

CITY OF DANVILLE, VIRGINIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended June 30, 2013



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, 2013**

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CITY OF DANVILLE, VIRGINIA

Introductory Section

For the Year Ended June 30, 2013





City of Danville Virginia

December 4, 2013

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, 2013.

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

Dixon Hughes Goodman LLP, licensed certified public accountants, has audited the City of Danville's financial statements. The goal of the independent audit is to provide reasonable assurance that the financial statements are free of material misstatement. Tests were made of the City's internal control structure and of its compliance with applicable laws and regulations. The audit of the financial statements of the City of Danville for the fiscal year ended June 30, 2013, 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 21 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 43,400.

The City operates under the council-manager form of government. Policymaking and legislative authority is vested in the City Council, which consists 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 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 2013 proved to be an exciting time for Danville's River District. We are currently in the midst of a branding and way-finding study to make downtown Danville feel even more like a destination. Phase I of the Streetscape Improvement Project is almost complete in the River District. Through this project, sidewalks are being extended by six feet on each side of the 300 through 500 blocks of Main Street. The new sidewalks are being constructed of brick pavers and cobblestone. New benches, trees and trash receptacles, along with refurbished antique light poles, are being installed on each block. This project was funded with \$1.4 million of Virginia Department of Transportation revenue sharing grants and matching funds from the City. Other important highlights in the City's economy for fiscal year 2013 are as follows:

- July 2012 - RDD, LLC, a group of private investors, announced plans to redevelop the former Research Building of Dan River Inc. After renovation, this structure will house the Danville Orthopedic Clinic and its associated practices. In addition, the building will contain both training facilities and medical practices operated by Danville Regional Medical Center. The building will also house commercial entities on the street-level floor and a restaurant in an adjoining building next to the Dan River.
- July 2012 - The Downtowner Motor Inn was constructed on Main Street in the 1960s and had remained vacant since its closing in 1986. Through grants from the Danville Regional Foundation, totaling \$1.4 million, the Industrial Development Authority of Danville (IDA) was able to purchase and demolish this blighted building. The IDA has already created 30 new parking spaces in a portion of the lot, and plans to create more parking in the remaining acreage. The money to pay for construction of the 30 spaces came from unused demolition funds. The demolition project was a year-long process that began in January 2012 with asbestos removal. The actual demolition of the building took place during the summer. The project ended with land grading and the construction of a retaining wall in the fall and early winter.
- July 2012 - The Danville Regional Foundation announced that it would spend \$10 million over the next five years to attract entrepreneurs to the region – specifically the River District. This new initiative offered seed-fund management, business consulting and mentoring, and incubation for start-up and serial entrepreneurs.
- Sept 2012 - GOK International, a Chinese furniture assembler, announced plans to locate its sales and headquarters at Old Belt One in the River District of Danville, and its assembly and showroom operations at a 40,000-square-foot Cane Creek shell building in Ringgold, Virginia.
- Oct 2012 - The Attic Hound, an antiques and refurbished furniture store, hosted its grand opening at 531 Main Street.
- November 2012 - The Danville Science Center broke ground on a digital dome, large-format theatre. Completion is expected in early 2014. The project will cost nearly \$3.5 million and is jointly funded by the Danville Science Center, Danville Regional Foundation, the City of Danville, and an anonymous donor.
- November 2012 - CBN Secure Technologies, Inc. announced plans to expand in Danville, Virginia, to meet increased demand for its identification solutions. The expansion will result in approximately 25 new jobs. In 2009, CBN Secure Technologies, Inc. launched its United States presence in Virginia with plans to use the Danville operation to serve other customers in the U.S. and other countries. It currently employs 40 people at its facility that produces secure credentials for the Virginia Department of Motor Vehicles. The expansion was completed in the spring of 2013.

- The IDA purchased the former Wise-Hundley building on Main Street. This blighted building stood vacant for years and had become an eyesore in the district, undermining the city's revitalization efforts and the future success of the district. There are plans to work with a developer to convert this building into a mixed-used facility.
- The IDA purchased the former Acree's Warehouse and, through a \$600,000 grant from the Virginia Department of Housing and Community Development's Industrial Revitalization Fund, will convert this building into a parking garage for a redevelopment project in the River District.
- Our Common Ground LLC purchased the former Franklin Discount Store, located at 212 North Union Street, and has converted this building into more than 7,000 square feet of new office space in the River District.
- Japan Tobacco International provided a grant of \$465,000 to the City of Danville for the design and construction of a fountain that will serve as the focal point for the entrance to the Tobacco Warehouse District. The construction is nearing completion.
- March 2013 - Macerata Wheels LLC announced plans to locate its manufacturing and distribution operations at 979 Lockett Drive in Danville. The location was selected because of its proximity to the workforce training provided by Danville Community College. Macerata will produce custom-designed wheels for automobiles and motorcycles, and will start manufacturing in the fall with support from the Virginia Tobacco Commission and the City of Danville. The company has already established a retail presence in the Research Triangle Park region of North Carolina. They have begun construction on their building and plan to eventually employ more than 100 employees.
- May 2013 - Danville welcomed Allergease, an allergy lozenge company. The company plans to add 150 jobs and \$7.5 million of investments to the Danville economy within the next three years. The company started the move by transferring their headquarters from northern Virginia to Danville's Bridge Street. They have hired eight full-time employees to date, with plans to hire almost 20 more before the end of the next fiscal year.
- May 2013 – The Smith Seeds Building, constructed in 1875, is located at 315 Lynn Street. The former tobacco and seed warehouse has found new life as loft apartments in the River District. The one- and two-bedroom residential units range between 800 and 1200 square feet, with monthly rental rates of \$750 to \$1,300, depending on size, floor-plans and views.

Other announcements in the City's industrial parks and other areas of Danville include:

- September 2012 - Norhurst Inc. announced it had purchased the former Dan River Executive Campus at 2291 Memorial Drive in Danville to expand its operations and relocate several key positions from northern Virginia. Norhurst is working directly with Insystech Inc. on government contracts and educational software development projects. The project will create 108 new jobs with an overall average wage of \$67,000 plus benefits and a capital investment of \$2.3 million.
- July 2012 - Virdia, a leading developer of cellulosic sugars, opened its demonstration facility at its new technology center in Danville. Located on the campus of The Institute for Advanced Learning and Research, this facility is designed to demonstrate Virdia's CASE™ process in pilot scale, as well as produce commercially representative samples of cellulosic sugars and lignin for commercial applications.
- The Dan River Plant Propagation Center, located at The Institute for Advanced Learning and Research, saw significant growth throughout the year. The Lady Astor Rose, VT Spirit daylily, and other ornamental plants are being propagated for growers, florists, and individual consumers. This company, now called Dan River Plants, plans to build its own facility in the Ringgold East Industrial Park in 2013.

- The Danville Nestlé facility underwent a \$2.7 million expansion-renovation project. This company announced plans to add 50 full-time positions at its factory which produces the Nestlé Toll House refrigerated cookie dough and Buitoni refrigerated pasta and sauces.
- GSO Aviation celebrated the opening of its 13,500-square-foot facility in Airside Industrial Park. GSO, whose major client is PSA Airlines - a subsidiary of US Airways Express, specializes in the repair and servicing of hydraulic components used on aircraft.
- Ecomnets announced plans to convert its facility in Airside Industrial Park into a data center. This company, which announced in 2010, initially planned to manufacture the Verdio green computer and develop software programs. However, due to businesses demanding high quality, low cost and energy efficient data storage, this company changed its main mission in Danville. Since this announcement, this company has achieved certification of Payment Card Industry Data Security Standards (PCI-DSS), the most rigorous industry-recognized payment-card security standard available globally.

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

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 provided 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.

In recent months, the IALR earned an award from the National Science Foundation to create the Center for Tire Research which will focus solely on four main area of emphasis: tire materials, manufacturing, modeling, and simulation/testing. In addition, the IALR was awarded \$1.4 million to partner with ProteiosBio to pursue plan molecular biology research and development concerned with producing high value therapeutic proteins. This award will fund a new laboratory, equipment, and a greenhouse. This endeavor will employ six individuals by the end of calendar 2013 with more to be hired in 2014.

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 \$11,554,000; Sewer and Wastewater Capital Improvements of \$2,000,000; Water and Gas Capital Improvements of \$2,165,000; and Electric and Telecom Capital Improvements of \$5,923,015.

The Regional Industrial Facility Authority (RIFA) resulted from a regional effort between the City of Danville and Pittsylvania County. RIFA is responsible for creating a 330-acre technology park, known as the Cyber Park. The park has state-of-the-art infrastructure for unparalleled reliability including a High Reliability Electrical Distribution System. The Institute for Advanced Learning and Research and the Regional Center for Applied Technology and Training (RCATT) anchor the Cyber Park. RIFA 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.; Electronic Instrumentation and Technology, LLC (EIT); and NextGen Aeronautics. 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. CBN announced an expansion in March 2011 to include 25 new jobs and an investment of \$1.1 million. CBN announced a second expansion in April 2013 to include 25 new jobs and an investment of \$8.2 million.

The AVRC building was constructed in 2009 for a small company called the Advanced Vehicle Research Center (AVRC) to relocate from Raleigh. The company operated as a research and design center for converting hybrid vehicles to plug-in hybrid electric vehicles until it closed due to unforeseen circumstances in 2012. NextGen Aeronautics, a California-headquartered company that is conducting research and development on a solar-powered satellite system, is presently located in the AVRC building and employs six people.

A groundbreaking was held at the IALR in October, 2010, 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. EIT opened its second facility in Danville and first in the Cyber Park with the construction of a 60,000-square-foot facility, which was completed in May 2012. This expansion resulted in the creation of 50 new jobs and a capital investment of \$5 million. EIT provides printed circuit boards for military, information technology, and electrical contractors. 35 people work at the EIT Cyber Park facility.

RIFA began developing a 1,000-acre industrial park in 2005, now called Cane Creek Centre (formerly Danville/Pittsylvania County Regional Industrial Park). Yorktowne Cabinetry (now Elkay) became the first company to locate in Cane Creek Centre, investing \$19 million and creating nearly 250 jobs, thus far, in its 240,000-square-foot facility. Elkay is a manufacturer of semi-custom cabinets. Elkay'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. Swedwood began manufacturing in early 2008. Currently, Swedwood has 380 employees and has made a capital investment close to \$100 million.

In June 2010, a groundbreaking ceremony was held for a new project in Cane Creek Centre to develop two building sites, a 33-acre lot with a 15-acre graded pad and a 64-acre lot with a 36-acre graded pad. The U.S. Economic Development Administration provided a \$1,800,000 net grant to grade both sites. 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. The site grading was completed in June 2012, and the sites are being actively marketed to clients.

In October 2010, United States Green Energy Corporation announced it will locate its headquarters and manufacturing operation in Cane Creek Centre, creating 372 jobs within three years of the start of operations and making a capital investment of \$30 million. USGE manufactures solar building materials, such as roofing and siding materials that offer the advantage of being as attractive as traditional building products. USGE's building was completed in October 2012, and the company is actively producing product, especially for the military. The company employs 16 people with plans to hire another 200 once they receive an infusion of capital and sell the building to a private investor to raise working capital.

In September 2012, GOK International, a Chinese furniture assembler, announced it will locate its assembly and showroom operations at the 40,000-square-foot Cane Creek shell building. The company committed to create 300 jobs within three years of the start of operations and will make a capital investment of \$12.5 million. The company opened their operations at the end of April 2013 after the building was completed. We are working with GOK International to bring other furniture companies to Danville from China. On October 17, 2013, we will announce the next Chinese company to locate in Cane Creek Centre and create 100 jobs over a three-year period.

Another collaborative effort of RIFA has been the creation of the Berry Hill Mega Park located west of Danville in the Berry Hill community of Pittsylvania County. RIFA sees this mega-site project as the next stage in its economic development efforts to transform the region and its work force. The Mega Site has approximately 3,500 acres, and is the largest site in Virginia and fifth largest on the East Coast. RIFA is working in concert with Eden and Rockingham, North Carolina, to extend the sewer line to the state border where the City will continue this line to the site. In recent history, Eden lost a lot of textile operations and has an oversupply of sewer capacity that would be best served by cooperating on the Mega Site, since a proportion of workers may come from North Carolina to work at the future plants. This arrangement is a true partnership between localities in two states that are choosing to ignore politically-drawn lines. RIFA has received a \$6 million Tobacco Commission Mega Site grant in 2012 to grade approximately 400 acres on two sites, so clients can be shown "shovel ready" sites. The City anticipates it will take two years to obtain the necessary permits from federal and state regulatory agencies before grading can begin. Even though this project is in its early stages, RIFA has already seen some interest from companies wanting to invest at the mega site.

The Utilities Department conducted its biennial rate study for the City's water, wastewater, gas, and electric utilities during FY 2013. The study recommended an increase in the residential electric customer charge from \$4.00 per month to \$7.80 per month effective July 1, 2013, to cover a projected revenue shortfall in the Electric Fund. The rate study also recommended a water rate schedule adjustment in two steps: effective July 1, 2013 and July 1, 2014 to recover revenue shortfalls projected for the study period. The water consumption charge will increase from \$1.57 per 100 Cubic feet to \$2.20 per 100 cubic feet July 1, 2013 and to \$2.40 per 100 cubic feet July 1, 2014. The charge for water meters of all sizes will increase by \$1.50 per month effective July 1, 2013 and an additional \$1.50 per month July 1, 2014.

The Electric Division continues to collaborate with our rate consultant, as well as advisors with American Municipal Power, Inc. 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. During 2013, the Electric Division invested in a new CAD 3-D product that interfaces with our inventory management, CityWorks and our accounting software. This product is designed to interface with our workorder management system. The Utility Department continues to refine the Interactive Voice Response System the Supervisory Control and Data Acquisition and the Outage Management System (OMS) to enable operations to better handle major electric outage situations. The two major projects that the Electric Division worked on this year included replacing transformers at the Hydro facility and rebuilding the Brantley to Airside Transmission line. Both projects are in process with an anticipated completion date in the spring of 2014.

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 over \$931,690 in 2013, which was passed on to customers.

During FY 2013, the Water & Gas Divisions installed new gas mains on all or portions of 19 various streets and also installed new water mains on 6 City streets. Phase 12 of the Gas Pipeline Replacement Program was completed by outside contractors under the guidance of Water & Gas Engineering and the engineering work for Phase 13 was also completed.

At the City's Northside Wastewater Treatment Plant, the construction of Phase I Improvements was completed. Phase I included the \$2.4 million conversion of a pure oxygen process to a conventional activated sludge process using air. Phase II was started and will be completed in the fall of 2013. This phase consists of converting the flotation grit separators into high rate primary clarifiers at a cost of \$1.4 million. Phase III consists of grit removal facilities at a cost of \$2,000,000. The process conversion will save the City between \$50,000 and \$100,000 in electrical power costs each year, as well as chemical costs as liquid oxygen will no longer be required.

The nDanville Fiber to the Home (FTTH) expansion continued connecting homes in FY 2013. This expansion will continue growing each year as funds allow until all Danville Utilities customers have access to fiber optic broadband. The nDanville network now has two service providers and is continuing to grow as commercial and residential customers increase. The two service providers are offering IP television, telephone, and high speed internet at speeds higher than the competition, but at lower rates. During FY 2013, the nDanville network began an upgrade to a 10-gigabit backbone network from a 1-gigabit backbone to accommodate current and future demand. This will allow the region to remain competitive with the broadband capabilities of other metropolitan areas.

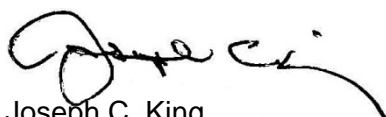
Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Danville for its comprehensive annual financial report, for the fiscal year ended June 30, 2012. This was the twenty-seventh consecutive year the City of Danville has received this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

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

Respectfully submitted,



Joseph C. King
City Manager



Barbara A. Dameron
Director of Finance



Michael L. Adkins
Deputy Director of Finance



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

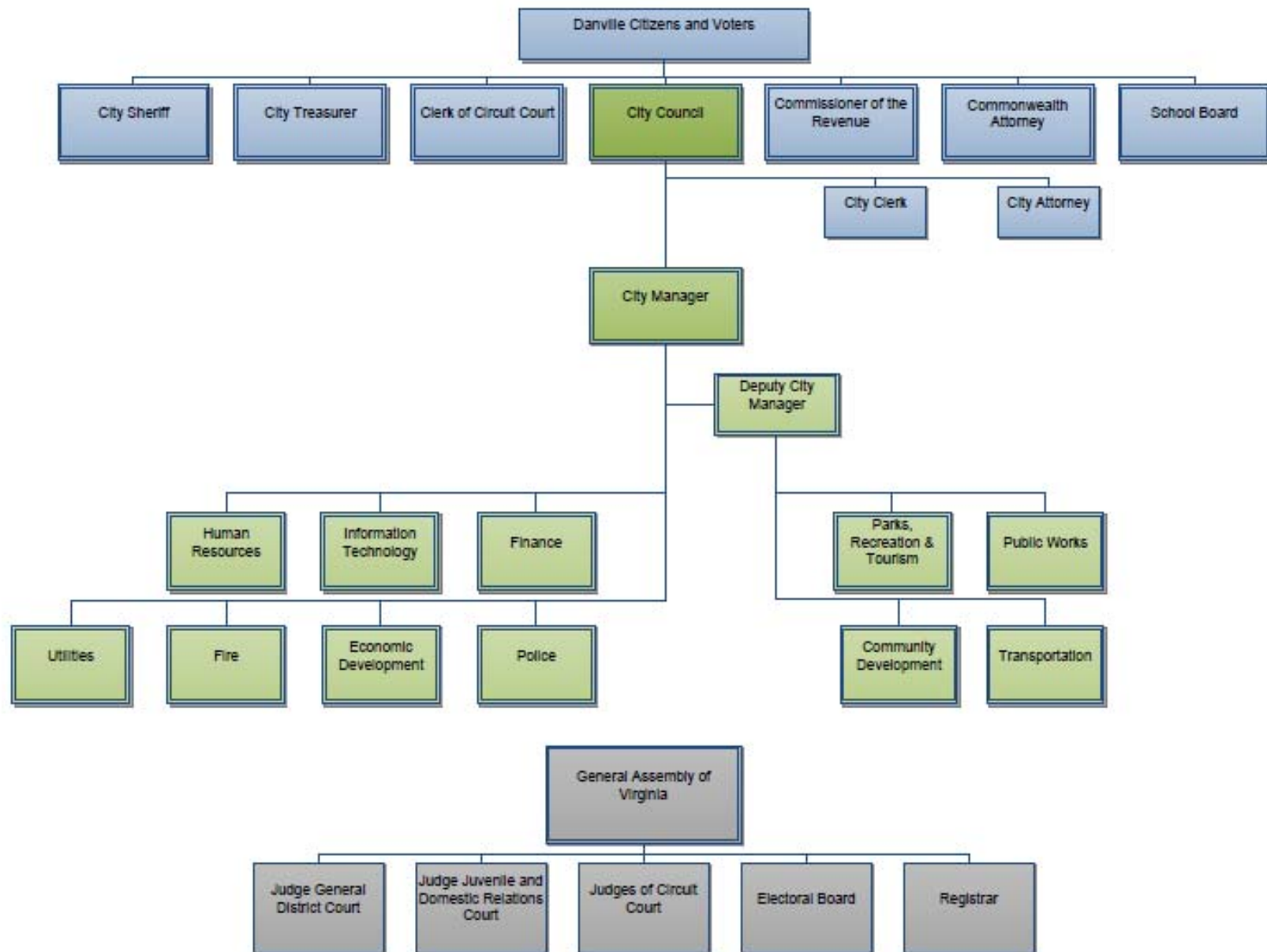
**City of Danville
Virginia**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2012

A handwritten signature in black ink, reading "Jeffrey R. Egan". The signature is fluid and cursive, with the first letters of the first and last names being capitalized and prominent.

Executive Director/CEO



**CITY OF DANVILLE
OFFICIAL DIRECTORY**

CITY COUNCIL

Sherman M. Saunders
Mayor
L.G. "Larry" Campbell, Jr.
Alonzo L. Jones
Fred O. Shanks III
J. Lee Vogler

Gary P. Miller, MD
Vice Mayor
John B. Gilstrap
Albert K. "Buddy" Rawley Jr.
Adam J. Tomer

LEGISLATIVE STAFF

W. Clarke Whitfield Jr.
Susan M. DeMasi

City Attorney
City Clerk

ADMINISTRATIVE OFFICIALS

Joseph C. King
Kenneth F. Larking
Cynthia L. Thomasson
Jeremy A. Stratton
Marc D. Adelman
Barbara A. Dameron
Richard I. Drazenovich
Earl B. Reynolds, Jr.
Inez J. Harville
David R. Eagle
Philip A. Broadfoot
Sara B. Weller
William O. Sgrinia
Steven G. Saum

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

CONSTITUTIONAL OFFICERS

Michael S. Mondul
Michael J. Newman
Gerald A. Gibson
James M. Gillie
Lynwood L. Barbour

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

**CITY OF DANVILLE
SCHOOL OFFICIALS**

SCHOOL BOARD

George M. Wilson
Chairman

Edward C. Polhamus
Vice Chairman

Malcom W. Huckabee

O. Renee' Hughes

Rebecca L. Bolton
Cheryl Bryant

Dr. Philip W. Campbell

ADMINISTRATIVE OFFICIALS

Dr. Sue B. Davis

Superintendent

Dr. Kathy J. Osborne

Assistant Superintendent for Administrative
Services

Carrie H. Merricks

Clerk of School Board

Dr. Juliet C. Jennings

Assistant Superintendent for Human
Resource Services

Andrew W. Tyrrell

Assistant Superintendent for Instruction

**EMPLOYEES' RETIREMENT SYSTEM OFFICIALS
BOARD OF TRUSTEES**

City Employee Members

Citizen Members

David H. Patterson
Chairman
Captain, Fire Department

T. Wayne Oakes
Vice-Chairman
Retired, DIMON Incorporated

D. Joyce Obstler
Assistant Director, Information
Technology Department

Lenard D. Lackey, Jr.
Retired, Danville/Pittsylvania County Service
Board

Sandra M. Stevens
Lieutenant, Police Department

Jeffrey V. Haley
President & CEO, American National Bank

EX-OFFICIO MEMBERS

Sherman M. Saunders
Mayor

Joseph C. King
City Manager

Barbara A. Dameron
Director of Finance

CITY OF DANVILLE, VIRGINIA

Financial Section

For the Year Ended June 30, 2013



INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

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 then ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the ***City of Danville, Virginia's*** basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and *Specifications for Audits of Counties, Cities and Towns* 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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, 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, 2013, and the respective changes in financial position and cash flows, where applicable, thereof, and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Correction of Error

As discussed in Note 10 to the financial statements, the 2012 financial statements have been restated to correct errors in accounting for certain expenses, construction in progress, and certain internal service fund activity within governmental activities. Our opinion is not modified with respect to these matters.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis on pages 21 through 39 and the other required supplementary information on pages 110 through 124, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provided us will sufficient evident to express and opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the **City of Danville, Virginia's** basic financial statements. The nonmajor governmental fund balance sheet and statement of revenues, expenditures and changes in fund balance are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 4, 2013 on our consideration of the ***City of Danville, Virginia's*** internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, 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* in considering the ***City of Danville, Virginia's*** internal control over financial reporting and compliance.

Dixon Hughes Goodman LLP

December 4, 2013



CITY OF DANVILLE, VIRGINIA

Management's Discussion and Analysis (MD&A)

Required Supplementary Information
(RSI)

For the Year Ended June 30, 2013



**CITY OF DANVILLE, VIRGINIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2013**

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 \$430,171,041 (total net position - government-wide). Of this amount, \$108,410,123 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.
- The net position of the City's business-type activities, as of June 30, 2013, was \$305,970,729, an increase of \$4,230,498 from the net position of \$301,740,231 reported at June 30, 2012. Of the net position, \$51,252,937 is reported as unrestricted, a \$584,593 increase from the unrestricted net position reported at June 30, 2012.
- As of June 30, 2013, the City's governmental activities for government-wide statements reported a net position of \$124,200,312, an increase of \$10,852,961 over a beginning net position of \$113,347,351 (restated). A net position of \$57,157,186 at June 30, 2013, is 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 \$61,832,337, an increase of \$7,666,159 in comparison to the fund balance reported at June 30, 2012 of \$54,166,178. Forty-seven percent of the total fund balance at June 30, 2013, \$29,013,386, is available for spending at the government's discretion (unassigned fund balance).
- At the end of the current fiscal year, the unassigned fund balance for the General Fund was \$29,013,386, or thirty-four percent of total fund expenditures.

CITY OF DANVILLE, VIRGINIA
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
June 30, 2013

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 position 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 position 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 \$62,367,975 to the combined balances of governmental funds when converting to net position of governmental activities. The reconciliation presented on pages 47 and 49 of this report offer summarized details of the conversion from governmental fund statements to government-wide statements for governmental activities.

The combined fund balances of the governmental funds report a total fund balance of \$61,832,337 and an unassigned fund balance of \$29,013,386. Government-wide net position for governmental activities report a total net position of \$124,200,312 and an unrestricted net position of \$57,157,186. The conversion from the unassigned fund balance to unrestricted net position can be shown as follows:

Unassigned fund balance (fund statement)	\$ 29,013,386
Deferred revenue for fund statements no longer deferred for government-wide	15,373,343
Internal Service Funds noncapital assets merged into governmental activities for government-wide statements	4,494,042
Workers' compensation, accrued interest, and other compensated absences	(4,920,586)
Encumbrances not restricted externally	9,034,653
Budget stabilization, inventory, OPEB and pension funds, restricted only for fund statements	<u>4,162,348</u>
Unrestricted net position - per government-wide governmental activities	<u><u>\$ 57,157,186</u></u>

CITY OF DANVILLE, VIRGINIA
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
June 30, 2013

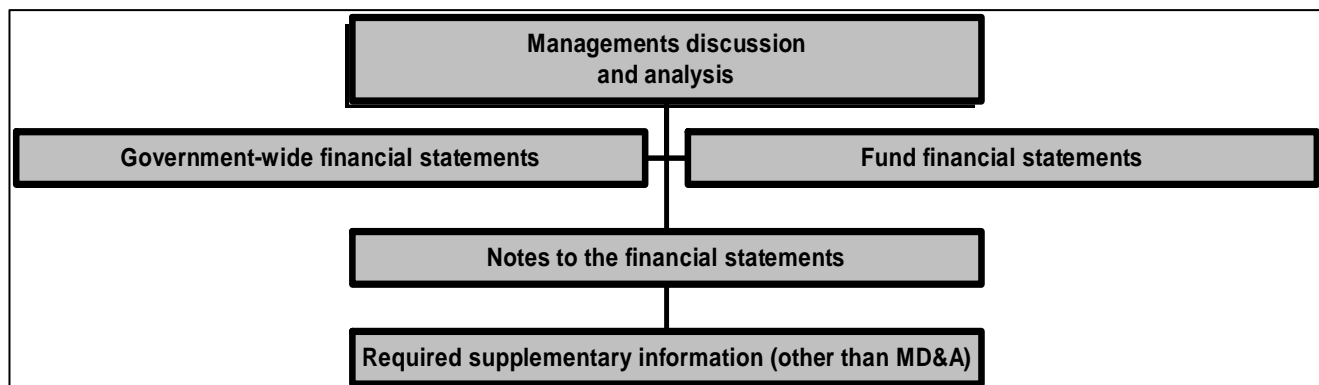
The conversion from fund balance, other than unassigned, to restricted net position can be shown as follows:

Non-spendable, restricted, committed, and assigned fund balance (fund statement)	\$ 32,818,951
Non-spendable inventory	(269,764)
Budget stabilization, committed for fund statements	(3,358,100)
Encumbrances that do not meet GASB Statement 34 definition of restricted	<u>(9,034,653)</u>
Restricted net position - governmental activities	<u>\$ 20,156,434</u>

The Statement of Net Position - Enterprise Funds does not require a conversion to the Statement of Net Position 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, 2013. 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.



CITY OF DANVILLE, VIRGINIA
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
June 30, 2013

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 Position and the Statement of Activities.

The Statement of Net Position

The Statement of Net Position presents information on all the City's assets and liabilities. The difference between assets and liabilities is reported as net position. Net position is 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 position can be an indicator as to whether the financial position of the City is improving or deteriorating. To accurately use changes in net position 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 position changed during the year. As mentioned earlier, government-wide statements use the accrual basis of accounting. Therefore, changes in net position 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 Position 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.

CITY OF DANVILLE, VIRGINIA
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
June 30, 2013

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 seven 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, Virginia Department of Transportation (VDOT) Fund, Economic Development Fund, and the Cemetery Maintenance Fund are considered nonmajor funds. The data for these four 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.

CITY OF DANVILLE, VIRGINIA
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
June 30, 2013

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 three fiduciary funds: a Pension Trust Fund; an Other Postretirement Benefits 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. Similarly, the Other Postretirement Benefits Fund accounts for investments used to cover the liabilities associated with retiree health insurance benefits. These activities are also 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.

CITY OF DANVILLE, VIRGINIA
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
June 30, 2013

Government-Wide Financial Analysis

City of Danville
Summary Statement of Net Position
June 30, 2013

	Governmental Activities		Business-Type Activities		Total	
	2013	2012 (Restated)	2013	2012	2013	2012 (Restated)
Current and Other Assets	\$ 93,867,679	\$ 82,525,164	\$ 101,795,148	\$ 99,337,596	\$ 195,662,827	\$ 181,862,760
Capital Assets	77,840,012	83,575,089	277,187,363	271,073,116	355,027,375	354,648,205
Total Assets	<u>171,707,691</u>	<u>166,100,253</u>	<u>378,982,511</u>	<u>370,410,712</u>	<u>550,690,202</u>	<u>536,510,965</u>
Long-Term Liabilities Outstanding	37,069,021	56,409,075	58,740,312	56,409,075	95,809,333	112,818,150
Other Liabilities	10,438,358	8,090,546	14,271,470	12,261,406	24,709,828	20,351,952
Total Liabilities	<u>47,507,379</u>	<u>64,499,621</u>	<u>73,011,782</u>	<u>68,670,481</u>	<u>120,519,161</u>	<u>133,170,102</u>
Net Position:						
Invested in Capital Assets, Net of Related Debt	46,886,692	43,916,141	219,427,254	215,409,229	266,313,946	259,325,370
Restricted for Cemetery Maintenance	2,708,917	2,682,522	-	-	2,708,917	2,682,522
Restricted for Capital Projects	17,421,894	13,154,663	35,290,538	35,662,658	52,712,432	48,817,321
Restricted for Special Programs	25,623	55,793	-	-	25,623	55,793
Unrestricted	<u>57,157,186</u>	<u>53,538,232</u>	<u>51,252,937</u>	<u>50,668,344</u>	<u>108,410,123</u>	<u>104,206,576</u>
Total Net Position	<u>\$ 124,200,312</u>	<u>\$ 113,347,351</u>	<u>\$ 305,970,729</u>	<u>\$ 301,740,231</u>	<u>\$ 430,171,041</u>	<u>\$ 415,087,582</u>

The City's combined net position at June 30, 2013 of \$430,171,041 represents an increase of \$15,083,459 from the combined net position at June 30, 2012. Twenty-five percent of total net position (\$108,410,123) is unrestricted and available for providing services to the citizens of the City of Danville and satisfying creditors. Sixty-two percent of total net position 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. Twelve percent of total net position 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 position. The remaining one percent of net position (\$2,734,540), is restricted for other special projects (grants), debt service, net pension assets, and the perpetual care of the municipal cemetery. The composition of net position at June 30, 2012 was as follows: Unrestricted net position - 25%, Invested in Capital Assets net of related debt - 62%, Restricted for Capital Projects - 12% (Invested in Capital Assets and Restricted for Capital Projects combined - 74%), and the remaining 1% was restricted for other purposes. Despite the local economic stresses, the City of Danville reported positive balances in all three categories of net position for the government as a whole. Unrestricted net position increased, as well as the net position restricted for capital projects.

CITY OF DANVILLE, VIRGINIA
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
June 30, 2013

City of Danville
Changes in Net Position
30-Jun-13

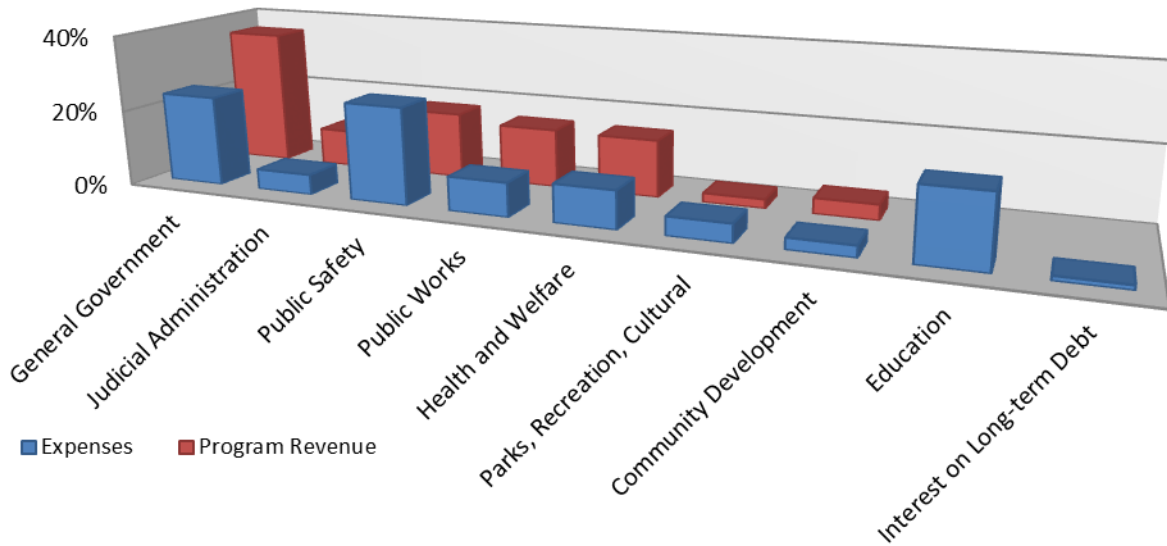
	Governmental Activities		Business-Type Activities		Total Primary Government	
	2013	2012 (Restated)	2013	2012	2013	2012 (Restated)
Revenues:						
Program Revenues:						
Charges for Services	\$ 4,268,729	\$ 4,112,422	\$ 144,714,293	\$ 145,643,944	\$ 148,983,022	\$ 149,756,366
Operating Grants and Contributions	45,271,317	41,329,002	1,390,628	2,085,091	46,661,945	43,414,093
Capital Grants and Contributions	7,927,634	8,702,174	318,635	226,283	8,246,269	8,928,457
General Revenues:						
Real Estate and Personal Property	26,758,831	26,720,274	-	-	26,758,831	26,720,274
Other Taxes (See Exhibit B for detail)	24,156,386	23,110,519	-	-	24,156,386	23,110,519
Interest on Investments	521,402	986,545	874,230	1,954,386	1,395,632	2,940,931
Bond Proceeds and miscellaneous	1,005,617	2,602,443	2,145,633	1,053,547	3,151,250	3,655,990
Total Revenues	109,909,916	107,563,379	149,443,419	150,963,251	259,353,335	258,526,630
Expenses:						
General Government	27,448,521	26,522,291	-	-	27,448,521	26,522,291
Judicial Administration	6,115,877	5,349,323	-	-	6,115,877	5,349,323
Public Safety	29,449,843	27,119,838	-	-	29,449,843	27,119,838
Public Works	10,251,460	12,690,486	-	-	10,251,460	12,690,486
Health and Welfare	11,413,162	11,614,813	-	-	11,413,162	11,614,813
Parks, Recreation, and Culture	5,573,523	5,235,582	-	-	5,573,523	5,235,582
Community Development	3,395,882	4,715,326	-	-	3,395,882	4,715,326
Education (payment to school district)	21,303,585	21,382,291	-	-	21,303,585	21,382,291
Interest on Long Term Debt	1,339,765	7,235,159	-	-	1,339,765	7,235,159
Wastewater	-	-	6,411,408	6,761,973	6,411,408	6,761,973
Water	-	-	5,562,611	5,541,327	5,562,611	5,541,327
Gas	-	-	19,464,631	17,955,882	19,464,631	17,955,882
Electric	-	-	89,532,367	89,185,930	89,532,367	89,185,930
Transportation	-	-	1,807,422	1,799,616	1,807,422	1,799,616
Telecommunication	-	-	934,142	901,806	934,142	901,806
Sanitation	-	-	3,397,813	3,527,317	3,397,813	3,527,317
Cemetery Operations	-	-	867,864	856,877	867,864	856,877
Total Expenses	116,291,618	121,865,109	127,978,258	126,530,728	244,269,876	248,395,837
Subtotal Revenue Over Expenses	(6,381,702)	(14,301,730)	21,465,161	24,432,523	15,083,459	10,130,793
Transfers	17,234,663	16,431,220	(17,234,663)	(16,431,220)	-	-
Increase in Net Position	10,852,961	2,129,490	4,230,498	8,001,303	15,083,459	10,130,793
Beginning Net Position, as previously reported	119,094,276	109,523,301	301,740,231	293,738,928	420,834,507	403,262,229
Prior Period Adjustments	(5,746,925)	1,694,560	-	-	(5,746,925)	1,694,560
Beginning Net Position, restated	113,347,351	111,217,861	301,740,231	293,738,928	415,087,582	404,956,789
Ending Net Position	\$ 124,200,312	\$ 113,347,351	\$ 305,970,729	\$ 301,740,231	\$ 430,171,041	\$ 415,087,582

Governmental Activities

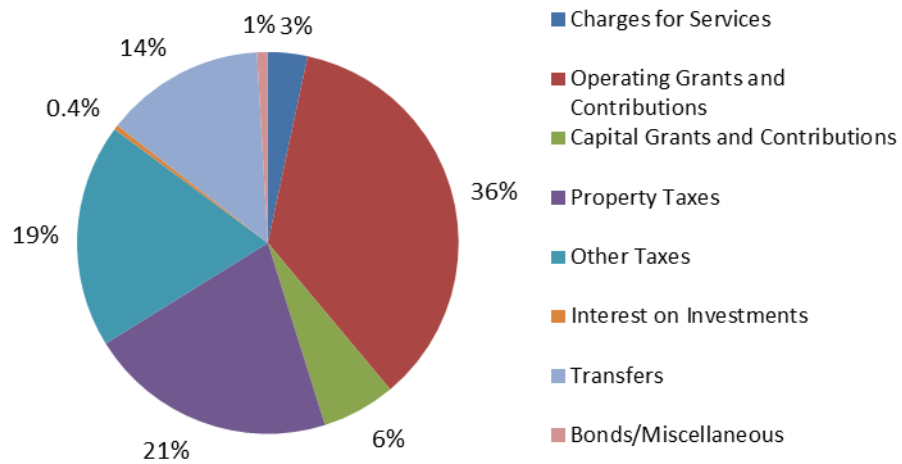
Governmental activities increased the City of Danville's net position by \$10,852,961. Revenues (including transfers) from governmental activities totaled \$127,144,579, with Property Taxes 21%, Other Taxes 19%, Operating Grants and Contributions 36%, and Transfers 14%, representing 90% of the City's revenues. Expenses for governmental activities totaled \$116,291,618, of which 49% was supported from program revenues and the remaining 51% from general revenues. Expenses for Public Safety 25%, Education 18%, Health & Welfare 10%, General Government 24%, and Public Works 9%, make up 86% of the total governmental expenses for the fiscal year.

CITY OF DANVILLE, VIRGINIA
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
June 30, 2013

Expenses & Program Revenue - Governmental Activities



Revenue by Source - Governmental Activities

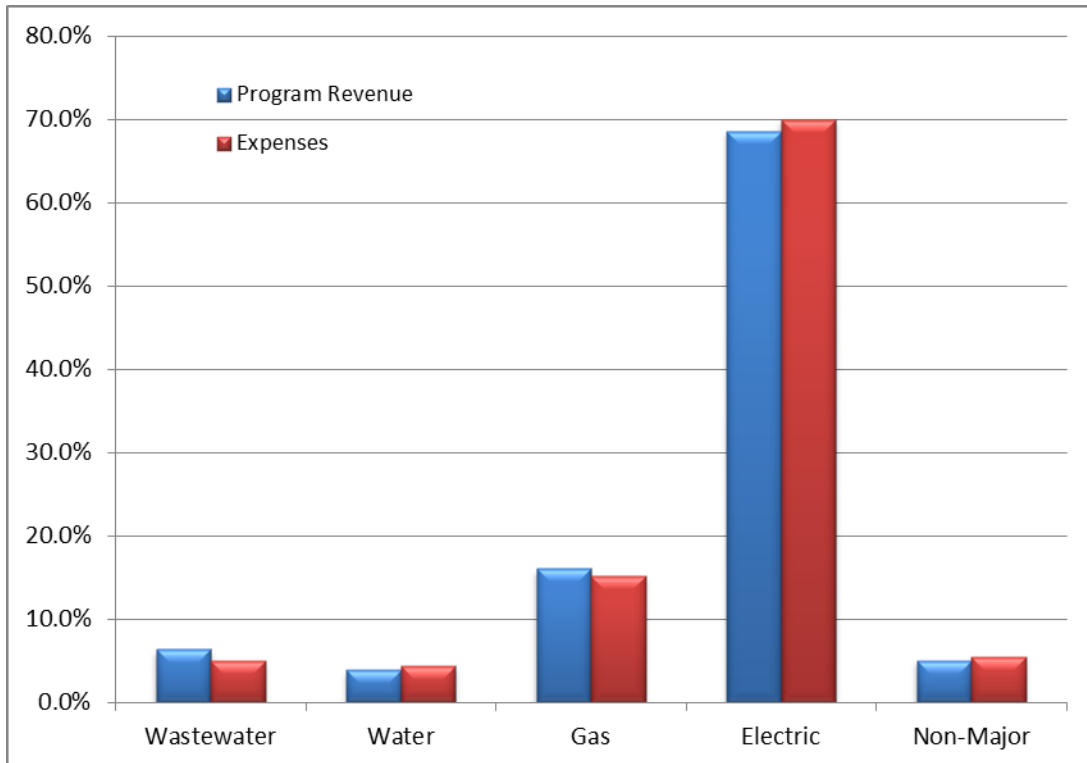


CITY OF DANVILLE, VIRGINIA
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
June 30, 2013

Business-Type Activities

Business-type activities increased the City's net position by \$4,230,498 compared to last year's increase in net position of \$8,001,303. At June 30, 2013, total net position was \$305,970,729 of which \$35,290,538 was restricted for capital improvement projects and \$51,252,937 was unrestricted. GASB Statement 34 requires that restricted assets have external restrictions imposed (grantors, contributions, and debt covenants). Revenues for business-type activities were \$149,443,419 of which 97% was from Charges for Services. For further examination of the enterprise funds, please refer to the Enterprise Funds section of the Financial Analysis of the Fund Financial Statements found on page 34.

Expenses and Program Revenue – Business-Type Activities



CITY OF DANVILLE, VIRGINIA
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
June 30, 2013

Financial Analysis of the Fund Financial Statements

Governmental Funds

Governmental funds reported a combined ending fund balance of \$61,832,337, an increase of \$7,666,159 when compared with the combined fund balance at June 30, 2012 of \$54,166,178. The fund balance in the Capital Projects Fund, also known as Construction in Progress (CIP), increased \$4,267,231. Of the \$9,210,152 expended in the CIP fund, \$1,534,930 was expended on blight removal and improvements to public buildings, and grounds. Funds of \$1,820,598 were expended for streets and parking lot improvement and construction within the City's developing River District. \$2,435,758 was expended for economic development, equipment, and information technology upgrades, and \$3,418,866 was expended for improvements at the municipal airport.

Forty-seven percent (\$29,013,386) of the combined governmental funds balance is unassigned fund balance, which is available for spending at the government's discretion. Forty-eight percent (\$29,840,270) of the combined fund balance is not available for new spending, because it has already been restricted, committed, or assigned to specific future expenditures. The remaining five percent (\$2,978,681) of fund balance is not spendable as it represents inventories (\$269,764) and investments for the perpetual care of the municipal cemetery (\$2,708,917).

The General Fund, which is the chief operating fund of the City, reports a combined fund balance at June 30, 2013 of \$36,116,980. This is a decrease of \$1,046,607 compared to last year's fund balance of \$37,163,587. The General Fund reported an unassigned fund balance of \$29,013,386, a decrease of \$1,676,759 from the June 30, 2012 unassigned fund balance of \$30,690,145. The adopted budget for the General Fund included drawing \$4,663,370 from fund balance in FY 2013. The ability of the General Fund to generate cash on demand can be calculated by comparing both the unassigned fund balance and total fund balance to total funds expended. Unassigned fund balance represents 34% of total General Fund expenditures, while total fund balance represents 42% of total fund expenditures. When transfers out of \$11,871,753 are added to expenditures, then unassigned fund balance is 30% of expenditures and transfers out. The following table represents General Fund support shown as transfers out:

Support of CIP Projects	\$ 8,106,193
Support of Regional Authority	551,650
Support of Economic Development	1,055,000
Support of Grants	1,500,000
Support of VDOT Fund	511,573
Support of Transportation	<u>147,337</u>
	<u>\$ 11,871,753</u>

The decrease in fund balance of \$1,046,607 was \$3,616,763 less than the budgeted decrease of \$4,663,370. The actual decrease resulted from \$3,510,587 unexpended current year budgeted expenditures (excluding the refunded bond payment), \$1,430,964 in additional revenue (excluding bond proceeds), offset by prior year encumbrances of \$1,772,854; carryforwards of restricted cash of \$1,141,161 and supplemental appropriations from fund balance of \$3,074,143.

CITY OF DANVILLE, VIRGINIA
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
June 30, 2013

Some key factors of unexpended appropriations are as follows:

- City Support of Public Schools had an unexpended balance of \$2,498,487. Danville City Schools pulls local funding as needed and is allowed to carry unspent funding forward for future years. The unencumbered portion of this amount is reserved as a carryforward for fiscal 2014.
- Savings in salaries and related payroll taxes of over \$2,000,000 were realized through vacancies in the General Fund, primarily in Public Safety.
- Additional savings 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 2013.

Key factors of the unrealized revenue are as follows:

- General Property Tax collections were \$1,941,504 over budget. The primary components of this variance exist in the following areas:

Real Estate	\$ 745,873
Personal Property	1,075,887
Public Service	(15,529)
Penalties & Interest	135,273

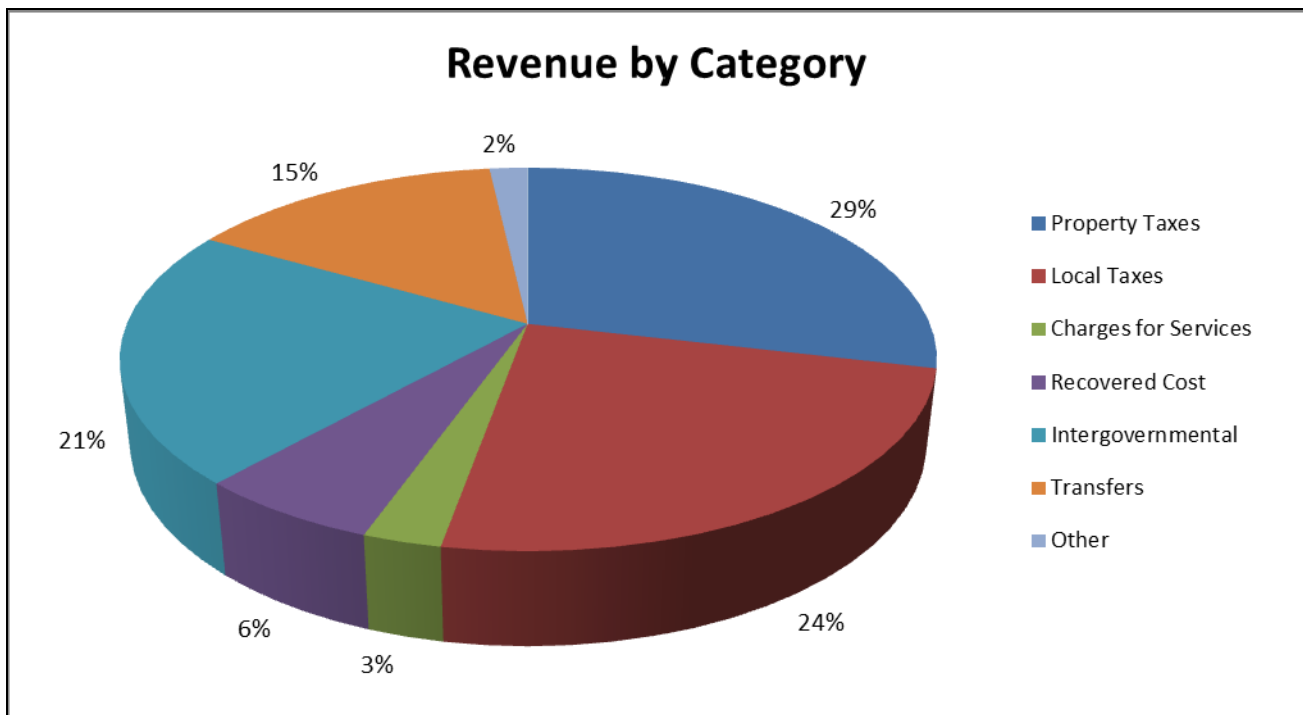
- Real Estate realized additional revenues in delinquent taxes due to increased efforts in collections. The City's use of a collection agent combined with periodic publication of delinquent taxpayers' names has proven effective. This is also demonstrated in the additional penalty and interest collections, as well as collection of current year tax. Personal property tax revenues also exceeded budget. Collection of delinquent personal property taxes is pursued through utilization of the Virginia Debt Set-off Program, as well as the DMV Stop Program. Additional taxes on machinery and tools were collected as several economic development projects provided new investment in commercial equipment.
- Other Local Taxes exceeded the budget of \$22,940,380 by \$473,511. Many categories of local tax revenue exceeded budgeted expectations, while others were close to budgeted expectations. Because the FY 2012 budget had been conservative with respect to consumer taxes such as sales tax, meals tax, and business licenses, the FY 2013 budget was slightly more optimistic as improvement in the local economy continued. Local Sales Taxes were collected at 99.5% of budget, Business Licenses were collected at 111% of budget, Hotel Taxes were at 102% of budget, and Prepared Meals Tax collections also outperformed estimates at 101% of budget. Areas contributing to the budget variance include:

Local Sales Tax	\$ (39,420)
Prepared Meals Tax	60,514
Business Licenses	470,365
Bank Stock Taxes	(88,580)
Hotel & Lodging Tax	13,402
Others	57,230

CITY OF DANVILLE, VIRGINIA
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
June 30, 2013

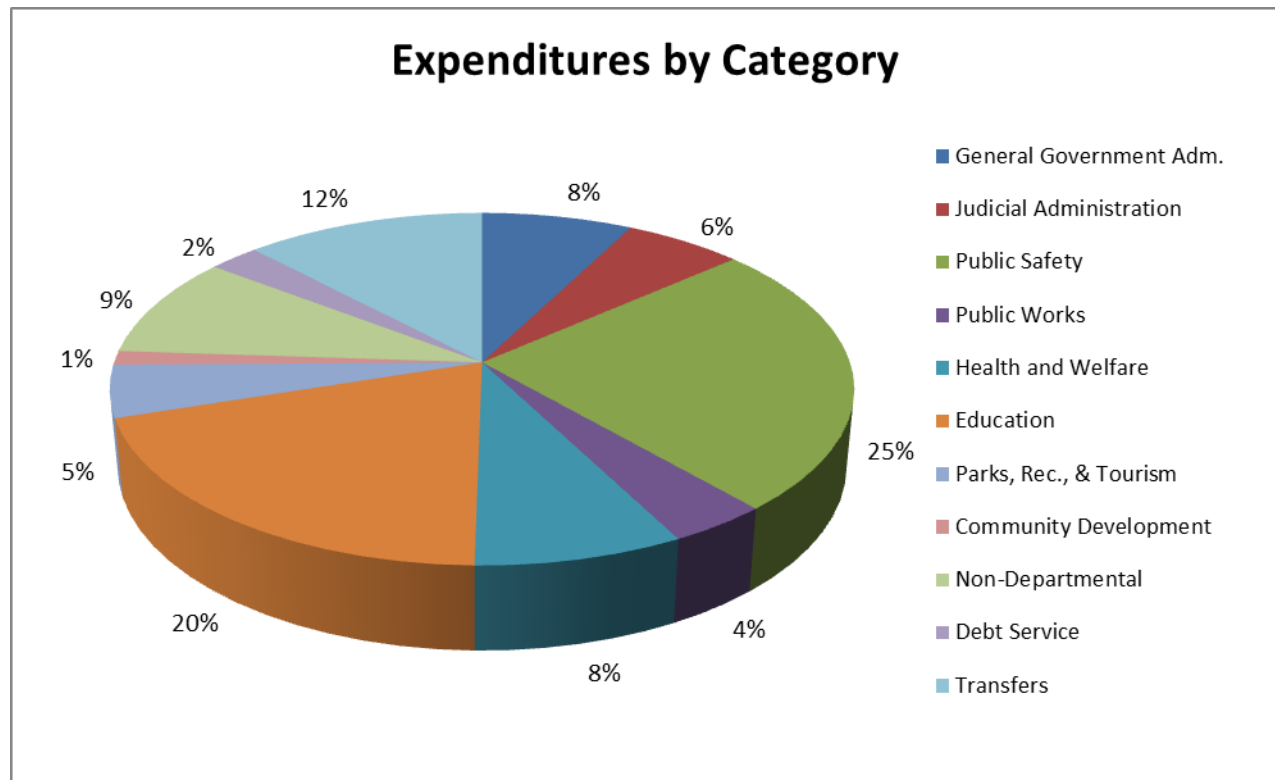
- Revenue from the Charges for Services category was under budget by \$539,039. This resulted primarily from lower operating costs at the City's juvenile detention center. As operating costs decrease, the charges to other participating localities decreases as well.
- Revenue from the Commonwealth of Virginia was under budget as State changes to the child daycare payment processes continued to impact revenues. In the past, the locality received funding from the State to pay providers. Providers of this service are now paid directly. This caused a negative budget variance of \$810,266 in welfare funding, but has a related offset in the City's expenditures.

The following graph depicts General Fund revenue by categories as a percent of total revenues for fiscal year ending June 30, 2013. Total revenues are \$105,291,497, including transfers in of \$14,483,345.



CITY OF DANVILLE, VIRGINIA
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
June 30, 2013

The next graph shows General Fund expenditures by category as a percent of total expenditures for fiscal year ending June 30, 2013. Total expenditures are \$106,338,104, including transfers out of \$11,871,753.



Enterprise Funds

Enterprise funds reported a combined ending net position of \$305,970,729; an increase of \$4,230,498 compared to a combined net position reported at June 30, 2012 of \$301,740,231. Each of the following enterprise funds contributed to this increase: Wastewater Fund, 57% or \$2,396,450; Gas Fund, 39% or \$1,641,823; Transportation Fund, 9% or \$397,534; Sanitation Fund, 6% or \$264,808; Telecommunications Fund, 8% or \$351,333; and the Cemetery Operations Fund, <1% or \$11,557. A decrease in net position was reported in the Water Fund, \$518,627 (12%) and the Electric Fund, \$314,380 (7%).

FY 2013 revenues from all sources combined, excluding contributed capital and transfers in, decreased \$1,336,384 when compared to the previous fiscal year ended June 30, 2012. The details of this net decrease in revenue result from the following:

Charges for Services	\$ (929,651)
Recovered Costs	244,593
Jobbing Income	370,286
Interest Income	(1,018,138)
Grants	68,629
Sales/Rental/Gain on Disposal/In-kind	(72,103)

CITY OF DANVILLE, VIRGINIA
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
June 30, 2013

Charges for Services decreased in the Electric Fund \$2,128,225, reflecting the milder temperatures experienced during both the cooling and heating seasons in comparison to the prior fiscal year. Likewise, the cost of purchased power fell proportionately. There were no increases in utility rates during FY 2013. An increase of \$1,999,089 in gas revenue resulted from increased consumption of 21% - 27% in commercial and small industrial customer classes. The Water and Wastewater Funds remained fairly constant with a combined decrease of \$672,234 related to a decrease in consumption. Rate increases are budgeted for FY 2014 for the Water Fund to ensure appropriate cost coverage. Non-major Funds (Transportation, Sanitation, Cemetery, and Telecommunication) were very stable with a combined decrease of \$128,281, primarily resulting from lower utilization of Cemetery services.

The decrease in interest income resulted from lower interest rates than were experienced during the prior fiscal year. Jobbing income and recovered costs increased because of additional commercial service needs in the Electric Fund and electrical efficiency enhancement jobs. Income before contributions and transfers for all enterprise funds combined decreased \$2,783,914 from the prior year, primarily because of lower interest income and the decrease in Charges for Services.

The Utilities contributed \$14,382,000 in transfers to the General Fund and \$3,000,000 in transfers to the Capital Projects Fund for fiscal year ending June 30, 2013. Enterprise Funds' net position of \$305,970,729 include \$51,252,937 unrestricted, \$35,290,538 restricted for incomplete projects, and \$219,427,254 invested in capital assets, net of related debt.

General Budgetary Highlights

City of Danville
General Fund Budget
Year Ended June 30, 2013

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>
Revenues, Transfers, and Other Financial Sources			
Taxes	\$ 48,817,780	\$ 48,847,780	\$ 51,262,795
Intergovernmental	18,600,990	21,709,193	20,962,196
Transfers and Other	24,314,260	25,037,333	33,066,506
Total	<u>91,733,030</u>	<u>95,594,306</u>	<u>105,291,497</u>
Expenditures, Transfers, and Other Financial Uses			
Expenditures	88,070,220	94,374,081	86,418,378
Transfers and other	8,326,180	11,360,180	19,919,726
Total	<u>96,396,400</u>	<u>105,734,261</u>	<u>106,338,104</u>
Change in Fund Balance	<u>\$ (4,663,370)</u>	<u>\$ (10,139,955)</u>	<u>\$ (1,046,607)</u>

CITY OF DANVILLE, VIRGINIA
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
June 30, 2013

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 \$2,914,015 and additional appropriations totaling \$6,935,419. \$3,861,276 of the additional appropriations had matching revenues and the remaining \$3,074,143 was appropriated from fund balance, represented as follows:

Appropriations with matching revenue:

Police - Forfeited Funds	\$ 32,743
Juvenile Detention – Electronic Monitoring	58,016
City Jail - Room and Board	15,042
Clean Up/Fix Up Day - Community Development	10,000
Additional Funding - DMV Fees	30,000
Police - Special Duty Pay	451,616
Additional Funding of Various City Departments	400,688
Hazardous Material Response	713
Project Lifesaver	8,019
Debt Service for Regional Industrial Authority	2,854,439

Appropriations from fund balance:

Blight Eradication	\$ 2,100,000
Additional Funding for New Fire Station	820,843
Parking Garage Security	153,300

As explained on pages 32 and 33, tax revenues performed slightly better than budget with surplus property tax collections helping to minimize the shortfalls in funding from the Commonwealth of Virginia and Charges for Services. The positive budget variance in expenditures resulted primarily from delayed transfers to the Danville City School System (\$2.5 million). The school funds have been encumbered and will be transferred during fiscal 2014 as needed. Budget savings were also realized through personnel vacancies (\$2 million) and cost cutting measures taken in all City departments.

Capital Assets and Debt Administration

Capital Assets

As of June 30, 2013, the City of Danville's capital assets investment for its governmental and business-type activities amounts to \$355,027,375 (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:

- The City began extensive improvements to its downtown area, spending over \$1,800,000 on the recently named River District. Sidewalks have been widened along Main Street to allow for outdoor dining and easily accessible storefronts. A fountain is being constructed as the focal point for the awakening downtown.

CITY OF DANVILLE, VIRGINIA
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
June 30, 2013

- Various improvements were made to the information technology infrastructure used by City departments, in the amount of \$573,000. FY 2013 projects included upgrades to public safety systems, data storage, security, and an employee learning management system.
- Improvements exceeding \$5,000,000 were made to the infrastructure, such as streets, parking lots, and various public buildings, parks, trails, and facilities throughout the City. Of this amount, just over \$3,000,000 was spent to improve Airport facilities. The City also spent \$600,000 in its blight eradication efforts and \$250,000 toward the planning and design of a new Fire Department Headquarters.

City of Danville
Capital Assets (net of depreciation)
30-Jun-13

	Governmental Activities	Business-type Activities	Total
Land	\$ 19,598,641	\$ 1,457,295	\$ 21,055,936
Building & Improvements	24,003,278	188,306,921	212,310,199
Machinery & Equipment	7,455,595	40,191,514	47,647,109
Infrastructure	8,244,857	-	8,244,857
Construction in Progress	10,871,020	47,231,633	58,102,653
Subtotal	70,173,391	277,187,363	347,360,754
Assets Transferred from School Board	7,666,621	-	7,666,621
Total	<u>\$ 77,840,012</u>	<u>\$ 277,187,363</u>	<u>\$ 355,027,375</u>

Long-Term Debt

At the end of the current fiscal year, the City of Danville had total outstanding general obligation debt of \$86,883,983 and revenue bonded debt of \$2,276,945 for a total of \$89,160,928.

City of Danville's Outstanding Debt
Bonds and Related Loans

	Governmental Activities		Business-Type Activities		Total	
	2012-13	2011-12	2012-13	2011-12	2012-13	2011-12
General Obligation Bonds	\$ 31,523,096	\$ 31,756,730	\$ 55,360,887	\$ 53,062,359	\$ 86,883,983	\$ 84,819,089
Revenue Bonds	-	-	2,276,945	2,862,396	2,276,945	2,862,396
Total	<u>\$ 31,523,096</u>	<u>\$ 31,756,730</u>	<u>\$ 57,637,832</u>	<u>\$ 55,924,755</u>	<u>\$ 89,160,928</u>	<u>\$ 87,681,485</u>

During fiscal year 2013, the City of Danville issued \$6,395,000 in General Obligation Public Improvement and Refunding Bonds, Series 2012A. The Series 2012A was issued to defease a portion of the City's Refunded 2009B Bond principal installments in the aggregate principal amount of \$5,300,000. The City also issued \$7,170,000 in Series 2012B General Obligation Public Improvement and Refunding Bonds to defease a portion of the City's Series 2011 General Obligation Bonds principal installments in the aggregate principal amount of \$1,808,000. The remaining portion of Series 2012B was for capital projects related to the electric system, and to pay the costs of issuing the bonds. The aggregate debt service payments under the old debt were \$8,209,766 and the aggregate debt service payments for the new debt are \$11,205,956. Despite the present value loss of \$866,067, the refunding provides the City an extended repayment term and provides more flexibility with regard to cash flow.

CITY OF DANVILLE, VIRGINIA
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
June 30, 2013

The City of Danville's debt management policy states that debt supported by General Fund tax revenue will not exceed 3.0% of total taxable assessed value of property within City limits. For the purposes of calculating this ratio, assessed value includes real property and personal property. At June 30, 2013, debt to assessed value was 1.18%.

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

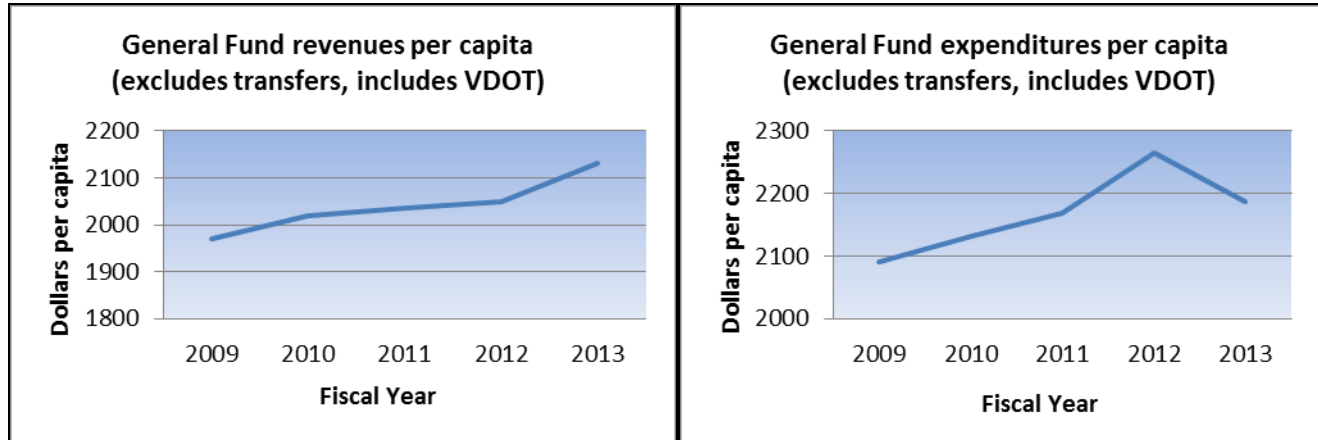
Economic Factors and Next Year's Budget and Rates

- As of August 31, 2013, the average unemployment rate for the City of Danville was 8.1 percent, which is a decrease from a rate of 9.1 percent at August 31, 2012. This compares to the Commonwealth's average unemployment rate of 5.8 percent and the national average rate of 7.3 percent.
- Danville continues to make economic development a priority in its effort to reduce unemployment. From April 2012 to October 2013, the City has announced 1,247 new jobs and capital investments of \$115.25 million. For fiscal year 2014, the City's General Fund budget includes \$1,055,000 in economic development incentives.
- During fiscal year 2012-2013, management continued its goal to stabilize utility rates for electric services charged to its consumers. Utility rates have increased in past years in response to dramatic increases in purchased power costs for gas and electricity and the falling demand for water and wastewater services resulting from loss of industry. There was one rate change passed in the adoption of the FY 2014 budget for water, raising the rate from \$1.57 to \$2.20 per 100 cubic feet.
- Danville has an estimated population of 43,400, based on the 2010 census. The most recent data shows per capita income of \$31,297 for Danville and \$46,469 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.

CITY OF DANVILLE, VIRGINIA
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
June 30, 2013

Other Financial Indicators



General Fund revenues and expenditures per capita have both trended upward over the last five years despite the economic downturn over previous years. Although the overall increase in revenue per capita is partially attributable to a declining population, there was a 4% increase in revenues from 2012 to 2013 and a very slight increase in population estimates for FY 2013 as well. Expenditures decreased from 2012 to 2013, demonstrating management's excellent efforts in containing costs despite ever increasing costs of goods and services. Expenditures in FY 2012 decreased about \$5 million due to debt refinancing. Danville's population has shown decreases up until FY 2012. It is anticipated that through the economic development efforts, and downtown revitalization, the City will see the population increase even more 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, 2013



CITY OF DANVILLE, VIRGINIA
STATEMENT OF NET POSITION
June 30, 2013

Exhibit A

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Cash and investments				
Restricted expendable permanently	\$ -	\$ 35,288,889	\$ 35,288,889	\$ -
Unrestricted	65,197,977	44,082,971	109,280,948	2,905,376
Cash and investments - held by fiscal agents	1,044,107	-	1,044,107	4,125,958
Receivables - net	19,896,056	18,305,999	38,202,055	1,804,751
Due from primary government	-	-	-	4,138,237
Due from other governments	5,363,643	867,853	6,231,496	2,972,944
Net investment in sales type lease	-	-	-	7,883,353
Prepayments	91,767	-	91,767	550,033
Inventories	396,368	3,655,851	4,052,219	879,341
Other postemployment benefit asset	1,471,346	-	1,471,346	-
Internal balances	406,415	(406,415)	-	-
Capital assets:			-	
Land and construction in progress	30,469,661	48,688,928	79,158,589	11,481,916
Other capital assets - net	47,370,351	228,498,435	275,868,786	30,326,964
Total assets	\$ 171,707,691	\$ 378,982,511	\$ 550,690,202	\$ 67,068,873
LIABILITIES				
Accounts payable	\$ 4,318,172	\$ 10,530,769	\$ 14,848,941	\$ 945,450
Accrued salaries	147,442	-	147,442	2,274,897
Accrued payroll taxes	-	-	-	174,228
Accrued interest	332,460	685,688	1,018,148	-
Accrued expenses	-	-	-	531,528
Loan escrow	49,092	-	49,092	-
Due to component unit	4,138,237	-	4,138,237	-
Due to other governments	540,265	-	540,265	-
Refundable deposits	507,936	3,055,013	3,562,949	-
Unearned revenue	404,754	-	404,754	27,286
Unrealized gain on capital lease	-	-	-	190,959
Long-term liabilities:				
Net pension liability	936,862	206,869	1,143,731	-
Due within one year	3,785,772	4,836,934	8,622,706	2,451,294
Due in more than one year	32,346,387	53,696,509	86,042,896	23,629,367
Total liabilities	\$ 47,507,379	\$ 73,011,782	\$ 120,519,161	\$ 30,225,009
NET POSITION				
Invested in capital assets - net of related debt	\$ 46,886,692	\$ 219,427,254	\$ 266,313,946	\$ 29,487,341
Restricted for expendable purposes:				
Capital projects	17,421,894	35,290,538	52,712,432	-
Special programs	25,623	-	25,623	-
Debt service	-	-	-	863,469
Restricted for nonexpendable purposes:				
Cemetery maintenance	2,708,917	-	2,708,917	-
Unrestricted	57,157,186	51,252,937	108,410,123	6,493,054
Total net position	\$ 124,200,312	\$ 305,970,729	\$ 430,171,041	\$ 36,843,864

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

**CITY OF DANVILLE, VIRGINIA
STATEMENT OF ACTIVITIES
Year Ended June 30, 2013**

Exhibit B

Functions/Programs	Program Revenues			
	Expenses	Charges For Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Government activities:				
General government	\$ 27,448,521	\$ 1,015,444	\$ 19,597,699	\$ -
Judicial administration	6,115,877	3,004,455	2,620,414	-
Public safety	29,449,843	217,675	9,816,588	-
Public works	10,251,460	-	924,023	7,927,634
Health and welfare	11,413,162	-	8,661,924	-
Parks, recreation, cultural	5,573,523	31,155	1,327,572	-
Community development	3,395,882	-	2,323,097	-
Education	21,303,585	-	-	-
Interest on long-term debt	1,339,765	-	-	-
Total governmental activities	116,291,618	4,268,729	45,271,317	7,927,634
Business-type activities:				
Wastewater	6,411,408	9,373,746	-	-
Water	5,562,611	5,714,753	-	-
Gas	19,464,631	23,474,585	-	-
Electric	89,532,367	100,176,098	-	318,635
Transportation	1,807,422	311,647	1,390,628	-
Telecommunication	934,142	1,499,794	-	-
Sanitation	3,397,813	3,613,357	-	-
Cemetery operations	867,864	550,313	-	-
Total business-type activities	127,978,258	144,714,293	1,390,628	318,635
Total primary government	244,269,876	148,983,022	46,661,945	8,246,269
Component Units:				
Danville Public Schools	70,290,524	1,069,231	27,050,666	46,857
Industrial Development Authority	5,645,804	1,543,391	3,681,974	530,000
Total component units	\$ 75,936,328	\$ 2,612,622	\$ 30,732,640	\$ 576,857
General Revenues				
Real estate and personal property taxes				
Other taxes -				
Sales and use taxes				
Business license taxes				
Utility taxes				
Hotel and meals taxes				
Recordation and bank stock taxes				
Auto license and recordation taxes				
Payments from City of Danville				
State aid - unrestricted				
Investment income				
Miscellaneous - gifts and donations				
Transfers				
Total general revenues and transfers				
Change in net position				
Net position - beginning of year, previously reported				
Prior period adjustments (Note 10)				
Net position - beginning of year, restated				
Net position - end of year				

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

Net (Expense) Revenue and Changes in Net Position			
Primary Government			
Governmental Activities	Business-Type Activities	Total	Component Units
\$ (6,835,378)	\$ -	\$ (6,835,378)	\$ -
(491,008)	-	(491,008)	-
(19,415,580)	-	(19,415,580)	-
(1,399,803)	-	(1,399,803)	-
(2,751,238)	-	(2,751,238)	-
(4,214,796)	-	(4,214,796)	-
(1,072,785)	-	(1,072,785)	-
(21,303,585)	-	(21,303,585)	-
(1,339,765)	-	(1,339,765)	-
(58,823,938)	-	(58,823,938)	-
-	2,962,338	2,962,338	-
-	152,142	152,142	-
-	4,009,954	4,009,954	-
-	10,962,366	10,962,366	-
-	(105,147)	(105,147)	-
-	565,652	565,652	-
-	215,544	215,544	-
-	(317,551)	(317,551)	-
-	18,445,298	18,445,298	-
(58,823,938)	18,445,298	(40,378,640)	-
-	-	-	(42,123,770)
-	-	-	109,561
-	-	-	(42,014,209)
26,758,831	-	26,758,831	-
8,101,954	-	8,101,954	-
5,512,860	-	5,512,860	-
984,613	-	984,613	-
7,595,830	-	7,595,830	-
870,757	-	870,757	-
1,090,372	-	1,090,372	-
-	-	-	21,931,157
-	-	-	22,595,498
521,402	874,230	1,395,632	6,192
1,005,617	2,145,633	3,151,250	716,973
17,234,663	(17,234,663)	-	-
69,676,899	(14,214,800)	55,462,099	45,249,820
10,852,961	4,230,498	15,083,459	3,235,611
119,094,276	301,740,231	420,834,507	30,949,098
(5,746,925)	-	(5,746,925)	2,659,155
113,347,351	301,740,231	415,087,582	33,608,253
\$ 124,200,312	\$ 305,970,729	\$ 430,171,041	\$ 36,843,864

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

CITY OF DANVILLE, VIRGINIA
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2013

Exhibit C

	General	Community Development	Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS					
Cash and investments	\$ 35,751,081	\$ -	\$ 16,420,780	\$ 8,226,296	\$ 60,398,157
Cash and investments - held by fiscal agent	112,399	871,708	-	-	984,107
Receivables - net					
Taxes and licenses	11,415,066	-	-	-	11,415,066
Accounts	1,551,770	-	175,000	-	1,726,770
Accrued interest	1,716,201	-	-	-	1,716,201
Loans	-	5,017,432	-	19,516	5,036,948
Due from other funds	1,487,308	-	-	-	1,487,308
Due from other governments	1,894,287	191,682	2,515,046	762,628	5,363,643
Prepays	91,767	-	-	-	91,767
Inventories	269,764	-	-	-	269,764
Total assets	\$ 54,289,643	\$ 6,080,822	\$ 19,110,826	\$ 9,008,440	\$ 88,489,731
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts payable	\$ 2,055,628	\$ 15,875	\$ 1,434,727	\$ 721,084	\$ 4,227,314
Accrued salaries	147,442	-	-	-	147,442
Loan escrow held for others	-	49,092	-	-	49,092
Due to other funds	-	1,021,891	-	-	1,021,891
Due to component unit	4,138,237	-	-	-	4,138,237
Due to other governments	286,060	-	254,205	-	540,265
Refundable deposits	507,936	-	-	-	507,936
Deferred revenue	11,037,360	4,968,341	-	19,516	16,025,217
Total liabilities	18,172,663	6,055,199	1,688,932	740,600	26,657,394
FUND BALANCES					
Nonspendable:					
Inventories	269,764	-	-	-	269,764
Cemetery maintenance	-	-	-	2,708,917	2,708,917
Restricted:					
Police	33,260	-	-	-	33,260
Commonwealth Attorney	33,323	-	-	-	33,323
Fire department equipment and supplies	50,970	-	-	-	50,970
Committed:					
Sheriff - Project Lifesavers	16,650	-	-	-	16,650
Specific projects	-	25,623	-	-	25,623
Schools	2,498,389	-	-	-	2,498,389
Special revenue	-	-	-	5,558,923	5,558,923
Capital projects	-	-	17,421,894	-	17,421,894
Budget stabilization	3,358,100	-	-	-	3,358,100
Assigned:					
Sheriff - Jail R&B fees	29,762	-	-	-	29,762
Specific purchases	813,376	-	-	-	813,376
Unassigned	29,013,386	-	-	-	29,013,386
Total fund balances	36,116,980	25,623	17,421,894	8,267,840	61,832,337
Total liabilities and fund balances	\$ 54,289,643	\$ 6,080,822	\$ 19,110,826	\$ 9,008,440	\$ 88,489,731

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

CITY OF DANVILLE
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
June 30, 2013

Exhibit C
(Continued)

Total fund balances - governmental funds		\$ 61,832,337
Amounts reported for governmental activities in the Statement of Net Position (Exhibit A) are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		
Gross capital assets at historical cost	\$ 217,567,851	
Accumulated depreciation	<u>(139,727,839)</u>	
		77,840,012
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		
Unearned revenue	15,595,743	
Other postemployment benefit asset	1,471,346	
Accrued interest	<u>(332,460)</u>	
		16,734,629
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 Position.		
Internal services - Exhibit E	7,109,408	
Add - beginning capital assets shown above	(2,294,623)	
Add - beginning accrued interest shown above	406	
Add - beginning long-term debt shown below	<u>47,164</u>	
		4,862,355
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 - governmental activities	(36,132,159)	
Pension liability	<u>(936,862)</u>	
		<u>(37,069,021)</u>
Total net position - governmental activities		\$ 124,200,312

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

CITY OF DANVILLE, VIRGINIA
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
Year Ended June 30, 2013

Exhibit D

	General	Community Development	Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES					
Property taxes	\$ 27,848,904	\$ -	\$ -	\$ -	\$ 27,848,904
Local taxes	23,413,891	-	-	-	23,413,891
Fines and forfeitures	539,186	-	-	-	539,186
Permits, privilege fees, and regulatory licenses	217,675	-	-	-	217,675
Revenue from use of money and property	936,699	7,447	1,754	-	945,900
Charges for services	2,561,408	-	-	-	2,561,408
Miscellaneous	58,678	194,722	452,196	461,686	1,167,282
Recovered costs	6,003,288	-	-	-	6,003,288
Intergovernmental	20,962,196	1,100,793	7,927,634	16,357,218	46,347,841
Total revenues	82,541,925	1,302,962	8,381,584	16,818,904	109,045,375
EXPENDITURES					
Current:					
General government	7,465,889	-	981,529	8,429,005	16,876,423
Judicial administration	5,857,636	-	-	116,230	5,973,866
Public safety	24,570,118	-	4,038,584	665,829	29,274,531
Public works	3,745,016	-	3,024,597	8,455,649	15,225,262
Health and welfare	7,775,433	-	-	3,611,977	11,387,410
Education	19,380,145	-	-	-	19,380,145
Parks, recreation, and cultural	4,710,663	-	454,479	577,921	5,743,063
Community development	1,256,258	1,333,132	710,963	13,860	3,314,213
Nondepartmental	9,148,205	-	-	-	9,148,205
Debt service:					
Principal	2,990,346	-	-	-	2,990,346
Interest	1,340,152	-	-	-	1,340,152
Total expenditures	88,239,861	1,333,132	9,210,152	21,870,471	120,653,616
Deficiency of revenues under expenditures	(5,697,936)	(30,170)	(828,568)	(5,051,567)	(11,608,241)
OTHER FINANCING SOURCES (USES)					
Payment to refunded bond escrow agent	(6,226,490)	-	-	-	(6,226,490)
Refunding bonds issued	8,266,227	-	-	-	8,266,227
Transfers in	14,483,345	-	7,275,793	9,628,617	31,387,755
Transfers out	(11,871,753)	-	(2,179,994)	(101,345)	(14,153,092)
Total other financing sources (uses)	4,651,329	-	5,095,799	9,527,272	19,274,400
Net change in fund balances	(1,046,607)	(30,170)	4,267,231	4,475,705	7,666,159
Fund balances - beginning of year	37,163,587	55,793	13,154,663	3,792,135	54,166,178
Fund balances- end of year	\$ 36,116,980	\$ 25,623	\$ 17,421,894	\$ 8,267,840	\$ 61,832,337

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

CITY OF DANVILLE, VIRGINIA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE OF THE GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2013

Exhibit D
(Continued)

Net change in fund balances - total governmental funds \$ 7,666,159

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	\$	7,786,891	
Book value of assets disposed		(115,053)	
Donated assets		61,993	
Depreciation - City		(3,588,539)	
Depreciation - Schools		(1,923,440)	
		2,221,852	2,221,852

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 Position.

Principal payments on long-term debt		2,990,346	
Payment to refunded bond escrow agent		6,226,490	
Refunding bonds issued		(8,266,227)	
Change in other bond related nonrefunding items		(379,609)	
Change in reimbursement agreements		139,474	
Change in pension obligation		(770,429)	
Change in OPEB benefit		165,062	
		105,107	105,107

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		(120,963)	
Changes in compensated absences		(54,490)	
		(175,453)	(175,453)

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

Change in deferred revenue		864,542	
Decrease in accrued interest		105,087	
		969,629	969,629

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.

		65,667	
Change in net position of governmental activities	\$	10,852,961	

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

CITY OF DANVILLE, VIRGINIA
STATEMENT OF NET POSITION - ENTERPRISE FUNDS
June 30, 2013

Exhibit E

	Wastewater	Water	Gas
ASSETS			
Current assets			
Cash and investments	\$ 814,790	\$ 5,408,070	\$ 8,141,217
Cash and investments - held by fiscal agents	-	-	-
Receivables - net	1,029,589	308,050	2,024,386
Due from other funds	-	-	133,222
Due from other governments	-	-	-
Inventories	-	390,270	1,192,020
Total current assets	1,844,379	6,106,390	11,490,845
Noncurrent assets			
Cash and investments - restricted	2,852,648	1,154,724	3,218,404
Due from other funds	-	-	748,714
Capital assets:			
Land and improvements	63,945	60,477	14,944
Construction in progress	7,845,276	2,479,283	2,366,300
Buildings, structures, and improvements	48,225,937	46,707,546	51,876,689
Equipment	32,157,665	13,394,540	2,080,034
Less - accumulated depreciation	(35,628,763)	(29,133,888)	(20,086,151)
Total noncurrent assets - net	55,516,708	34,662,682	40,218,934
Total assets	\$ 57,361,087	\$ 40,769,072	\$ 51,709,779
LIABILITIES			
Current liabilities			
Accounts payable	\$ 382,576	\$ 379,244	\$ 1,588,959
Accrued interest	145,776	120,753	40,531
Due to other funds	307,031	-	-
Refundable deposits	-	-	-
Long-term liabilities - due within one year	1,323,642	828,847	227,220
Total current liabilities	2,159,025	1,328,844	1,856,710
Noncurrent liabilities			
Long-term liabilities - due in more than one year	8,018,162	6,863,890	2,192,514
Due to other funds	1,729,676	-	-
Net pension liability	45,383	15,439	38,891
Total noncurrent liabilities	9,793,221	6,879,329	2,231,405
Total liabilities	11,952,246	8,208,173	4,088,115
NET POSITION			
Invested in capital assets - net of related debt	43,322,328	25,894,123	33,882,881
Restricted for incomplete capital projects	2,852,648	1,154,724	3,218,404
Unrestricted	(766,135)	5,512,052	10,520,379
Total net position	\$ 45,408,841	\$ 32,560,899	\$ 47,621,664

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

Electric	Nonmajor Enterprise Funds	Total	Internal Service Funds
\$ 27,710,015	\$ 2,008,879	\$ 44,082,971	\$ 4,799,820
-	-	-	60,000
14,769,410	174,564	18,305,999	1,071
173,809	-	307,031	-
-	867,853	867,853	-
1,753,913	319,648	3,655,851	126,604
44,407,147	3,370,944	67,219,705	4,987,495
28,018,274	44,839	35,288,889	-
980,962	-	1,729,676	-
808,697	509,232	1,457,295	-
33,805,613	735,161	47,231,633	-
184,027,800	3,468,329	334,306,301	-
14,486,174	9,234,656	71,353,069	11,257,315
(87,874,183)	(4,437,950)	(177,160,935)	(8,925,643)
174,253,337	9,554,267	314,205,928	2,331,672
\$ 218,660,484	\$ 12,925,211	\$ 381,425,633	\$ 7,319,167
\$ 8,042,180	\$ 137,810	\$ 10,530,769	\$ 90,858
378,382	246	685,688	382
-	406,415	713,446	59,002
3,055,013	-	3,055,013	-
2,332,497	124,728	4,836,934	28,094
13,808,072	669,199	19,821,850	178,336
36,609,724	12,219	53,696,509	21,558
-	-	1,729,676	-
71,493	35,663	206,869	9,865
36,681,217	47,882	55,633,054	31,423
50,489,289	717,081	75,454,904	209,759
106,832,354	9,495,568	219,427,254	2,310,114
28,018,274	46,488	35,290,538	-
33,320,567	2,666,074	51,252,937	4,799,294
\$ 168,171,195	\$ 12,208,130	\$ 305,970,729	\$ 7,109,408

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

CITY OF DANVILLE, VIRGINIA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION -
ENTERPRISE FUNDS
Year Ended June 30, 2013

Exhibit F

	Wastewater	Water	Gas
OPERATING REVENUES			
Charges for services	\$ 9,373,746	\$ 5,714,753	\$ 23,474,585
OPERATING EXPENSES			
Purchased services	-	-	14,589,804
Production	-	-	-
Transmission	3,302,708	1,441,793	-
Engineering	-	312,636	490,225
Distribution	807,162	533,783	502,229
Services	60,429	59,266	37,394
Depreciation	1,625,198	1,604,170	1,267,684
Meters/regulators	-	95,038	125,537
General and administrative	-	1,048,932	2,323,464
Total operating expenses	5,795,497	5,095,618	19,336,337
Operating income (loss)	3,578,249	619,135	4,138,248
NONOPERATING REVENUES			
(EXPENSES)			
Sales income	-	-	-
Jobbing income	68,107	76,266	47,402
Rental income	-	65,267	354,233
Recovered cost	8,088	200	200
Gain on sale of capital assets	-	62,931	5,760
Federal and state grants	-	-	-
In-kind contributions	-	-	-
Interest income	35,677	57,867	130,604
Interest expense	(615,911)	(466,993)	(128,294)
Total nonoperating revenues			
(expenses)	(504,039)	(204,462)	409,905
Income before contributions			
and transfers	3,074,210	414,673	4,548,153
Capital contributions	-	-	-
Transfers in	-	-	-
Transfers out	(677,760)	(933,300)	(2,906,330)
Total	(677,760)	(933,300)	(2,906,330)
Change in net position	2,396,450	(518,627)	1,641,823
Total net position - beginning of year	43,012,391	33,079,526	45,979,841
Total net position - end of year	\$ 45,408,841	\$ 32,560,899	\$ 47,621,664

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

Electric	Nonmajor Enterprise Funds	Total	Internal Service Funds
\$ 100,176,098	\$ 5,975,111	\$ 144,714,293	\$ 5,628,761
70,415,569	-	85,005,373	-
582,796	-	582,796	-
1,485,336	-	6,229,837	-
718,967	-	1,521,828	-
3,107,686	-	4,950,860	-
-	6,415,514	6,572,603	-
6,399,621	590,576	11,487,249	584,876
391,134	-	611,709	-
4,970,313	-	8,342,709	5,164,668
88,071,422	7,006,090	125,304,964	5,749,544
12,104,676	(1,030,979)	19,409,329	(120,783)
-	125,666	125,666	-
930,215	69,064	1,191,054	-
-	66,272	485,772	-
99,321	235,332	343,141	3,360
18,231	10,699	97,621	149,916
	1,390,628	1,390,628	-
	275,800	275,800	-
513,897	38,564	776,609	34,964
(1,460,945)	(1,151)	(2,673,294)	(1,790)
100,719	2,210,874	2,012,997	186,450
12,205,395	1,179,895	21,422,326	65,667
42,835	-	42,835	-
-	147,337	147,337	6,824
(12,562,610)	(302,000)	(17,382,000)	(6,824)
(12,519,775)	(154,663)	(17,191,828)	-
(314,380)	1,025,232	4,230,498	65,667
168,485,575	11,182,898	301,740,231	7,043,741
\$ 168,171,195	\$ 12,208,130	\$ 305,970,729	\$ 7,109,408

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

CITY OF DANVILLE, VIRGINIA
STATEMENT OF CASH FLOWS - ENTERPRISE FUNDS
Year Ended June 30, 2013

Exhibit G

	Wastewater	Water	Gas
Cash flows from operating activities			
Received from customers	\$ 9,358,885	\$ 5,531,205	\$ 22,578,523
Payments to suppliers for goods and services	(3,517,962)	(1,813,181)	(16,511,136)
Payments to employees for services	(426,904)	(1,454,528)	(939,330)
Payments to internal service funds for goods and services	(194,170)	(9,965)	(938)
Net cash provided (used) by operating activities	5,219,849	2,253,531	5,127,119
Cash flows from noncapital financing activities			
Transfers from other funds	-	-	-
Transfers to other funds	(677,760)	(933,300)	(2,906,330)
Increase in due to other funds	-	-	-
Operating grants received	70,626	-	128,099
Net cash provided (used) by noncapital financing activities	(607,134)	(933,300)	(2,778,231)
Cash flows from capital and related financing activities			
Acquisition of capital assets	(3,772,817)	(1,943,912)	(2,691,455)
Principal payments on long-term debt	(1,409,815)	(562,474)	(140,934)
Proceeds on long-term debt	-	-	-
Interest payments on long-term debt	(642,564)	(489,367)	(133,514)
Proceeds from sale of capital assets	7,475	7,433	10,079
Nonoperating revenue	8,088	136,334	92,683
Contributed capital	30,386	16,877	50,155
Net cash used by capital and related financing activities	(5,779,247)	(2,835,109)	(2,812,986)
Cash flows from investing activities			
Interest on investments	78,494	127,314	238,859
Net activity in investment securities	72,594	61,573	(84,835)
Net cash provided by investing activities	151,088	188,887	154,024
Net increase (decrease) in cash and investments	(1,015,444)	(1,325,991)	(310,074)
Cash and investments - beginning of year	4,682,882	7,888,785	11,669,695
Cash and investments - end of year	\$ 3,667,438	\$ 6,562,794	\$ 11,359,621

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

Electric	Nonmajor Enterprise Funds	Total	Internal Service Funds
\$ 101,086,252	\$ 6,254,051	\$ 144,808,916	\$ 5,631,348
(73,261,198)	(2,900,122)	(98,003,599)	(3,821,608)
(4,926,637)	(2,814,308)	(10,561,707)	(1,263,826)
(24,361)	(551,678)	(781,112)	(89,804)
22,874,056	(12,057)	35,462,498	456,110
-	147,337	147,337	-
(12,562,610)	(302,000)	(17,382,000)	-
-	406,415	406,415	-
-	1,300,474	1,499,199	-
(12,562,610)	1,552,226	(15,329,049)	-
(6,293,924)	(1,768,465)	(16,470,573)	(1,240,651)
(2,033,046)	(1,139)	(4,147,408)	(1,771)
5,520,000	-	5,520,000	-
(1,474,862)	(1,173)	(2,741,480)	(1,824)
81,416	37,587	143,990	768,642
109,691	175,795	522,591	3,360
-	142,842	240,260	-
(4,090,725)	(1,414,553)	(16,932,620)	(472,244)
1,015,461	84,490	1,544,618	75,443
(307,959)	(45,536)	(304,163)	(39,874)
707,502	38,954	1,240,455	35,569
6,928,223	164,570	4,441,284	19,435
48,800,066	1,889,148	74,930,576	4,840,385
\$ 55,728,289	\$ 2,053,718	\$ 79,371,860	\$ 4,859,820

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

CITY OF DANVILLE, VIRGINIA
STATEMENT OF CASH FLOWS - ENTERPRISE FUNDS (Continued)
Year Ended June 30, 2013

Exhibit G

	<u>Wastewater</u>	<u>Water</u>	<u>Gas</u>
Reconciliation of operating income (loss) to net cash from operating activities			
Operating income (loss)	\$ 3,578,249	\$ 619,135	\$ 4,138,248
Adjustments:			
Depreciation charged to operations	1,625,198	1,604,170	1,267,684
In-kind contributions	-	-	-
Change in noncash employee benefits charged to operations	9,715	26,685	19,979
Changes in assets and liabilities:			
(Increase) decrease in receivables	(45,241)	(195,223)	(637,065)
Increase (decrease) in reserve for uncollectibles	(1,500)	400	(1,100)
(Increase) decrease in inventories	-	(26,357)	(201,607)
Increase (decrease) in accounts payable	53,428	224,721	540,980
Increase in refundable deposits	-	-	-
Net cash provided (used) by operating activities	<u><u>\$ 5,219,849</u></u>	<u><u>\$ 2,253,531</u></u>	<u><u>\$ 5,127,119</u></u>
Supplemental disclosure of noncash investing, capital, and financing activities			
Decrease in fair value of investments	<u><u>\$ 42,817</u></u>	<u><u>\$ 69,447</u></u>	<u><u>\$ 108,255</u></u>

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

Electric		Nonmajor Enterprise Funds		Total		Internal Service Funds	
\$	12,104,676	\$	(1,030,979)	\$	19,409,329	\$	(120,783)
	6,399,621		590,576		11,487,249		584,876
	-		460,841		460,841		-
	131,922		53,172		241,473		13,527
	2,470,865		(31,316)		1,562,020		2,589
	(22,000)		-		(24,200)		-
	287,938		10,162		70,136		(3,105)
	1,432,945		(64,513)		2,187,561		(20,994)
	68,089		-		68,089		-
\$	22,874,056	\$	(12,057)		35,462,498	\$	456,110
\$	553,280	\$	17,921	\$	791,720	\$	41,961

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

CITY OF DANVILLE, VIRGINIA
STATEMENT OF FIDUCIARY NET POSITION
June 30, 2013

Exhibit H

	<u>Pension</u>		<u>Agency</u>
	Employees'	Other	Veterans
	Retirement Plan	Postemployment Benefits	Memorial Fund
ASSETS			
Cash	\$ 3,001	\$ 151,312	\$ 6,014
Accrued interest and dividends	64,944	-	-
Investments - at fair value:			
Common stocks	132,184,111	1,843,077	-
Corporate bonds	34,217,003	-	-
Foreign stocks	28,148,403	-	-
Real estate - timberland	9,161,960	-	-
Temporary cash investments	1,303,741	-	-
Private equity	3,709,733	-	-
Total investments	<u>208,724,951</u>	<u>1,843,077</u>	<u>-</u>
Total assets	<u>208,792,896</u>	<u>1,994,389</u>	<u>6,014</u>
LIABILITIES			
Accounts payable	<u>172,106</u>	<u>-</u>	<u>6,014</u>
NET POSITION			
Held in trust	<u>\$ 208,620,790</u>	<u>\$ 1,994,389</u>	<u>\$ -</u>

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

CITY OF DANVILLE, VIRGINIA
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
Year Ended June 30, 2013

Exhibit I

	<u>Employees'</u> <u>Retirement Plan</u>	<u>Other</u> <u>Postretirement</u> <u>Benefits</u>
ADDITIONS		
Contributions:		
Employer contributions	\$ 5,280,687	\$ 200,000
Investment earnings:		
Net increase in fair value of investments	21,226,441	270,212
Interest	79,551	65
Dividends	2,382,251	37,518
Total investment income	23,688,243	307,795
Less - investment expenses	(826,641)	-
Net investment income	22,861,602	307,795
Total additions	<u>\$ 28,142,289</u>	<u>\$ 507,795</u>
DEDUCTIONS		
Benefits paid to participants	\$ 10,032,957	\$ -
Refunds of contributions	74,438	-
Administrative expenses	107,025	-
Total deductions	10,214,420	-
Change in net position	17,927,869	507,795
Net assets held in trust for pension benefits - beginning of year	190,692,921	1,486,594
Net assets held in trust for pension benefits - end of year	<u>\$ 208,620,790</u>	<u>\$ 1,994,389</u>

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



CITY OF DANVILLE, VIRGINIA
STATEMENT OF NET POSITION - COMPONENT UNITS
June 30, 2013

Exhibit J

	Danville Public Schools	Industrial Development Authority	Total
ASSETS			
Cash and investments	\$ 1,829,718	\$ 1,075,658	\$ 2,905,376
Cash and investments - held by fiscal agents	3,262,489	863,469	4,125,958
Receivables - net	10,938	1,793,813	1,804,751
Due from City of Danville	4,138,237	-	4,138,237
Due from other governments	2,972,944	-	2,972,944
Net investment in sales type lease	-	7,883,353	7,883,353
Prepayments	136,567	413,466	550,033
Inventories	879,341	-	879,341
Capital assets:			
Land and construction in progress	8,419,385	3,062,531	11,481,916
Other capital assets - net	11,699,408	18,627,556	30,326,964
Total assets	33,349,027	33,719,846	67,068,873
LIABILITIES			
Accounts payable	533,623	411,827	945,450
Accrued salaries	2,274,897	-	2,274,897
Accrued payroll taxes	174,228	-	174,228
Accrued expenses	446,097	85,431	531,528
Unearned revenue	27,286	-	27,286
Unrealized gain on capital lease	-	190,959	190,959
Long-term liabilities:			
Due within one year	1,910,721	540,573	2,451,294
Due in more than one year	5,231,579	18,397,788	23,629,367
Total liabilities	10,598,431	19,626,578	30,225,009
NET POSITION			
Invested in capital assets - net of related debt	20,118,793	9,368,548	29,487,341
Restricted	-	863,469	863,469
Unrestricted	2,631,803	3,861,251	6,493,054
Total net position	\$ 22,750,596	\$ 14,093,268	\$ 36,843,864

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

CITY OF DANVILLE, VIRGINIA
STATEMENT OF ACTIVITIES - COMPONENT UNITS
Year Ended June 30, 2013

Exhibit K

		Program Revenues		
		Charges for	Operating	Capital
	Expense	Services	Grants and	Grants and
			Contributions	Contributions
DANVILLE PUBLIC SCHOOLS				
Education	\$ 70,290,524	\$ 1,069,231	\$ 27,050,666	\$ 46,857
INDUSTRIAL DEVELOPMENT AUTHORITY				
Economic Development	5,645,804	1,543,391	3,681,974	530,000
Total component units	<u>\$ 75,936,328</u>	<u>\$ 2,612,622</u>	<u>\$ 30,732,640</u>	<u>\$ 576,857</u>

General revenues:

City of Danville
State aid - unrestricted
Investment income
Miscellaneous

Total general revenues

Change in net position

Net position - beginning of year
Prior period adjustments (Note 10)
Net position - beginning, restated

Net position - end of year

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

Net (Expense) Revenue and Changes in Net Position		
Danville Public Schools	Industrial Development Authority	Totals
\$ (42,123,770)	\$ -	\$ (42,123,770)
-	109,561	109,561
(42,123,770)	109,561	(42,014,209)
19,368,240	2,562,917	21,931,157
22,595,498	-	22,595,498
2,128	4,064	6,192
625,927	91,046	716,973
42,591,793	2,658,027	45,249,820
468,023	2,767,588	3,235,611
20,103,418	10,845,680	30,949,098
2,179,155	480,000	2,659,155
22,282,573	11,325,680	33,608,253
\$ 22,750,596	\$ 14,093,268	\$ 36,843,864

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



CITY OF DANVILLE, VIRGINIA

Notes to Financial Statements

June 30, 2013



CITY OF DANVILLE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

1. Organization and Nature of Operations

A. Reporting Entity

The *City of Danville* (City), located in southwest Virginia at the North Carolina border, was founded in 1793 and chartered in 1830. The City covers an area of approximately 44 square miles and has a population of approximately 43,000.

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

2. Summary of Significant Accounting Policies

The financial statements of the City 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. Government-wide and Fund Accounting Financial Statements

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:

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.

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 Position and the Statement of Activities.

Statement of Net Position – The Statement of Net Position 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 Position and report depreciation expense - the cost of "using up" capital assets - in the Statement of Activities. The net positions 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.

CITY OF DANVILLE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

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).

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. Measurement Focus and Basis of Accounting

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 Position, 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.

CITY OF DANVILLE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

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 are presented in the fund financial statements by type (pension, other postemployment benefit, 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.

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

- **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.
- **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.
- **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.
- **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.

CITY OF DANVILLE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

- **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.
- **Virginia Department of Transportation Fund (VDOT)** - The VDOT fund is a special revenue fund that accounts for revenue derived from the Virginia Department of Transportation. These revenues are legally restricted for qualifying expenditures related to street and bridge design, construction, safety, and maintenance. This special revenue fund is considered a nonmajor governmental fund for reporting purposes.
- **Economic Development Fund** - The Economic Development Fund accounts for the financial resources used for the growth and development of a diversified economic base in the City through state, federal, and local grants. This fund is accounted for as a nonmajor governmental fund for reporting purposes.

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

- **Enterprise Funds** - Enterprise Funds are used to account for activities that are similar to those often found in the private sector. All assets, liabilities, net positions, 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. The City's nonmajor Enterprise Funds are used to account for transportation, sanitation, telecommunications, and cemetery operations.

- **Internal Service Funds** - The Internal Service Funds account 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 Funds are included in governmental activities for government-wide reporting purposes. The excess revenue or expenses for the funds are allocated to the appropriate functional activity. Major internal service funds are used to account for the activities of the City's motorized equipment, central services, and insurance.

CITY OF DANVILLE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

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 two major fiduciary funds of the City are used to account for the City's Employee Retirement System (ERS) activity and the Other Postemployment Benefits activity. For accounting measurement purposes, the Pension Trust Funds are accounted for in essentially the same manner as enterprise funds. The Pension Trust Funds account for the assets of the City's pension plan and benefit 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.

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 when due and payable in accordance with the terms of the plan. Investment income is recognized as it is earned. The net appreciation or depreciation in the fair value of investments held by the ERS is recorded as an increase or decrease in investment income based on the valuation of investments as of the date of the statement of plan net assets.

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.

Discretely Presented Component Units - Danville Public Schools (DPS) are organized as an independently governed school system for operating the public schools of the City. DPS is 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 APA of the Commonwealth of Virginia, DPS is 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. 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 entities' offices:

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

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

CITY OF DANVILLE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

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, 2013, the City provided \$170,938 in funding for DPCS. In addition, state and federal grants totaling \$9,244,629 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 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, 2013, the City provided \$68,791 in funding for the 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 of Virginia. 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.

The Facility Authority has the following commitments/subsequent events at June 30:

- Approximately \$3 million in outstanding engineering and consulting contracts, of which approximately \$1.9 million had not been expended.
- On August 1, 2013, the Authority issued \$5,595,000 in revenue refunding bonds. These bonds were issued to satisfy the outstanding balance of the Series 2005 revenue bonds.
- In September 2013, the Authority entered into contracts to purchase several properties surrounding the Cane Creek Center. The Authority closed on one of the properties on October 31, 2013, purchasing 17 acres for approximately \$172,000.

CITY OF DANVILLE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

3. Measurement Focus and Basis of Accounting

The Government-wide Statement of Net Position and Statement of Activities, all enterprise funds, internal service funds and fiduciary funds are accounted for using the economic resources measurement focus and the accrual basis of accounting. With this measurement focus, all assets, liabilities, revenues and expenses associated with the operation of these activities are included on the Statement of Net Position and Statement of Activities, respectively. Proprietary fund-type operating statements present increases; e.g., revenues, and decreases; e.g., expenses as changes in net positions. 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 Position. All internal activity between the governmental and business-type activities has been eliminated in the government-wide statement of activities.

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, other local taxes and federal and state reimbursement-type grants the term "available" is limited to collection within sixty days of the fiscal year-end. Levies made prior to the fiscal year-end, but which are not available, are deferred. Federal and state reimbursement-type grants are recorded as revenue when they are available and when the related eligible expenditures are incurred. Investment income is recorded as earned.

4. Budgetary Data

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.

CITY OF DANVILLE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

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.

5. Assets, Liabilities and Fund Equity

A. Deposits 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.

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.

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.

B. 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. The Commonwealth of Virginia 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.

CITY OF DANVILLE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
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Real estate taxes are billed in equal semi-annual installments due December 5 and June 5. Liens are placed on the property on the date real estate taxes are delinquent, and interest at the rate of 10% per annum is added to the delinquent tax and penalty, and must be satisfied prior to the sale or transfer of the property. Any uncollected amounts from previous years' levies are incorporated in the taxes receivable balance. The tax rate effective for fiscal year 2013 was \$0.73 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 is 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, 2013 includes amounts not yet received from the January 1, 2013 levy due June 5, 2013.

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 for fiscal year 2013 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.

C. Inventories of Supplies, Prepayments and Other Assets

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 non-inventory items are recorded as expenditures under the consumption method, resulting in prepaid expenditures. 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.

Component Units

Inventories for DPS consist of various consumable supplies and food commodities maintained by the Food Nutrition Service office. Inventory records are using periodic verification based on physical count. Commodities received from the United States Department of Agriculture are valued at fair market value and recognized as revenue when received. The costs of consumable supplies are recorded as expenditures when purchased. Reported inventories in the Textbooks and Cafeteria Funds are equally offset within fund balance.

CITY OF DANVILLE, VIRGINIA
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D. 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.

Property 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.

Property held for lease is stated at cost and is depreciated

Capital assets of the City are depreciated using the straight-line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Lives</u>
Buildings	40 years
Furniture and equipment	3 – 20 years
Infrastructure	50 years

Property, plant, and equipment of the DPS are depreciated using the straight-line method over the following useful lives:

<u>Asset Class</u>	<u>Estimated Lives</u>
Buildings	40 years
Building improvements	20 years
Furniture and equipment	3 – 20 years

CITY OF DANVILLE, VIRGINIA
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E. 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 Position.

a. 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 DPS allows for the accumulation of vacation pay that may be used by employees upon retirement, but is not paid at termination.

b. 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.

c. 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.

d. Workers' Compensation

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

The DPS is a member of the School Systems of Virginia Group 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 of any and all members. The Association has operated at a profit and has declared dividends on a regular basis since DPS entered the pool in 1982. DPS has elected to have the Association hold the Board's dividends in escrow as a reserve against possible future claims. At June 30, 2013, the cumulative amount held in escrow by the Association for DPS amounted to \$500,972. The escrow is included on the Statement of Net Position as cash held by fiscal agents.

CITY OF DANVILLE, VIRGINIA
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e. 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.

DPS allows employees who participate in the Supplemental Retirement Plan to continue coverage under the DPS's health insurance program, but the retiree must 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.

F. Deferred Revenue

Included in deferred revenue in the Governmental Funds Balance Sheet is \$9,034,519 of property taxes not collected within sixty days of year-end.

G. 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.

H. Fund Balance

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

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

Committed - fund balance category includes amounts that can be used only for the specific purposes determined by a majority vote by quorum of the government's highest level of decision-making authority. The Danville City Council serves as the highest level of decision-making authority for the local government of the City.

Assigned - fund balance category includes amounts intended to be used by the City for specific purposes but which do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. Assignments are made through the budget process and periodic financial reviews with the joint approval of the City Manager and the Director of Finance.

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

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

The City has a policy to maintain a minimum unassigned fund balance within its General Fund that is not less than 20% of operating revenues. If fiscal year-end results show an increase to the unassigned fund balance, half of this increase will be assigned as additional budget stabilization.

I. Subsequent Event

In preparing these financial statements, the City has evaluated events and transactions for potential recognition or disclosure through December 4, 2013, the date the financial statements were available to be issued.

6. Assets

A. Deposits

Primary Government

As of June 30, 2013, the carrying value of the City's deposits with banks was \$26,145,873, and the bank balances were \$26,532,359. The entire bank balance was covered by federal deposit insurance or collateralized in accordance with the Act.

Component Units

As of June 30, 2013, the carrying value of deposits for DPS was \$1,002,564 and the bank balance was \$2,264,561. DPS had \$1,300 in petty cash funds at June 30, 2013. The carrying value of DPS's student activity deposits was \$283,032 and the bank balance was \$301,164. The entire bank balances were covered by federal depository insurance or collateralized in accordance with the Act.

As of June 30, 2013, the carrying value of deposits for the IDA was \$1,939,127. The entire bank balance was covered by federal deposit insurance or collateralized in accordance with the Act.

B. Investments

Primary Government

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 APA of the Commonwealth of Virginia is the oversight body for the LGIP. During the year ended June 30, 2013, the City had investments in obligations of the United States, LGIP, SNAP and certificates of deposit.

CITY OF DANVILLE, VIRGINIA
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A designated portfolio manager managed the investments in U.S. Treasuries during the year ended June 30, 2013. 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.

The City maintains a pension plan and other postemployment benefit trust fund. The plan and the trust fund investments are handled by independent portfolio managers. Investment restrictions focus on investment mix and limiting the percentage of the total portfolio that may be invested in a given instrument.

Component Units

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 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 LGIP. For the year ended June 30, 2013, DPS was only invested in the LGIP.

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

Primary Government

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, LGIP and 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 year ended June 30, 2013, 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 VRS.

The City's rated debt investment as of June 30 was in LGIP. The City's pension fund investments were rated by Standard and Poor's and are included in the chart below.

Component Units

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

CITY OF DANVILLE, VIRGINIA
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Custodial Risk

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

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

	<u>Fair Value</u>	<u>Less than 1 year</u>	<u>1 -5 years</u>	<u>Long-Term</u>
U.S. Treasuries	\$ 62,794,003	\$ 1,608,792	\$ 55,248,527	\$ 5,936,684
Certificates of deposit	34,107,229	6,500,000	27,607,229	-
SNAP	10,471,285	10,471,285	-	-
LGIP	<u>11,051,447</u>	<u>11,051,447</u>	<u>-</u>	<u>-</u>
Total investments	118,423,964	<u>\$ 29,631,524</u>	<u>\$ 82,855,756</u>	<u>\$ 5,936,684</u>
Reconciliation to Total Cash and Investments:				
Add:				
Cash in banks	26,145,873			
Cash with fiscal agents	<u>1,044,107</u>			
Total deposits and investments:	<u>\$ 145,613,944</u>			

As of June 30, the DPS had the following investments:

	<u>Fair Value</u>
LGIP	\$ 825,854
Reconciliation to Total Cash and Investments:	
Add:	
Cash on hand	1,300
Cash in banks	<u>1,002,564</u>
Total deposits and investments:	<u>\$ 1,829,718</u>

CITY OF DANVILLE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
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Restricted Cash and Investments

Equity in pooled cash and investments was reserved for the following purposes at June 30, 2013:

Enterprise funds:	
Wastewater	\$ 2,852,648
Water	1,154,724
Gas	3,218,404
Electric	28,018,274
Nonmajor	<u>44,839</u>
Total Enterprise funds	<u>\$ 35,288,889</u>

C. Receivables

Receivables at June 30, 2013 consist of the following:

Primary Government

	<u>General</u>	<u>Community Development</u>	<u>Capital Projects</u>	<u>Nonmajor Governmental Funds</u>	<u>Internal Service Funds</u>	<u>Total</u>	<u>Business- Type Activities</u>
Receivables:							
Taxes and licenses	\$ 12,692,548	\$ -	\$ -	\$ -	\$ -	\$ 12,692,548	\$ -
Accounts	5,623,625	-	175,000	-	1,071	5,799,696	18,361,398
Accrued interest	1,716,201	-	-	-	-	1,716,201	-
Loans	<u>-</u>	<u>5,017,432</u>	<u>-</u>	<u>19,516</u>	<u>-</u>	<u>5,036,948</u>	<u>-</u>
Gross receivables	20,032,374	5,017,432	175,000	19,516	1,071	25,245,393	18,361,398
Less:							
Allowances for uncollectible accounts	<u>(5,349,337)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(5,349,337)</u>	<u>(55,399)</u>
Receivables, net	<u>\$ 14,683,037</u>	<u>\$ 5,017,432</u>	<u>\$ 175,000</u>	<u>\$ 19,516</u>	<u>\$ 1,071</u>	<u>\$ 19,896,056</u>	<u>\$ 18,305,999</u>

CITY OF DANVILLE, VIRGINIA
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Component Units

	<u>Danville Public Schools</u>	<u>Industrial Development Authority</u>	<u>Total</u>
Receivables:			
Due from other Governments	\$ 2,972,944	\$ -	\$ 2,972,944
Due from City	4,138,237	-	4,138,237
Other receivables, net	<u>10,938</u>	<u>1,793,813</u>	<u>1,804,751</u>
Total receivables	<u>\$ 7,122,119</u>	<u>\$ 1,793,813</u>	<u>\$ 8,915,932</u>

Allowances 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	\$ 4,071,855
Taxes receivable	960,719
Miscellaneous reserves	<u>316,763</u>
	<u>\$ 5,349,337</u>

Enterprise Fund allowance:	
Consumer receivables	
Wastewater	\$ 2,900
Water	900
Gas	16,599
Electric	34,600
Sanitation	<u>400</u>
	<u>\$ 55,399</u>

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

Due from Other Governments

	<u>City of Danville</u>	<u>Enterprise Fund</u>	<u>Danville Public Schools</u>
Commonwealth of Virginia	\$ 3,463,479	\$ 136,278	\$ 947,218
Federal government	<u>1,900,164</u>	<u>731,575</u>	<u>2,025,726</u>
	<u>\$ 5,363,643</u>	<u>\$ 867,853</u>	<u>\$ 2,972,944</u>

CITY OF DANVILLE, VIRGINIA
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D. Capital Assets

The table below is a summary of the changes in capital assets:

Governmental Activities

	Balance June 30, 2012	Increases	Decreases	Balance June 30, 2013
Capital assets not being depreciated:				
Land	\$ 19,598,641	\$ -	\$ -	\$ 19,598,641
Construction in progress	<u>7,836,556</u>	<u>7,523,354</u>	<u>4,488,890</u>	<u>10,871,020</u>
Total capital assets not being depreciated	<u>27,435,197</u>	<u>7,523,354</u>	<u>4,488,890</u>	<u>30,469,661</u>
Capital assets being depreciated:				
Buildings	36,934,766	2,834,198	-	39,768,964
Infrastructure	31,215,968	1,224,935	-	32,440,903
Furniture and other equipment	<u>36,533,551</u>	<u>1,388,581</u>	<u>870,903</u>	<u>37,051,229</u>
Total capital assets being depreciated	<u>104,684,285</u>	<u>5,447,714</u>	<u>870,903</u>	<u>109,261,096</u>
Less accumulated depreciation for:				
Buildings	14,697,804	1,067,882	-	15,765,686
Infrastructure	23,084,054	1,111,992	-	24,196,046
Furniture and other equipment	<u>28,346,574</u>	<u>1,993,541</u>	<u>744,481</u>	<u>29,595,634</u>
Total accumulated depreciation	<u>66,128,432</u>	<u>4,173,415</u>	<u>744,481</u>	<u>69,557,366</u>
Total City capital assets being depreciated, net	<u>38,555,853</u>	<u>1,274,299</u>	<u>126,422</u>	<u>39,703,730</u>
Assets transferred from Danville School Board (DSB)	77,837,094	-	-	77,837,094
Less accumulated depreciation	<u>(68,247,033)</u>	<u>(1,923,440)</u>	<u>-</u>	<u>(70,170,473)</u>
Total DSB capital assets being depreciated, net	<u>9,590,061</u>	<u>(1,923,440)</u>	<u>-</u>	<u>7,666,621</u>
Total capital assets being depreciated, net	<u>48,145,914</u>	<u>(649,141)</u>	<u>126,422</u>	<u>47,370,351</u>
Governmental activity capital assets, net	<u>\$ 75,581,111</u>	<u>\$ 6,874,213</u>	<u>\$ 4,615,312</u>	<u>\$ 77,840,012</u>

CITY OF DANVILLE, VIRGINIA
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Depreciation was charged to government functions as follows:

General government administration	\$ 1,377,675
Judicial administration	166,181
Public safety	1,031,365
Public works	1,302,020
Health and welfare	25,752
Parks, recreation, and cultural	188,753
Community development	81,669
Education	<u>1,923,440</u>
Total	<u>\$ 6,096,855</u>

The Virginia Assembly passed a general law 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 local 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 Danville School Board or control of the assets. All depreciation on these assets was charged to education.

Business-Type Activities

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

	<u>Balance June 30, 2012</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2013</u>
Capital assets not being depreciated:				
Land	\$ 1,455,954	\$ 1,341	\$ -	\$ 1,457,295
Construction in progress	<u>43,402,975</u>	<u>16,606,277</u>	<u>12,777,619</u>	<u>47,231,633</u>
Total capital assets not being depreciated	<u>44,858,929</u>	<u>16,607,618</u>	<u>12,777,619</u>	<u>48,688,928</u>
Capital assets being depreciated:				
Buildings	322,767,466	11,538,835	-	334,306,301
Equipment	<u>69,876,854</u>	<u>2,209,655</u>	<u>733,441</u>	<u>71,353,068</u>
Total capital assets being depreciated	392,644,320	13,748,490	733,441	405,659,369
Less accumulated depreciation	<u>166,430,133</u>	<u>11,487,249</u>	<u>756,448</u>	<u>177,160,934</u>
Total capital assets being depreciated, net	<u>226,214,187</u>	<u>2,261,241</u>	<u>(23,007)</u>	<u>228,498,435</u>
Business-type activities capital assets, net	<u>\$ 271,073,116</u>	<u>\$ 18,868,859</u>	<u>\$ 12,754,612</u>	<u>\$ 277,187,363</u>

CITY OF DANVILLE, VIRGINIA
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June 30, 2013

Component Unit - Danville Public Schools

	Balance <u>June 30, 2012</u>	<u>Increases</u>	<u>Decreases</u>	Balance <u>June 30, 2013</u>
Capital assets not being depreciated:				
Land and construction in process:	\$ 8,372,885	\$ 525,203	\$ 478,703	\$ 8,419,385
Capital assets being depreciated:				
Buildings	70,038,989	478,703	-	70,517,692
Furniture and equipment	23,969,597	669,008	395,254	24,243,351
Total capital assets being depreciated	<u>94,008,586</u>	<u>1,147,711</u>	<u>395,254</u>	<u>94,761,043</u>
Less accumulated depreciation for:				
Buildings	40,385,883	560,863	-	40,946,746
Furniture and equipment	13,175,097	571,578	395,254	13,351,421
Total accumulated depreciation	<u>53,560,980</u>	<u>1,132,441</u>	<u>395,254</u>	<u>54,298,167</u>
Total capital assets being depreciated, net	<u>40,447,606</u>	<u>15,270</u>	<u>-</u>	<u>40,462,876</u>
Assets transferred to City of Danville to match long-term debt	<u>(28,763,468)</u>	<u>-</u>	<u>-</u>	<u>(28,763,468)</u>
DPS capital assets, net	<u>\$ 20,057,023</u>	<u>\$ 540,473</u>	<u>\$ 478,703</u>	<u>\$ 20,118,793</u>

Component Unit - Industrial Development Authority

	Balance <u>June 30, 2013</u>
Property held for lease:	
Land	\$ 3,032,691
Equipment	19,449,147
Building	<u>75,000</u>
	22,556,838
Less: accumulated depreciation	<u>(2,163,122)</u>
	20,393,716
Construction in progress	29,840
Property held for sale:	
Land and building	<u>1,266,531</u>
Total	<u>\$ 21,690,087</u>

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The IDA has various operating leases to local companies with various terms and various renewal options. These businesses have received incentives through the IDA to locate, expand, or remain in the Danville area. Lease payments are based on the principal loan balance the IDA owes on the individual properties.

Future estimated minimum payments receivable under the operating leases are as follows:

2014	\$ 984,638
2015	581,270
2016	520,950
2017	469,800
2018	463,800
2019 - 2023	<u>1,146,450</u>
	<u>\$ 4,166,908</u>

Sales-Type Lease – GSO Aviation

During January 2012, the Authority entered into a lease agreement with GSO Aviation (GSO). The lease began on the commencement date and will end two hundred forty months after the commencement date. Terms of the lease stipulate that GSO will make monthly lease payments in the amount of \$2,950 beginning February 1, 2012 through January 1, 2032. GSO has the right to purchase the property at any time during the term of the lease for \$676,500 minus the principal paid over the term of the lease.

Sales-Type Lease - EsselPropack America, LLC

During 2011, the Authority entered into a construction agreement to expand the building being leased by EsselPropack America, LLC (Essel). Upon completion of this expansion, a new loan was obtained in the amount of \$7,500,000 in June 2011. These funds were used to finance the construction costs, pay off the existing loans and set up a debt service fund. A new sales-type lease agreement was executed with Essel in June 2011 with a term of 25 years. Terms of the lease stipulate that Essel will make the monthly loan payments directly to the financial institution in the amount of \$48,323 beginning August 1, 2011 through July 1, 2018. Essel has the right to purchase the property at any time during the term of the lease for the principal balance of the loan. If Essel does not exercise their option to purchase the property on or before July 31, 2018, the lease payments will increase to \$96,645 per month throughout the term of the lease. In addition, Essel will pay the Authority a premium amount of \$1,000,000 if they choose to not exercise their purchase option on or before July 31, 2018.

Minimum future lease payments due under the sales-type leases is as follows:

2014	\$ 615,271
2015	615,271
2016	615,271
2017	615,271
2018	615,271
Thereafter	<u>6,911,035</u>
	<u>\$ 9,987,390</u>

CITY OF DANVILLE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

7. Liabilities

A. Commitments and Contingencies

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.

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.

Contracts

The City has several construction and similar contracts in progress at June 30, 2013. 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, 2013.

	<u>City of Danville</u>
Contracts	\$ 32,246,346
Less: paid or recorded as liabilities	<u>(11,482,365)</u>
	<u>\$ 20,763,981</u>

Contingent Liabilities

Primary Government

In November 2007, the City entered into a contract with a power supplier to construct and operate a coal-fired, steam and electric generating facility with other municipalities. Following a material increase in the contractor's estimate, the project was abandoned and litigation was initiated against the power supplier's contractor. Because of the potential settlement, the power supplier asserts the minimum potential liability for the participants related to the stranded costs of the project to be \$0. For this reason, no liability for the stranded costs has been recorded at this time.

CITY OF DANVILLE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

Reimbursement Agreements

At June 30, the City had outstanding agreements representing reimbursements to developers for streets, sewers, and utility facilities. These agreements totaled \$598,680, of which \$166,653 was classified as current.

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. 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. 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, 2013: public entity and public officials excess liability, medical and dental malpractice liability, voting booths, special events, vacant buildings, volunteer liability, nonowned aircraft liability, and commercial crime. The City maintains a blanket surety bond on all City workers who handle funds and excess amounts of insurance on key officials. There were no material reductions in insurance coverage from coverage in the prior fiscal year nor did settlements exceed coverage for any of the past three fiscal years.

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

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

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.

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.

CITY OF DANVILLE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

Self-Insurance

As of June 30, 2013, the noncurrent portion of unpaid workers' compensation claims amounted to approximately \$2,900,655 and the amount expected to be paid within one year amounted to \$899,921 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 and health insurance are as follows for the year ended June 30:

	<u>Workers Compensation</u>	<u>Health Insurance</u>
Estimated claims payable at beginning of period	\$ 3,672,316	\$ 828,275
Current fiscal year claims, changes in estimates, and payouts	1,426,059	7,530,853
Claim payments	<u>(1,297,798)</u>	<u>(7,541,866)</u>
Estimated claims payable at end of period	\$ <u>3,800,577</u>	\$ <u>817,262</u>

Component Unit

Worker's compensation

DPS is a member of the School Systems of Virginia Group 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 of any and all members. The Association has operated at a profit and has declared dividends on a regular basis since DPS entered the pool in 1982. DPS has elected to have the Association hold the Board's dividends in escrow as a reserve against possible future claims. At June 30, 2013, the cumulative amount held in escrow by the Association for DPS amounted to \$500,972. The escrow is included on the Statement of Net Position as cash held by fiscal agents.

Self-Insurance Coverage

In October 2005, DPS entered into an agreement with Anthem Blue Cross Blue Shield (Anthem) 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 \$100,000 per participant. The escrow balance of \$2,761,517 is the balance of premiums paid net of claims received by Anthem and is included on the Statement of Net Position as cash held by fiscal agents. Estimated claims incurred but not paid as of June 30, 2013, for this self-insurance plan was \$446,097.

The DPS carries commercial coverage for all other risks or losses. There have been no significant reductions in insurance coverage in the prior year, and settled claims have not exceeded coverage in any of the past three fiscal years. Changes in the balances of claims liabilities during the current fiscal year are as follows:

CITY OF DANVILLE, VIRGINIA
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Unpaid claims - beginning of fiscal year	\$ 475,805
Incurred claims (including IBNRs)	4,555,184
Increase in claims reserve	58,265
Claim payments	<u>(4,643,157)</u>
Unpaid claims - end of fiscal year	<u>\$ 446,097</u>

B. Long-Term Obligations

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, 2013
General Obligations and Section 10 Bonds					
School Series 2001B	\$ 6,512,513	\$ 296,369 – 371,160	3.10 – 5.10 %	7/15/2021	\$ 3,145,680
School Series 2001B	5,210,006	\$ 237,088 – 296,928	3.10 – 5.10 %	7/15/2021	2,540,303
School Series 2001B – Loan	2,500,000	\$ 125,000	3.10 – 5.10 %	7/15/2021	1,125,000
General Improvements 2005	8,800,000	\$ 290,000 – 640,000	3.70 – 4.25 %	12/1/2025	6,510,000
General Improvements 2007	5,000,000	\$ 165,000 – 360,000	3.625 – 3.90 %	3/1/2027	3,905,000
General Improvements & Refunding 2009A	11,215,000	\$ 450,000 – 1,300,000	2.00 - 5.00 %	3/1/2022	9,665,000
General Improvements & Refunding 2009B	19,195,000	\$ 775,000 – 2,515,000	3.80 – 6.09 %	3/1/2022	12,215,000
Refunding 2009C	12,005,000	\$ 425,000 – 811,000	1.50 – 5.00 %	8/1/2029	10,705,000
General Improvements & Refunding 2010A	12,925,000	\$ 355,000 – 875,000	2.00 – 5.00 %	9/1/2025	11,695,000
Refunding 2009C	10,410,000	\$ 330,000 – 655,000	2.19 – 6.02 %	9/1/2036	10,410,000
General Improvements & Refunding 2011	3,929,000	\$ 442,000 – 484,000	1.510 %	12/1/2019	1,648,000
General Improvements & Refunding 2012A	6,395,000	\$ 860,000 – 1,215,000	3.125 – 3.516 %	3/1/2026	6,395,000
General Improvements & Refunding 2012B	7,170,000	\$ 210,000 – 670,000	3.125 – 4.010 %	3/1/2032	6,925,000
	<u>\$ 111,266,519</u>				<u>\$ 86,883,983</u>
Revenue Bonds					
Utility Revenue 93 – 94	2,900,000	\$ 46,104 – 207,971	4.50 %	6/1/2014	207,971
Utility Revenue 94 – 95	300,000	\$ 12,829 – 19,148	4.50 %	6/1/2014	20,034
Utility Revenue 96 – 97	7,300,000	\$ 223,940 – 365,000	4.50 %	2/1/2019	2,048,940
	<u>\$ 10,500,000</u>				<u>2,276,945</u>
Total Outstanding Bonds					<u>\$ 89,160,928</u>

CITY OF DANVILLE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

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

General Obligation and Section 10 Bonds:

Principal:

<u>Fiscal Year Ending June 30,</u>	<u>Governmental</u>	<u>Enterprise</u>	<u>Total</u>
2014	\$ 1,204,363	\$ 3,607,167	\$ 4,811,530
2015	1,422,241	3,834,204	5,256,445
2016	1,456,550	3,985,329	5,441,879
2017	2,342,396	4,144,465	6,486,861
2018	2,428,177	4,307,240	6,735,417
2019 – 2023	12,611,790	17,405,060	30,016,850
2024 – 2028	6,897,713	12,127,287	19,025,000
2029 – 2033	1,736,235	4,903,765	6,640,000
2034 – 2037	<u>1,423,631</u>	<u>1,046,370</u>	<u>2,470,001</u>
	<u>\$ 31,523,096</u>	<u>\$ 55,360,887</u>	<u>\$ 86,883,983</u>

Interest:

<u>Fiscal Year Ending June 30,</u>	<u>Governmental</u>	<u>Enterprise</u>	<u>Total</u>
2014	\$ 1,292,586	\$ 2,264,178	\$ 3,556,764
2015	1,241,072	2,139,410	3,380,482
2016	1,185,061	2,005,864	3,190,925
2017	1,126,079	1,861,883	2,987,962
2018	1,039,249	1,706,756	2,746,005
2019 – 2023	3,658,228	6,015,153	9,673,381
2024 – 2028	1,584,815	2,822,328	4,407,143
2029 – 2033	664,281	708,556	1,372,837
2034 – 2037	<u>175,801</u>	<u>129,213</u>	<u>305,014</u>
	<u>\$ 11,967,172</u>	<u>\$ 19,653,341</u>	<u>\$ 31,620,513</u>

Revenue Bonds (Enterprise Funds):

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 593,005	\$ 86,932	\$ 679,937
2015	365,000	66,515	431,515
2016	365,000	52,098	417,098
2017	365,000	37,681	402,681
2018	365,000	23,263	388,263
2019	<u>223,940</u>	<u>8,846</u>	<u>232,786</u>
	<u>\$ 2,276,945</u>	<u>\$ 275,335</u>	<u>\$ 2,552,280</u>

CITY OF DANVILLE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

Reimbursement Agreements do not require interest payments:

Principal:

<u>Fiscal Year Ending June 30,</u>	<u>Governmental</u>	<u>Enterprise</u>	<u>Total</u>
2014	\$ 87,004	\$ 79,649	\$ 166,653
2015	87,004	79,649	166,653
2016	87,004	79,649	166,653
2017	<u>87,004</u>	<u>11,717</u>	<u>98,721</u>
	<u>\$ 348,016</u>	<u>\$ 250,664</u>	<u>\$ 598,680</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.

Governmental Obligation

Following is a summary of the changes in long-term liabilities that are recorded in the Statement of Net Position ended June 30:

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

	<u>Balance June 30, 2012</u>	<u>Additions</u>	<u>Changes/ Reductions</u>	<u>Balance June 30, 2013</u>	<u>Due within 1 year</u>
General obligation bonds	\$ 31,756,730	\$ 8,045,000	\$ 8,278,634	\$ 31,523,096	\$ 1,204,363
Reimbursement agreements	487,490	-	139,474	348,016	87,004
Compensated absences	1,602,481	1,791,186	1,736,718	1,656,949	1,656,949
Worker's compensation	3,400,927	1,353,377	1,232,414	3,521,890	837,456
Other bond related items	<u>(579,250)</u>	<u>(829,456)</u>	<u>(490,914)</u>	<u>(917,792)</u>	<u>-</u>
	<u>\$ 36,668,378</u>	<u>\$ 10,360,107</u>	<u>\$ 10,896,326</u>	<u>\$ 36,132,159</u>	<u>\$ 3,785,772</u>

Enterprise Debt

A summary of the changes in long-term liabilities that are recorded in the Enterprise Funds is as follows:

	<u>Balance June 30, 2012</u>	<u>Additions</u>	<u>Changes/ Reductions</u>	<u>Balance June 30, 2013</u>	<u>Due within 1 year</u>
General obligation bonds	\$ 53,062,359	\$ 5,520,000	\$ 3,221,472	\$ 55,360,887	\$ 3,607,167
Revenue bonds	2,862,396	-	585,451	2,276,945	593,005
Reimbursement agreements	295,925	-	45,261	250,664	79,649
Compensated absences	473,796	547,047	526,199	494,644	494,644
Workers' compensation	271,389	72,682	65,384	278,687	62,469
Bond related items	<u>(556,790)</u>	<u>-</u>	<u>(428,406)</u>	<u>(128,384)</u>	<u>-</u>
	<u>\$ 56,409,075</u>	<u>\$ 6,139,729</u>	<u>\$ 4,015,361</u>	<u>\$ 58,533,443</u>	<u>\$ 4,836,934</u>

CITY OF DANVILLE, VIRGINIA
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June 30, 2013

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 3% of the assessed valuation. The Legal debt margin at June 30 is computed as follows:

	<u>Legal Debt Margin</u>
Assessed value (as of June 30, 2013) – taxable real property, including public service corporations	\$ <u>2,278,290,876</u>
Legal debt limit:	
10% of assessed value (authorized by the Commonwealth of Virginia for all cities)	227,829,088
Deduct amount of debt applicable to debt limit:	
Gross general debt*	<u>86,860,226</u>
Legal debt margin	\$ <u>140,968,862</u>

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

On July 30, 2012, the City of Danville issued \$6,395,000 in Series 2012A General Obligation Public Improvement and Refunding Bonds to defease a portion of the City's Refunded 2009B Bond principal installments in the aggregate principal amount of \$5,300,000. The City also issued \$7,170,000 in Series 2012B General Obligation Public Improvement and Refunding Bonds to defease a portion of the City's Series 2011 General Obligation Bonds principal installments in the aggregate principal amount of \$1,808,000. The remaining portion of the Series 2012B General Obligation Public Improvement and Refunding Bonds was for capital projects related to the electric system and to pay the costs of issuing the bonds. The proceeds of the 2012A advanced refunding were placed in an irrevocable trust with the escrow agent for all future debt service payments associated with the Series 2009B Bond Series. The proceeds of the 2012B current refunding paid down the principal on the City's 2011 Bond Series. As a result of the refunding, the bonds are considered to be defeased and that portion of the liability has been removed from the governmental activities column of the statement of net position. In total, the refunding's resulted in a net difference between the reacquisition price and the net carrying amount of the old debt of \$939,973. This difference is reported in the accompanying financial statements as a reduction to governmental obligations. The City issued the refunding bonds to restructure the debt and provide more cash flow flexibility. The aggregate debt service payments under the old debt were \$8,209,766 and the aggregate debt service payments for the new debt are \$11,205,956, which results in an economic loss (difference between the present values of the old debt and new debt service payments) of \$866,067.

At June 30, 2013, the City had approximately \$10,954,000 held in trust with escrow agents for debt that has been defeased.

Subsequent to year end, the City issued Series 2013A General Obligation Public Improvement Bonds in the amount of \$6,360,000. These are tax-exempt bonds that will be used to finance various City capital improvement projects and to pay the costs of bond issuance.

CITY OF DANVILLE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
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Component Units Obligation

A summary of the changes in long-term liabilities that are recorded by DPS is as follows:

	<u>Balance June 30, 2012</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2013</u>	<u>Due within 1 year</u>
Early retirement plan (January 1, 2008)	\$ 4,764,361	\$ 1,599,705	\$ (1,019,648)	\$ 5,344,418	\$ 1,250,342
Early retirement plan (July 1, 1997)	499,016	-	(340,637)	158,379	158,379
Accrued vacation pay	771,115	380,718	(426,722)	725,111	430,000
Vested sick leave	570,366	127,575	(72,462)	625,479	72,000
OPEB	<u>104,968</u>	<u>593,155</u>	<u>(409,210)</u>	<u>288,913</u>	<u>-</u>
	<u>\$ 6,709,826</u>	<u>\$ 2,701,153</u>	<u>\$ (2,268,679)</u>	<u>\$ 7,142,300</u>	<u>\$ 1,910,721</u>

Anticipated maturities 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	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2014	\$ 158,379	\$ 49,426	\$ 1,250,342	\$ 120,371
2015	-	-	1,176,560	167,572
2016	-	-	1,010,982	182,466
2017	-	-	848,894	183,263
2018	-	-	567,748	134,378
2019 – 2020	<u>-</u>	<u>-</u>	<u>489,892</u>	<u>139,365</u>
	<u>\$ 158,379</u>	<u>\$ 49,426</u>	<u>\$ 5,344,418</u>	<u>\$ 927,415</u>

A summary of the changes in the long-term liability that is recorded in the IDA is as follows:

	<u>Balance June 30, 2012</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2013</u>	<u>Due within 1 year</u>
Deeds of trust payable	<u>\$ 16,800,785</u>	<u>\$ 2,600,000</u>	<u>\$ 462,424</u>	<u>\$ 18,938,361</u>	<u>\$ 540,573</u>

CITY OF DANVILLE, VIRGINIA
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Anticipated maturities on the preceding component unit's deeds of trust payable for future years are as follows:

Fiscal Year Ending June 30,	Early Retirement Principal
2014	\$ 540,573
2015	593,990
2016	627,392
2017	2,865,582
2018	1,119,802
2019 – 2022	3,438,630
2023 – 2027	4,597,630
2028 – 2032	3,311,453
2033 – 2037	<u>1,843,309</u>
	<u>\$ 18,938,361</u>

C. Pension Plan and Postemployment Obligations

a. Employees' Retirement System of the City of Danville

Plan Description. The Employees' Retirement System of the City of Danville, Virginia (ERS), a single-employer defined benefit plan, was established on January 1, 1946, and was placed under the management of the 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 a single-employer defined benefit pension plan. As such, the ERS functions as an investment and administrative agent for the City with respect to the plan. The ERS is a fiduciary fund and is included in the City's Comprehensive Annual Financial Report as a pension trust fund.

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 School Board 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" (uniformed police and fire personnel). The two employee classes have different pension benefits and early service retirement allowances.

CITY OF DANVILLE, VIRGINIA
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Membership of the ERS Plan consisted of the following as of July 1, 2013, the date of the latest actuarial valuation:

	<u>General Employees</u>	<u>Public Safety Employees</u>	<u>Total</u>
Retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them	585	191	776
Active plan participants:			
Vested	500	197	697
Nonvested	<u>188</u>	<u>48</u>	<u>236</u>
	<u>688</u>	<u>245</u>	<u>933</u>

The pension plan provides retirement, disability, and death benefits. After five 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 three-year average salary in excess of \$9,500, multiplied by the number of years of creditable service. A general employee with at least five 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 or 2% of the final three-year average salary multiplied by the number of years of creditable service. A public safety employee, with at least five 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 five 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 five 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.

CITY OF DANVILLE, VIRGINIA
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Contributions made by the City on behalf of active members are established by the City of Danville, based on actuarial estimates (performed annually on July 1) of future plan benefits to be paid. Since March 1, 1979, employees' contributions have been paid by the City. Contributions for employees hired after September 30, 1991 are considered to be 100% City contributions. These contributions, like the City's portion of pre-October 1, 1991 employees, vest after five years of creditable service. The contribution rate made on behalf of active members 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 five years of creditable service.

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. The contributed amounts are based on an actuarial valuation. Contributions made by the City represents 5% on behalf of its employees that were employed before October 1991, and contributions made by the City on behalf of its employees represent 7.9% of covered payroll for the year for a total of 12.9%.

Annual Pension Cost and Net Pension Obligation. The City's annual pension cost and net pension obligation to the Separation Allowance for the current year were as follows.

	<u>Governmental</u>	<u>Enterprise</u>
Annual Required Contribution (ARC)	\$ 4,869,584	\$ 1,395,837
Interest on Net Pension Obligation	3,437	9,442
Adjustment to ARC	<u>(3,699)</u>	<u>(10,157)</u>
Annual Pension Cost	4,869,322	1,395,122
Contributions Made	<u>(4,085,633)</u>	<u>(1,215,665)</u>
Decrease in Net Pension Obligation	783,689	179,457
Net pension obligation – beginning of year	<u>153,173</u>	<u>27,412</u>
Net pension obligation - end of year	<u>\$ 936,862</u>	<u>\$ 206,869</u>

The three-year trend information for the City's pension is as follows:

	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Asset (Liability)</u>
June 30, 2013	\$ 6,264,444	84.60%	\$ (1,143,731)
June 30, 2012	5,394,811	91.37%	(183,980)
June 30, 2011	5,397,687	91.72%	281,623

CITY OF DANVILLE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

Funded Status and Funding Progress

As of July 1, 2013, the most recent actuarial valuation date, the funded status of the plan was as follows:

Actuarial accrued liability (AAL)	\$ 180,257,415
Less: actuarial value of plan assets	<u>(176,071,124)</u>
Unfunded actuarial accrued liability (UAAL)	<u>\$ 4,186,291</u>
Funded ratio (actuarial value of plan assets/AAL)	97.68%
Covered Payroll	\$ 38,430,014
UAAL as a percentage of covered payroll	10.89%

The Schedule of Funding Progress, presented as Required Supplementary Information (RSI) following the Notes to the Financial Statements, presents multiyear trend information about whether the actuarial value of plan assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

b. Virginia Retirement System

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 DPS 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 (professional) 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 the most recent report may be obtained from their website at <http://www.varetire.org/Pdf/Publications/2012-annual-report.pdf> or writing to the system at P.O. Box 2500, Richmond, Virginia 23218-2500.

CITY OF DANVILLE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

Funding Policy. Plan members 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 DPS have assumed this 5% member contribution. Beginning July 1, 2012 new employees were required to pay the 5% member contribution. In addition, for existing employees, employers were required to begin making the employee pay the 5% member contribution. This could be phased in over a period up to 5 years and the employer is required to provide a salary increase equal to the amount of the increase in the employee-paid member contribution. In addition, DPS is required to contribute the remaining amounts necessary to fund its participation in the VRS using the actuarial basis specified by the Code of Virginia and approved by the VRS Board of Trustees. The DPS' contribution rate for the fiscal year ended June 30, 2013, was 9.53% of annual covered payroll. The City's projected contribution rate for fiscal year June 30, 2013, determined as part of the June 30, 2012 actuarial valuation, was 12.82% (less 5% employee contribution).

The following table relates to the City's contribution rate for professional employees:

	<u>Annual Required Contributions</u>	<u>Actual Amount Contributed</u>	<u>Amount Contributed in Percent</u>
2013	\$ 599,647	\$ 599,647	100.0%
2012	457,618	457,618	100.0%
2011	459,479	459,479	100.0%

The following table relates to the DPS's contribution rate for professional employees:

	<u>Annual Required Contributions</u>	<u>Actual Amount Contributed</u>	<u>Amount Contributed in Percent</u>
2013	\$ 4,028,446	\$ 4,028,446	100.0%
2012	3,964,564	3,964,564	100.0%
2011	3,156,512	3,156,512	100.0%

Annual Pension Cost and Net Pension Obligation

Primary Government

For the fiscal year 2013, the City's annual contribution of \$599,647 was equal to the required contribution. The contribution was determined as part of the June 30, 2012 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 4.75% per year, and (c) 2.50% per year cost-of-living adjustments.

The three-year trend information for the City's nonprofessional employees is as follows:

	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Asset (Liability)</u>
June 30, 2013	\$ 599,647	100%	\$ -
June 30, 2012	457,618	100%	-
June 30, 2011	459,479	100%	-

CITY OF DANVILLE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

Component Unit

For fiscal year 2013, the DPS's annual pension cost of \$185,993 for nonprofessional employees was equal to the Schools' required and actual contributions. The required contributions were determined as part of the June 30, 2012 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) 7.0% investment rate of return, (b) projected salary increases of 3.0%, (c) 2.5% per year COLA adjustment for Plan 1 members, and (d) 2.25% per year COLA for Plan 2 members. Both (a) and (b) included an inflation component of 2.5%. The actuarial value of the DPS's assets is equal to the five-year smoothed market value. This method was determined using techniques that smooth the effects of short-term volatility in the market value of assets over a five year period. The DPS's unfunded actuarial accrued liability is being amortized as a level percentage of payroll on an open basis over 29 years, decreasing by one each year in subsequent valuations until reaching 20 years. The Schools did not have a net pension obligation as determined by GASB Statement No. 27, Accounting for Pension by State and Local Government Employers.

The three-year trend information for the DPS's nonprofessional employees is as follows:

	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
June 30, 2013	\$ 185,993	100%	\$ -
June 30, 2012	205,519	100%	\$ -
June 30, 2011	197,148	100%	\$ -

Funded Status and Funding Progress

Primary Government

As of June 30, 2012, the most recent actuarial valuation date, the funded status of the plan was as follows:

Actuarial accrued liability (AAL)	\$ 22,657,732
Less: actuarial value of plan assets	<u>(17,361,147)</u>
Unfunded actuarial accrued liability (UAAL)	<u>\$ 5,296,585</u>
Funded ratio (actuarial value of plan assets/AAL)	76.62%
Covered Payroll	\$ 4,502,140
UAAL as a percentage of covered payroll	117.65%

CITY OF DANVILLE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

Component Unit

As of December 19, 2012, the most recent actuarial valuation date, the funded status of the plan was as follows:

Actuarial accrued liability (AAL)	\$ 7,199,779
Less: actuarial value of plan assets	<u>(5,702,375)</u>
Unfunded actuarial accrued liability (UAAL)	<u>\$ 1,497,404</u>
Funded ratio (actuarial value of plan assets/AAL)	79.20%
Covered Payroll	\$ 1,809,238
UAAL as a percentage of covered payroll	82.76%

The Schedule of Funding Progress, presented as Required Supplementary Information (RSI) following the Notes to the Financial Statements, presents multiyear trend information about whether the actuarial value of plan assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

c. Postemployment Benefits Other Than Pensions

The City adopted GASB Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions. The Statement establishes standards for reporting the liability for nonpension postemployment benefits, chiefly the health care premiums for retirees. Disclosures concerning participation are outlined as follows:

Plan Description. In addition to providing the pension benefits described above, the City provides postemployment health care and prescription drug insurance to retirees and their dependents up to age 65. Because of the change to contribution levels for employees who retire after January 1, 2009, active employees are not valued for their healthcare or prescription drug benefits. The City also provides life insurance to actives and retirees and all actives and retirees with life insurance are valued. All full time active employees who retire or are disabled directly from the City and meet the eligibility criteria may participate. 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.

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

CITY OF DANVILLE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

The postemployment health care plan for all retirees under the age of 65 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.

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.

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.

As of July 1, 2012, the most recent actuarial valuation date for fiscal year ending June 30, 2013, participants in the program consisted of:

Number of Costed Employees	
Active Employees	936
Retirees eligible for benefits	<u>375</u>
Total employees	<u><u>1,311</u></u>

Funding Policy. The Other Postemployment Benefits Trust Fund of the City of Danville, Virginia (Trust) was established by City Council on May 5, 2009, as an irrevocable trust, and was placed under the management of the Board of Trustees for the purpose of receiving, investing, and disbursing funds set aside by the City to defray expenses related to postemployment benefits other than pensions. The formal Trust Agreement between the City and the Trust's Board of Trustees was established March 1, 2010. The Trust operates in accordance with the provisions of Chapter 2, Article XV of the City Code, as amended, and the Trust Agreement. The City makes annual contributions to the Trust. The initial contribution from the City to fund the Trust was sent in September 2010. As such, the Trust functions as an investment and administrative agent for the City with respect to other postemployment benefits (OPEB). Income of the Trust is tax-exempt under Section 115 of the Internal Revenue Code.

The Trust was founded in response to GASB Statement No. 43, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (Statement No. 43) and GASB Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions (Statement No. 45). The City's OPEB liability results from the current practice of paying a portion of the health insurance premium for retirees. Several years ago, the City implemented a plan to incrementally shift 100% of the retirees' health insurance premiums to the retirees. The OPEB liability is not fully funded, at present; however, the City aims to eliminate its OPEB liability over the coming years.

CITY OF DANVILLE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

Annual OPEB Costs and Net OPEB Obligation (Benefit)

	<u>2013</u>
Annual Required Contribution (ARC)	\$ 82,108
Interest on Net Pension Obligation	(97,971)
Adjustment to ARC	<u>102,857</u>
Annual Pension Cost	86,994
Contributions Made	<u>(252,056)</u>
Increase in Net OPEB benefit	(165,062)
Net OPEB benefit - beginning of year	<u>(1,306,284)</u>
 Net OPEB benefit - end of year	 <u><u>\$ (1,471,346)</u></u>

Actuarial Methods and Assumptions. 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.

The following simplifying assumptions were made:

Retirement age for active employees - Retirement age was estimated based on tables used for the VRS pension valuation and assumed that participants begin to retire when they become eligible to receive healthcare benefits.

Mortality – Life expectancies were based on 1994 Group Annuity Mortality Table for males and females with a one year set-back in age for males and females.

CITY OF DANVILLE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

The actuarial assumptions also included an investment rate of return (net of administrative expenses) of 7% and a 2.5% inflation assumption per annum. The plan's unfunded actuarial accrued liability is being amortized using the level percentage of payroll.

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.

Schedule of Funding Progress

Actuarial Valuation Date July 1,	(a) Actuarial Value of Assets	(b) Actuarial Accrued Liability (AAL) Projected Unit Credit	Funded Ratio (a/b)	Unfunded Actuarial Accrued Liability (UAAL) (b-a)	(c) Covered Payroll	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2012	\$ 1,486,594	\$ 2,233,125	66.57%	\$ 746,531	\$ 39,495,865	1.90%
2011	-	2,645,165	0.00%	2,645,165	46,447,604	5.69%
2010	-	2,790,043	0.00%	2,790,043	46,658,152	5.98%

Schedule of Employee Contributions

<u>Year Ended June 30,</u>	<u>Employer Contributions</u>	<u>Annual Required Contribution (ARC)</u>	<u>Percentage Contributed</u>
2013	\$ 252,056	\$ 82,108	307.0%
2012	532,220	82,108	648.2%
2011	1,335,081	255,892	521.7%

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.

CITY OF DANVILLE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

8. Interfund Balances and Activity

Balances due to/from other funds at June 30, 2013, consist of the following:

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
<u>Primary Government</u>		
General Fund	\$ 1,487,308	\$ -
Community Development Fund	-	1,021,891
Central Services Fund	-	59,002
Transportation Fund	-	406,415
Gas Fund	881,936	-
Electric Fund	1,154,771	-
Wastewater Fund	<u>-</u>	<u>2,036,707</u>
	<u>\$ 3,524,015</u>	<u>\$ 3,524,015</u>
<u>Component Unit</u>		
Danville Public Schools:		
General fund	\$ -	\$ 3,899,098
Capital projects fund	1,158,891	-
Special grants fund	1,235,960	-
Nonmajor funds:	1,464,580	-
Textbook fund	<u>39,667</u>	<u>-</u>
	<u>\$ 3,899,098</u>	<u>\$ 3,899,098</u>

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

The interfund receivable to the General Fund from the Community Development Fund represents amounts expended, but not yet reimbursed by US Housing and Urban Development. The interfund receivable to the General Fund from the Central Services Funds represents amounts expended for inventoried office and printing supplies, but not yet issued and billed out.

The primary reason for the interfund receivable to the General Fund from the Transportation Fund represents operational support and matching local funds related to grant agreements.

The primary reasons for the interfund receivables to the Electric Fund and the Gas Fund are to provide loans to cover operating expenses of the Wastewater Fund.

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

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

CITY OF DANVILLE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

Maturities of Due To/Due From for the Electric, Gas and Wastewater Funds:

Fiscal Year Ending June 30,	Principal	Interest	Total
2014	\$ 307,032	\$ 81,468	\$ 388,500
2015	319,313	69,187	388,500
2016	332,086	56,414	388,500
2017	345,369	43,131	388,500
2018	359,182	29,318	388,500
2019	<u>373,725</u>	<u>14,947</u>	<u>388,672</u>
	<u>\$ 2,036,707</u>	<u>\$ 294,465</u>	<u>\$ 2,331,172</u>

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

	<u>Transfers In</u>	<u>Transfers Out</u>	<u>Net Transfers</u>
Governmental Funds:			
General	\$ 14,483,345	\$ (11,871,753)	\$ 2,611,592
Capital Projects	7,275,793	(2,179,994)	5,095,799
Nonmajor	<u>9,628,617</u>	<u>(101,345)</u>	<u>9,527,272</u>
	<u>\$ 31,387,755</u>	<u>\$ (14,153,092)</u>	<u>\$ 17,234,663</u>
Enterprise Funds:			
Wastewater	\$ -	\$ (677,760)	\$ (677,760)
Water	-	(933,300)	(933,300)
Gas	-	(2,906,330)	(2,906,330)
Electric	-	(12,562,610)	(12,562,610)
Nonmajor	<u>147,337</u>	<u>(302,000)</u>	<u>(154,663)</u>
	<u>\$ 147,337</u>	<u>\$ (17,382,000)</u>	<u>\$ (17,234,663)</u>

During the fiscal year 2013 the DPS transferred \$541,041 from the General Fund to the Textbooks Fund to provide operational support.

Primary transfer activities include:

Funds are transferred each year from the General Fund to the Transportation Fund as it operates for the benefit of the City.

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 and VDOT Special Revenue Fund represent City funds required to match grant program resources.

CITY OF DANVILLE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

Transfers from the General Fund and Capital Projects Fund to the Economic Development Fund represent unspent economic development activities previously accounted for in the Capital Projects Fund and City support of ongoing economic development activity.

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

9. Change in Accounting Principles

The City implemented Governmental Accounting Standards Board (GASB) Statement 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position, in the fiscal year ending June 30, 2013. In accordance with GASB Statement 63, the statement of Net Assets has been replaced with the Statement of Net Position. Items on the Statement of Net Position are now classified into Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position.

10. Restatements

During the fiscal year ended June 30, 2013, the City determined that certain construction in progress was incorrectly capitalized as of June 30, 2012. The construction in progress should have been recognized as an expense in prior years rather than capitalized. Therefore, an adjustment to the beginning net position has been recorded to account for these expenses, the effect of which decreased beginning net position by \$7,993,978. In addition, the City determined that activities of its internal service funds were not properly accounted for within governmental activities, the effect of which increased beginning net position by \$2,247,053. The net effect of these adjustments is to decrease beginning net position for governmental activities by \$5,746,925. The change in net position for the governmental activities decreased from \$9,570,975 to \$2,129,490 for fiscal 2012.

Component Unit – Danville Public Schools

During the fiscal year ended June 30, 2013, DPS determined that certain intergovernmental revenues in were incorrectly deferred as of June 30, 2012. The revenues should have been recognized as revenue in prior years as all requirements for revenue recognition had been met. Therefore, an adjustment to beginning net position has been recorded to account for these deferred revenues, the net effect of which increased beginning net position by \$2,179,155. The change in net position for fiscal 2012 decreased from \$2,897,577 to \$2,472,797 as a result of this correction.

Component Unit – Industrial Development Authority of Danville

A prior period adjustment was made to correct an error in previously issued financial statements. During the year ended June 30, 2012, a loan made to a borrower in the amount of \$480,000 was recorded as a grant incentive payment. During the year ended June 30, 2013, the loan documents were obtained and the amount was correctly recorded as a note receivable and an increase to unrestricted net position.

CITY OF DANVILLE, VIRGINIA

Required Supplemental Information

Other Than MD&A
(RSI)

For The Year Ended June 30, 2013

CITY OF DANVILLE, VIRGINIA
GENERAL FUND
SCHEDULE OF REVENUES - BUDGET AND ACTUAL
Year Ended June 30, 2013

Exhibit L

GENERAL FUND REVENUES	Original Budget	Final Budget	Actual	Variance
Property taxes				
Real property taxes	\$ 15,500,000	\$ 15,500,000	\$ 16,245,873	\$ 745,873
Real and personal public service corporation property taxes	362,900	362,900	347,371	(15,529)
Personal property taxes	9,494,500	9,494,500	10,570,387	1,075,887
Penalties and interest	550,000	550,000	685,273	135,273
Total property taxes	25,907,400	25,907,400	27,848,904	1,941,504
Local taxes				
Local sales and use taxes	8,150,000	8,150,000	8,110,580	(39,420)
Business license taxes	4,300,000	4,300,000	4,770,365	470,365
Prepared meals taxes	6,600,000	6,600,000	6,660,514	60,514
Utility consumption tax	200,000	200,000	196,876	(3,124)
Consumer utility tax	800,000	800,000	787,737	(12,263)
Franchise license taxes	10,380	10,380	-	(10,380)
Motor vehicle license	1,100,000	1,130,000	1,162,157	32,157
Motor vehicle tax	100,000	100,000	126,503	26,503
Bank stock taxes	800,000	800,000	711,420	(88,580)
Taxes on recordation and wills	135,000	135,000	159,337	24,337
Daily property and room rental taxes	715,000	715,000	728,402	13,402
Total local taxes	22,910,380	22,940,380	23,413,891	473,511
Fines and forfeitures	465,050	480,092	539,186	59,094
Permits, privilege fees and regulatory licenses				
Dog tags	25,000	25,000	20,424	(4,576)
Permits and other licenses	198,490	198,490	197,251	(1,239)
Total permits, privilege fees and regulatory licenses	223,490	223,490	217,675	(5,815)
Revenue from use of money and property				
Revenue from use of money	425,000	425,000	917,222	492,222
Revenue from the use of property	469,090	472,346	519,985	47,639
Market value adjustment	-	-	(500,508)	(500,508)
Total revenue from use of money and property	894,090	897,346	936,699	39,353
Charges for services				
Court costs	87,000	87,000	106,735	19,735
Correction and detention	2,238,600	2,296,616	1,843,364	(453,252)
Commonwealth's Attorney	150,000	150,000	162,887	12,887
Other protection	6,700	6,700	5,990	(710)
Parks and recreation	369,520	524,461	415,602	(108,859)
Library	21,000	21,000	21,048	48
Planning and community development	14,470	14,470	5,732	(8,738)
Tax abatement applications	200	200	50	(150)
Total charges for services	2,887,490	3,100,447	2,561,408	(539,039)

CITY OF DANVILLE, VIRGINIA
GENERAL FUND
SCHEDULE OF REVENUES - BUDGET AND ACTUAL (Continued)
Year Ended June 30, 2013

Exhibit L

	Original Budget	Final Budget	Actual	Variance
Miscellaneous	\$ 123,000	\$ 161,266	\$ 58,678	\$ (102,588)
Recovered costs	5,339,140	5,792,692	6,003,288	210,596
Intergovernmental				
<i>Revenue from the Commonwealth</i>				
Noncategorical aid	5,965,190	5,965,190	5,871,814	(93,376)
Shared expenditures:				
Commonwealth's Attorney	811,640	811,640	785,583	(26,057)
Sheriff	3,175,580	3,175,580	3,335,365	159,785
Commissioner of Revenue	134,880	134,880	131,677	(3,203)
Treasurer	110,120	110,120	103,534	(6,586)
Medical examiner	1,000	1,000	-	(1,000)
Registrar and electoral board	47,370	47,370	37,965	(9,405)
Clerk of Circuit Court	402,170	402,170	421,301	19,131
Total shared expenditures	4,682,760	4,682,760	4,815,425	132,665
Welfare	6,139,580	6,363,618	5,553,352	(810,266)
Economic Development	-	2,854,439	2,854,439	-
Other categorical aid:				
Forfeited property	-	18,341	18,341	-
Emergency services	109,820	109,820	122,796	12,976
E911 wireless	122,820	122,820	149,118	26,298
Fire services	65,000	65,000	63,625	(1,375)
Juvenile and domestic relations	1,320,450	1,321,163	1,319,480	(1,683)
National Guard armory	20,000	20,000	15,079	(4,921)
Library	138,630	138,630	137,328	(1,302)
Total other categorical aid	1,776,720	1,795,774	1,825,767	29,993
<i>Revenue from the federal government:</i>				
Payments in lieu of taxes	9,720	9,720	3,714	(6,006)
Forfeited property	-	10,672	10,672	-
Emergency Services Grant	27,020	27,020	27,013	(7)
Total revenue from the federal government	36,740	47,412	41,399	(6,013)
Total intergovernmental	18,600,990	21,709,193	20,962,196	(746,997)
Other financing sources				
Refunding bonds issued	-	-	8,266,227	8,266,227
Transfers in	14,382,000	14,382,000	14,483,345	101,345
Total other financing sources	14,382,000	14,382,000	22,749,572	8,367,572
Total General Fund revenues and other financing sources	\$ 91,733,030	\$ 95,594,306	\$ 105,291,497	\$ 9,697,191

CITY OF DANVILLE, VIRGINIA
GENERAL FUND
SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
Year Ended June 30, 2013

Exhibit M

GENERAL FUND EXPENDITURES	Original Budget	Final Budget	Actual	Variance
General Government				
Legislative				
<i>City Council</i>				
Salaries	\$ 40,000	\$ 40,001	\$ 40,000	\$ 1
Other	37,910	38,504	36,956	1,548
	77,910	78,505	76,956	1,549
<i>Mayor</i>				
Salaries	7,000	7,000	7,000	-
Other	1,480	2,158	2,141	17
	8,480	9,158	9,141	17
Total legislative	86,390	87,663	86,097	1,566
General and financial administration				
<i>City Manager</i>				
Salaries	420,450	420,450	410,405	10,045
Other	232,560	184,956	162,925	22,031
	653,010	605,406	573,330	32,076
<i>Personnel</i>				
Salaries	312,270	312,270	307,380	4,890
Other	331,230	534,296	410,180	124,116
	643,500	846,566	717,560	129,006
<i>Budget</i>				
Salaries	67,730	68,391	68,373	18
Other	22,570	22,799	17,315	5,484
	90,300	91,190	85,688	5,502
<i>City Attorney</i>				
Salaries	240,660	240,857	238,546	2,311
Other	88,520	93,840	74,043	19,797
	329,180	334,697	312,589	22,108
<i>Independent auditor</i>				
Other	102,000	102,000	80,887	21,113
<i>Public affairs</i>				
Other	26,400	62,028	61,965	63
<i>Commissioner of Revenue</i>				
Salaries	371,190	388,573	388,572	1
Other	112,910	112,585	104,493	8,092
	484,100	501,158	493,065	8,093
<i>Real estate assessment</i>				
Salaries	270,500	272,266	272,261	5
Other	96,670	95,506	92,162	3,344
	367,170	367,772	364,423	3,349

GENERAL FUND

SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL (Continued)

Year Ended June 30, 2013

	Original Budget	Final Budget	Actual	Variance
General government administration				
<i>Central collections</i>				
Salaries	\$ 447,290	\$ 429,290	\$ 399,729	\$ 29,561
Other	291,790	340,311	313,921	26,390
	739,080	769,601	713,650	55,951
<i>Treasurer</i>				
Salaries	158,880	158,874	158,874	-
Other	48,330	49,240	48,087	1,153
	207,210	208,114	206,961	1,153
<i>Finance and accounting</i>				
Salaries	591,780	591,839	560,960	30,879
Other	182,550	181,757	141,307	40,450
	774,330	773,596	702,267	71,329
<i>Internal audit</i>				
Salaries	71,860	71,860	71,850	10
Other	20,490	19,634	16,745	2,889
	92,350	91,494	88,595	2,899
<i>Purchasing</i>				
Salaries	224,840	224,971	218,137	6,834
Other	131,970	128,339	103,314	25,025
	356,810	353,310	321,451	31,859
<i>Management information systems</i>				
Salaries	1,227,300	1,226,287	1,178,937	47,350
Other	1,351,730	1,560,428	1,279,949	280,479
	2,579,030	2,786,715	2,458,886	327,829
Total general and financial administration	7,530,860	7,981,310	7,267,414	713,896
Board of Elections				
<i>Elections</i>				
Salaries	56,030	66,450	36,635	29,815
Other	63,430	62,426	49,605	12,821
	119,460	128,876	86,240	42,636
<i>Registrar</i>				
Salaries	86,410	84,964	84,949	15
Other	36,670	32,352	27,286	5,066
	123,080	117,316	112,235	5,081
Total Board of Elections	242,540	246,192	198,475	47,717
Total General Government	7,773,400	8,227,502	7,465,889	761,613
Judicial Administration				
Courts				
<i>Circuit Court</i>				
Salaries	143,740	141,451	138,928	2,523
Other	47,260	44,217	37,648	6,569
	191,000	185,668	176,576	9,092

GENERAL FUND

SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL (Continued)

Year Ended June 30, 2013

	Original Budget	Final Budget	Actual	Variance
<i>General District Court</i>				
Salaries - legal services	\$ 30,000	\$ 30,000	\$ 29,925	\$ 75
Other	16,560	16,898	15,228	1,670
	46,560	46,898	45,153	1,745
<i>Courts</i>				
Other	2,330	2,339	1,462	877
<i>District Court service unit</i>				
Other	7,000	9,748	8,987	761
<i>Juvenile and Domestic Relations Court</i>				
Other	37,450	32,661	30,004	2,657
<i>Clerk of the Circuit Court</i>				
Salaries	501,180	503,094	501,807	1,287
Other	187,500	214,157	195,917	18,240
	688,680	717,251	697,724	19,527
<i>City Sheriff</i>				
Salaries	2,768,650	2,802,776	2,804,338	(1,562)
Other	848,850	873,085	865,470	7,615
	3,617,500	3,675,861	3,669,808	6,053
Total courts	4,590,520	4,670,426	4,629,714	40,712
Commonwealth's Attorney				
Salaries	913,340	909,705	909,704	1
Other	326,560	363,482	318,218	45,264
Total Commonwealth's Attorney	1,239,900	1,273,187	1,227,922	45,265
Total judicial administration	5,830,420	5,943,613	5,857,636	85,977
Public Safety				
Law enforcement				
<i>Police</i>				
Salaries	6,226,640	6,555,450	6,140,967	414,483
Other	2,619,290	2,486,637	2,131,000	355,637
Total law enforcement	8,845,930	9,042,087	8,271,967	770,120
Fire and rescue services				
<i>Fire</i>				
Salaries	5,625,100	5,628,806	5,461,957	166,849
Other	1,836,930	2,140,132	2,031,897	108,235
	7,462,030	7,768,938	7,493,854	275,084

GENERAL FUND

SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL (Continued)

Year Ended June 30, 2013

	Original Budget	Final Budget	Actual	Variance
<i>Ambulance and rescue services</i>				
Other	\$ 115,000	\$ 115,000	\$ 113,625	\$ 1,375
Total fire and rescue services	7,577,030	7,883,938	7,607,479	276,459
 Correction and detention				
<i>Juvenile detention</i>				
Salaries	1,748,190	1,787,441	1,582,725	204,716
Other	1,630,250	1,536,063	1,349,557	186,506
	3,378,440	3,323,504	2,932,282	391,222
<i>City Jail</i>				
Salaries	41,690	41,690	34,404	7,286
Other	1,304,680	1,342,303	1,294,821	47,482
	1,346,370	1,383,993	1,329,225	54,768
<i>Adult detention</i>				
Salaries	1,522,300	1,522,300	1,293,532	228,768
Other	1,186,420	1,246,679	1,135,102	111,577
	2,708,720	2,768,979	2,428,634	340,345
Total correction and detention	7,433,530	7,476,476	6,690,141	786,335
 Inspections				
Salaries	476,580	476,580	476,318	262
Other	404,680	475,086	437,570	37,516
Total inspections	881,260	951,666	913,888	37,778
 Other protection				
<i>Animal control</i>				
Other	124,850	135,432	135,429	3
<i>Medical examiner</i>				
Other	1,000	1,000	940	60
<i>Emergency services</i>				
Salaries	27,550	39,582	19,555	20,027
Other	75,870	76,635	50,485	26,150
	103,420	116,217	70,040	46,177
<i>Emergency E-911</i>				
Salaries	803,230	803,230	635,172	168,058
Other	297,340	303,260	245,062	58,198
	1,100,570	1,106,490	880,234	226,256
Total other protection	1,329,840	1,359,139	1,086,643	272,496
Total public safety	26,067,590	26,713,306	24,570,118	2,143,188

GENERAL FUND

SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL (Continued)

Year Ended June 30, 2013

	Original Budget	Final Budget	Actual	Variance
Public Works				
Maintenance of highways, streets, bridges and sidewalks				
<i>Warehouse</i>				
Salaries	\$ 57,300	\$ 59,255	\$ 59,152	\$ 103
Other	47,870	49,213	41,378	7,835
	105,170	108,468	100,530	7,938
<i>Airport</i>				
Salaries	228,580	228,580	219,980	8,600
Other	260,620	262,832	234,898	27,934
	489,200	491,412	454,878	36,534
<i>Amtrak operations</i>				
Other	36,000	36,000	34,724	1,276
<i>Director of public works and engineering</i>				
Salaries	383,200	391,673	391,673	-
Other	182,110	178,246	172,729	5,517
	565,310	569,919	564,402	5,517
<i>Engineering</i>				
Salaries	177,600	186,984	182,298	4,686
Other	57,170	75,977	59,586	16,391
	234,770	262,961	241,884	21,077
<i>Street maintenance</i>				
Salaries	180,580	52,802	52,711	91
Other	288,170	436,451	405,748	30,703
	468,750	489,253	458,459	30,794
<i>Storm drainage</i>				
Salaries	32,210	4,910	4,820	90
Other	30,480	27,158	14,336	12,822
	62,690	32,068	19,156	12,912
<i>Street lighting</i>				
Other	5,000	3,976	176	3,800
<i>Street cleaning</i>				
Salaries	10,750	19,584	19,584	-
Other	123,750	142,742	97,694	45,048
	134,500	162,326	117,278	45,048
Total maintenance of highways, streets, bridges, and sidewalks	2,101,390	2,156,383	1,991,487	164,896

GENERAL FUND

SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL (Continued)

Year Ended June 30, 2013

	Original Budget	Final Budget	Actual	Variance
Maintenance of general buildings and grounds				
<i>Maintenance of buildings and facilities</i>				
Salaries	\$ 155,480	\$ 125,456	\$ 124,334	\$ 1,122
Other	229,440	254,348	210,030	44,318
	384,920	379,804	334,364	45,440
<i>Maintenance of public grounds</i>				
Salaries	83,200	120,626	119,430	1,196
Other	196,880	310,136	306,489	3,647
	280,080	430,762	425,919	4,843
<i>City Beautiful</i>				
Other	10,000	15,063	14,261	802
<i>Municipal building</i>				
Salaries	222,480	226,483	210,446	16,037
Other	278,050	281,365	267,948	13,417
	500,530	507,848	478,394	29,454
<i>Courts and jail building</i>				
Salaries	116,020	117,756	103,269	14,487
Other	332,100	324,463	306,510	17,953
	448,120	442,219	409,779	32,440
<i>Financial services center</i>				
Salaries	10,840	10,663	4,965	5,698
Other	104,170	99,027	85,847	13,180
	115,010	109,690	90,812	18,878
Total maintenance of general buildings and grounds	1,738,660	1,885,386	1,753,529	131,857
Total Public Works	3,840,050	4,041,769	3,745,016	296,753
Health and Welfare				
Health				
Salaries	-	37,821	32,775	5,046
Other	624,810	586,989	579,477	7,512
	624,810	624,810	612,252	12,558
Mental health and mental retardation				
Other	170,940	170,940	170,938	2
Welfare and social services				
<i>Social services bureau</i>				
Salaries	3,362,610	3,353,470	3,050,503	302,967
Other	4,080,350	4,331,219	3,857,910	473,309
	7,442,960	7,684,689	6,908,413	776,276

GENERAL FUND

SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL (Continued)

Year Ended June 30, 2013

	Original Budget	Final Budget	Actual	Variance
<i>Southern Area Agency on Aging</i>				
Other	\$ 5,550	\$ 5,550	\$ 5,549	\$ 1
<i>Child care initiative</i>				
Other	-	9,207	9,206	1
<i>Property tax relief for the elderly</i>				
Other	65,000	69,073	69,075	(2)
Total welfare and social services	7,513,510	7,768,519	6,992,243	776,276
Total Health and Welfare	8,309,260	8,564,269	7,775,433	788,836
Education				
Danville Community College	12,000	12,000	11,931	69
Danville School Board	20,024,860	21,866,632	19,368,214	2,498,418
Total Education	20,036,860	21,878,632	19,380,145	2,498,487
Parks, Recreation, and Cultural				
Parks and Recreation				
<i>Recreation</i>				
Salaries	1,300,940	1,306,505	1,107,407	199,098
Other	859,110	1,070,116	915,897	154,219
	2,160,050	2,376,621	2,023,304	353,317
<i>After school instructional program</i>				
Salaries	119,930	119,203	90,342	28,861
Other	57,200	71,579	58,062	13,517
	177,130	190,782	148,404	42,378
<i>Carrington Pavilion</i>				
Salaries	2,070	2,654	375	2,279
Other	6,890	6,993	6,602	391
	8,960	9,647	6,977	2,670
<i>Recreation buildings - maintenance</i>				
Salaries	96,410	59,221	57,909	1,312
Other	387,830	379,685	339,471	40,214
	484,240	438,906	397,380	41,526

GENERAL FUND

SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL (Continued)

Year Ended June 30, 2013

	Original Budget	Final Budget	Actual	Variance
<i>Recreation grounds - maintenance</i>				
Salaries	\$ 486,850	\$ 482,582	\$ 410,746	\$ 71,836
Other	641,000	623,744	609,159	14,585
	1,127,850	1,106,326	1,019,905	86,421
Total parks and recreation	3,958,230	4,122,282	3,595,970	526,312
Public libraries				
Salaries	606,530	601,432	556,777	44,655
Other	567,600	569,184	557,916	11,268
Total public libraries	1,174,130	1,170,616	1,114,693	55,923
Total Parks, Recreation, and Cultural	5,132,360	5,292,898	4,710,663	582,235
Community Development				
<i>Director of community development</i>				
Salaries	170,510	170,510	157,682	12,828
Other	52,410	56,380	46,233	10,147
	222,920	226,890	203,915	22,975
<i>Economic development</i>				
Salaries	251,170	252,550	232,183	20,367
Other	307,520	336,449	291,438	45,011
	558,690	588,999	523,621	65,378
<i>Housing and development</i>				
Other	25,000	75,920	70,715	5,205
<i>Enterprise zone activities</i>				
Other	247,750	247,750	247,288	462
<i>Planning</i>				
Salaries	148,110	148,110	123,550	24,560
Other	58,430	70,468	50,930	19,538
	206,540	218,578	174,480	44,098
<i>Planning commission</i>				
Other	6,580	12,645	11,435	1,210
West Piedmont Planning District				
Other	24,190	24,064	22,496	1,568
<i>Zoning board</i>				
Salaries	1,050	645	645	-
Other	2,810	1,789	1,663	126
	3,860	2,434	2,308	126

CITY OF DANVILLE, VIRGINIA

Exhibit M

GENERAL FUND

SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL (Continued)

Year Ended June 30, 2013

	Original Budget	Final Budget	Actual	Variance
Total Community Development	\$ 1,295,530	\$ 1,397,280	\$ 1,256,258	\$ 141,022
Nondepartmental				
Employee benefits	6,319,750	6,283,969	6,252,067	31,902
Other	641,400	3,207,243	2,896,138	311,105
Total Nondepartmental	6,961,150	9,491,212	9,148,205	343,007
Debt Service				
Principal	1,649,810	1,650,080	2,990,346	(1,340,266)
Interest	1,173,790	1,173,520	1,340,152	(166,632)
Total debt service	2,823,600	2,823,600	4,330,498	(1,506,898)
Other financing uses				
Payment to refunded bond escrow agent	-	-	6,226,490	(6,226,490)
Transfers out	8,326,180	11,360,180	11,871,753	(511,573)
Total other financing uses	8,326,180	11,360,180	18,098,243	(6,738,063)
Total General Fund expenditures and other financing uses	\$ 96,396,400	\$ 105,734,261	\$ 106,338,104	\$ (603,843)

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
SCHEDULE OF FUNDING PROGRESS - EMPLOYEES' RETIREMENT SYSTEM OF THE
CITY OF DANVILLE AND NOTES TO THE REQUIRED SCHEDULES
Year Ended June 30, 2013

Exhibit N

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Projected Unit Credit (b)	Unfunded AAL (UAAL) (b) - (a)	Funded Ratio (a) , (b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b) - (a)) , (c)
7/1/2013	\$ 176,071,124	\$ 180,257,415	\$ 4,186,291	97.68%	\$ 38,430,014	10.89%
7/1/2012	174,103,211	206,452,918	32,349,707	84.33%	38,206,170	84.67%
7/1/2011	179,553,821	200,232,740	20,678,919	89.67%	37,486,097	55.16%
7/1/2010	178,430,719	199,018,107	20,587,388	89.66%	39,091,589	52.66%
7/1/2009	181,583,002	194,996,863	13,413,861	93.12%	39,431,058	34.02%

Year Ended June 30	Annual Required Contribution	Annual Percentage Contributed
2013	\$ 6,265,421	84.3%
2012	5,393,814	91.4%
2011	5,393,814	91.8%

Notes to the Required Schedules

The information presented in the required supplementary schedules was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation

Valuation date	July 1, 2013
Actuarial cost method	Entry age normal
Amortization method	Level dollar open
Remaining amortization period	30 years
Asset valuation method	Five-year moving average of market value
Actuarial assumptions:	
Investment rate of return	7.00%
Projected salary increase	4.00%
Includes inflation at	2.00%
Cost-of-living adjustment	0.00% effective July 1, 2013; last year assumed 2.00%

CITY OF DANVILLE, VIRGINIA
SCHEDULE OF FUNDING PROGRESS - VIRGINIA RETIREMENT SYSTEM AND
NOTES TO THE REQUIRED SCHEDULES
Year Ended June 30, 2013

Exhibit O

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Projected Unit Credit (b)	Unfunded AAL (UAAL) (b) - (a)	Funded Ratio (a) , (b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b) - (a)) , (c)
6/30/2012	\$ 17,361,147	\$ 22,657,732	\$ 5,296,585	76.62%	\$ 4,502,140	117.65%
6/30/2011	18,045,088	21,956,499	3,911,411	82.19%	4,550,101	85.96%
6/30/2010	18,105,217	21,036,834	2,931,617	86.06%	4,219,265	69.48%
6/30/2009	18,471,983	18,883,767	411,784	97.82%	4,739,581	8.69%
6/30/2008	18,048,580	17,807,585	(240,995)	101.35%	4,533,963	-5.32%

Year Ended June 30	Annual Required Contribution	Annual Percentage Contributed
2013	\$ 599,647	100%
2012	457,618	100%
2011	459,479	100%

Notes to the Required Schedules

The information presented in the required supplementary schedules was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation follows:

Valuation date	June 30, 2012
Actuarial cost method	Entry Age Normal
Amortization method	Level percent of pay open
Remaining amortization period	29 years
Asset valuation method	Five-Year Smoothed Market Value
Actuarial assumptions:	
Investment rate of return	7.00%
Inflation assumption	2.50%
Projected Salary Increases	3.5% - 4.75%
Cost-of-living adjustment:	
Vested Plan Members	2.50%
Other Plan Members	2.25%

CITY OF DANVILLE, VIRGINIA
SCHEDULE OF FUNDING PROGRESS - OTHER POSTEMPLOYMENT BENEFITS
AND NOTES TO THE REQUIRED SCHEDULES
Year Ended June 30, 2013

Exhibit P

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Projected Unit Credit (b)	Unfunded AAL (UAAL) (b) - (a)	Funded Ratio (a) , (b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b) - (a)) , (c)
7/1/2012	\$ 1,486,594	\$ 2,233,125	\$ 746,531	66.57%	\$ 39,495,865	1.89%
7/1/2011	-	2,645,165	2,645,165	0.00%	46,447,604	5.69%
7/1/2010	-	2,790,043	2,790,043	0.00%	46,658,152	5.98%
7/1/2009	-	3,873,533	3,873,533	0.00%	46,559,196	8.32%

Year Ended June 30	Annual Required Contribution	Annual Percentage Contributed
2013	\$ 82,108	100%
2012	82,108	100%
2011	255,892	100%

Notes to the Required Schedules

The information presented in the required supplementary schedules was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation follows:

Valuation date	July 1, 2012
Actuarial method	Projected Unit Credit Method
Amortization method	Level percent of pay
Amortization period	Open period of 30 years
Actuarial assumptions:	
Discount rate	7.5%

CITY OF DANVILLE, VIRGINIA

Other Supplementary Information

For the Year Ended June 30, 2013

CITY OF DANVILLE, VIRGINIA

Combining Statements

Nonmajor Governmental Funds

For the Year Ended June 30, 2013

- ❖ Special Revenue Funds - used to account for specific revenues that are legally restricted to expenditures for specified purposes.
- ❖ Virginia Department of Transportation Fund (VDOT) - is a special revenue fund that accounts for revenue derived from the Virginia Department of Transportation. These revenues are legally restricted for qualifying expenditures related to street and bridge design, construction, safety, and maintenance.
- ❖ 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.
- ❖ Economic Development Fund - The Economic Development Fund accounts for the financial resources used for the growth and development of a diversified economic base in the City through state, federal, and local grants.

CITY OF DANVILLE, VIRGINIA
BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS
June 30, 2013

Schedule 1

	Special Revenue	VDOT	Cemetery Maintenance	Economic Development	Total
ASSETS					
Cash and investments	\$ 929,692	\$ 1,937,725	\$ 2,708,917	\$ 2,649,962	\$ 8,226,296
Receivables - net	19,516	-	-	-	19,516
Due from other governments	762,628	-	-	-	762,628
Total assets	\$ 1,711,836	\$ 1,937,725	\$ 2,708,917	\$ 2,649,962	\$ 9,008,440
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts payable	\$ 258,315	\$ 462,769	\$ -	\$ -	\$ 721,084
Deferred revenue	19,516	-	-	-	19,516
Total liabilities	277,831	462,769	-	-	740,600
FUND BALANCES					
Nonspendable:					
Cemetery maintenance	-	-	2,708,917	-	2,708,917
Restricted:					
Special revenue	1,434,005	1,474,956	-	2,649,962	5,558,923
Total fund balances	1,434,005	1,474,956	2,708,917	2,649,962	8,267,840
Total liabilities and fund balances	\$ 1,711,836	\$ 1,937,725	\$ 2,708,917	\$ 2,649,962	\$ 9,008,440

CITY OF DANVILLE, VIRGINIA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE-
NONMAJOR GOVERNMENTAL FUNDS
Year Ended June 30, 2013

Schedule 2

	Special Revenue	VDOT	Cemetery Maintenance	Economic Development	Total
REVENUES					
Miscellaneous	\$ 435,291	\$ -	\$ 26,395	\$ -	\$ 461,686
Intergovernmental	3,413,886	9,380,064	-	3,563,268	16,357,218
Total revenues	3,849,177	9,380,064	26,395	3,563,268	16,818,904
EXPENDITURES					
General government	-	-	-	8,429,005	8,429,005
Judicial administration	116,230	-	-	-	116,230
Public safety	665,829	-	-	-	665,829
Public works	38,968	8,416,681	-	-	8,455,649
Health and welfare	3,611,977	-	-	-	3,611,977
Parks, recreation, and cultural	577,921	-	-	-	577,921
Community Development	13,860	-	-	-	13,860
Total expenditures	5,024,785	8,416,681	-	8,429,005	21,870,471
Excess (deficiency) of revenues over (under) expenditures	(1,175,608)	963,383	26,395	(4,865,737)	(5,051,567)
OTHER FINANCING SOURCES					
Transfers in	1,500,000	511,573	-	7,617,044	9,628,617
Transfers out	-	-	-	(101,345)	(101,345)
Total other financing sources	1,500,000	511,573	-	7,515,699	9,527,272
Net change in fund balances	324,392	1,474,956	26,395	2,649,962	4,475,705
Fund balances - beginning of year	1,109,613	-	2,682,522	-	3,792,135
Fund balances - end of year	\$ 1,434,005	\$ 1,474,956	\$ 2,708,917	\$ 2,649,962	\$ 8,267,840

CITY OF DANVILLE, VIRGINIA

Combining Statements

Nonmajor Enterprise Funds

For the Year Ended June 30, 2013

- ❖ 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.

CITY OF DANVILLE, VIRGINIA
COMBINING BALANCE SHEET - NONMAJOR ENTERPRISE FUNDS
June 30, 2013

Schedule 3

	Transportation	Sanitation	Cemetery Operations	Telecommunications	Total
ASSETS					
Current assets					
Cash and investments	\$ -	\$ 728,011	\$ 235,729	\$ 1,045,139	\$ 2,008,879
Receivables - net	791	131,298	-	42,475	174,564
Due from other governments	867,853	-	-	-	867,853
Inventory	-	-	-	319,648	319,648
Total current assets	868,644	859,309	235,729	1,407,262	3,370,944
Noncurrent assets					
Cash and investments - restricted	-	-	-	44,839	44,839
Capital assets:					
Land and improvements	-	509,232	-	-	509,232
Construction in progress	-	-	-	735,161	735,161
Buildings, structures, and improvements	1,866,520	1,601,809	-	-	3,468,329
Equipment	3,442,485	257,147	-	5,535,024	9,234,656
Less - accumulated depreciation	(1,679,915)	(1,678,867)	-	(1,079,168)	(4,437,950)
Total noncurrent assets - net	3,629,090	689,321	-	5,235,856	9,554,267
Total assets	\$ 4,497,734	\$ 1,548,630	\$ 235,729	\$ 6,643,118	\$ 12,925,211
LIABILITIES					
Current liabilities					
Accounts payable	\$ 28,711	\$ 69,466	\$ 866	\$ 38,767	\$ 137,810
Accrued interest	12	234	-	-	246
Due to other funds	406,415	-	-	-	406,415
Long-term liabilities - due within one year	25,564	70,454	20,654	8,056	124,728
Total current liabilities	460,702	140,154	21,520	46,823	669,199
Long-term liabilities - due in more than one year	584	11,635	-	-	12,219
Pension liability	30,258	(57,392)	45,872	16,925	35,663
Total noncurrent liabilities	30,842	(45,757)	45,872	16,925	47,882
Total liabilities	491,544	94,397	67,392	63,748	717,081
NET POSITION					
Invested in capital assets - net of related debt	3,628,427	676,124	-	5,191,017	9,495,568
Restricted - capital projects	1,649	-	-	44,839	46,488
Unrestricted	376,114	778,109	168,337	1,343,514	2,666,074
Total net position	\$ 4,006,190	\$ 1,454,233	\$ 168,337	\$ 6,579,370	\$ 12,208,130

CITY OF DANVILLE, VIRGINIA
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN
FUND NET POSITION - NONMAJOR ENTERPRISE FUNDS
Year Ended June 30, 2013

Schedule 4

	Transportation	Sanitation	Cemetery Operations	Telecommunications	Total
OPERATING REVENUES					
Charges for services	\$ 311,647	\$ 3,613,357	\$ 550,313	\$ 1,499,794	\$ 5,975,111
OPERATING EXPENSES					
Services	1,465,968	3,382,964	867,864	698,718	6,415,514
Depreciation	341,399	13,753	-	235,424	590,576
Total operating expenses	1,807,367	3,396,717	867,864	934,142	7,006,090
Operating income (loss)	(1,495,720)	216,640	(317,551)	565,652	(1,030,979)
NONOPERATING REVENUES (EXPENSES)					
Sales income	7,950	-	117,716	-	125,666
Jobbing income	-	-	-	69,064	69,064
Rental income	26,552	39,720	-	-	66,272
Recovered cost	44,104	3,467	187,761	-	235,332
Gain on sale of assets	642	-	-	10,057	10,699
Federal and state grants	1,390,628	-	-	-	1,390,628
In-kind contributions	275,800	-	-	-	275,800
Interest income	296	6,077	23,631	8,560	38,564
Interest expense	(55)	(1,096)	-	-	(1,151)
Total nonoperating revenues	1,745,917	48,168	329,108	87,681	2,210,874
Income before transfers and capital contributions	250,197	264,808	11,557	653,333	1,179,895
Transfers and capital contributions					
Transfer in from other funds	147,337	-	-	-	147,337
Transfer out to general fund	-	-	-	(302,000)	(302,000)
Total transfers and capital contributions	147,337	-	-	(302,000)	(154,663)
Change in net position	397,534	264,808	11,557	351,333	1,025,232
Net position - beginning of year	3,608,656	1,189,425	156,780	6,228,037	11,182,898
Net position - end of year	\$ 4,006,190	\$ 1,454,233	\$ 168,337	\$ 6,579,370	\$ 12,208,130

CITY OF DANVILLE, VIRGINIA

Schedule 5

COMBINING STATEMENT OF CASH FLOWS - NONMAJOR ENTERPRISE FUNDS

Year Ended June 30, 2013

	Transportation	Sanitation	Cemetery Operations	Telecommunications	Total
Cash flows from operating activities					
Received from customers	\$ 478,963	\$ 3,605,809	\$ 735,353	\$ 1,433,926	\$ 6,254,051
Payments to suppliers for goods and services	(537,830)	(1,658,688)	(245,683)	(457,921)	(2,900,122)
Payments to employees for services	(790,436)	(1,257,308)	(523,865)	(242,699)	(2,814,308)
Payments to internal service funds for goods and services	(4,500)	(457,266)	(89,912)	-	(551,678)
Net cash provided (used) by operating activities	(853,803)	232,547	(124,107)	733,306	(12,057)
Cash flows from noncapital financing activities					
Transfers from other funds	147,337	-	-	-	147,337
Transfers to other funds	-	-	-	(302,000)	(302,000)
Increase in due to other funds	406,415	-	-	-	406,415
Operating grants received	1,300,474	-	-	-	1,300,474
Net cash provided (used) by noncapital financing activities	1,854,226	-	-	(302,000)	1,552,226
Cash flows from capital and related financing activities					
Acquisition of capital assets	(1,048,215)	(13,000)	-	(707,250)	(1,768,465)
Principal payments on long-term debt	(55)	(1,084)	-	-	(1,139)
Interest payments on long-term debt	(56)	(1,117)	-	-	(1,173)
Proceeds from sale of capital assets	27,530	-	-	10,057	37,587
Nonoperating revenue (expense)	(56,891)	43,186	120,436	69,064	175,795
Contributed capital	142,842	-	-	-	142,842
Net cash provided (used) by capital and related financing activities	(934,845)	27,985	120,436	(628,129)	(1,414,553)
Cash flows from investing activities					
Interest on investments	296	13,369	51,991	18,834	84,490
Net activity in investment securities	19	(6,921)	(28,360)	(10,274)	(45,536)
Net cash provided by investing activities	315	6,448	23,631	8,560	38,954
Net increase (decrease) in cash and investments	65,893	266,980	19,960	(188,263)	164,570
Cash and investments - beginning of year	(65,893)	461,031	215,769	1,278,241	1,889,148
Cash and investments - end of year	\$ -	\$ 728,011	\$ 235,729	\$ 1,089,978	\$ 2,053,718
Reconciliation of operating income (loss) to net cash from operating activities					
Operating income (loss)	\$ (1,495,720)	\$ 216,640	\$ (317,551)	\$ 565,652	\$ (1,030,979)
Adjustments:					
Depreciation charged to operations	341,399	13,753	-	235,424	590,576
In-kind contributions	275,800	-	185,041	-	460,841
Change in noncash employee benefits charged to operations	14,059	21,020	11,446	6,647	53,172
Changes in assets and liabilities:					
Decrease in receivables	(41)	(7,550)	-	(23,725)	(31,316)
Increase in inventory	-	-	-	10,162	10,162
(Increase) decrease in accounts payable	10,700	(11,316)	(3,043)	(60,854)	(64,513)
Net cash provided (used) by operating activities	\$ (853,803)	\$ 232,547	\$ (124,107)	\$ 733,306	\$ (12,057)
Supplemental disclosure of noncash investing, capital, and financing activities:					
Decrease in fair value of investments	\$ 355	\$ 7,292	\$ -	\$ 10,274	\$ 17,921

CITY OF DANVILLE, VIRGINIA

Combining Statements

Internal Service Funds

For the Year Ended June 30, 2013

- ❖ 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.

CITY OF DANVILLE, VIRGINIA
COMBINING STATEMENT OF NET POSITION - INTERNAL SERVICE FUNDS
June 30, 2013

Schedule 6

	Motorized Equipment	Central Services	Insurance	Total
ASSETS				
Current assets				
Cash and investments	\$ 77,221	\$ -	\$ 4,722,599	\$ 4,799,820
Cash and investments - held by fiscal agent	-	-	60,000	60,000
Receivables - net	-	1,071	-	1,071
Inventories	-	126,604	-	126,604
Total current assets	77,221	127,675	4,782,599	4,987,495
Noncurrent assets				
Capital assets:				
Equipment	10,952,781	304,534	-	11,257,315
Less - accumulated depreciation	(8,646,143)	(279,500)	-	(8,925,643)
Total noncurrent assets	2,306,638	25,034	-	2,331,672
Total assets	\$ 2,383,859	\$ 152,709	\$ 4,782,599	\$ 7,319,167
LIABILITIES				
Current liabilities				
Accounts payable	\$ 48,268	\$ 16,509	\$ 26,081	\$ 90,858
Accrued interest	382	-	-	382
Due to other funds	-	59,002	-	59,002
Long-term liabilities - due within one year	26,202	1,892	-	28,094
Total current liabilities	74,852	77,403	26,081	178,336
Noncurrent liabilities				
Long-term liabilities - due in more than one year	21,558	-	-	21,558
Pension liability	8,953	912	-	9,865
Total noncurrent liabilities	30,511	912	-	31,423
Total liabilities	105,363	78,315	26,081	209,759
NET POSITION				
Net investment in capital assets - net of related debt	2,285,080	25,034	-	2,310,114
Unrestricted	(6,584)	49,360	4,756,518	4,799,294
Total net position	\$ 2,278,496	\$ 74,394	\$ 4,756,518	\$ 7,109,408

CITY OF DANVILLE, VIRGINIA
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND
NET POSITION - INTERNAL SERVICE FUNDS
Year Ended June 30, 2013

Schedule 7

	Motorized Equipment	Central Services	Insurance	Total
OPERATING REVENUES				
Charges for services	\$ 3,006,940	\$ 298,049	\$ 2,323,772	\$ 5,628,761
OPERATING EXPENSES				
Operations	2,563,253	277,643	2,323,772	5,164,668
Depreciation	570,373	14,503	-	584,876
Total operating expenses	3,133,626	292,146	2,323,772	5,749,544
Operating income (loss)	(126,686)	5,903	-	(120,783)
NONOPERATING REVENUES (EXPENSES)				
Gain on sale of capital assets	149,916	-	-	149,916
Recoveries and rebates	3,360	-	-	3,360
Interest income	673	-	34,291	34,964
Interest expense	(1,790)	-	-	(1,790)
Total nonoperating revenues	152,159	-	34,291	186,450
Income before transfers	25,473	5,903	34,291	65,667
Operating Transfers				
Transfers from other funds	6,824	-	-	6,824
Transfers to other funds	-	-	(6,824)	(6,824)
Change in net position	32,297	5,903	27,467	65,667
Net position - beginning of year	2,246,199	68,491	4,729,051	7,043,741
Net position - end of year	\$ 2,278,496	\$ 74,394	\$ 4,756,518	\$ 7,109,408

CITY OF DANVILLE, VIRGINIA
COMBINING STATEMENT OF CASH FLOWS - INTERNAL SERVICE FUNDS
Year Ended June 30, 2013

Schedule 8

	Motorized Equipment	Central Services	Insurance	Total
Cash flows from operating activities				
Received from customers	\$ 3,006,937	\$ 300,638	\$ 2,323,773	\$ 5,631,348
Payments to suppliers for goods and services	(1,280,550)	(202,050)	(2,339,008)	(3,821,608)
Payments to employees for services	(1,172,245)	(91,581)	-	(1,263,826)
Payments to internal service funds for goods and services	(82,797)	(7,007)	-	(89,804)
Net cash provided (used) by operating activities	471,345	-	(15,235)	456,110
Cash flows from capital and related financing activities				
Acquisition of capital assets	(1,240,651)	-	-	(1,240,651)
Principal payments on long-term debt	(1,771)	-	-	(1,771)
Interest payments on long-term debt	(1,824)	-	-	(1,824)
Proceeds from sale of capital assets	768,642	-	-	768,642
Nonoperating revenue	3,360	-	-	3,360
Net contributed capital	6,824	-	(6,824)	-
Net cash used by capital and related financing activities	(465,420)	-	(6,824)	(472,244)
Cash flows from investing activities				
Interest on investments	-	-	75,443	75,443
Net activity in investments	1,279	-	(41,153)	(39,874)
Net cash provided by investing activities	1,279	-	34,290	35,569
Net increase in cash and investments	7,204	-	12,231	19,435
Cash and investments - beginning of year	70,017	-	4,770,368	4,840,385
Cash and investments - end of year	\$ 77,221	\$ -	\$ 4,782,599	\$ 4,859,820
Reconciliation of operating income (loss) to net cash from operating activities				
Operating income (loss)	\$ (126,686)	\$ 5,903	\$ -	\$ (120,783)
Adjustments:				
Depreciation charged to operations	570,373	14,503	-	584,876
Change in noncash employee benefits charged to operations	12,275	1,252	-	13,527
Changes in assets and liabilities:				
Decrease in accounts receivable	-	2,589	-	2,589
Increase in inventories	-	(3,105)	-	(3,105)
Increase (decrease) in accounts payable	15,383	(21,142)	(15,235)	(20,994)
Net cash provided (used) by operating activities	471,345	-	(15,235)	456,110
Supplemental disclosure of noncash investing, capital and financing activities:				
Decrease in fair value of investments	\$ 808	\$ -	\$ 41,153	\$ 41,961

CITY OF DANVILLE, VIRGINIA

Combining Statements

Agency Funds

For the Year Ended June 30, 2013

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

CITY OF DANVILLE, VIRGINIA
SCHEDULES OF CHANGES IN ASSETS AND LIABILITIES - VETERANS MEMORIAL FUND
Year Ended June 30, 2013

Schedule 9

	Balance June 30, 2012	Additions	Deductions	Balance June 30, 2013
Assets				
Cash	\$ 8,054	\$ -	\$ 2,040	\$ 6,014
Liabilities				
Accounts payable	\$ 8,054	\$ -	\$ 2,040	\$ 6,014

CITY OF DANVILLE, VIRGINIA

Statistical Section

For the Year Ended June 30, 2013

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 say about the government's overall financial health.

CONTENTS	<u>Page</u>
Financial Trends	141
<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>	
Revenue Capacity	144
<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>	
Debt Capacity	152
<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>	
Demographic and Economic Information	156
<i>These schedules offer demographic and economic indicators to help the reader understand the environment within the government's financial activities take place.</i>	
Operating Information	158
<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>	

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 POSITION BY COMPONENT
LAST TEN FISCAL YEARS**

Table 1

	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Governmental activities										
Invested in capital assets, net of related debt	\$ 20,589,644	\$ 21,592,954	\$ 24,811,422	\$ 28,858,705	\$ 29,933,932	\$ 37,094,092	\$ 43,276,891	\$ 42,918,073	\$ 43,916,141	\$ 46,886,692
Restricted	6,153,666	6,573,688	8,602,821	10,031,903	8,229,657	10,207,310	10,668,601	15,329,590	15,892,978	20,156,434
Unrestricted	39,360,575	38,433,286	40,651,729	47,172,244	50,143,933	46,202,951	48,669,847	52,970,198	53,538,232	57,157,186
Total governmental activities net position	<u>\$ 66,103,885</u>	<u>\$ 66,599,928</u>	<u>\$ 74,065,972</u>	<u>\$ 86,062,852</u>	<u>\$ 88,307,522</u>	<u>\$ 93,504,353</u>	<u>\$102,615,339</u>	<u>\$111,217,861</u>	<u>\$113,347,351</u>	<u>\$124,200,312</u>
Business-type activities										
Invested in capital assets, net of related debt	\$141,102,057	\$158,570,378	\$162,072,054	\$172,325,000	\$189,153,872	\$190,621,794	\$197,322,894	\$205,342,317	\$215,409,229	\$219,427,254
Restricted	9,419,436	14,528,018	26,205,121	29,047,292	30,889,610	42,001,357	36,946,909	39,376,676	35,662,658	35,290,538
Unrestricted	48,615,924	35,172,773	30,425,855	34,299,631	32,524,963	34,605,909	47,102,049	49,019,935	50,668,344	51,252,937
Total business-type activities net position	<u>\$199,137,417</u>	<u>\$208,271,169</u>	<u>\$218,703,030</u>	<u>\$235,671,923</u>	<u>\$252,568,445</u>	<u>\$267,229,060</u>	<u>\$281,371,852</u>	<u>\$293,738,928</u>	<u>\$301,740,231</u>	<u>\$305,970,729</u>
Primary government										
Invested in capital assets, net of related debt	\$161,691,701	\$180,163,332	\$186,883,476	\$201,183,705	\$219,087,804	\$227,715,886	\$240,599,785	\$248,260,390	\$259,325,370	\$266,313,946
Restricted	15,573,102	21,101,706	34,807,942	39,079,195	39,119,267	52,208,667	47,615,510	54,706,266	51,555,636	55,446,972
Unrestricted	87,976,499	73,606,059	71,077,584	81,471,875	82,668,896	80,808,860	95,771,896	101,990,133	104,206,576	108,410,123
Total primary government net position	<u>\$265,241,302</u>	<u>\$274,871,097</u>	<u>\$292,769,002</u>	<u>\$321,734,775</u>	<u>\$340,875,967</u>	<u>\$360,733,413</u>	<u>\$383,987,191</u>	<u>\$404,956,789</u>	<u>\$415,087,582</u>	<u>\$430,171,041</u>

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

Table 2

	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Expenses										
Governmental activities:										
General government	\$ 11,208,242	\$ 11,563,702	\$ 10,706,147	\$ 10,978,148	\$ 16,703,620	\$ 17,366,229	\$ 11,190,407	\$ 11,513,535	\$ 26,522,291	\$ 27,448,521
Judicial administration	4,232,325	4,506,834	4,803,342	5,218,767	4,853,835	4,680,120	4,677,118	4,895,286	5,349,323	6,115,877
Public safety	20,971,031	23,709,019	25,172,041	24,929,011	25,809,136	27,871,098	27,905,805	27,211,372	27,119,838	29,449,843
Public works	10,129,695	12,961,903	11,832,496	10,844,833	12,423,465	18,044,882	13,746,621	10,468,862	12,690,486	10,251,460
Health and welfare	10,589,382	10,751,310	12,285,520	12,844,409	13,743,677	14,011,832	13,662,743	12,236,155	11,614,813	11,413,162
Parks, recreation, cultural	5,621,196	5,456,588	5,009,150	5,367,886	5,666,299	5,834,463	5,831,486	6,227,105	5,235,582	5,573,523
Community development	7,893,504	7,893,276	7,392,661	11,796,198	4,133,310	4,127,674	4,429,763	3,862,302	4,715,326	3,395,882
Education	23,598,363	17,932,956	20,143,175	16,903,673	22,343,504	19,762,967	21,190,425	29,939,742	21,382,291	21,303,585
Interest on long-term debt	2,461,084	1,886,516	1,665,956	1,617,511	6,732,839	6,988,805	6,447,064	12,513,650	7,235,159	1,339,765
Nondepartmental	672,598	3,861,787	-	-	-	-	-	-	-	-
Total governmental activities expenses	<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>	<u>118,868,009</u>	<u>121,865,109</u>	<u>116,291,618</u>
Business-type activities:										
Wastewater	6,304,213	6,162,912	6,464,670	6,561,949	6,975,203	6,696,533	6,912,126	6,954,269	6,761,973	6,411,408
Water	4,204,395	4,545,575	4,598,119	4,739,464	5,035,842	5,299,264	5,676,850	5,407,252	5,541,327	5,562,611
Gas	22,667,165	22,305,387	31,008,668	23,320,491	28,436,785	29,694,406	21,633,916	20,911,099	17,955,882	19,464,631
Electric	40,030,479	41,008,206	61,160,771	72,817,037	75,313,686	84,712,087	92,884,951	95,215,780	89,185,930	89,532,367
Nonmajor	4,488,681	4,901,655	5,393,641	5,836,847	6,313,481	6,586,104	6,711,765	6,787,829	7,085,616	7,007,241
Total business-type activities expenses	<u>77,694,933</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>133,819,608</u>	<u>135,276,229</u>	<u>126,530,728</u>	<u>127,978,258</u>
Total primary government expenses	<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>	<u>\$ 254,144,238</u>	<u>\$ 248,395,837</u>	<u>\$ 244,269,876</u>
Program Revenues										
Governmental activities:										
Charges for services:										
General government	\$ 4,853,085	\$ 5,000,863	\$ 5,103,657	\$ 5,685,591	\$ 5,727,677	\$ 6,071,953	\$ 6,838,951	\$ 6,171,322	\$ 313,908	\$ 1,015,444
Judicial administration	549,137	487,228	576,841	1,489,794	618,268	652,091	717,847	1,044,237	3,592,835	3,004,455
Public safety	191,826	242,548	219,838	231,309	312,503	201,788	253,638	223,330	182,461	217,675
Public works	224,905	-	-	-	-	-	-	-	-	-
Health and welfare	-	-	-	-	-	-	-	-	-	-
Parks, recreation, cultural	220,943	213,037	202,418	210,182	224,462	232,848	310,103	68,083	23,218	31,155
Community development	-	-	-	-	83,151	-	-	-	-	-
Education	-	-	-	-	-	-	-	-	-	-
Operating grants and contributions	30,964,009	32,700,459	36,552,849	38,205,373	41,172,782	43,012,678	39,784,055	39,799,066	41,329,002	45,271,317
Capital grants and contributions	4,807,968	2,905,657	1,596,539	4,055,930	2,139,975	6,580,922	5,887,846	4,654,262	8,702,174	7,927,634
Total governmental activities program revenues	<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>	<u>51,960,300</u>	<u>54,143,598</u>	<u>57,467,680</u>
Business-type activities:										
Charges for services:										
Wastewater	6,918,502	6,059,995	7,528,176	7,805,221	8,362,522	9,306,293	9,511,518	9,812,296	9,862,984	9,373,746
Water	5,223,867	5,075,326	6,117,848	7,012,772	7,142,932	6,930,045	6,480,696	6,230,140	5,897,749	5,714,753
Gas	25,999,471	25,211,996	33,414,367	26,290,132	32,949,771	32,501,486	27,060,176	24,700,569	21,475,496	23,474,585
Electric	55,491,259	53,740,565	72,751,817	88,910,376	90,181,855	98,949,812	106,248,337	109,022,347	102,304,323	100,176,098
Nonmajor	3,208,290	3,568,492	5,433,299	5,602,965	5,719,119	5,782,975	5,731,883	5,857,175	6,103,392	5,975,111
Operating grants and contributions	-	299,476	500,546	355,921	405,673	500,537	826,340	2,101,602	1,584,669	1,390,628
Capital grants and contributions	1,065,942	1,074,434	3,333,743	1,741,248	2,735,406	2,317,309	1,524,609	1,511,920	226,283	318,635
Total business-type activities program revenues	<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>156,288,457</u>	<u>157,383,559</u>	<u>159,236,049</u>	<u>147,454,896</u>	<u>146,423,556</u>
Total primary government program revenues	<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>	<u>\$ 211,196,349</u>	<u>\$ 201,598,494</u>	<u>\$ 203,891,236</u>

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

**Table 2
(Continued)**

	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Net (expense) revenue										
Governmental activities	\$ (55,565,547)	\$ (58,974,099)	\$ (54,758,346)	\$ (50,622,257)	\$ (62,130,867)	\$ (61,935,790)	\$ (55,288,992)	\$ (66,907,709)	\$ (67,721,511)	\$ (58,823,938)
Business-type activities	20,212,398	16,106,549	20,453,927	24,442,847	25,422,281	23,300,063	23,563,951	23,959,820	20,924,168	18,445,298
Total primary government net expense	<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>	<u>\$ (42,947,889)</u>	<u>\$ (46,797,343)</u>	<u>\$ (40,378,640)</u>
General Revenues and Other Changes in Net Position										
Governmental activities:										
Taxes										
Property taxes	\$ 23,289,443	\$ 24,540,038	\$ 25,453,656	\$ 25,930,246	\$ 26,590,389	\$ 26,487,289	\$ 26,464,571	\$ 25,869,256	\$ 26,720,274	\$ 26,758,831
Sales taxes	6,767,056	6,941,295	7,326,695	7,598,276	8,071,419	7,800,856	7,662,498	7,745,308	8,109,198	8,101,954
Business licenses	3,597,621	3,777,830	4,889,518	4,572,218	4,989,707	4,474,854	4,419,042	4,677,012	4,704,465	5,512,860
Utility taxes	3,896,209	4,237,844	4,246,590	2,654,769	994,536	1,013,694	985,162	997,935	972,637	984,613
Hotel and meals taxes	4,196,327	4,334,822	4,499,854	5,165,368	5,495,291	5,488,960	6,629,741	7,008,520	7,335,791	7,595,830
Recordation and bank stock taxes	895,694	982,914	1,109,217	946,397	948,038	862,181	978,498	957,247	901,985	870,757
Auto license and recordation taxes	1,005,918	983,762	895,776	1,034,967	1,047,044	1,055,948	1,159,830	1,095,474	1,086,443	1,090,372
Investment income	104,591	758,666	701,529	885,861	1,626,835	1,327,296	683,469	591,487	986,545	521,402
Miscellaneous	3,297,463	3,183,697	775,157	1,047,591	1,235,600	5,260,403	2,044,711	11,461,568	2,602,443	1,005,617
Transfers	10,529,984	10,405,773	12,326,398	12,783,444	13,376,678	13,361,140	13,372,456	13,411,864	16,431,220	17,234,663
Total governmental activities	<u>57,580,306</u>	<u>60,146,641</u>	<u>62,224,390</u>	<u>62,619,137</u>	<u>64,375,537</u>	<u>67,132,621</u>	<u>64,399,978</u>	<u>73,815,671</u>	<u>69,851,001</u>	<u>69,676,899</u>
Business-type activities:										
Investment income	78,404	1,471,314	1,481,092	3,452,939	2,610,753	2,023,614	1,440,386	1,373,048	1,954,386	874,230
Miscellaneous	858,612	1,961,662	823,241	1,856,551	2,240,166	2,698,079	2,510,911	446,072	1,553,969	2,145,633
Transfers	(10,529,984)	(10,405,773)	(12,326,398)	(12,783,444)	(13,376,678)	(13,361,141)	(13,372,456)	(13,411,864)	(16,431,220)	(17,234,663)
Total business-type activities	<u>(9,592,968)</u>	<u>(6,972,797)</u>	<u>(10,022,065)</u>	<u>(7,473,954)</u>	<u>(8,525,759)</u>	<u>(8,639,448)</u>	<u>(9,421,159)</u>	<u>(11,592,744)</u>	<u>(12,922,865)</u>	<u>(14,214,800)</u>
Total primary government	<u>\$ 47,987,338</u>	<u>\$ 53,173,844</u>	<u>\$ 52,202,325</u>	<u>\$ 55,145,183</u>	<u>\$ 55,849,778</u>	<u>\$ 58,493,173</u>	<u>\$ 54,978,819</u>	<u>\$ 62,222,927</u>	<u>\$ 56,928,136</u>	<u>\$ 55,462,099</u>
Change in Net Position										
Governmental activities	\$ 2,014,759	\$ 1,172,542	\$ 7,466,044	\$ 11,996,880	\$ 2,244,670	\$ 5,196,831	\$ 9,110,986	\$ 6,907,962	\$ 2,129,490	\$ 10,852,961
Business-type activities	10,619,430	9,133,752	10,431,862	16,968,893	16,896,522	14,660,615	14,142,792	12,367,076	8,001,303	4,230,498
Total primary government	<u>\$ 12,634,189</u>	<u>\$ 10,306,294</u>	<u>\$ 17,897,906</u>	<u>\$ 28,965,773</u>	<u>\$ 19,141,192</u>	<u>\$ 19,857,446</u>	<u>\$ 23,253,778</u>	<u>\$ 19,275,038</u>	<u>\$ 10,130,793</u>	<u>\$ 15,083,459</u>

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

Table 3

Fiscal Year	Property Taxes	Other Local Taxes					Auto License & Recordation Taxes		Grand Total
		Sales Taxes	Business License Taxes	Utility Taxes	Hotel & Meals Taxes	Recordation & Bank Stock Taxes			
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
2011	25,869,256	7,745,308	4,677,012	997,935	7,008,520	957,247	1,095,474	22,481,496	48,350,752
2012	26,720,274	8,109,198	4,704,465	972,637	7,335,791	901,985	1,086,443	23,110,519	49,830,793
2013	26,758,831	8,101,954	5,512,860	984,613	7,595,830	870,757	1,090,372	24,156,386	50,915,217

CITY OF DANVILLE, VIRGINIA
FUND BALANCES OF GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(Modified Accrual Basis of Accounting)

Table 4

	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
General Fund										
Nonspendable/Restricted/Committed/										
Assigned	\$ 2,476,902	\$ 3,851,704	\$ 5,526,954	\$ 7,242,459	\$ 8,568,727	\$ 9,436,920	\$ 9,872,609	\$ 7,721,548	\$ 6,473,442	\$ 7,103,594
Unassigned	21,001,767	20,393,893	24,843,213	26,731,939	27,812,317	24,728,115	26,107,235	30,350,466	30,690,145	29,013,386
Total general fund	<u>\$23,478,669</u>	<u>\$ 24,245,597</u>	<u>\$ 30,370,167</u>	<u>\$ 33,974,398</u>	<u>\$ 36,381,044</u>	<u>\$ 34,165,035</u>	<u>\$ 35,979,844</u>	<u>\$ 38,072,014</u>	<u>\$ 37,163,587</u>	<u>\$ 36,116,980</u>
All other governmental funds										
Nonspendable/Restricted/Committed										
Community Development	\$ 1,280,935	\$ 1,128,246	\$ 968,016	\$ 662,725	\$ 510,543	\$ 470,193	\$ 439,347	\$ 264,537	\$ 55,793	\$ 25,623
Nonspendable/Restricted/Committed										
Capital Projects	3,221,109	3,533,438	3,212,561	4,931,135	4,479,245	6,479,604	6,934,477	12,422,706	13,154,663	17,421,894
Restricted - Special Revenue	298,213	2,430,437	691,607	602,405	704,385	652,711	691,804	1,145,379	1,109,613	1,434,005
Restricted - VDOT	-	-	-	-	-	-	-	-	-	1,474,956
Restricted - Economic Development	-	-	-	-	-	-	-	-	-	2,649,962
Nonspendable - Cemetery Maintenance	2,430,437	517,233	2,475,562	2,504,847	2,541,972	2,569,222	2,606,597	2,642,347	2,682,522	2,708,917
Total all other governmental funds	<u>\$ 7,230,694</u>	<u>\$ 7,609,354</u>	<u>\$ 7,347,746</u>	<u>\$ 8,701,112</u>	<u>\$ 8,236,145</u>	<u>\$ 10,171,730</u>	<u>\$ 10,672,225</u>	<u>\$ 16,474,969</u>	<u>\$ 17,002,591</u>	<u>\$ 25,715,357</u>

CITY OF DANVILLE, VIRGINIA
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(Modified Accrual Basis of Accounting)

Table 5

	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Revenues										
Property taxes	\$ 23,289,443	\$ 24,540,038	\$ 25,453,656	\$ 25,930,246	\$ 26,556,332	\$ 27,085,091	\$ 26,898,585	\$ 26,150,093	\$ 27,284,133	\$ 27,848,904
Local taxes	20,358,825	21,258,467	22,963,374	21,971,995	21,546,035	20,696,492	21,834,771	22,481,496	23,110,519	23,413,891
Fines and forfeitures	487,400	430,796	505,328	541,399	560,327	564,204	614,983	597,250	589,063	539,186
Permits, privilege fees, and regulatory licenses	189,405	239,617	219,668	235,358	270,052	170,178	225,791	210,694	182,461	217,675
Revenue from use of money and property	680,314	1,185,015	957,075	2,194,319	2,013,713	2,753,033	1,331,257	1,296,328	1,530,398	945,900
Charges for services	3,555,551	3,689,094	3,511,114	3,770,733	3,562,920	3,679,665	3,543,026	3,536,954	3,572,557	2,561,408
Miscellaneous	2,937,622	2,538,070	2,600,487	1,838,547	1,014,896	5,006,274	944,433	1,074,889	1,258,407	1,167,282
Recovered costs	4,129,121	4,032,607	4,194,578	5,173,681	4,951,992	5,270,698	5,166,640	5,502,072	5,779,290	6,003,288
Intergovernmental	28,431,487	29,972,172	28,728,127	34,136,326	35,080,153	39,894,367	37,863,690	36,122,952	40,497,593	46,347,841
Total revenues	84,059,168	87,885,876	89,133,407	95,792,604	95,556,420	105,120,002	98,423,176	96,972,728	103,804,421	109,045,375
Expenditures										
General government	7,121,782	7,815,842	6,024,273	9,211,810	9,753,673	7,809,264	6,362,187	5,459,861	9,349,502	12,894,894
Judicial administration	4,242,578	4,409,910	4,584,788	5,128,684	5,379,273	5,423,448	5,256,851	5,114,279	5,431,560	5,973,866
Public safety	23,402,433	23,392,708	22,423,516	24,673,695	25,657,267	27,704,661	27,249,668	26,797,585	26,649,896	25,235,947
Public works	10,483,502	11,117,739	10,277,641	10,407,920	12,114,049	19,096,899	11,528,184	11,784,512	14,686,446	13,623,926
Health and welfare	10,483,034	11,495,688	11,808,295	15,352,675	13,675,562	14,066,073	13,632,948	12,652,403	11,678,445	11,387,410
Education	19,453,244	18,772,404	18,219,735	17,370,028	19,918,463	17,538,766	17,931,496	19,608,733	22,462,199	22,380,145
Parks, recreation, and cultural	5,509,938	4,833,862	5,131,578	6,144,838	5,150,624	5,266,742	5,064,459	5,172,499	5,023,585	5,288,584
Community development	3,937,381	4,464,673	4,757,407	3,026,397	4,164,824	4,284,071	3,982,907	4,044,531	3,871,343	2,603,250
Nondepartmental	3,356,058	3,861,787	3,301,482	3,542,949	3,952,931	4,370,594	5,494,121	6,062,030	6,390,130	9,148,205
Capital outlay	5,876,051	1,878,935	3,298,494	2,993,314	1,544,060	7,704,522	10,482,170	9,063,568	11,687,731	7,786,891
Debt service										
Principal	3,812,362	3,516,046	3,438,597	4,181,152	4,242,206	4,275,988	1,410,402	992,617	4,911,916	2,990,346
Interest	2,461,084	1,886,516	1,654,538	1,567,139	1,438,487	1,654,426	1,086,885	916,047	2,323,243	1,340,152
Total expenditures	100,139,447	97,446,110	94,920,344	103,600,601	106,991,419	119,195,454	109,482,278	107,668,665	124,465,996	120,653,616
Ratio of debt service to total non-capital expenditures	6.7%	5.7%	5.6%	5.7%	5.4%	5.3%	2.5%	1.9%	6.4%	3.8%
Excess of revenues over (under) expenditures	(16,080,279)	(9,560,234)	(5,786,937)	(7,807,997)	(11,434,999)	(14,075,452)	(11,059,102)	(10,695,937)	(20,661,575)	(11,608,241)
Other financing sources (uses)										
Transfers in	15,086,335	17,068,419	16,878,713	20,753,576	20,415,323	24,236,283	20,420,329	18,714,276	25,446,671	31,387,755
Transfers out	(4,206,351)	(6,362,647)	(4,552,315)	(7,987,982)	(7,038,645)	(10,875,142)	(7,045,923)	(5,302,412)	(9,015,451)	(14,153,092)
Bonds issued	8,647,271	-	-	-	-	-	-	-	3,849,550	-
Refunding bonds issued	23,490,000	-	-	-	-	12,227,851	-	9,721,943	-	8,266,227
Payments to refunded bond escrow agent	(32,147,294)	-	-	-	-	(11,793,964)	-	(4,542,956)	-	(6,226,490)
Total other financing sources (uses)	10,869,961	10,705,772	12,326,398	12,765,594	13,376,678	13,795,028	13,374,406	18,590,851	20,280,770	19,274,400
Net change in fund balances	\$ (5,210,318)	\$ 1,145,538	\$ 6,539,461	\$ 4,957,597	\$ 1,941,679	\$ (280,424)	\$ 2,315,304	\$ 7,894,914	\$ (380,805)	\$ 7,666,159

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

Table 6

Fiscal Year	Electric Fund	Gas Fund	Wastewater Fund	Water Fund	Total Major Enterprise Funds
2003-04	\$ 55,491,259	\$ 25,999,471	\$ 6,918,502	\$ 5,223,867	\$ 93,633,099
2004-05	53,740,565	25,211,996	6,059,995	5,075,326	90,087,882
2005-06	72,751,817	33,414,367	7,528,176	6,117,848	119,812,208
2006-07	88,910,376	26,290,132	7,805,221	7,012,772	130,018,501
2007-08	90,181,855	32,949,607	8,362,522	7,142,932	138,636,916
2008-09	98,949,807	32,455,492	9,306,293	6,930,045	147,641,637
2009-10	106,248,337	27,060,176	9,511,518	6,480,696	149,300,727
2010-11	109,022,347	24,700,569	9,812,296	6,230,140	149,765,352
2011-12	102,304,323	21,475,496	9,862,984	5,897,749	139,540,552
2012-13	100,176,098	23,474,585	9,373,746	5,714,753	138,739,182

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

Table 7

Fiscal Year	Assessed Value of Real Property (1)	Assessed Value of Personal Property (2)	Assessed Value of Machinery and Tools (2)	Assessed Value of Mobile Homes (2)	Assessed Value of Public Service Corp. (2)	Assessed Value of Aircraft (2)	Total Assessed Value
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
2011	2,235,675,600	279,862,350	86,749,356	4,286,745	49,939,634	4,448,493	2,660,962,178
2012	2,257,904,600	297,930,560	91,384,107	4,070,257	46,789,855	4,259,000	2,702,338,379
2013	2,232,454,800	301,421,189	89,409,088	3,889,155	46,254,322	2,488,700	2,675,917,254

Rate for all years shown:

See note (3) below

\$3.00 per \$100

\$1.50 per \$100

See note (3) below

See note (4) below

\$0.30 per \$100

(1) Real property assessed on a fiscal year basis.

(2) Personal property assessed on a calendar year basis.

(3) Real property and mobile home tax rates:

2004 \$0.80 per \$100

2005 - 2008 \$0.77 per \$100

2009 - 2013 \$0.73 per \$100

(4) Public Service Corp. - Real Property rate as in note (3), Personal Property rate is \$3.00 per \$100, .

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

Table 8

Taxpayer	2013			2004		
	Total	Percentage of		Total	Percentage of	
	Assessed	Total	Assessed	Assessed	Total	Assessed
	Value	Rank	Value ¹	Value	Rank	Value
Danville Regional Medical Center LLC	\$ 76,317,300	1	3.42%			
Goodyear Tire and Rubber Company	29,268,900	2	1.31%	\$ 32,478,200	2	1.84%
NAP Coleman Marketplace LLC	24,424,000	3	1.09%			
Daniel Group Inc.	18,778,100	4	0.84%			
JTI Leaf Services US LLC	16,572,000	5	0.74%			
Piedmont Mall LLC	14,477,500	6	0.65%	22,646,900	4	1.28%
Sams Real Estate Business Trust	10,573,600	7	0.47%			
Industrial Development Authority of Danville	10,499,700	8	0.47%			
Wal-Mart Real Estate Business Trust	10,420,500	9	0.47%	8,702,300	10	0.49%
Nestle USA Inc. (formerly Carnation Co.)	10,087,400	10	0.45%	9,807,500	7	0.56%
EBI LLC	9,917,800	11	0.44%			
Dan Shopping Center Inc	7,456,100	12	0.33%	6,804,300	13	0.39%
Lorillard Tobacco Company	7,452,400	13	0.33%	8,755,200	9	0.50%
Finlay Interests 5 LTD		13	0.00%			
Marshall, Robert & Margaret D. (Rev Trust)	7,442,000	14	0.33%			
MJRW Inc.	6,811,900	15	0.31%	9,321,600	8	0.53%
Dan River Inc.				47,480,400	1	2.69%
General Development Co., Inc				23,369,000	3	1.32%
Southern Processors				16,025,300	5	0.91%
Dibrell Brothers Inc.				11,618,400	6	0.66%
Belk Stores of Virginia				7,443,800	11	0.42%
Medical Facilities of America XXII				7,327,800	12	0.41%
Sears, Roebuck and Co.				6,560,200	14	0.37%
Old 97 Inc.				6,435,000	15	0.36%
	<u>\$ 260,499,200</u>		<u>11.67%</u>	<u>\$ 224,775,900</u>		<u>12.73%</u>

¹ Total 2013 Assessed Real Estate Value is \$2,232,454,800 for the City of Danville.

² Industrial Development Authority of Danville includes Esselpropack only in Fiscal Year 2013.

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

Table 9

Fiscal Year	Tax Rate Per \$100	Original Levy (1)	Collections & Adjustments Thru End of Month in which 2nd Half Tax Due (1)	Percentage of Original Levy Collected in Year of 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 in Subsequent Years (1)	Total Collections & Adjustments Thru June 30, 2013	Uncollected Balance at June 30, 2013	Percentage of Original Levy Collected at June 30, 2013
2004	0.80	\$ 14,126,712	\$ 13,185,128	0.93	\$ 941,584	6.67	\$ 903,505	\$ 14,088,633	\$ 38,079	99.73
2005	0.77	14,356,246	13,540,558	0.94	815,688	5.68	771,066	14,311,624	44,622	99.69
2006	0.77	15,043,445	14,242,460	0.95	800,985	5.32	751,615	14,994,075	49,369	99.67
2007	0.77	15,922,433	14,964,100	0.94	958,333	6.02	894,752	15,858,852	63,581	99.60
2008	0.77	15,980,915	15,126,749	0.95	854,166	5.34	767,542	15,894,291	86,624	99.46
2009	0.73	16,320,733	15,419,024	0.94	901,709	5.52	799,812	16,218,836	101,897	99.38
2010	0.73	16,415,615	15,475,506	0.94	940,109	5.73	781,479	16,256,985	158,630	99.03
2011	0.73	16,156,634	15,134,880	0.94	1,021,754	6.32	821,117	15,955,996	200,637	98.76
2012	0.73	16,321,848	15,319,292	0.94	1,002,556	6.14	698,354	16,017,646	304,202	98.14
2013	0.73	16,165,990	15,204,912	0.94	961,078	5.95	-	15,204,912	961,078	94.05

(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**

Table 10

Year	Tax Rate Per \$100 (5)	Levy (1)	Collections & Adjustments Thru End of Month in which 2nd Half Tax Due (1)	Percentage of Original Levy Collected in Year of 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 in Subsequent Years (1)	Total Collections & Adjustments Thru June 30, 2013	Uncollected Balance at June 30, 2013 (2)	Percentage of Original Levy Collected at June 30, 2013
2004	3.00	\$ 8,897,075	\$ 8,259,740	0.93	\$ 637,335 (3)	7.16	\$ 637,335	\$ 8,897,075	\$ -	100.00
2005	3.00	9,112,715	8,826,339	0.97	286,376 (3)	3.14	286,376	9,112,715	-	100.00
2006	3.00	9,581,768	9,238,435	0.96	343,333 (3)	3.58	343,333	9,581,768	-	100.00
2007	3.00	9,722,045	9,391,605	0.97	330,440 (3)	3.40	330,440	9,722,045	-	100.00
2008	3.00	10,114,292	9,837,085	0.97	277,207 (3)	2.74	164,174	10,001,259	113,033	98.88
2009	3.00	9,360,208	9,123,802	0.97	236,405 (3)	2.53	107,541	9,231,343	128,865	98.62
2010	3.00	9,708,729	9,527,123	0.98	181,606 (3)	1.87	82,827	9,609,950	98,780	98.98
2011	3.00	9,516,667	9,315,272	0.98	201,395 (3)	2.12	92,522	9,407,794	108,874	98.86
2012	3.00	10,330,962	10,139,346	0.98	191,616 (3)	1.85	-	10,139,346	191,616	98.15
2013	3.00	10,210,303	3,470,440	0.34	6,739,862 (4)	66.01	-	3,470,440	6,739,862	33.99

(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.

(5) Personal property tax rate shown is for personal property which is the largest portion of the tax levy. However, data includes:

Machinery & Tools (\$1.50 per \$100)
Mobile Home (\$0.73 per \$100)
Aircraft (\$0.30 per \$100)

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

Table 11

Fiscal Year Ended June 30	Population	Assessed Value	Bonded Debt		Ratio of Bonded Debt To Assessed Value		Bonded Debt Per Capita	
		Real & Personal Property	General Fund Supported	Self- Sustaining Utilities	General Fund Supported	Self- Sustaining Utilities	General Fund Supported	Self- Sustaining Utilities
2004	46,600	\$ 2,173,629,565	\$ 39,269,396	\$ 42,710,311	1.81	1.96	842.69	916.53
2005	45,900	2,273,291,592	35,666,775	38,760,768	1.57	1.71	777.05	844.46
2006	46,143	2,372,864,914	32,105,970	43,351,471	1.35	1.83	695.79	939.50
2007	45,586	2,497,659,386	28,488,092	43,782,006	1.14	1.75	624.93	960.43
2008	45,385	2,531,311,088	24,819,277	39,043,156	0.98	1.54	546.86	860.27
2009	45,152	2,664,746,381	22,068,904	45,342,667	0.83	1.70	488.77	1,004.22
2010	43,055	2,686,875,502	21,223,853	56,278,408	0.79	2.09	492.95	1,307.13
2011	42,918	2,660,962,178	29,882,557	58,776,721	1.12	2.21	696.27	1,369.51
2012	43,332	2,702,338,379	31,756,730	55,924,755	1.18	2.07	732.87	1,290.61
2013	43,400	2,675,917,254	31,523,096	57,637,832	1.18	2.15	726.34	1,328.06

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

Table 12

Fiscal Year	Governmental Activities			Business-Type Activities			Total Primary Government	Bond Debt Per Capita	Ratio of Bond Debt to Danville MSA Personal Income ¹
	General Obligation Bonds	Lease Revenue Bonds	Capital Leases	Revenue Bonds	General Obligation Bonds	Capital Leases			
2004	\$ 39,269,396	\$ 12,622,935	\$ 45,718	\$ 7,628,686	\$ 35,081,625	\$ -	\$ 94,648,360	\$ 2,031	0.035
2005	35,666,775	11,841,989	-	6,990,317	31,770,451	-	86,269,532	1,880	0.031
2006	32,105,970	11,047,929	-	6,349,929	37,001,542	-	86,505,370	1,875	0.031
2007	28,488,092	10,230,059	-	5,708,574	38,073,432	-	82,500,157	1,810	0.030
2008	24,819,277	9,394,098	-	5,133,548	33,909,608	-	73,256,531	1,614	0.027
2009	22,068,904	8,535,748	-	4,575,890	40,766,777	-	75,947,319	1,682	0.027
2010	21,223,853	7,651,912	-	4,011,631	52,266,777	-	85,154,172	1,978	0.030
2011	29,882,557	3,681,077	-	3,440,544	55,336,177	-	92,340,355	2,152	0.029
2012	31,756,730	-	-	2,862,396	53,062,359	-	87,681,485	2,023	0.027
2013	31,523,096	-	-	2,276,945	55,360,887	-	89,160,928	2,054	0.027

¹ Danville MSA includes Danville and Pittsylvania County.

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

Table 13

	<u>FY 2004</u>	<u>FY 2005</u>	<u>FY 2006</u>	<u>FY 2007</u>	<u>FY 2008</u>	<u>FY 2009</u>	<u>FY 2010</u>	<u>FY 2011</u>	<u>FY 2012</u>	<u>FY 2013</u>
Assessed Value:										
Real Property	\$ 1,765,839,000	\$ 1,864,447,500	\$ 1,953,694,100	\$ 2,067,848,400	\$ 2,089,774,400	\$ 2,252,885,600	\$ 2,267,080,000	\$ 2,235,675,600	\$ 2,257,904,600	\$ 2,232,454,800
Public Service - Real Property	53,667,444	51,432,100	50,633,290	50,191,401	50,416,709	45,331,826	50,347,484	49,603,302	46,416,815	45,836,076
Total Assessed value	¹ 1,819,506,444	1,915,879,600	2,004,327,390	2,118,039,801	2,140,191,109	2,298,217,426	2,317,427,484	2,285,278,902	2,304,321,415	2,278,290,876
Debt Limit Per State (10% of Assessed Value - Real Property)	181,950,644	191,587,960	200,432,739	211,803,980	214,019,111	229,821,743	231,742,748	228,527,890	230,432,142	227,829,088
Gross bond debt	81,979,707	74,427,543	75,457,441	72,270,098	63,862,433	67,411,571	77,502,261	88,659,278	87,657,729	89,137,171
Less bond debt not applicable to limit: Revenue Bonds	7,628,686	6,990,317	6,349,929	5,708,574	5,133,548	4,575,890	4,011,631	3,440,544	2,862,396	2,276,945
Total debt not applicable to limit	7,628,686	6,990,317	6,349,929	5,708,574	5,133,548	4,575,890	4,011,631	3,440,544	2,862,396	2,276,945
Total net debt applicable to state limit	74,351,021	67,437,226	69,107,512	66,561,524	58,728,885	62,835,681	73,490,630	85,218,734	84,795,333	86,860,226
Legal debt margin per state	<u>\$ 107,599,623</u>	<u>\$ 124,150,734</u>	<u>\$ 131,325,227</u>	<u>\$ 145,242,456</u>	<u>\$ 155,290,226</u>	<u>\$ 166,986,062</u>	<u>\$ 158,252,118</u>	<u>\$ 143,309,156</u>	<u>\$ 145,636,809</u>	<u>\$ 140,968,862</u>
Total net debt applicable to the limit as a percentage of debt limit	40.86%	35.20%	34.48%	31.43%	27.44%	27.34%	31.71%	37.29%	36.80%	38.13%
Total net debt applicable to the limit as a percentage of assessed value	4.09%	3.52%	3.45%	3.14%	2.74%	2.73%	3.17%	3.73%	3.68%	3.81%

¹ Years prior to FY 2012 revised to include Public Service - Real Estate.

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

Table 14

Fiscal Year Ended June 30	Gross Revenue (1)	Direct Operating Expenses (2)	Net Revenue Available for Debt Service	Debt Service Requirements (3)			
				Principal	Interest	Total	Coverage
2004	\$ 93,618,466	\$ 64,551,919	\$ 29,066,547	\$ 628,232	\$ 345,917	\$ 974,149	29.84
2005	91,551,655	64,946,537	26,605,118	638,369	293,344	931,713	28.56
2006	122,978,875	94,409,837	28,569,038	640,388	267,776	908,164	31.46
2007	134,864,905	97,930,083	36,934,822	641,355	242,102	883,457	41.81
2008	142,592,168	106,285,500	36,306,668	575,026	216,425	791,451	45.87
2009	151,047,640	112,334,067	38,713,572	557,658	194,366	752,025	51.48
2010	152,152,488	113,953,671	38,198,818	564,259	173,348	737,607	51.79
2011	152,286,825	115,389,621	36,897,204	571,087	152,103	723,190	51.02
2012	142,677,853	105,695,821	36,982,032	578,148	130,624	708,772	52.18
2013	140,480,644	105,273,005	35,207,638	585,451	108,903	694,355	50.71

(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**

Table 15

Year	Population (1)	Danville MSA Per Capita Income (2)	Median Age (3)	% of Population with Bachelor's Degree or Higher (4)	School Enrollment (5)	Danville MSA Personal Income (thousands of \$) (6)	% Unemploy- ment Rate (7)
2004	46,600	\$ 25,469	40.5	13.9	7,232	\$ 2,677,216	12.30
2005	45,900	26,414	40.5	13.9	7,114	2,788,486	10.80
2006	46,143	27,082	40.5	13.9	6,951	2,788,486	10.60
2007	45,586	27,544	40.5	13.9	6,904	2,788,486	7.20
2008	45,385	28,803	40.5	13.9	6,606	2,763,550	8.90
2009	45,152	29,789	40.5	13.9	6,303	2,855,919	14.40
2010	43,055	29,789	40.5	13.9	6,237	2,855,919	13.50
2011	42,918	30,092	42.6	15.7	6,120	3,184,116	12.00
2012	43,332	30,587	42.6	16.2	6,076	3,253,086	11.10
2013	43,400	31,297	42.6	16.8	6,362	3,307,949	11.00

(1) Source: Weldon Cooper Center for Public Services, University of Virginia estimated population for 2003 - 2009 & 2011-2013. US Census Bureau actual count for 2010.

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

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

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

(5) Source: 2002-2003 through National Center for Education Statistics.
2004-2011 through Weldon Cooper Center for Public Services, University of Virginia.
2012-2013 provided by Danville City Schools.

(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 2013.

NOTE: Data is most current available at June 30. Prior years is previously published data.

**CITY OF DANVILLE, VIRGINIA
PRINCIPAL EMPLOYERS
CURRENT YEAR AND NINE YEARS AGO**

Table 16

<u>Employer</u>	<u>2013</u>			<u>2004</u>		
	<u>Employees (1)</u>	<u>Rank</u>	<u>Percentage of Total City Employment (2)</u>	<u>Employees (1)</u>	<u>Rank</u>	<u>Percentage of Total City Employment (2)</u>
City of Danville	2,271	1	13.23%	2,258	2	11.72%
Goodyear Tire & Rubber Co.	2,120	2	12.35%	2,120	3	11.00%
Danville Regional Health System	1,241	3	7.23%	1,511	4	7.84%
Nestle Refrigerated Food	640	4	3.73%	480	6	2.49%
Averett University	550	5	3.20%			
Wal-Mart	474	6	2.76%	540	5	2.80%
EBI	470	7	2.74%			
Food Lion	376	8	2.19%			
Swedwood	375	9	2.18%			
Roman Eagle Memorial Home	363	10	2.11%	350	7	1.82%
Dan River, Inc.				3,400	1	17.64%
Danville Community College				325	8	1.69%
Corning Glass Works				269	9	1.40%
Intertape Polymer				245	10	1.27%

(1) Source: City of Danville, Office of Economic Development.

(2) Source: Virginia Employment Commission - employed civilian labor force for June 2013 (17,164) and June 2004 (19,270).

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

Table 17

Function	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
General Fund										
General Government Administration	96	97	97	98	98	102	102	99	95	95
Judicial Administration	94	95	98	98	97	97	97	97	99	98
Public Safety	403	403	403	403	406	406	406	408	394	392
Public Works	110	110	110	111	111	111	111	111	106	105
Health, Welfare & Social Services	100	100	100	101	101	101	101	101	98	99
Park, Recreational and Cultural	64	49	49	49	49	49	49	51	49	49
Community Development	18	18	18	18	19	19	19	18	17	17
Total General Fund	<u>885</u>	<u>872</u>	<u>875</u>	<u>878</u>	<u>881</u>	<u>885</u>	<u>885</u>	<u>885</u>	<u>858</u>	<u>855</u>
Wastewater Fund	11	11	11	11	11	11	11	11	11	11
Water Fund	16	16	16	16	16	16	16	19	18	18
Gas Fund	56	56	55	55	55	55	56	54	53	52
Electric Fund	115	115	116	114	114	114	113	106	99	99
Telecommunications Fund	-	-	-	2	2	4	4	4	4	4
Transportation Fund	17	17	17	16	16	16	17	17	18	18
Central Services Fund	4	4	4	4	4	4	3	3	3	3
Motorized Equipment Fund	22	22	22	22	22	20	20	20	19	19
Sanitation Fund	53	57	53	53	46	43	43	43	37	30
Cemetery Fund	-	16	16	16	16	16	16	16	16	16
Total Other Funds	<u>294</u>	<u>314</u>	<u>310</u>	<u>309</u>	<u>302</u>	<u>299</u>	<u>299</u>	<u>293</u>	<u>278</u>	<u>270</u>
Total	<u>1,179</u>	<u>1,186</u>	<u>1,185</u>	<u>1,187</u>	<u>1,183</u>	<u>1,184</u>	<u>1,184</u>	<u>1,178</u>	<u>1,136</u>	<u>1,125</u>

Source: City Council Approved Budget - Authorized Positions

CITY OF DANVILLE, VIRGINIA
OPERATING INDICATORS AND CAPITAL ASSET STATISTICS BY FUNCTION
LAST TEN FISCAL YEARS

Table 18

Date of Incorporation Form of Government Area in Square Miles	1830 Council / Manager 44	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Number of Employees (Full & Part-Time)		1,240	1,173	1,219	1,212	1,237	1,267	1,258	1,235	1,222	1,220
Name of Government Facilities and Services:											
Miles of streets		314	315	315	316	316	318	318	318	318	318
Number of street lights		8,477	8,703	8,485	8,483	8,804	8,804	8,822	8,822	8,827	8,827
Culture and Recreation:											
Recreation Centers		12	12	12	12	10	10	10	8	8	8
Number of parks		9	10	10	10	10	11	11	11	12	12
Park Acreage		344	349	349	349	466	575	575	575	680	680
Number of trails		11	8	8	8	8	8	8	8	6	6
Trail Mileage		10	18	25	25	28	28	28	38	41	41.5
Number of athletic fields		23	23	23	23	31	31	31	31	22	22
Athletic field acreage		45	45	45	45	49	49	49	49	46	46
Number of playgrounds		24	24	24	24	22	20	20	21	16	14
Playground acreage		88	88	74	74	74	74	74	74	64	64
Number of outdoor basketball courts		10	10	10	10	12	10	10	10	10	10
Number of tennis courts		19	19	19	19	21	21	21	21	19	19
Fire Protection:											
Number of stations		7	7	7	7	7	7	7	7	7	7
Number of fire personnel and officers		123	123	123	123	123	123	123	123	122	123
Number of calls answered		4,648	4,734	4,860	5,002	5,143	5,176	5,836	6,326	6,432	6,609
Number of inspections conducted		2,542	3,170	2,821	2,152	1,030	1,569	929	997	1,042	1,541
Police Protection:											
Number of stations		3	3	3	3	3	2	2	2	2	2
Number of police officers		139	137	137	137	137	136	136	133	133	133
Number of police vehicles and trailers		12	12	40	53	53	53	53	54	56	56
Number of law violations:											
Criminal arrests		6,399	7,075	7,253	7,434	5,840	7,427	7,603	8,183	9,188	8,994
Traffic violations		6,481	5,498	6,127	6,571	7,896	8,276	9,476	8,190	7,447	6,224
Parking violations		1,831	1,178	2,132	2,515	1,813	1,599	2,042	2,374	2,537	1,504

CITY OF DANVILLE, VIRGINIA
OPERATING INDICATORS AND CAPITAL ASSET STATISTICS BY FUNCTION
LAST TEN FISCAL YEARS

Table 18
(Continued)

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Sewerage System:										
Miles of sanitary sewers	384	384	384	386	386	386	371	385	385	386
Number of treatment plants	1	1	1	1	1	1	1	1	1	1
Number of service connections	17,302	16,883	16,651	16,589	16,665	16,665	16,511	16,511	16,663	16,335
Average daily treatment										
- Million Gallons per Day (MGD)	13.57	10.54	6.26	5.46	5.95	6.71	6.81	6.47	6.70	6.51
Maximum daily capacity of treatment plant - MGD	24	24	24	24	24	24	24	24	24	20
Water System:										
Miles of water mains	312	312	312	317	319	319	319	331	337	340
Active number of service connections	17,949	17,956	17,880	17,826	17,942	19,029	17,734	17,426	17,837	17,712
Number of fire hydrants	1,930	1,945	1,951	1,967	2,029	2,050	2,056	2,065	2,073	2,081
Average daily consumption - MGD	7.54	6.76	6.38	6.39	4.76	5.79	5.28	5.40	5.30	4.93
Maximum daily capacity of treatment plant - MGD	18	18	18	18	18	18	18	18	18	18
Electric Distribution System:										
Square miles of service	500	500	500	500	500	500	500	500	500	500
Number of distribution stations	16	14	14	14	14	14	17	17	17	17
Facilities and services not included in the primary government:										
Education:										
Number of preschools	-	-	1	1	1	1	1	1	1	2
Number of elementary schools	10	10	9	9	9	9	9	9	9	8
Number of middle schools	3	3	3	3	3	3	3	3	3	3
Number of high schools	2	2	2	2	2	2	2	2	2	2
Number of alternative schools	1	1	1	1	1	1	1	1	1	1
Number of preschool instructors	-	-	21	18	19	22	21	21	21	21
Number of elementary school instructors	271	276	255	250	251	254	252	251	251	228
Number of middle school instructors	136	136	134	137	144	134	127	125	125	123
Number of high school instructors	202	188	186	183	182	174	172	175	175	167
Facilities and services not included in the reporting entity:										
Hospitals:										
Number of hospitals	1	1	1	1	1	1	1	1	1	1
Number of patient beds	350	350	350	350	350	290	290	290	290	250

CITY OF DANVILLE, VIRGINIA

Single Audit Section

For The Year Ended June 30, 2013



***INDEPENDENT AUDITORS' 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, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, 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, 2013, and the related notes to the financial statements, which collectively comprise the ***City of Danville, Virginia's*** basic financial statements, and have issued our report thereon dated December 4, 2013.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Dixon Hughes Goodman LLP

*Newport News, Virginia
December 4, 2013*

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

To the Honorable Mayor and Members of City Council
City of Danville, Virginia

Report on Compliance for Each Major Federal Program

We have audited the **City of Danville, Virginia's** compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the **City of Danville, Virginia's** major federal programs for the year ended June 30, 2013. The **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.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

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

Opinion on Each Major Federal Program

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

Report on Internal Control Over Compliance

Management of the **City of Danville, Virginia** is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the **City of Danville, Virginia's** internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the **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. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Dixon Hughes Goodman LLP

Newport News, Virginia
December 4, 2013

**INDEPENDENT AUDITORS' 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 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 then ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the **City of Danville, Virginia's** basic financial statements, and have issued our report thereon dated December 4, 2013.

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.

Management's Responsibility

Management is responsible for compliance with the Commonwealth of Virginia's laws, regulations, contracts, and grants applicable to the **City of Danville, Virginia**.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the **City of Danville, Virginia'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, except for the exception in the Conflicts of Interest compliance section noted below. With respect to items not tested, nothing came to our attention that caused us to believe that the **City of Danville, Virginia** had not complied, in all material respects, with those provisions.

Finding 01-FY13

Requirement - The State and Local Government Conflict of Interests Act (Section 2.2-3100 et. seq.) of Title 2.2 of the Code of Virginia requires all local officials must file an annual disclosure form. For the year ended June 30, 2013, the deadline was January 15, 2013.

Finding – Six local officials failed to file the required disclosure form and five were filed late.

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

Dixon Hughes Goodman LLP

*Newport News, Virginia
December 4, 2013*

CITY OF DANVILLE, VIRGINIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2013

Schedule 10

Grantor/Pass - Through Grantor/Program Title	Federal Catalog Number	Federal Expenditures
<u>CITY OF DANVILLE</u>		
DEPARTMENT OF AGRICULTURE		
Department of Social Services - City of Danville, Virginia:		
Supplemental Nutrition Assistance Program Cluster		
State Administrative Matching Grants for Supplemental Nutrition Assistance Program	10.561	\$ 716,645
Direct Payments:		
Fresh Fruit and Vegetable Program	10.582	83,003
DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT		
Direct payments:		
CDBG - Entitlement Grants Cluster		
Community development block grant program and entitlement grants	14.218	683,010
HOME investment partnership program	14.239	607,114
Economic Development Initiative - Special Projects, Neighborhood Initiative, Misc Grants	14.251	1,361
DEPARTMENT OF JUSTICE		
Direct payments:		
State Criminal Alien Assistance Program	16.606	5,901
Juvenile Accountability Block Grants	16.523	12,245
JAG Program Cluster		
Justice Assistance Act Grant Program	16.738	29,111
DEPARTMENT OF TRANSPORTATION		
Direct payments:		
Airport improvements	20.106	2,973,763
Hazardous	20.703	9,000
Highway Safety Cluster		
State and Community Highway Safety	20.600	10,656
Alcohol Impaired Driving Countermeasures Incentive Grants I	20.601	10,515
Occupant Protection Incentive Grants	20.602	1,485
Highway Planning and Construction Cluster		
Federal-Aid Highway Program	20.205	141,997
Federal Transit		
Capital Investment Grants	20.500	149,408
Formula Grants	20.507	962,894
FEDERAL EMERGENCY MANAGEMENT AGENCY		
Department of Homeland Security		
Emergency Management Preparedness Grant	97.073	254,440
Emergency Food and Shelter National Board Program	97.024	14,300
DEPARTMENT OF LABOR		
WIA Youth Activities	17.259	47,302

See independent auditors' report.

CITY OF DANVILLE, VIRGINIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)
Year Ended June 30, 2013

Schedule 10

Grantor/Pass - Through Grantor/Program Title	Federal Catalog Number	Federal Expenditures
DEPARTMENT OF HEALTH AND HUMAN SERVICES		
Department of Social Services:		
Temporary Assistance for Needy Families Cluster		
Temporary assistance for needy families	93.558	\$ 708,806
Low income energy assistance	93.568	61,864
Child Care Mandatory and Matching Funds of the CCDF	93.596	110,670
Refugee and Entrant Assistance	93.566	2,509
Independent Living	93.674	10,348
State Children's Insurance Program (SCHIP)	93.767	16,410
Aging Cluster		
Special Programs for the Aging - Title III, Part B - Grants for Supportive Services and Senior Centers	93.044	88,306
Foster care - Title IV-E		
American Recovery and Reinvestment Act of 2009 funds	93.658	447,348
Adoption assistance		
American Recovery and Reinvestment Act of 2009 funds	93.659	240,185
Social services block grant	93.667	523,142
Medicaid assistance program-Administrative expenses only	93.778	420,306
Promoting Safe & Stable Families	93.556	34,194
Chafee Education & Training Vouchers Program	93.599	3,995
Child welfare services-state grant	93.645	3,932
Department of Mental Health, Mental Retardation and Substance Abuse:		
Block grants for community mental health services	93.958	843,632
 Total assistance - City of Danville		 <u>10,229,797</u>

See independent auditors' report.

CITY OF DANVILLE, VIRGINIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)
Year Ended June 30, 2013

Schedule 10

Grantor/Pass - Through Grantor/Program Title	Federal Catalog Number	Federal Expenditures
<u>DANVILLE PUBLIC SCHOOLS</u>		
DEPARTMENT OF AGRICULTURE		
Department of Agriculture (USDA):		
Child Nutrition Cluster		
National school lunch program		
Non-cash assistance (commodities)	10.555	\$ 257,655
Cash assistance	10.555	44,729
Department of Energy		
Department of Energy:		
Weatherization Assistance for Low-Income Persons	81.042	42,755
DEPARTMENT OF EDUCATION		
Department of Education:		
Adult education - state administered basic grant program	84.002	168,232
Title I, Part A Cluster		
Title I Grants to Local Education Agencies	84.010	3,306,212
Special Education (IDEA) Cluster		
Special Education - Grants to States (IDEA, Part B)	84.027	1,390,790
Special Education - Preschool Grants (IDEA Preschool)	84.173	49,249
Vocational education - consumer and homemaking education	84.048	201,877
Education Technology State Grants Cluster		
Education Technology State Grants (Enhancing Education Through Technology)	84.318	2,694
American Recovery and Reinvestment Act	84.386	1,822
Twenty-First Century Community Learning Centers	84.287	34,992
English language acquisition grants	84.365	16,283
Improving teacher quality state grants	84.367	462,816
School Improvement Grants Cluster		
School improvement grants	84.377	134,075
American Recovery and Reinvestment Act	84.388	879,503
Early Intervention Services (IDEA) Cluster		
Special Education - Grants for Infants and Families	84.181	43,556
Gear Up	84.334	19,200
Total assistance - Danville Public Schools		<u>7,056,440</u>
Total assistance - reporting entity		<u>\$ 17,286,237</u>

See independent auditors' report.

CITY OF DANVILLE, VIRGINIA
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
June 30, 2013

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 2013:

Program Title	CFDA	Amount
Department of Health and Human Services Block Grant for Community Mental Health Services	20.607	\$ 887,188
Department of Housing and Urban Development Home Investment Partnership Program	14.239	\$ 205,494

**CITY OF DANVILLE, VIRGINIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2013**

Summary of Auditor's Results:

Financial Statements

The type of report issued on the financial statements: Unmodified

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: Unmodified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133: No

Major programs:

- Home Investment Partnerships Program (14.239)
- Highway Planning and Construction (20.205)
- Federal Transit Cluster
 - Federal Transit – Capital Investment Grants (20.500)
 - Federal Transit – Formula Grants - Urbanized Area Formula Program (20.507)
- Adult Education – Basic Grants to States (84.002)
- Career and Technical Education – Basic Grants to States (Perkins IV) (84.048)
- Improving Teacher Quality State Grants (84.367)
- School Improvements Grants Cluster
 - School Improvement Grants (84.377)
 - School Improvement Grants, Recover Act (84.388)
- Social Services Block Grant (93.667)
- Block Grants for Community Mental Health Services (93.958)

Dollar threshold used to distinguish between Type A and Type B programs: \$518,587

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

CITY OF DANVILLE, VIRGINIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)
Year Ended June 30, 2013

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