

DANVILLE PUBLIC BUILDING COMMISSION  
DANVILLE, ILLINOIS

BASIC FINANCIAL STATEMENTS  
and  
SUPPLEMENTAL INFORMATION

OCTOBER 31, 2004

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## INDEPENDENT AUDITOR'S REPORT

Board of Commissioners  
Danville Public Building Commission  
Danville, Illinois

We have audited the accompanying basic financial statements of the governmental activities, the business-type activities, and the aggregate remaining fund information of the Danville Public Building Commission, Danville, Illinois, as of and for the year ended October 31, 2004, which collectively comprise the Commission's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Danville Public Building Commission's, Danville, Illinois management. Our responsibility is to express an opinion on these financial statements based on our audit.

Except as discussed in the following paragraph, we conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The Danville Public Building Commission has previously rebated any excess funds back to the City of Danville and Vermilion County. These rebates have been calculated by taking total revenues less total expenses and then calculating the rebates based on the net amount as to how expenses were shared for that fund. There is no formal written agreement that addresses how the rebate is to be calculated. The Danville Public Building Commission is currently working with the two entities to develop an allocation which takes into account the changes in the lease, which has occurred over time, instead of rebating in the same percentages as previously determined. An agreement to establish how the allocation should be calculated has not been reached on the reallocation, nor has an agreement been reached of previously rebated amounts, if any.

In our opinion, except for the effects regarding the calculation of excess funds back to the City of Danville and Vermilion County, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, and the aggregate remaining fund information of the Danville Public Building Commission, Danville, Illinois as of October 31, 2004, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis on pages 3 through 10 is not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the

required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Danville Public Building Commission, Danville, Illinois, basic financial statements. The Management Discussion and Analysis and the supplemental information are presented for purposes of additional analysis and are not a required part of the basic financial statements of the Danville Public Building Commission. The supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects in relation to the basic financial statements taken as a whole. The Management's Discussion and Analysis has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

*Crowder CPA's Ltd.*

Danville, Illinois

December 8, 2004

(except as to the third paragraph above and Note 5 which are as of July 5, 2005)

## Management's Discussion and Analysis

As management of the Danville Public Building Commission, we offer readers of the Commission's financial statements this narrative overview and analysis of the financial activities of the Danville Public Building Commission for the fiscal year ended October 31, 2004. The Commission is to be disclosed as a joint venture in the financial statements of Vermilion County, Illinois, the City of Danville, Illinois, and Danville Community Consolidated School District #118.

### Financial Highlights

- ◆ The assets of the Danville Public Building Commission exceeded its liabilities at the close of the most recent fiscal year by \$4,030,629 (*net assets*). Due to the unique custodial relationship between the Commission as project manager of four major intergovernmental construction projects and the local government lessees, all of the net assets are either invested in Commission capital assets or restricted for specific purposes. As a result, any amounts necessary to meet future obligations to citizens and creditors must come from future lease income; in theory any residual unrestricted net assets are recorded as a liability to the City of Danville, Danville School District #118, or Vermilion County.
- ◆ The government's total net assets increased by \$7,366. The general reserve accounts for the municipal building and the burglar alarm increased modestly, since the remainder of general fund operating net income must by contractual agreement be returned to the respective local governments. The Capital Improvements and Maintenance funds decreased by \$105,467 and \$21,853, respectively. The decrease in the Capital Improvements fund was due to the capital outlay of \$208,563. The decrease in the Maintenance fund was due to capital outlay of \$191,884.
- ◆ The Commission's total debt of \$6,880,000 during this fiscal year was reduced by \$245,000, which was for the Jail and Juvenile Detention Center Revenue bonds.

### Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the Commission's basic financial statements. The Commission's basic financial statements comprise three components: 1) Government-wide financial statements (new under GASB 34), 2) Fund financial statements, and 3) Notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-wide financial statements.** The *government-wide financial statements* are designed to provide readers with a broad overview of the Commission's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the Commission's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Commission is improving or deteriorating.

The *statement of activities* presents information showing how the Commission's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*.

Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., the inception of new direct financing leases for new construction projects, or earned but uncollected operating lease revenues.)

The government-wide financial statements can be found on pages 11-12 of this report.

**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 Commission, like other local governmental entities, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Commission can be divided into governmental funds, proprietary funds, and fiduciary funds.

**Governmental funds.** *Governmental funds* are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's *near-term* financing requirements.

Because the focus of governmental funds is more narrow than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The Commission maintains the general fund as its only governmental fund, also automatically considered a major fund by its very nature of providing for the general operations of the Building Commission.

The Commission adopts an annual appropriated budget for its general fund. Generally accepted accounting principles require a budgetary comparison statement be provided for the general fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 13-16 of this report.

**Proprietary funds.** The Building Commission uses enterprise funds to report the activities of each of the ongoing construction projects it manages under the joint venture arrangements discussed above. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements.

Enterprise funds are used in situations where a given fund provides services to others outside the financial reporting entity on a cost recovery basis. While the Danville Public Building Commission does not provide its services directly to customers, (normally the case in enterprise funds) neither is the Commission itself the predominant beneficiary (normally the case in internal service funds). Instead, the ultimate beneficiaries are the taxpayers of each local government as leasee. The Commission uses enterprise funds to account for the activities of the High School

construction project, Courthouse renovation, and Jail addition and Juvenile Detention Center projects (reported together as the Jail Addition Fund in the financial statements due to the joint bond offering for those projects).

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The Jail Addition fund is considered to be a major fund of the Commission since it comprises more than 10 percent of the total assets, revenues, and/or expenditures and at least 5 percent of the corresponding total for the total of all governmental and enterprise funds combined. The High School Construction and Courthouse Renovation funds were deemed important enough to the Commission's financial statement users to be identified also to be major funds, since the primary purpose of the Commission is to manage these construction projects.

Project budgets are developed for each of the construction projects reported in proprietary funds. Additionally, proprietary fund budgets are developed annually for each project, based upon percentage of completion to-date and any new circumstances since the start of each project.

The basic proprietary fund financial statements can be found on pages 17-20 of this report.

***Fiduciary funds.*** Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statement because the resources of those funds are *not* available to support the Commission's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The Commission has two fiduciary fund types, a Defined Compensation Trust adopted under Section 457 of the Internal Revenue Code and two agency funds for which funds are held on behalf of flexible contribution plan participants and a Veteran's honor roll cash account.

The Commission is not required to make any contributions into the pension plan, but holds the assets in trust for plan participants. The plan is administrated by Nationwide Retirement Solutions.

The basic fiduciary fund financial statements can be found on pages 21-22 of this report.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 23-37 of this report.

**Other information.** In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the Commission's progress in funding its obligation to provide pension benefits to its employees. This plan is a defined benefit plan administrated and held in trust by the State of Illinois for State Municipalities (Illinois Municipal Retirement Fund, or 'IMRF'). Details of the changes in the general fund's reserve accounts are also provided.

As all of the Commission's funds are considered to be major, one difference between the former method of financial statement presentation and the new reporting model using GASB 34 is that there is no combining statements presented after the footnotes to the financial statements. In

other words, all of the Commission's *required* financial information is presented before the notes to the financial statements. The Commission also provides as supplemental information a Statement of Changes in Reserved Accounts for the General Fund, also referred to as the Public Safety Building (PSB) Fund. This statement details the current year's revenues, expenditures, and changes in net assets for all PSB departments.

### **Government-wide Financial Analysis**

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the Danville Public Building Commission, assets exceeded liabilities by \$4,030,629 at the close of the most recent fiscal year.

By far the largest portion of the Commission's net assets (percent) reflects its investment in capital assets (e.g., land, buildings, infrastructure, and equipment). It is useful to note that there is no debt related to the net assets related to that invested in capital assets; normally any related debt would be deducted from the investment to arrive at the amount stated for this reserve. The Commission uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

	Governmental Activities		Business-type Activities			
	2004	2003	2004	2003	2004	2003
Current and other assets	1,506,644	1,560,646	10,051,350	10,843,517	11,557,994	12,404,163
Capital assets, net	3,414,802	3,284,983	-	-	3,414,802	3,284,983
Total assets	4,921,446	4,845,629	10,051,350	10,843,517	14,972,796	15,689,146
Long-term liabilities	-	-	6,880,000	7,125,000	6,880,000	7,125,000
Due to other governments, net	654,031	563,860	2,917,208	3,406,810	3,571,239	3,970,670
Other liabilities	227,562	253,610	263,366	316,603	490,928	570,213
Total liabilities	881,593	817,470	10,060,574	10,848,413	10,942,167	11,665,883
Invested in capital assets	3,414,802	3,284,983	-	-	3,414,802	3,284,983
Ending net assets	4,039,853	4,028,159	(9,224)	(4,896)	4,030,629	4,023,263

It is helpful to note that although by its nature the business-type activities are constructing major capital improvements, these improvements are assets of the other governmental entities and instead the Danville Public Building Commission holds a construction or direct-financing lease receivable as the asset representing the ongoing construction. This is why no capital assets are shown for the business-type activities of the Building Commission.

For more detailed information see the Statement of Net Assets on page 11.

As all of the net assets relate to the Commission's General Fund, amounts not related to the investment in capital assets may be used to meet the Commission's anticipated future needs in each of several reserve accounts, with prior approval by the Commission's board for funds spent from the capital improvements reserve and the maintenance reserve. The Commission's net assets increased to \$4,030,629 from \$4,023,263, an increase of \$7,366. The commission closely tracked the general fund budget facilitated in part by use of a contingency reserve in the operations function. It is helpful to note that there is no net asset for any of the enterprise funds because the underlying lease agreements do not allow for an accumulation of net assets for these contracts. Instead, any net profit is due back to the lessees on a prorata basis of their collective payments on the leases.



## Danville Public Building Commission's Change in Net Assets

	Governmental		Business-type		Total	
	Activities		Activities			
Revenues:	2004	2003	2004	2003	2004	2003
<b>Program revenues:</b>						
Charges for services	30,014	12,138	-	-	30,014	12,138
Operating leases and contributions	4,718,552	4,444,587	504,831	2,537,832	5,223,383	6,982,419
Capital grants and contributions	-	-	-	-	-	-
Excess due from other governments	-	-	266,901	1,863,221	266,901	1,863,221
<b>General revenues:</b>						
Interest Income	38,154	40,013	-	-	38,154	40,013
Other	1,802	28,322	-	-	1,802	28,322
Transfers In	-	-	-	300,000	-	300,000
Total revenue	4,788,522	4,525,060	771,732	4,701,053	5,560,254	9,226,113
<b>Expenses:</b>						
Administrative	100,154	94,755	-	-	100,154	94,755
Operations and maintenance	1,146,243	1,051,941	-	-	1,146,243	1,051,941
Communications	839,552	794,132	-	-	839,552	794,132
Assigned personnel and dietary	1,740,394	1,762,747	-	-	1,740,394	1,762,747
Excess due to other governments	654,031	563,860	-	-	654,031	563,860
Depreciation expense	300,782	306,715	-	-	300,782	306,715
Direct-financing leases	-	-	646,600	4,638,701	646,600	4,638,701
Juvenile Detention Center	-	-	125,132	62,352	125,132	62,352
Transfer out	-	300,000	-	-	-	300,000
Total expenses	4,781,156	4,874,150	771,732	4,701,053	5,552,888	9,575,203
<b>Total net expenses</b>						
	7,366	(349,090)	-	-	7,366	(349,090)

Governmental operating lease income increased approximately 16 percent compared to the previous year as agreed to by contract. In the business-type funds net expenses exceeded net revenues as shown by the excess due to other government line.

Increases in expenses otherwise closely followed inflation.

### Financial Analysis of the Commission's Funds

As noted earlier, the Commission uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental funds.** The focus of the Commission's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the Commission's ability to meet financial requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As in prior years, all of fund balance is *reserved* to indicate that it is not available for new spending because it has already been committed 1) to liquidate the current portion of revenue bond principle or 2) to finish certain capital projects undertaken through federal and state grants.

As a measure of the general fund's liquidity, most governmental agencies compare both unreserved fund balances and total fund balances to total fund expenditures. Due to the unique relationship between the Commission and its joint venture partners, these typical comparisons cannot be made since all of the excess receipts are recorded as a liability due the other

governments instead of as unreserved fund balance. However, the liability at year end and due back to the City and County in the amount of \$654,031 represents 14 percent of total general fund expenditures, or conversely, only about 14 percent of current year general fund revenues, mostly comprising the PSB operating lease, was needed to cover current year expenditures.

### **Budgetary Highlights**

As discussed above, budgets are developed and used for the general fund on an annual basis, and proprietary funds on both project-wide and annual basis. Primary differences between budget and actual spending amounts were as follows:

The Public Safety Building or General Fund had a \$39,304 favorable variance (10.75 percent of budget) over the final amended budget for utilities during the year. Management made conservative estimates of energy usage and the region experienced a less severe winter than expected.

The next largest favorable operating and maintenance variance was \$26,554 for maintenance-service equipment of the PSB. This favorable variance was due to less expenses than anticipated for equipment maintenance and repair.

The next largest favorable operating and maintenance variance was \$16,060 for Professional services of the PSB. This had a favorable variance of approximately 80% of budget.

The communications salaries and payroll taxes favorable variances of \$41,274 were due to unexpected vacancies in staff during the year. Due to the technical requirements those positions require, it takes a considerable amount of time to interview, hire, and train new 911 operators.

The next largest favorable variance for the communications was \$11,268 for Mobile Data Terminals. This had a favorable variance of approximately 28% of budget.

There was an increase in salary reimbursements this year, 28 % of that estimated in the budget.

The assigned personnel and dietary had a favorable variance of \$11,680 for medical equipment for prisoners. Costs of medical equipment were less than expected.

Other general fund budget variances were relatively minor; since total expenditures were less than budgetary estimates rebates were due the County and City again this year.

### **Capital Assets, Construction and Debt Administration**

**Capital assets.** The Commission's investment in capital assets for its governmental activities as of October 31, 2004 amounts to \$3,414,802 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, furniture, fixtures and equipment. The total increase in the Commission's gross investment in capital assets for the current fiscal year was only 4 percent.

Major capital asset events during the current fiscal year included the purchase and installation of the jail security system and cameras, the purchase of twin water softeners and the purchase of computers and furniture.

Additional information on the Commission's capital assets can be found in note 3 on pages 26-27 of this report.

### **Construction Projects (Proprietary Funds)**

As noted above, the construction projects managed by the Commission will be assets of the County, City, and School District. The status of each project in order of their significance is as follows:

#### *Juvenile Detention Center*

This project is complete. Agreements for operations and maintenance between the County and the Commission will continue until the end of the terms of the agreements or the agreement is terminated.

#### *Jail Addition*

The project is complete. Planning is taking place to increase the capacity of the present kitchen and laundromat due to the increase size of the jail.

#### *Courthouse Renovation*

The Commission continues to make necessary improvements using their professional maintenance staff as the Board separately considers and approves or disapproves each identified Courthouse project, using funds remaining in the Courthouse Lease Fund as permitted by the lease document. The surplus funds were to be remitted to the county at the end of the lease, however the county has requested the Commission retain the surplus funds until directed by them on the allocation of the funds.

#### *High School Renovation*

As this project is complete, the School District has requested the Commission retain the surplus funds until directed by them on the allocation of the funds.

**Long-term debt.** At the end of the current fiscal year, the Commission had two issues of Jail addition and Juvenile Detention Center revenue bonds outstanding in the amount of \$6,880,000. These bonds maintain an "AAA" rating from Moody's rating agency.

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

The Commission's administration of the Public Safety Building includes assessing the continued functionality of the building. As demonstrated by the relatively minor increase in net assets year to year for the General Fund, the Board continues to manage and assess potential capital projects closely within the annual budget. Management of the Public Safety Building believes that a number of potential projects exist for which the spending of the excess balance in the Jail Addition Fund might be appropriate. These include:

- ◆ phase II of the repairing of the jail parking lot
- ◆ the replacement of the fingerprint fax machine
- ◆ application for federal funds to up-grade the exterior security of the PSB

- ◆ the replacement of the water softner
- ◆ upgrade or replacement of the maintenance computer system
- ◆ the isolation of equipment as required for servicing
- ◆ construction of the kitchen due to increase in size of the jail
- ◆ the replacement of the computer systems in both the city and county police cars as a joint venture with 911
- ◆ the replacement of the two boilers that are located in the old mechanical equipment room with five smaller boilers in the new mechanical equipment room that were specifically designed for this purpose
- ◆ future planning for the expansion of the 911 center
- ◆ upgrade of the sheriff's dispatch and point to point communications

Additionally, the Commission considered the following in the development of the 2005 fiscal year budget:

- ◆ Inflationary trends in the locale are slightly less favorable compared to national indices.
- ◆ Unemployment in Vermilion county is currently 7.6 percent compared to 7.7 percent one year ago

### **Request for information**

This financial report is designed to provide a general overview of the Danville Public Building Commission's finances for all those with an interest in the Commission's finances. Questions regarding any of the information provided in this report or requests for additional financial information should be addressed to:

Danville Public Building Commission  
2 East South Street  
Danville, Illinois 61832-5865

DANVILLE PUBLIC BUILDING COMMISSION  
STATEMENT OF NET ASSETS  
October 31, 2004

	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash and cash equivalents	1,060,718	1,384,966	2,445,684
Restricted cash and cash equivalents	403,129	54	403,183
Prepaid expenses	42,797	-	42,797
Capital assets, net of accumulated depreciation	3,414,802	-	3,414,802
Lease receivable	-	6,868,950	6,868,950
Unamortized cost on revenue bonds	-	149,226	149,226
Due from other governments:			
City	-	1,648,154	1,648,154
<b>TOTAL ASSETS</b>	<b>4,921,446</b>	<b>10,051,350</b>	<b>14,972,796</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Accounts payable	215,112	7,131	222,243
Interest payable	-	151,976	151,976
Accrued expenses	12,450	101	12,551
Revenue bonds payable	-	255,000	255,000
Due to other governments:			
Vermilion County	-	680,667	680,667
Due to other government units	654,031	272,912	926,943
<b>Total current liabilities</b>	<b>881,593</b>	<b>1,367,787</b>	<b>2,249,380</b>
<b>Noncurrent Liabilities</b>			
Revenue bonds payable	-	6,625,000	6,625,000
Due to other government units	-	1,963,629	1,963,629
Unamortized premium on revenue bonds	-	104,158	104,158
<b>Total noncurrent liabilities</b>	<b>-</b>	<b>8,692,787</b>	<b>8,692,787</b>
<b>TOTAL LIABILITIES</b>	<b>881,593</b>	<b>10,060,574</b>	<b>10,942,167</b>
<b>NET ASSETS</b>			
Invested in capital assets	3,414,802	-	3,414,802
Restricted for:			
Burglar Alarm	80,266	-	80,266
Management agreements	23,981	-	23,981
Capital Improvements	271,073	-	271,073
Maintenance	240,507	-	240,507
Unrestricted	9,224	(9,224)	-
<b>TOTAL NET ASSETS</b>	<b>4,039,853</b>	<b>(9,224)</b>	<b>4,030,629</b>

See accompanying notes.

DANVILLE PUBLIC BUILDING COMMISSION  
STATEMENT OF ACTIVITIES  
For the Year Ended October 31, 2004

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business- type Activities	Total
Primary Government							
Governmental activities:							
Administrative	100,154	-	-	-	(100,154)	-	(100,154)
Operations and maintenance	1,146,243	30,014	2,030,487	-	914,258	-	914,258
Communications	839,552	-	899,700	-	60,148	-	60,148
Assigned personnel and dietary	1,740,394	-	1,788,365	-	47,971	-	47,971
Excess due to other governments	654,031	-	-	-	(654,031)	-	(654,031)
Depreciation expense	300,782	-	-	-	(300,782)	-	(300,782)
Total governmental activities	4,781,156	30,014	4,718,552	-	(32,590)	-	(32,590)
Business-type activities:							
Direct-financing leases	646,600	-	354,831	-	-	(291,769)	(291,769)
Excess due from other governments	-	-	266,901	-	-	266,901	266,901
Juvenile detention center management	125,132	-	150,000	-	-	24,868	24,868
Total business-type activities	771,732	-	771,732	-	-	-	-
Total Primary Government	5,552,888	30,014	5,490,284	-	(32,590)	-	(32,590)
General revenues:							
Interest					38,154	-	38,154
Miscellaneous					1,802	-	1,802
Total general revenues					39,956	-	39,956
Change in net assets					7,366	-	7,366
Net assets – beginning					4,023,263	-	4,023,263
Net assets – ending					4,030,629	-	4,030,629

See accompanying notes.

DANVILLE PUBLIC BUILDING COMMISSION  
GOVERNMENTAL FUND BALANCE SHEET  
October 31, 2004

	General Fund
ASSETS	
Cash and cash equivalents	1,060,718
Restricted cash and cash equivalents	403,129
Prepaid expenses	42,797
TOTAL ASSETS	<u>1,506,644</u>
LIABILITIES AND FUND BALANCES	
Accounts payable	215,112
Accrued expenses	12,450
Due to other funds	9,224
Due to other governments	654,031
TOTAL LIABILITIES	<u>890,817</u>
Fund balances:	
Reserved for:	
Burglar Alarm	80,266
Management agreements	23,981
Capital improvements	271,073
Maintenance	240,507
Total fund balances	<u>615,827</u>
Capital assets used in governmental activities are not financial resources and therefore not reported in the general fund.	3,414,802
Interfund balances are eliminated in the consolidation for the statement of net Assets	<u>9,224</u>
Net assets of governmental activities	<u>4,039,853</u>

See accompanying notes.

DANVILLE PUBLIC BUILDING COMMISSION  
GOVERNMENTAL FUND STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCE  
Year Ended October 31, 2004

	General Fund
OPERATING REVENUES	
Rent	4,718,552
Salary reimbursement	30,014
Interest on investments and deposits	38,154
Miscellaneous	1,802
	<hr/>
Total operating revenues	4,788,522
OPERATING EXPENDITURES	
Administrative	100,154
Operations and maintenance	1,146,243
Communications	839,552
Assigned personnel and dietary	1,740,394
Capital outlay	430,601
	<hr/>
Total operating expenditures	4,256,944
INCOME FROM OPERATIONS	<hr/> 531,578
NON-OPERATING EXPENDITURES	
Excess earnings due to government units	654,031
	<hr/>
Total non-operating expenditures	654,031
Excess of Revenues over (under) Expenditures	(122,453)
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay (430,601) exceeded depreciation (300,782) in the current period.	<hr/> 129,819
Changes in net assets	<hr/> 7,366

See accompanying notes.



DANVILLE PUBLIC BUILDING COMMISSION  
GENERAL FUND STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND  
BALANCES – BUDGET AND ACTUAL  
For the Year Ended October 31, 2004

	Budgeted Amounts		Actual Amounts	Variance With Final Budget + (-)
	Original	Final		
<b>OPERATING REVENUES</b>				
Rent	4,701,334	4,701,334	4,718,552	17,218
Salary reimbursement	23,500	23,500	30,014	6,514
Interest on investments and deposits	32,510	32,510	38,154	5,644
Miscellaneous	3,600	3,600	1,802	(1,798)
<b>TOTAL OPERATING REVENUES</b>	<b>4,760,944</b>	<b>4,760,944</b>	<b>4,788,522</b>	<b>27,578</b>
<b>ADMINISTRATIVE</b>				
Salaries	68,811	68,811	68,150	661
Payroll taxes	7,500	7,500	5,499	2,001
Retirement	1,350	1,350	689	661
Employee insurance	9,700	9,700	9,551	149
Office supplies	4,000	4,000	2,893	1,107
Maintenance equipment	1,500	1,500	556	944
Accounting / Consulting Services	2,500	2,500	1,242	1,258
Legal	12,000	12,000	6,313	5,687
Travel	4,500	4,500	3,255	1,245
Miscellaneous	2,000	2,000	2,006	(6)
<b>TOTAL ADMINISTRATIVE</b>	<b>113,861</b>	<b>113,861</b>	<b>100,154</b>	<b>13,707</b>
<b>OPERATIONS AND MAINTENANCE</b>				
Salaries	417,000	417,000	411,297	5,703
Payroll taxes	48,800	48,800	33,948	14,852
Retirement	8,000	8,000	4,110	3,890
Employee insurance	76,000	78,300	75,622	2,678
Insurance	96,000	107,600	88,830	18,770
Utilities	362,500	365,600	326,296	39,304
Janitorial supplies	30,500	30,500	22,921	7,579
Maintenance supplies	40,500	40,500	29,022	11,478
Maintenance service – equipment	39,000	39,000	12,446	26,554
Maintenance service – building and grounds	47,000	47,000	33,578	13,422
Equipment – rentals	1,500	1,500	195	1,305
Equipment – contractual service	95,000	95,000	92,161	2,839
Physical exams	500	500	224	276
Snow removal	5,000	5,000	1,190	3,810
Miscellaneous	7,000	7,000	7,898	(898)
Uniforms	3,000	3,000	1,603	1,397
Professional services	20,000	20,000	3,940	16,060
Travel	1,000	1,000	962	38
Contingency	389,298	370,798	-	370,798
<b>TOTAL OPERATIONS AND MAINTENANCE</b>	<b>1,687,598</b>	<b>1,686,098</b>	<b>1,146,243</b>	<b>539,855</b>

See accompanying notes.

DANVILLE PUBLIC BUILDING COMMISSION  
GENERAL FUND STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND  
BALANCES – BUDGET AND ACTUAL (CONT.)  
For the Year Ended October 31, 2004

	Budgeted Amounts		Actual Amounts	Variance With Final Budget + (-)
	Original	Final		
COMMUNICATIONS				
Salaries	641,000	634,000	615,538	18,462
Payroll taxes	73,000	73,000	50,188	22,812
Retirement	8,000	8,000	6,125	1,875
Employee insurance	107,000	114,000	112,975	1,025
Personnel cost	14,000	14,000	13,807	193
Telephone	3,000	3,000	2,293	707
Maintenance service – equipment	4,000	4,000	2,231	1,769
Office supplies	3,000	3,000	2,570	430
Travel	2,500	2,500	969	1,531
Mobile Data Terminals	40,000	40,000	28,732	11,268
Miscellaneous	4,200	4,200	4,124	76
TOTAL COMMUNICATIONS	899,700	899,700	839,552	60,148
ASSIGNED PERSONNEL AND DIETARY				
Personnel cost – County	1,504,657	1,459,557	1,464,701	(5,144)
Dietary services – County	170,092	215,192	215,964	(772)
Training/correctional officers	13,616	13,616	(4,260)	17,876
Contract – Doctor	13,200	14,600	14,538	62
Medical equipment – prisoner	30,000	30,000	18,320	11,680
Supplies – janitorial	17,000	18,000	20,279	(2,279)
Supplies – prisoner	13,500	13,400	9,373	4,027
Uniforms	5,000	5,000	1,479	3,521
TOTAL ASSIGNED PERSONNEL AND DIETARY	1,767,065	1,769,365	1,740,394	28,971
CAPITAL OUTLAY	636,300	735,500	430,601	304,899
TOTAL EXPENDITURES	5,104,524	5,204,524	4,256,944	947,580
INCOME FROM OPERATIONS	(343,580)	(443,580)	531,578	975,158

See accompanying notes.

DANVILLE PUBLIC BUILDING COMMISSION  
 PROPRIETARY FUNDS BALANCE SHEET  
 October 31, 2004

	High School Construction Fund	Courthouse Renovation Fund	Jail Addition Fund	Total
<b>ASSETS</b>				
<b>CURRENT ASSETS</b>				
Cash and cash equivalents	273,090	683,202	428,674	1,384,966
Restricted cash and cash equivalents	-	-	54	54
Due from other funds	-	-	10,828	10,828
Lease receivable	-	-	6,868,950	6,868,950
Unamortized cost on revenue bonds	-	-	149,226	149,226
Due from other government units	-	-	1,648,154	1,648,154
<b>TOTAL ASSETS</b>	<b>273,090</b>	<b>683,202</b>	<b>9,105,886</b>	<b>10,062,178</b>
<b>LIABILITIES</b>				
<b>Current Liabilities</b>				
Accounts payable	-	1,109	6,022	7,131
Interest payable	-	-	151,976	151,976
Accrued expenses	-	-	101	101
Due to other funds	178	1,426	-	1,604
Revenue bonds payable	-	-	255,000	255,000
Due to other government units	272,912	680,667	-	953,579
<b>Total current liabilities</b>	<b>273,090</b>	<b>683,202</b>	<b>413,099</b>	<b>1,369,391</b>
<b>Noncurrent Liabilities</b>				
Revenue bonds payable	-	-	6,625,000	6,625,000
Due to other government units	-	-	1,963,629	1,963,629
Unamortized premium on revenue bonds	-	-	104,158	104,158
<b>Total noncurrent liabilities</b>	<b>-</b>	<b>-</b>	<b>8,692,787</b>	<b>8,692,787</b>
<b>TOTAL LIABILITIES</b>	<b>273,090</b>	<b>683,202</b>	<b>9,105,886</b>	<b>10,062,178</b>
<b>TOTAL NET ASSETS</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

See accompanying notes.

DANVILLE PUBLIC BUILDING COMMISSION  
 PROPRIETARY FUNDS STATEMENT OF REVENUES, EXPENSES,  
 AND CHANGES IN FUND NET ASSETS  
 Year Ended October 31, 2004

	High School Construction Fund	Courthouse Renovation Fund	Jail Addition Fund	Total
<b>OPERATING REVENUES</b>				
Rent	-	50,000	150,000	200,000
Miscellaneous	-	-	-	-
Total operating revenues	-	50,000	150,000	200,000
<b>OPERATING EXPENSES</b>				
Administrative	1,000	-	-	1,000
Operations and maintenance	-	50,115	357,154	407,269
Total operating expenses	1,000	50,115	357,154	408,269
<b>TOTAL OPERATING INCOME (LOSS)</b>	<b>(1,000)</b>	<b>(115)</b>	<b>(207,154)</b>	<b>(208,269)</b>
<b>NONOPERATING REVENUE AND (EXPENSES)</b>				
Amortization of certificates of participation:				
Premium	-	-	9,390	9,390
Issuance costs	-	-	(5,299)	(5,299)
Interest expense	-	-	(367,554)	(367,554)
Interest on capital lease	-	-	286,054	286,054
Interest on investments and deposits	3,073	8,272	7,432	18,777
Excess earnings due to governmental units	(2,073)	(8,157)	277,131	266,901
Total nonoperating revenue and expenses	1,000	115	207,154	208,269
<b>NET INCOME</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>NET ASSETS, BEGINNING OF YEAR</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>NET ASSETS, END OF YEAR</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

See accompanying notes.

DANVILLE PUBLIC BUILDING COMMISSION  
 PROPRIETARY FUNDS STATEMENT OF CASH FLOWS  
 Year Ended October 31, 2004

	BUSINESS-TYPE ACTIVITIES ENTERPRISE FUNDS			
	High School Construction Fund	Courthouse Renovation Fund	Jail Addition Fund	Total
<b>CASH FLOWS FROM OPERATIONS</b>				
Receipts from city/county	-	-	150,000	150,000
Payments to suppliers and contractors	(1,000)	(83,357)	(300,355)	(384,712)
Payments to employees	-	(37,347)	(94,868)	(132,215)
Payments to other funds	-	1,426	(5,752)	(4,326)
Net cash used in operating activities	(1,000)	(119,278)	(250,975)	(371,253)
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
Excess distribution to county	-	-	(59,574)	(59,574)
Net cash provided (used) by capital and Related financing activities	-	-	(59,574)	(59,574)
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Principal paid on revenue bonds	-	-	(245,000)	(245,000)
Interest paid on revenue bonds	-	-	(373,364)	(373,364)
Net cash provided by (used in) capital and related financing activities	-	-	(618,364)	(618,364)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Proceeds from capital lease agreements	-	-	623,364	623,364
Interest on investments and deposits	3,073	8,272	7,432	18,777
Net cash provided by investing activities	3,073	8,272	630,796	642,141
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	2,073	(111,006)	(298,117)	(407,050)
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	271,017	794,208	726,845	1,792,070
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	273,090	683,202	428,728	1,385,020
<b>CASH AND CASH EQUIVALENTS RESTRICTED CASH</b>	273,090	683,202	428,674	1,384,966
	-	-	54	54
	273,090	683,202	428,728	1,385,020

See accompanying notes.

DANVILLE PUBLIC BUILDING COMMISSION  
 PROPRIETARY FUNDS STATEMENT OF CASH FLOWS  
 Year Ended October 31, 2004

BUSINESS-TYPE ACTIVITIES  
 ENTERPRISE FUNDS

	High School Construction Fund	Courthouse Renovation Fund	Jail Addition Fund	Total
Reconciliation of income (loss) to net cash used in operating activities:				
Net income (loss)	-	-	-	-
Adjustments to reconcile net income to cash provided by operating activities:				
Amortization of certificates of participation:				
Premiums	-	-	(9,390)	(9,390)
Issuance cost	-	-	5,299	5,299
Changes in operating assets and liabilities:				
(Increase) decrease in due from/to other funds	-	1,426	(5,752)	(4,326)
Increase (Decrease) in account payable	-	31	(37,294)	(37,263)
Increase (Decrease) in accrued expenses	-	-	(776)	(776)
(Decrease) in interest payable	-	-	(5,809)	(5,809)
(Decrease) in due to other governments	(1,000)	(120,735)	(197,253)	(318,988)
Net cash provided by (used in) operating activities	(1,000)	(119,278)	(250,975)	(371,253)

See accompanying notes.

DANVILLE PUBLIC BUILDING COMMISSION  
STATEMENT OF FIDUCIARY NET ASSETS  
October 31, 2004

	Pension Trust Fund	Agency Funds
ASSETS		
Cash and cash equivalents	-	10,990
Investments in deferred compensation	190,296	-
Total assets	190,296	10,990
LIABILITIES		
Refunds payable and others	-	10,990
NET ASSETS		
Held in trust for pension benefits	190,296	

See accompanying notes.

DANVILLE PUBLIC BUILDING COMMISSION  
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
October 31, 2004

	Pension Trust Fund
ADDITIONS	
Contributions from plan members	13,717
Net increase in fair value of investments	12,419
Total additions	26,136
DEDUCTIONS	
Benefits	238
Withdrawals	5,000
Administrative expenses	755
Total deductions	5,993
Change in net assets	20,143
Net assets – beginning	170,153
Net assets – ending	190,296

See accompanying notes.



DANVILLE PUBLIC BUILDING COMMISSION  
NOTES TO COMBINED FINANCIAL STATEMENTS  
October 31, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Danville Public Building Commission, a municipal corporation, was organized under the provisions of the "Public Building Commission Act of the State of Illinois", approved July 5, 1955, as amended, and was incorporated for the purpose of exercising the powers and authority prescribed by the provisions of said "Public Building Commission Act of the State of Illinois" to enable the erecting, equipping, and providing of modern public buildings to house various branches, departments, and agencies of government in the County seat of Vermilion County, Illinois.

Reporting Entity - The Commission's reporting entity, includes the Commission's governing board and all related organizations for which the Commission is financially accountable.

The commission is not aware of any entity, which would be financially accountable for the Commission to the extent that the Commission would be considered a component unit of the entity. The Commission is to be disclosed as a joint venture in the general-purpose financial statements of the following entities:

Vermilion County, Illinois  
City of Danville, Illinois  
Danville Community Consolidated School District 118

A joint venture presentation is a footnote disclosure of each entity's share of the Commission's assets, liabilities, and retained earnings.

Government-Wide and Fund Financial Statements - The government-wide financial statements (i.e., the Statement of Net Assets) report information on all of the activities of the Commission. The effect of material interfund activity has been eliminated from these statements.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or program are offset by program revenues. Direct expenses are those that are clearly identifiable within a specific function or segment. Program revenues include 1) grants and related revenues such as revenue related to direct financing and operating leases that are restricted to meeting the operational or capital requirements of a particular function and 2) charges for services such as salary reimbursements. Interest income not specifically related to investments of the proprietary funds is reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

DANVILLE PUBLIC BUILDING COMMISSION  
NOTES TO COMBINED FINANCIAL STATEMENTS (CONT.)  
October 31, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

Measurement Focus, Basis Of Accounting, And Financial Statement Presentation – The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Operating rent and direct financing lease revenue are recognized as revenues in the year for which they are earned. The basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. Proprietary funds are accounted for using the accrual basis of accounting. Revenues are recognized when they are earned, and expenses are recognized when they are incurred.

Fund Accounting - Governmental agencies use funds to report on their financial position and the results of operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. A fund is a separate accounting entity with a self-balancing set of accounts.

Funds are classified into three categories: governmental, proprietary and fiduciary. Each category, in turn, is divided into separate “fund types”. Presently, the Commission has three categories of funds, the governmental (general fund), the proprietary, (enterprise) and the fiduciary (pension trust fund).

Proprietary funds are accounted for on a flow of economic resources measurement focus. The accounting objectives are determination of net income, financial position, and changes in cash flow. All assets and liabilities associated with a proprietary fund’s activities are included on its balance sheet. Proprietary fund equity is segregated into contributed capital if any, and retained earnings.

Fiduciary fund types are used to account for assets held by the Commission in a trustee capacity or as an agent for individuals, private organizations, other governments and /or other funds.

Budget - In accordance with their intergovernmental agreement, the Board approves an annual operating budget.

DANVILLE PUBLIC BUILDING COMMISSION  
NOTES TO COMBINED FINANCIAL STATEMENTS (CONT.)  
October 31, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

Fixed Assets and Long-Term Liabilities - Depreciation of all exhaustible fixed assets is charged as an expense against operations on the government-wide financial statements. Accumulated depreciation is reported on the government-wide statement of net assets. Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

Building	40 years
Improvements	40 years, 15 years, and 10 years
Equipment	10 years
Computer Equipment & Software	5 years and 3 years

Cash and Cash Equivalents - Cash and cash equivalents include all liquid investments with a maturity of three months or less when purchased.

Excess Earnings - The Commission records all revenues over expenses associated with their direct financing leases, as non-operating expenses and a liability to other governmental units. The lease agreements require all excess earnings to be refunded at the end of the lease term.

Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2 - CASH AND CASH EQUIVALENTS AND INVESTMENTS

Statutes authorize the Commission to make deposits and invest in obligations of the U.S. Treasury and U.S. Agencies, obligations of the U.S., states and their political subdivisions, savings accounts, credit union shares, repurchase agreements, commercial paper rated within the three highest classifications by at least two standard rating services, and the Illinois Public Treasurer's Investment Pool.

Cash and Cash Equivalents - Cash balances available for investment by the majority of commission funds are maintained in individual bank and pooled investment accounts to improve investment opportunities. Income from pooled investment accounts is allocated to the participating funds on percentage of pool ownership basis. These are balances that have a maturity of 3 months or less.

DANVILLE PUBLIC BUILDING COMMISSION  
NOTES TO COMBINED FINANCIAL STATEMENTS (CONT.)  
October 31, 2004

NOTE 2 - CASH AND CASH EQUIVALENTS AND INVESTMENTS (cont.)

Deposits - The following table categorizes deposits according to levels of risk.

CATEGORY #1	CATEGORY #2	BANK BALANCE	CARRYING AMOUNT
<u>57,973</u>	<u>2,846,045</u>	<u>2,904,018</u>	<u>2,859,856</u>

Category #1 includes deposits and cash equivalents that are insured by the FDIC, or registered, or securities that are held by the Commission or its agent in the Commission's name.

Category #2 includes deposits and cash equivalents for which securities are held by the pledging financial institution or its trust department but not in the Commission's name.

Category #3 includes uninsured and uncollateralized deposits and cash equivalents.

Restricted cash and cash equivalents - the various certificates of participation ordinances require the Commission to retain certain amounts of the annual rent charges for restricted purposes. As of October 31, 2004, restricted cash and cash equivalent balances are:

	General Fund	Jail Addition Fund	Total
Capital improvement	270,016	-	270,016
Maintenance	133,113	-	133,113
Bond reserve	-	27	27
Surplus	-	27	27
Total restricted	<u>403,129</u>	<u>54</u>	<u>403,183</u>

NOTE 3 - CHANGES IN CAPITAL ASSETS

The following is a summary of changes in capital assets and related depreciation for the general fund:

	10/31/03	Additions	Disposals	10/31/04
Land	558,575	-	-	558,575
Building	6,802,166	1,810	-	6,803,976
Equipment	2,278,777	426,250	-	2,705,027
Furniture & fixtures	179,295	2,541	-	181,836
Total	<u>9,818,813</u>	<u>430,601</u>	<u>-</u>	<u>10,249,414</u>

DANVILLE PUBLIC BUILDING COMMISSION  
NOTES TO COMBINED FINANCIAL STATEMENTS (CONT.)  
October 31, 2004

NOTE 3 – CHANGES IN CAPITAL ASSETS (Cont.)

	Accumulated Depreciation 10/31/03	Depreciation	Disposals	Accumulated Depreciation 10/31/04
Land	-	-	-	-
Building	4,459,022	208,523	-	4,667,545
Equipment	1,923,885	87,657	-	2,011,542
Furniture & fixtures	150,923	4,602	-	155,525
Total	6,533,830	300,782	-	6,834,612

NOTE 4 – INTERFUND RECEIVABLES AND PAYABLES

The composition of interfund balances as of October 31, 2004 is as follows:

Public Service Building – general	(129,479)
Public Service Building – maintenance	119,199
Public Service Building - capital improvements	1,056
Courthouse Operating and Maintenance	(1,426)
High School Operating and Maintenance	(178)
Jail Design and Construction	(788,551)
Jail Operating and Maintenance	(483,244)
Juvenile Detention	1,282,623
Total interfund effect	-

NOTE 5 - LEASE AGREEMENT

Courthouse Renovation Fund - The Commission entered into a lease agreement with the County of Vermilion, wherein the Commission renovated the existing Vermilion County Courthouse and Annex and leased it to Vermilion County for the period, which began on December 1, 1987 and ended on December 31, 2002.

At the end of the lease, the title to the site reverted back to the County.

At the end of the lease, all assets remaining in the fund were to be transferred to the County. The County has requested that the Building Commission retain the surplus funds until directed by them on the allocation of these funds. As of October 31, 2004, the liability due to the County for excess revenues from this lease totaled \$680,667.

DANVILLE PUBLIC BUILDING COMMISSION  
 NOTES TO COMBINED FINANCIAL STATEMENTS (CONT.)  
 October 31, 2004

NOTE 5 - LEASE AGREEMENT (cont.)

High School Renovation Lease – The commission entered into a lease agreement with Danville Community Consolidated School District 118, which began on September 28, 1988 and ended on May 1, 2003.

During the construction phase of the agreement, all costs associated with the renovation were accounted for in the High School Construction Fund.

At the end of the lease, all assets remaining in the fund were to be transferred to the School District. The School District has requested that the Building Commission retain the surplus funds until directed by them on the allocation of these funds. As of October 31, 2004, the liability due to the School District for excess revenues from this lease totaled \$272,912.

Jail Addition and Juvenile Detention Center Leases – The Commission has entered into lease agreements with Vermilion County and the City of Danville, where the Commission will be adding an addition to the existing Public Safety Building. The Jail addition will be leased to Vermilion County for a period beginning on November 1, 2001 and ending on December 31, 2020.

At the end of the lease, the title to the Public Safety Building addition will remain with the Commission. Title to the Juvenile Detention Center will revert back to the County when the bonds are retired and providing that there are no operating leases in place. All remaining assets in the Juvenile Detention Facility Fund will be transferred to the County at the end of the lease. As of October 31, 2004 the receivable due from the County for excess expenditures from this construction lease totaled \$1,228,449.

At the end of the Jail addition lease, all remaining assets will be transferred to the County and City. As of October 31, 2004 the liability due to the County for excess revenues from this lease totaled \$3,192,078. The receivable due from the City for excess expenses from this lease totaled \$1,648,154.

Future lease payments to be received including principal and interest, under the lease agreements are as follows for the next five years:

	Juvenile Detention Center Lease	County Jail Addition Lease	City Jail Addition Lease
2005	426,171	67,369	128,871
2006	423,005	68,966	128,871
2007	424,308	70,301	128,871
2008	426,595	66,419	128,871
2009	424,595	67,373	128,871
	<u>2,124,674</u>	<u>340,428</u>	<u>644,355</u>

The Commission entered into an operating lease agreement with Vermilion County for the 12 months ending November 30, 2003 for the operation of the Juvenile Detention Facility. This operating lease automatically renews for successive one-year periods until the end of the lease term or the lease is terminated; for the 12-month period ending November 30, 2004 the gross rental income is \$150,000.

If the accrual of receipts in any year is in excess of expenditures for this lease, the Commission shall refund the excess to the County. For the year ended October 31, 2004 net rental receipts were in excess of funds by \$15,974.

DANVILLE PUBLIC BUILDING COMMISSION  
NOTES TO COMBINED FINANCIAL STATEMENTS (CONT.)  
October 31, 2004

NOTE 5 – LEASE AGREEMENT (cont.)

The Building Commission's net investment in the direct financing leases is as follows:

	Jail Addition	Jail Addition	Jail Addition	Total
Total lease payments	8,116,030	2,189,446	2,577,420	12,882,896
Earned interest to date	(841,640)	(115,801)	(175,530)	(1,132,971)
Unearned interest	(2,450,448)	(546,937)	(669,544)	(3,666,929)
Net investment in direct financing lease	4,823,942	1,526,708	1,732,346	8,082,996
Principal payments received to date	(435,748)	(567,215)	(211,083)	(1,214,046)
TOTAL	4,388,194	959,493	1,521,263	6,868,950

Future minimum lease payments receivable under the lease agreements for the next five years and thereafter are:

2005	225,642	27,790	66,119	319,551
2006	229,115	30,533	68,846	328,494
2007	237,128	33,128	71,686	341,942
2008	140,002	29,502	72,961	242,465
2009	140,090	30,555	74,353	244,998
Thereafter	3,416,217	807,985	1,167,298	5,391,500
TOTAL	4,388,194	959,493	1,521,263	6,868,950

Public Safety Building Lease - A lease agreement was entered into on November 1, 1997, with the City of Danville and County of Vermilion where the Commission agreed to lease the Public Safety Building to the City and County for their joint use. This agreement includes the operations of a Joint Communications Center whose costs will be divided and apportioned equally between the County and the City. The agreement provides also for the salaries and fringe benefits of "leased" employees whose costs shall be apportioned solely to the County. The lease agreement is in effect from November 1, 2001 through October 31, 2005.

Lease payments are due as follows:

	Public Safety Building		
	County	City	Total
November 1, 2004	3,846,378	900,332	4,746,710

DANVILLE PUBLIC BUILDING COMMISSION  
NOTES TO COMBINED FINANCIAL STATEMENTS (CONT.)  
October 31, 2004

NOTE 5 – LEASE AGREEMENT (cont.)

If the accrual of receipts in any year are in excess of expenditures in the communication center, assigned personnel, or lease funds, the Commission shall either refund the excess to the City and County, or the City and County may abate their respective tax levies by the excess. If, in any year the net rental receipts are insufficient in these funds, the Commission shall consult the City and County and provide essential services that can be had by the use of such available funds.

There is no formal written agreement that addresses the calculation of this rebate. Previously the excess funds back to the City and the County was calculated by taking total revenues less total expenses and then calculating the rebates on the net amount as to how expenses were shared for that fund. If this method is used to calculate the rebates for the year ended October 31, 2004, refund of the excess would be made as follows:

City of Danville, Illinois	223,803
County of Vermilion, Illinois	<u>430,228</u>
TOTAL	<u>654,031</u>

An alternative method of calculating the excess funds back to the City and the County is to allocate the expenses as shared for that fund. The expenses for each governmental unit is then deducted from the amount of rent paid by that unit plus any miscellaneous income and interest income received in that fund to arrive at the total excess funds due back to them. If this method is used to calculate the rebates for the year ended October 31, 2004, refund of the excess would be made as follows:

City of Danville, Illinois	(4,246)
County of Vermilion, Illinois	<u>658,277</u>
TOTAL	<u>654,031</u>

The Danville Public Building Commission is working with the two entities to develop an allocation that takes into account the changes in the lease that has occurred over time instead of rebating in the same percentages and method as previously determined. An agreement to establish how the excess funds should be rebated back has not been reached, nor has an agreement been reached on the reallocation of amounts previously rebated, if any.



DANVILLE PUBLIC BUILDING COMMISSION  
NOTES TO COMBINED FINANCIAL STATEMENTS (CONT.)  
October 31, 2004

NOTE 5 – LEASE AGREEMENT (cont.)

In regard to the capital improvements and maintenance funds, the following provisions are used to determine the amount of excess rental receipts to be refunded:

Maintenance Fund - rental receipts are to be set aside up to a minimum of \$200,000. These funds are to provide for maintaining, repairing or replacing machinery, and other improvements upon the premises.

Capital Improvements Fund - Rental receipts are set aside for the purpose of making either capital improvements or repairs to the premises. Excess rental receipts may be refunded in accordance with the provisions for authorizing expenditures; however, the refund may not exceed \$100,000 a year. The County and City must approve joint and identical resolutions in order for the Commission to have authority to authorize expenditures from this fund.

DANVILLE PUBLIC BUILDING COMMISSION  
 NOTES TO COMBINED FINANCIAL STATEMENTS (CONT.)  
 October 31, 2004

NOTE 6 – LONG-TERM DEBT (cont.)

Public Safety Building Addition and Juvenile Detention Center Revenue Bonds outstanding net of unamortized premium and issuance cost of \$96,290 and \$92,471 respectively, at October 31, 2004, are as follows:

Indebtedness:  
 Original Issue: \$5,000,000  
 Certificates: \$5,000 denomination, each dated September 1, 1999.  
 Interest paid June 1 and December 1.

	Principal	Rate on Coupons
12/01/04	175,000	4.55
12/01/05	180,000	4.65
12/01/06	190,000	4.75
12/01/07	205,000	8.00
12/01/08	220,000	8.00
12/01/09	240,000	8.00
12/01/10	255,000	5.00
12/01/11	270,000	5.10
12/01/12	280,000	5.20
12/01/13	305,000	5.25
12/01/14	320,000	5.30
12/01/15	335,000	5.35
12/01/16	355,000	5.40
12/01/17	375,000	5.50
12/01/18	395,000	5.50
12/01/19	420,000	5.50
Payable October 31, 2004	<u>4,520,000</u>	

DANVILLE PUBLIC BUILDING COMMISSION  
 NOTES TO COMBINED FINANCIAL STATEMENTS (CONT.)  
 October 31, 2004

NOTE 6 – LONG TERM DEBT (cont.)

Public Safety Building Addition and Juvenile Detention Center Revenue Bonds outstanding net of unamortized premium and issuance cost of \$7,868 and \$56,755, respectively, at October 31, 2004, are as follows:

Indebtedness:

Original Issue: \$3,065,000

Certificates: \$5,000 denomination, each dated June 1, 2001.

Interest paid June 1 and December 1

	Principal	Rate on Coupons
12/01/04	80,000	4.125
12/01/05	85,000	4.125
12/01/06	90,000	4.250
12/01/07	90,000	4.375
12/01/08	95,000	4.375
12/01/09	100,000	4.500
12/01/10	105,000	4.500
12/01/11	105,000	4.500
12/01/12	115,000	4.600
12/01/13	110,000	4.700
12/01/14	115,000	4.900
12/01/15	125,000	4.900
12/01/16	130,000	4.900
12/01/17	135,000	5.050
12/01/18	145,000	5.050
12/01/19	150,000	5.100
12/01/20	585,000	5.100
Payable October 31, 2004	<u>2,360,000</u>	

DANVILLE PUBLIC BUILDING COMMISSION  
 NOTES TO COMBINED FINANCIAL STATEMENTS (CONT.)  
 October 31, 2004

NOTE 6 – LONG TERM DEBT (cont.)

	<u>Balance 10/31/03</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 10/31/04</u>
Public Safety Building & Juvenile Detention Center Revenue Bonds	4,685,000	-	165,000	4,520,000
Public Safety Building & Juvenile Detention Center Revenue Bonds	<u>2,440,000</u>	<u>-</u>	<u>80,000</u>	<u>2,360,000</u>
TOTAL	<u>7,125,000</u>	<u>-</u>	<u>245,000</u>	<u>6,880,000</u>

SUMMARY OF LONG-TERM DEBT

	<u>Current Portion</u>	<u>Long-term Portion</u>	<u>Total</u>
Public Safety Building & Juvenile Detention Center Revenue Bonds	175,000	4,345,000	4,520,000
Public Safety Building & Juvenile Detention Center Revenue Bonds	<u>80,000</u>	<u>2,280,000</u>	<u>2,360,000</u>
	<u>255,000</u>	<u>6,625,000</u>	<u>6,880,000</u>

DANVILLE PUBLIC BUILDING COMMISSION  
 NOTES TO COMBINED FINANCIAL STATEMENTS (CONT.)  
 October 31, 2004

NOTE 7 - ILLINOIS MUNICIPAL RETIREMENT FUND

DEFINED BENEFIT PENSION PLAN

The Danville Public Building Commission's (EMPLOYER'S) defined benefit pension plan, Illinois Municipal Retirement Fund (IMRF), provides retirement, disability, annual cost of living adjustments and death benefits to plan members and beneficiaries. IMRF acts as a common investment and administrative agent for local governments and school districts in Illinois. The Illinois Pension Code establishes the benefit provisions of the plan that can only be amended by the Illinois General Assembly.

IMRF issues a financial report that includes financial statements and required supplementary information. The report may be obtained at [www.imrf.org/pubs/pubs-homepage.htm](http://www.imrf.org/pubs/pubs-homepage.htm) or by writing to the Illinois Municipal Retirement Fund, 2211 York Road, Suite 500, Oak Brook, Illinois 60523.

Employees participating in IMRF are required to contribute 4.5% of their annual covered salary. The member rate is established by state statute. The Danville Public Building Commission is required to contribute at an actuarially determined rate. The employer rate for calendar year 2003 was .95% of payroll. The employer contribution requirements are established and may be amended by the IMRF Board of Trustees. IMRF's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis (overfunded liability amortized on open basis). The amortization period at December 31, 2003 was 5 years.

For December 31, 2003 the EMPLOYER'S **annual pension cost** of \$11,204 was equal to the EMPLOYER'S required and actual contributions. The required contribution was determined as part of the December 31, 2001 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions included (a) 7.50% investment rate of return (net of administrative expenses), (b) projected salary increases of 4.00% a year, attributable to inflation, (c) additional projected salary increases ranging from 0.4% to 11.6% per year depending on age and service, attributable to seniority/merit, and (d) post-retirement benefit increases of 3% annually. The actuarial value of IMRF assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five-year period. The assumptions used for the 2003 actuarial valuation were based on the 1999-2001 experience study.

TREND INFORMATION

Actuarial Valuation Date	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
12/31/03	11,204	100%	\$0
12/31/02	11,413	100%	0
12/31/01	9,535	100%	0
12/31/00	9,235	100%	0
12/31/99	9,065	100%	0
12/31/98	10,248	100%	0
12/31/97	11,614	100%	0
12/31/96	26,074	100%	0
12/31/95	35,171	100%	0
12/31/94	56,386	100%	0

DANVILLE PUBLIC BUILDING COMMISSION  
NOTES TO COMBINED FINANCIAL STATEMENTS  
October 31, 2004

NOTE 7 – ILLINOIS MUNICIPAL RETIREMENT FUND (cont.)

DEFINED BENEFIT PENSION PLAN (cont.)

REQUIRED SUPPLEMENTARY INFORMATION  
Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value Of Assets (a)	Actuarial Accrued Liability (AAL)-Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll ( c )	UAAL as a Percentage Of Covered Payroll ( (b-a) /c)
12/31/03	3,451,593	3,089,235	(362,358)	111.73%	1,179,422	0.00%
12/31/02	3,311,603	2,831,680	(479,923)	116.95%	1,118,917	0.00%
12/31/01	3,343,556	2,508,633	(834,923)	133.28%	1,014,393	0.00%
12/31/00	3,097,390	2,212,860	(884,530)	139.97%	972,103	0.00%
12/31/99	2,792,926	1,984,654	(808,272)	140.73%	954,253	0.00%
12/31/98	2,614,593	2,279,596	(334,997)	114.70%	948,875	0.00%
12/31/97	2,469,736	2,076,326	(393,410)	118.95%	844,576	0.00%
12/31/96	2,142,325	1,780,059	(362,266)	120.35%	827,173	0.00%
12/31/95	1,946,133	1,689,028	(257,105)	115.22%	843,425	0.00%
12/31/94	1,655,867	1,430,494	(225,373)	115.75%	804,360	0.00%

On a market value basis, the actuarial value of assets as of December 31, 2003 is \$3,174,981. On a market basis, the funded ratio would be 102.78%.

Digest of Changes

The actuarial assumptions used to determine the actuarial accrued liability for 2003 are based on the 1999-2001 Experience Study.

The principal changes were:

- Fewer members are expected to take refunds early in their career.
- For Regular members, fewer normal and early retirements are expected to occur.

DANVILLE PUBLIC BUILDING COMMISSION  
NOTES TO COMBINED FINANCIAL STATEMENTS (CONT.)  
October 31, 2004

NOTE 8 - DEFERRED COMPENSATION PLAN

During fiscal 1993 the Commission adopted a deferred compensation plan under section 457 of the Internal Revenue Code. This Plan allows employees to defer part of their compensation. The Commission is not required to make any contributions into the Plan. Contributions by participants are administered by a third-party agent and held in trust. They are not available to the general creditors of the Commission. At September 30, 2004, Commission employees had \$190,296 invested in this plan.

NOTE 9 - OTHER RELATED PARTY ACTIVITY

Construction Management agreements - The Commission has entered into several construction management agreements with related government entities. As part of these agreements, the Commission furnishes two of its employees to act as Construction Manager and Project Director for certain construction projects. In consideration of this, the related entities reimburse the Commission for the cost of those employees' compensation. During fiscal year ended October 31, 2004, the Commission was involved in the following construction management agreement:

Public Library - The Commission received \$3,942 in reimbursement from the Danville Public Library for salaries. The Danville Public Building commission paid for work performed at the Library.

911 Contract - The Commission entered into an intergovernmental agreement with Vermilion County Emergency Telephone System Board (ETSB), a governmental agency, for the operation of 911 Emergency Telephone System. The Commission operates and maintains a Joint Communication Telephone System. The intergovernmental agreement was set up to coordinate the efforts of the two entities, allocate resources and personnel, and provide for the proper function of both systems as required by state statutes. The Commission appointed one of its employees to act as the Communication Director. ETSB also appointed that individual as the 911 Director, therefore, ETSB reimburses the Commission for a portion of his employment costs. In fiscal year 2004, \$26,072 of employment costs was reimbursed to the Commission.

ETSB also paid the Commission rent of \$91,828 annually for their usage of space in the Public Safety Building.

DANVILLE PUBLIC BUILDING COMMISSION  
STATEMENT OF CHANGES IN RESERVED ACCOUNTS – GENERAL FUND  
Year Ended October 31, 2004

	Communication Center	Assigned Personnel	Lease	Burglar Alarm	911
OPERATING REVENUES					
Rent	899,700	1,788,365	1,788,659	-	91,828
Salary reimbursement	-	-	-	-	26,072
Interest	-	-	32,051	-	-
Miscellaneous	-	-	26	1,776	-
Total operating revenues	899,700	1,788,365	1,820,736	1,776	117,900
OPERATING EXPENDITURES					
Administrative	-	-	100,154	-	-
Operations and maintenance	-	-	1,144,060	851	-
Communications	839,552	-	-	-	-
Assigned personnel and dietary	-	1,740,394	-	-	-
Capital Outlay	-	7,599	23,011	-	-
Total operating expenditures	839,552	1,747,993	1,267,225	851	-
INCOME FROM OPERATIONS	60,148	40,372	553,511	925	117,900
NON-OPERATING INCOME (EXPENDITURES)					
Excess earnings due to governmental units	(60,148)	(40,372)	(553,511)	-	-
Excess earnings due to maintenance	-	-	-	-	(117,900)
Excess earnings due from 911	-	-	-	-	-
NET INCOME	-	-	-	925	-
NET ASSETS, BEGINNING OF YEAR	-	-	-	79,341	-
NET ASSETS, END OF YEAR	-	-	-	80,266	-



DANVILLE PUBLIC BUILDING COMMISSION  
STATEMENT OF CHANGES IN RESERVED ACCOUNTS-GENERAL FUND  
Year Ended October 31, 2004

	Management Agreements	Capital Improvements	Maintenance	Total	Eliminating Entries	Total
OPERATING REVENUES						
Rent	-	100,000	50,000	4,718,552	-	4,718,552
Salary reimbursement	3,942	-	-	30,014	-	30,014
Interest	-	3,972	2,131	38,154	-	38,154
Miscellaneous	-	-	-	1,802	-	1,802
Total operating revenues	3,942	103,972	52,131	4,788,522	-	4,788,522
OPERATING EXPENDITURES						
Administrative	-	-	-	100,154	-	100,154
Operations and maintenance	-	876	456	1,146,243	-	1,146,243
Communications	-	-	-	839,552	-	839,552
Assigned personnel and dietary	-	-	-	1,740,394	-	1,740,394
Capital outlay	-	208,563	191,428	430,601	-	430,601
Total operating expenditures	-	209,439	191,884	4,256,944	-	4,256,944
INCOME FROM OPERATIONS	3,942	(105,467)	(139,753)	531,578	-	531,578
NON-OPERATING INCOME (EXPENDITURES)						
Excess earnings due to governmental units	-	-	-	(654,031)	-	(654,031)
Excess earnings due to maintenance	-	-	-	(117,900)	117,900	-
Excess earnings due from 911	-	-	117,900	117,900	(117,900)	-
NET INCOME	3,942	(105,467)	(21,853)	(122,453)	-	(122,453)
NET ASSETS, BEGINNING OF YEAR	20,039	376,540	262,360	738,280	-	738,280
NET ASSETS, END OF YEAR	23,981	271,073	240,507	615,827	-	615,827