

DANVILLE PUBLIC BUILDING COMMISSION
Danville, Illinois

**BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION**
October 31, 2012



CliftonLarsonAllen

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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 Danville Public Building Commission (Commission) as of and for the year ended October 31, 2012, as listed in the table of contents. These financial statements are the responsibility of the Commission's management. Our responsibility is to express an opinion 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. 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 opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Danville Public Building Commission as of October 31, 2012, the respective changes in financial position and the cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that the Schedule of Funding Progress Illinois Municipal Retirement, as listed in the table of contents, be presented to supplement the basic financial statement. 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. However, we did not audit the information and express no opinion on it.

The Commission has not presented the management's discussion and analysis that accounting principles generally accepted in the United States of America regard as necessary to supplement, although not required to be part of, the basic financial statement. Such missing 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. Our opinion on the basic financial statement is not affected by the missing information.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements. The accompanying financial information listed as supplementary information in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements of the Danville Public Building Commission. The supplementary information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the 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 financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

CliftonLarsonAllen LLP

Danville, Illinois
April 4, 2013

DANVILLE PUBLIC BUILDING COMMISSION
STATEMENT OF NET POSITION
October 31, 2012

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ 2,997,601
Prepaid expenses	45,681
Due from others	154,733
Capital lease receivable	<u>298,963</u>
Total current assets	<u>3,496,978</u>

NONCURRENT ASSETS

Capital lease receivable	4,461,471
Unamortized cost on revenue bonds	141,799
Capital assets, net of accumulated depreciation	<u>3,160,783</u>
Total noncurrent assets	<u>7,764,053</u>

TOTAL ASSETS

11,261,031

LIABILITIES

CURRENT LIABILITIES

Accounts payables	376,183
Interest payable	91,771
Accrued expenses	138,852
Prepaid rent	600,000
Deferred revenue	120,479
Due to Vermilion County	932,488
Due to City of Danville	91,600
Due to other governments	225,303
Current portion - bonds payable	<u>250,000</u>
Total current liabilities	<u>2,826,676</u>

NONCURRENT LIABILITIES

Pension obligation	181,016
Bonds payable	5,045,000
Unamortized premium on revenue bonds	<u>12,264</u>
Total noncurrent liabilities	<u>5,238,280</u>

TOTAL LIABILITIES

8,064,956

NET POSITION

Invested in capital assets	3,160,783
Restricted	<u>35,292</u>

TOTAL NET POSITION

\$ 3,196,075

The accompanying notes are an integral part of the basic financial statements.

**DANVILLE PUBLIC BUILDING COMMISSION
STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN NET POSITION
Year Ended October 31, 2012**

OPERATING REVENUES	
Rent	\$ 6,624,233
Rebate	118,609
Salary reimbursement	4,870
Miscellaneous	<u>34,897</u>
Total operating revenues	<u>6,782,609</u>
OPERATING EXPENSES	
Administrative	1,529,494
Operations and maintenance	1,615,413
Communications	1,199,131
Assigned personnel and dietary	2,378,632
Capital outlay - minor	13,058
Depreciation	<u>446,403</u>
Total operating expenses	<u>7,182,131</u>
Total operating loss	<u>(399,522)</u>
NONOPERATING REVENUES AND EXPENSES	
Amortization of certificates of participation	
Premium	1,043
Issuance costs	(6,308)
Interest expense	(222,084)
Interest on capital lease	184,161
Interest on investments and deposits	<u>5,509</u>
Total nonoperating revenues and expenses	<u>(37,679)</u>
NET LOSS	(437,201)
NET POSITION, BEGINNING OF YEAR	<u>3,633,276</u>
NET POSITION, END OF YEAR	<u>\$ 3,196,075</u>

The accompanying notes are an integral part of the basic financial statements.

DANVILLE PUBLIC BUILDING COMMISSION
STATEMENT OF CASH FLOWS
Year Ended October 31, 2012

CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts of rental income	\$ 6,580,723
Payments to suppliers	(2,450,779)
Payments to employees	<u>(3,895,731)</u>
Net cash provided by operating activities	<u>234,213</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Purchase of capital assets	(53,627)
Receipts of principal on capitalized lease receivable	286,089
Receipts of interest on capitalized lease	184,161
Principal payments on revenue bonds	(240,000)
Interest paid on revenue bonds	<u>(226,251)</u>
Net cash used in capital and related financing activities	<u>(49,628)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest on investments and deposits	<u>5,509</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	190,094
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>2,807,507</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 2,997,601</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating loss	\$ (399,522)
Adjustments to reconcile operating loss to net cash provided by operating activities	
Depreciation	446,403
Loss on disposal of capital assets	818
Changes in operating assets and liabilities:	
Decrease in accounts receivable	2,088
Decrease in prepaid expenses	20,935
Increase in accounts payable and accrued expenses	367,465
Decrease in prepaid rent	(100,000)
Increase in deferred revenue	120,479
Decrease in due to other governments	<u>(224,453)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 234,213</u>

The accompanying notes are an integral part of the basic financial statements.

**DANVILLE PUBLIC BUILDING COMMISSION
STATEMENT OF FIDUCIARY NET ASSETS
October 31, 2012**

	Agency <u>Fund</u>
ASSETS	
CURRENT ASSETS	
Cash and cash equivalents	\$ 530
Investments in deferred compensation	<u>-</u>
TOTAL ASSETS	<u>530</u>
LIABILITIES	
Refunds payable and others	<u>530</u>
NET ASSETS	
Held in trust for pension benefits	<u>\$ -</u>

The accompanying notes are an integral part of the basic financial statements.

DANVILLE PUBLIC BUILDING COMMISSION
NOTES TO BASIC FINANCIAL STATEMENTS
October 31, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Danville Public Building Commission (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 basic financial statements of the following entities:

Vermilion County, Illinois
City of Danville, Illinois

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

Basis of Presentation

The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. In accordance with the provisions of the GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, the Commission follows all Financial Accounting Standards Board statements and interpretations issued prior to December 1, 1989 to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board.

The accounts of the Commission are organized and reported as a single business-type activity. Periodic determination of revenues earned, expenses incurred, and net income (loss) is deemed appropriate for management accountability.

Basis of accounting defines when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of their recognition.

DANVILLE PUBLIC BUILDING COMMISSION
NOTES TO BASIC FINANCIAL STATEMENTS
October 31, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation (Continued)

The financial statements have been prepared using the economic resources measurement focus and the accrual basis of accounting. The Commission distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with the Commission's on-going operations. The principal operating revenue of the Commission is rental income. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Revenues are recorded when earned. Expenses are recorded at the time liabilities are incurred.

Fiduciary fund types are used for assets held by the Commission in a trustee capacity or as an agent for individuals.

Budget

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

Cash and Cash Equivalents

Cash and cash equivalents include all checking, money market accounts and liquid investments with an original maturity of three months or less when purchased.

Capital Assets

Depreciation of all exhaustible capital assets is charged as an expense against operations. 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
Furniture and fixtures	7 years and 5 years
Computer equipment and software	5 years and 3 years

Excess Earnings

The Commission records all revenues over expenses associated with their direct financing leases, as an expense 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.

DANVILLE PUBLIC BUILDING COMMISSION
NOTES TO BASIC FINANCIAL STATEMENTS
October 31, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Restricted Net Position

All amounts held by the Commission are restricted by the covenants of the respective bond issue or for the purpose of carrying out the operations of the Commission.

NOTE 2 - CASH AND CASH EQUIVALENTS

At October 31, 2012, the carrying amount of the Commission's deposits was \$79,221. The bank balance of the deposits was \$79,682.

Interest Rate Risk - The Commission does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Custodial Credit Risk - For deposits, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Commission will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. As of October 31, 2012, the Commission's bank deposits were fully insured.

Deposits in the Illinois Funds - The Illinois State Treasurer, the administrator of the Illinois Funds Money Market Fund, represents that the monies invested by the individual participants are pooled together and invested in U.S. Treasury bills and notes backed by full faith and credit of the U.S. Treasury. In addition, monies are invested in fully collateralized time deposits in Illinois financial institutions, in collateralized repurchase agreements, and in treasury mutual funds that invest in U.S. Treasury obligations and collateralized repurchase agreements.

The time deposits are collateralized 110 percent over FDIC or FSLIC \$250,000 insurance with U.S. Treasury obligations and marked to market on a weekly basis to maintain sufficiency. The repurchase agreements are collateralized at 102 percent with U.S. Treasury obligations, and the collateral is checked daily to determine sufficiency. Deposits in the Illinois Funds totaled \$2,918,380 at October 31, 2012.

DANVILLE PUBLIC BUILDING COMMISSION
NOTES TO BASIC FINANCIAL STATEMENTS
October 31, 2012

NOTE 3 - CAPITAL ASSETS

The following is a summary of changes in capital assets for the year ended October 31, 2012.

	<u>Balance</u> <u>10/31/11</u>	<u>Additions</u>	<u>Disposal</u>	<u>Balance</u> <u>10/31/12</u>
Capital assets not being depreciated:				
Land	\$ 558,575	\$ -	\$ -	\$ 558,575
Capital assets being depreciated:				
Buildings and improvements	8,327,144	12,775	-	8,339,919
Equipment	3,331,907	40,852	(119,941)	3,252,818
Furniture and fixtures	<u>262,372</u>	<u>-</u>	<u>-</u>	<u>262,372</u>
Total capital assets, being depreciated	<u>11,921,423</u>	<u>53,627</u>	<u>(119,941)</u>	<u>11,855,109</u>
Less accumulated depreciation for:				
Buildings and improvements	(6,162,821)	(213,460)	-	(6,376,281)
Equipment	(2,563,564)	(222,931)	119,123	(2,667,372)
Furniture and fixtures	<u>(199,236)</u>	<u>(10,012)</u>	<u>-</u>	<u>(209,248)</u>
Total accumulated depreciation	<u>(8,925,621)</u>	<u>(446,403)</u>	<u>119,123</u>	<u>(9,252,901)</u>
Total capital assets, being depreciated, net	<u>2,995,802</u>	<u>(392,776)</u>	<u>(818)</u>	<u>2,602,208</u>
Capital assets net	<u>\$ 3,554,377</u>	<u>\$ (392,776)</u>	<u>\$ (818)</u>	<u>\$ 3,160,783</u>

**DANVILLE PUBLIC BUILDING COMMISSION
NOTES TO BASIC FINANCIAL STATEMENTS
October 31, 2012**

NOTE 4 - LEASE AGREEMENTS

Courthouse Renovation Lease

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, the excess revenues over expenses associated with the lease 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. The Commission continues operationally under a maintenance agreement with the County. As of October 31, 2012 the liability due to the County for excess revenues from this lease totaled \$12,191.

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 added an addition to the existing Public Safety Building. The Jail addition is being leased to Vermilion County and the City of Danville for a period beginning on November 1, 2001 and ending on December 31, 2026 and December 31, 2020, respectively.

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 is no operating lease in place. All remaining assets in the Juvenile Detention Facility Fund will be transferred to the County at the end of the lease.

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

	Juvenile Detention Center Lease	County Jail Addition Lease	City Jail Addition Lease
2013	\$ 300,000	\$ 41,124	\$ 128,871
2014	300,000	45,254	128,871
2015	300,000	43,712	128,871
2016	300,000	46,534	128,871
2017	300,000	43,812	128,871
Thereafter	<u>900,000</u>	<u>3,408,564</u>	<u>515,484</u>
Total	<u>\$ 2,400,000</u>	<u>\$ 3,629,000</u>	<u>\$1,159,839</u>

**DANVILLE PUBLIC BUILDING COMMISSION
NOTES TO BASIC FINANCIAL STATEMENTS
October 31, 2012**

NOTE 4 - LEASE AGREEMENTS (CONTINUED)

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

	City Jail Addition	Juvenile Detention Center	County Jail Addition	Total
Total lease payments	\$ 2,577,420	\$ 3,900,000	\$3,729,871	\$ 10,207,291
Earned interest to date	(611,504)	(561,028)	(222,157)	(1,394,689)
Unearned interest	<u>(233,570)</u>	<u>(439,431)</u>	<u>(1,634,118)</u>	<u>(2,307,119)</u>
Net investment in direct financing lease	1,732,346	2,899,541	1,873,596	6,505,483
Principal payments received to date	<u>(806,077)</u>	<u>(938,972)</u>	<u>-</u>	<u>(1,745,049)</u>
Total	<u>\$ 926,269</u>	<u>\$ 1,960,569</u>	<u>\$1,873,596</u>	<u>\$ 4,760,434</u>

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

	City Jail Addition	Juvenile Detention Center	County Jail Addition	Total
2013	\$ 87,189	\$ 211,774	\$ -	\$ 298,963
2014	90,211	219,426	-	309,637
2015	93,614	227,996	-	321,610
2016	96,757	236,221	-	332,978
2017	101,505	247,808	-	349,313
Thereafter	<u>456,993</u>	<u>817,344</u>	<u>1,873,596</u>	<u>3,147,933</u>
Total	<u>\$ 926,269</u>	<u>\$ 1,960,569</u>	<u>\$ 1,873,596</u>	<u>\$ 4,760,434</u>

The Commission entered into an additional operating lease agreement with Vermilion County for the 12 months which ended November 30, 2003 for the operation of the Juvenile Detention Facility. This operating lease automatically renews for successive one-year periods until terminated for the 12-month period ending November 30, 2012 the gross rental income was \$217,000.

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, 2012 net rental receipts were in excess of funds by \$55,942. The amount of the check that the County will receive for their rebate will be reduced by \$5,000. The funds will be retained by the Danville Public Building Commission per the County's request.

**DANVILLE PUBLIC BUILDING COMMISSION
NOTES TO BASIC FINANCIAL STATEMENTS
October 31, 2012**

NOTE 4 - LEASE AGREEMENTS (CONTINUED)

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 was in effect from November 1, 2005 through October 31, 2009. This lease agreement can be extended in two year increments and has been extended through October 31, 2013.

Lease payments are due as follows:

	Public Safety Building		
	County	City	Total
November 1, 2012	\$ 4,855,810	\$ 1,113,096	\$5,968,906

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. An agreement for the calculation of the rebate was established by the Commission in January 2006. The method of this calculation was to be used for the calculation of the rebate beginning for the year ending October 31, 2005. If, in any year the net rental receipts are insufficient in these funds, the Commission shall consult with the City and County and provide essential services that can be had by the use of such available funds. For the year ended October 31, 2012 net rental receipts were in excess of the funds required. Accordingly, refunds of the excess will be made as follows:

City of Danville, Illinois	\$ 91,600
County of Vermilion, Illinois	864,356
Total	\$ 955,956

The amount of the check that the County will receive for their rebate will be reduced by \$123,689. These funds will be retained by the Danville Public Building Commission and transferred to be used for assigned personnel as requested by Vermilion County.

**DANVILLE PUBLIC BUILDING COMMISSION
NOTES TO BASIC FINANCIAL STATEMENTS
October 31, 2012**

NOTE 4 - LEASE AGREEMENTS (CONTINUED)

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

Maintenance – rental receipts are to be set aside for maintaining, repairing or replacing machinery, and other improvements upon the premises. Excess rental receipts may be refunded in accordance with the provisions for authorizing expenditures; however, at no time shall the excess funds exceed \$200,000, which balance will be determined at the end of each fiscal year.

Capital Improvements – 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.

NOTE 5 - LONG-TERM DEBT

Public Safety Building Addition and Juvenile Detention Center Revenue Bonds outstanding net of unamortized premium and issuance cost of \$4,053 and \$22,726 respectively, at October 31, 2012, 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

	<u>Principal</u>	<u>Rate on Coupons</u>
12/1/12	\$ 85,000	4.600
12/1/13	90,000	4.700
12/1/14	95,000	4.900
12/1/15	100,000	4.900
12/1/16	105,000	4.900
12/1/17	110,000	5.050
12/1/18	115,000	5.050
12/1/19	120,000	5.100
12/1/20	<u>125,000</u>	5.100
Payable October 31, 2012	<u>\$ 945,000</u>	

DANVILLE PUBLIC BUILDING COMMISSION
NOTES TO BASIC FINANCIAL STATEMENTS
October 31, 2012

NOTE 5 - LONG-TERM DEBT (CONTINUED)

Public Safety Building Addition and Juvenile Detention Center Revenue Bonds outstanding net of unamortized premium and issuance cost of \$8,211 and \$119,073 respectively, at October 31, 2012, are as follows:

Indebtedness:

Original Issue: \$5,095,000
 Certificates: \$5,000 denomination, each dated December 2, 2006
 Interest paid June 1 and December 1

	<u>Principal</u>	<u>Rate on Coupons</u>
12/1/12	\$ 165,000	4.000
12/1/13	175,000	4.000
12/1/14	180,000	4.000
12/1/15	190,000	4.000
12/1/16	195,000	4.000
12/1/17	205,000	3.800
12/1/18	210,000	3.850
12/1/19	220,000	3.900
12/1/20	240,000	3.900
12/1/21	385,000	3.950
12/1/22	400,000	4.000
12/1/23	420,000	4.000
12/1/24	435,000	4.000
12/1/25	455,000	4.100
12/1/26	<u>475,000</u>	4.100

Payable October 31, 2012 \$4,350,000

	<u>Balance 10/31/11</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 10/31/12</u>
Public Safety Building and Juvenile Detention Center Revenue Bonds	\$ 1,025,000	\$ -	\$ 80,000	\$ 945,000
Public Safety Building and Juvenile Detention Center Revenue Bonds	<u>4,510,000</u>	<u>-</u>	<u>160,000</u>	<u>4,350,000</u>
Total	<u>\$ 5,535,000</u>	<u>\$ -</u>	<u>\$ 240,000</u>	<u>\$ 5,295,000</u>

**DANVILLE PUBLIC BUILDING COMMISSION
NOTES TO BASIC FINANCIAL STATEMENTS
October 31, 2012**

NOTE 5 - LONG-TERM DEBT (CONTINUED)

Summary of Long-Term Debt

	<u>Current Portion</u>	<u>Long-Term Portion</u>	<u>Total</u>
Public Safety Building and Juvenile Detention Center Revenue Bonds	\$ 85,000	\$ 860,000	\$ 945,000
Public Safety Building and Juvenile Detention Center Revenue Bonds	<u>165,000</u>	<u>4,185,000</u>	<u>4,350,000</u>
Total	<u>\$ 250,000</u>	<u>\$ 5,045,000</u>	<u>\$ 5,295,000</u>

NOTE 6 - 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.

NOTE 7 - 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, 2012, the Commission was involved in the following construction management agreement:

Public Library – The Commission received \$4,870 in reimbursement from the Danville Public Library for salaries. The Danville Public Building Commission paid for work performed at the Library.

**DANVILLE PUBLIC BUILDING COMMISSION
NOTES TO BASIC FINANCIAL STATEMENTS
October 31, 2012**

NOTE 7 - OTHER RELATED PARTY ACTIVITY (CONTINUED)

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. Under this agreement the ETSB reimbursed the Commission for a portion of the Director's employment costs. Under the lease that became effective November 1, 2008, the Building Commission is no longer be reimbursed by the ETSB for a portion of the Director's employment costs.

An agreement, dated January 22, 2008, was formed with the Vermilion County Emergency Telephone System Board (ETSB). The Danville Public Building Commission agreed to make improvements to the facilities used by the ETSB if the ETSB agreed to pay the total costs of the project in the amount of \$1,000,000 which included legal fees and financing costs. The \$1,000,000 is to be considered a prepayment of the base rent due for ten years which is the term of the lease. In addition to the base rent of \$100,000 per year, the Building Commission will receive an additional \$15,000 in rent per year. This additional rent will continue during the life of the lease. The lease became effective November 1, 2008 and will expire ten years from that date.

NOTE 8 - LITIGATION

The Danville Public Building Commission filed a Complaint and Interpleader on December 14, 2005, joining as Defendants the County of Vermilion, Illinois and the City of Danville. No claim has been filed against the Public Building Commission nor is any recovery sought by the Commission. The purpose of the Interpleader is to determine the entitlement to funds of \$225,303. Both the County of Vermilion and the City of Danville have sought recovery of this sum based in part upon a rebate calculation for the fiscal year ending October 31, 2004. Since the complaint was filed, summons were issued and served upon both the City of Danville and the County of Vermilion. No further action has been initiated by either party since the filing.

**DANVILLE PUBLIC BUILDING COMMISSION
NOTES TO BASIC FINANCIAL STATEMENTS
October 31, 2012**

NOTE 9 - ILLINOIS MUNICIPAL RETIREMENT FUND

Plan Description. The Danville Public Building Commission's defined benefit pension plan for regular employees provides retirement and disability benefits, postretirement increases, and death benefits to plan members and beneficiaries. The Danville Public Building Commission's plan is affiliated with the Illinois Municipal Retirement Fund (IMRF), an agent multiple-employer plan. Benefit provisions are established by statute and may only be changed by the General Assembly of the State of Illinois. IMRF issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained on-line at www.imrf.org.

Funding Policy. As set by statute, the Danville Public Building Commission's regular plan members are required to contribute 4.50 percent of their annual covered salary. The statute requires employers to contribute the amount necessary, in addition to member contributions, to finance the retirement coverage of its own employees. The Danville Public Building Commission's contribution rate for calendar year 2011 was 9.38 percent of annual covered payroll. The Danville Public Building Commission's annual required contribution rate for calendar year 2011 was 15.74 percent. The Danville Public Building Commission also contributes for disability benefits, death benefits, and supplemental retirement benefits, all of which are pooled at the IMRF level. Contribution rates for disability and death benefits are set by the IMRF Board of Trustees, while the supplemental retirement benefits rate is set by statute.

Annual Pension Cost. For calendar year ending December 31, 2012, the Danville Public Building Commission's actual pension cost for the regular plan was \$126,698. Its required contribution for 2011 was \$212,604.

Three-Year Trend Information for the Regular Plan

Actuarial Valuation Date	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
December 31, 2011	\$212,604	60%	\$ 85,906
December 31, 2010	184,627	66	95,110
December 31, 2009	47,422	100	-

DANVILLE PUBLIC BUILDING COMMISSION
NOTES TO BASIC FINANCIAL STATEMENTS
October 31, 2012

NOTE 9 - ILLINOIS MUNICIPAL RETIREMENT FUND (CONTINUED)

The required contribution for 2011 was determined as part of the December 31, 2009 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions at December 31, 2009 included a) 7.5 percent investment rate of return (net of administrative and direct investment expenses), b) projected salary increases of 4.00 percent a year, attributable to inflation, c) additional projected salary increases ranging from 0.4 to 10.0 percent per year depending on age and service, attributable to seniority/merit, and d) postretirement benefit increases of 3 percent annually. The actuarial value of the Danville Public Building Commission's regular plan assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period with a 20 percent corridor between the actuarial and market value of assets. The Danville Public Building Commission's regular plan's unfunded actuarial accrued liability at December 31, 2009 is being amortized as a level percentage of projected payroll on an open 10 year basis.

Funded Status and Funding Progress. As of December 31, 2011, the most recent actuarial valuation date, the regular plan was 82.73 percent funded. The actuarial accrued liability for benefits was \$3,717,652 and the actuarial value of assets was \$3,075,460, resulting in an underfunded actuarial accrued liability (UAAL) of \$642,192. The covered payroll for calendar year 2011 (annual payroll of active employees covered by the plan) was \$1,350,724 and the ratio of the UAAL to the covered payroll was 48 percent

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

NOTE 10 - SUBSEQUENT EVENTS

Events or transactions occurring after October 31, 2012 but prior to April 4, 2013 that provided additional evidence about conditions that existed at October 31, 2012, have been recognized in the financial statements for the year ended October 31, 2012. Events or transactions that provided evidence about conditions that did not exist at October 31, 2012 but arose before the financial statements were available to be issued have not been recognized in the financial statements for the year ended October 31, 2012.

The accompanying notes are an integral part of the basic financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

**DANVILLE PUBLIC BUILDING COMMISSION
SCHEDULE OF FUNDING PROGRESS
October 31, 2012**

(Unaudited)

ILLINOIS MUNICIPAL RETIREMENT FUND

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Liability (AAL) Entry Age (b)</u>	<u>Unfunded AAL (UAAAL) (b-a)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll (c)</u>	<u>UAAAL as a Percentage of Covered Payroll ((b-a)/c)</u>
12/31/11	\$ 3,075,460	\$ 3,717,652	\$ 642,192	82.73%	\$ 1,350,724	47.54%
12/31/10	2,739,974	3,618,186	878,212	75.73%	1,436,784	61.12%
12/31/09	2,825,090	3,622,822	797,732	77.98%	1,382,573	57.70%

On a market value basis, the actuarial value of assets as of December 31, 2011 is \$2,916,230. On a market basis, the funded ratio would be 78.44%.

OTHER SUPPLEMENTARY INFORMATION

DANVILLE PUBLIC BUILDING COMMISSION
COMBINING STATEMENT OF NET POSITION
October 31, 2012

	<u>General</u>	<u>Jail Addition</u>	<u>Courthouse Renovation</u>	<u>Total</u>
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents	\$ 2,397,920	\$ 578,349	\$ 21,332	\$ 2,997,601
Prepaid expenses	45,681	-	-	45,681
Due from others	-	154,733	-	154,733
Capital lease receivable	-	298,963	-	298,963
Total current assets	<u>2,443,601</u>	<u>1,032,045</u>	<u>21,332</u>	<u>3,496,978</u>
NONCURRENT ASSETS				
Capital lease receivable	-	4,461,471	-	4,461,471
Unamortized cost on revenue bonds	-	141,799	-	141,799
Capital assets, net of accumulated depreciation	3,160,783	-	-	3,160,783
Total noncurrent assets	<u>3,160,783</u>	<u>4,603,270</u>	<u>-</u>	<u>7,764,053</u>
TOTAL ASSETS	<u>5,604,384</u>	<u>5,635,315</u>	<u>21,332</u>	<u>11,261,031</u>
LIABILITIES				
CURRENT LIABILITIES				
Accounts payables	236,971	137,373	1,839	376,183
Interest payable	-	91,771	-	91,771
Accrued expenses	131,405	3,244	4,203	138,852
Prepaid rent	600,000	-	-	600,000
Deferred revenue	-	120,479	-	120,479
Due to other funds	10,884	(13,983)	3,099	-
Due to Vermilion County	864,356	55,941	12,191	932,488
Due to City of Danville	91,600	-	-	91,600
Due to other governments	225,303	-	-	225,303
Current portion - bonds payable	-	250,000	-	250,000
Total current liabilities	<u>2,160,519</u>	<u>644,825</u>	<u>21,332</u>	<u>2,826,676</u>
NONCURRENT LIABILITIES				
Pension obligations	181,016	-	-	181,016
Bonds payable	-	5,045,000	-	5,045,000
Unamortized premium on revenue bonds	-	12,264	-	12,264
Total noncurrent liabilities	<u>181,016</u>	<u>5,057,264</u>	<u>-</u>	<u>5,238,280</u>
TOTAL LIABILITIES	<u>2,341,535</u>	<u>5,702,089</u>	<u>21,332</u>	<u>8,064,956</u>
NET POSITION				
Invested in capital assets	3,160,783	-	-	3,160,783
Restricted	102,066	(66,774)	-	35,292
TOTAL NET POSITION	<u>\$ 3,262,849</u>	<u>\$ (66,774)</u>	<u>\$ -</u>	<u>\$ 3,196,075</u>

DANVILLE PUBLIC BUILDING COMMISSION
COMBINING STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN NET POSITION
Year Ended October 31, 2012

	<u>General</u>	<u>Jail Addition</u>	<u>Courthouse Renovation</u>	<u>Total</u>
OPERATING REVENUES				
Rent	\$ 5,059,083	\$ 1,517,729	\$ 47,421	\$ 6,624,233
Rebate	118,609	-	-	118,609
Salary reimbursement	4,870	-	-	4,870
Miscellaneous	19,897	-	15,000	34,897
Total operating revenues	<u>5,202,459</u>	<u>1,517,729</u>	<u>62,421</u>	<u>6,782,609</u>
OPERATING EXPENSES				
Administrative	149,613	1,378,294	1,587	1,529,494
Operations and maintenance	1,390,816	163,710	60,887	1,615,413
Communications	1,199,131	-	-	1,199,131
Assigned personnel and dietary	2,378,632	-	-	2,378,632
Capital outlay - minor	13,058	-	-	13,058
Depreciation	446,403	-	-	446,403
Total operating expenses	<u>5,577,653</u>	<u>1,542,004</u>	<u>62,474</u>	<u>7,182,131</u>
Total operating loss	<u>(375,194)</u>	<u>(24,275)</u>	<u>(53)</u>	<u>(399,522)</u>
NONOPERATING REVENUES AND EXPENSES				
Amortization of certificates of participation				
Premium	-	1,043	-	1,043
Issuance costs	-	(6,308)	-	(6,308)
Interest expense	-	(222,084)	-	(222,084)
Interest on capital lease	-	184,161	-	184,161
Interest on investments and deposits	4,767	689	53	5,509
Total nonoperating revenues and expenses	<u>4,767</u>	<u>(42,499)</u>	<u>53</u>	<u>(37,679)</u>
NET LOSS	<u>(370,427)</u>	<u>(66,774)</u>	<u>-</u>	<u>(437,201)</u>
NET POSITION, BEGINNING OF YEAR	<u>3,633,276</u>	<u>-</u>	<u>-</u>	<u>3,633,276</u>
NET POSITION, END OF YEAR	<u>\$ 3,262,849</u>	<u>\$ (66,774)</u>	<u>\$ -</u>	<u>\$ 3,196,075</u>