	332,054
Special education - preschool grants	* 84.173	14,715
Safe and drug - free schools - state grants	84.186	20,398
Twenty-First Century Community Learning Centers	84.287	67,077
Title IV innovative education program	84.298	14,161
Technology literacy challenge grant	84.318	37,057
English language acquisition grants	84.365	18,501
Improving teacher quality state grants	84.367	603,921
State fiscal stabilization fund, Education State Grants		
American Recovery and Reinvestment Act of 2009 funds	* 84.394	2,710,822
Part C funds	* 84.181	155,140
American Recovery and Reinvestment Act of 2009 funds	* 84.393	57,826
Gear Up	84.UNK	68,124
Total assistance - Danville Public Schools		\$ 13,588,106
Total assistance - reporting entity		\$ 22,850,961

\* Denotes Major Program

See report of independent auditors

**CITY OF DANVILLE, VIRGINIA**

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

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**June 30, 2010**

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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 2010:

Program Title	CFDA	Amount
Block grants for prevention and treatment of substance abuse	20.607	\$ 526,953
Special Education - Grants for Infants and Families	84.181	155,140
American Recovery and Reinvestment Act of 2009 Funds	84.393	57,826

**CITY OF DANVILLE, VIRGINIA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

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**Year Ended June 30, 2010**

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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:

- Food stamp program (10.561)
- Wildland Fire Management – ARRA (10.688)
- Community development block grant program (14.218)
- Community development block grant program – ARRA (14.253)
- Edward Byrne Memorial Justice Assistance Grant – ARRA (16.803)
- Edward Byrne Memorial Justice Assistance Grant – ARRA (16.804)
- Block grants for prevention and treatment of substance abuse (93.959)
- Childcare and development fund (93.596)
- Childcare and development block grant (93.575)
- Childcare and development block grant (93.713)
- Foster care – Title IV-E (93.658)
- Foster care – Title IV-E – ARRA (93.658)
- Adoption assistance (93.659)
- Adoption assistance – ARRA (93.659)
- Title I grants to local education agencies (84.010)

(Continued on next page)

**CITY OF DANVILLE, VIRGINIA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

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**Year Ended June 30, 2010**

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- Title I grants to local education agencies – ARRA (84.389)
- Special education – grants to states (84.027)
- Special education – grants to states – ARRA (84.391)
- Special education – preschool grants (84.173)
- State fiscal stabilization fund – ARRA (84.394)
- Part C funds (84.181)
- Part C funds – ARRA (84.393)

Dollar threshold used to distinguish between Type A and Type B programs: \$685,529

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

**SCHEDULE OF PRIOR YEAR AUDIT FINDINGS**

No findings reported in the prior year.

