

**DANVILLE PUBLIC BUILDING  
COMMISSION  
Danville, Illinois**

**BASIC FINANCIAL STATEMENTS  
AND SUPPLEMENTARY  
INFORMATION  
October 31, 2014**



**CliftonLarsonAllen**

## TABLE OF CONTENTS

	<b>PAGE</b>
<b>INDEPENDENT AUDITORS' REPORT</b> .....	1
 <b>BASIC FINANCIAL STATEMENTS</b>	
Statement of Net Position .....	4
Statement of Revenues, Expenses, and Changes in Net Position .....	5
Statement of Cash Flows.....	6
Statement of Fiduciary Net Position.....	7
 Notes to Basic Financial Statements .....	 8
 <b>Required Supplementary Information</b> .....	 21
Schedule of Funding Progress (Unaudited) .....	22
 <b>OTHER SUPPLEMENTARY INFORMATION</b> .....	
Combining Statement of Net Position .....	23
Combining Statement of Revenues, Expenses, and Changes in Net Position .....	24
Combining Statement of Revenues, Expenses, and Changes in Net Position .....	25

## Independent Auditors' Report

Board of Commissioners  
Danville Public Building Commission  
Danville, Illinois

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the Danville Public Building Commission, as of and for the year ended October 31, 2014, and the related notes to the financial statements, which collectively comprise the entity's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditors' Responsibility***

Our responsibility is to express 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

## **Opinion**

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, 2014, and the changes in financial position and the cash flows, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

## **Emphasis of Matter**

### *Change in Accounting Principle*

As discussed in Note 9 to the financial statements, in 2014 Danville Public Building Commission adopted new accounting guidance, GASB Statement No. 65, Items Previously Reported as Assets and Liabilities. Our opinion is not modified with respect to this matter.

## **Other Matters**

### *Required Supplementary Information*

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

The Commission has not presented the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. 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 statements is not affected by the missing information.

### *Other Information*

Our audit was conducted for the purpose of forming an opinion on the basic financial statements. The combining financial statements listed as other supplementary information in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

*CliftonLarsonAllen LLP*

**CliftonLarsonAllen LLP**

Danville, Illinois  
February 2, 2015

**DANVILLE PUBLIC BUILDING COMMISSION**  
**STATEMENT OF NET POSITION**  
**October 31, 2014**

**ASSETS**

**CURRENT ASSETS**

Cash and cash equivalents	\$ 2,001,413
Prepaid expenses	41,937
Due from others	139,733
Capital lease receivable	<u>322,665</u>
Total current assets	<u>2,505,748</u>

**NONCURRENT ASSETS**

Capital lease receivable	3,837,783
Capital assets, net of accumulated depreciation	<u>3,579,990</u>
Total noncurrent assets	<u>7,417,773</u>

**TOTAL ASSETS**

9,923,521

**LIABILITIES**

**CURRENT LIABILITIES**

Accounts payables	394,238
Interest payable	82,334
Accrued expenses	91,039
Advance payments	615,000
Unearned revenue	125,975
Due to Vermilion County	868,701
Due to City of Danville	71,874
Current portion - bonds payable	<u>275,000</u>
Total current liabilities	<u>2,524,161</u>

**NONCURRENT LIABILITIES**

Pension obligation	262,929
Bonds payable	4,505,000
Unamortized premium on revenue bonds	<u>10,178</u>
Total noncurrent liabilities	<u>4,778,107</u>

**TOTAL LIABILITIES**

7,302,268

**NET POSITION**

Investment in capital assets	3,579,990
Unrestricted	<u>(958,737)</u>

**TOTAL NET POSITION**

\$ 2,621,253

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, 2014**

<b>OPERATING REVENUES</b>	
Rent	\$ 7,019,905
Rebate	124,823
Salary reimbursement	3,543
Miscellaneous	<u>117,380</u>
Total operating revenues	<u>7,265,651</u>
<b>OPERATING EXPENSES</b>	
Administrative	1,665,890
Operations and maintenance	1,657,217
Communications	1,071,131
Assigned personnel and dietary	2,511,060
911 Center	12,999
Depreciation	<u>503,488</u>
Total operating expenses	<u>7,421,785</u>
Total operating loss	<u>(156,134)</u>
<b>NONOPERATING REVENUES AND EXPENSES</b>	
Interest expense	(200,027)
Interest on capital lease	163,530
Loss on disposal of capital assets	(29)
Interest on investments and deposits	<u>831</u>
Total nonoperating revenues and expenses	<u>(35,695)</u>
<b>NET LOSS</b>	(191,829)
<b>NET POSITION, BEGINNING OF YEAR, AS PREVIOUSLY REPORTED</b>	2,947,278
<b>RESTATEMENT -</b> to expense previous bond issuance costs capitalized	<u>(134,196)</u>
<b>NET POSITION, BEGINNING OF YEAR, AS RESTATED, See Note 9</b>	<u>2,813,082</u>
<b>NET POSITION, END OF YEAR</b>	<u>\$ 2,621,253</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, 2014

<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Receipts of rental income	\$ 6,035,550
Payments to suppliers	(5,017,711)
Payments to employees	<u>(1,982,163)</u>
Net cash used in operating activities	<u>(964,324)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Purchase of capital assets	(1,103,954)
Receipts of principal on capitalized lease receivable	310,595
Receipts of interest on capitalized lease	163,530
Principal payments on revenue bonds	(265,000)
Interest paid on revenue bonds	<u>(205,085)</u>
Net cash used in capital and related financing activities	<u>(1,099,914)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Interest on investments and deposits	<u>831</u>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	(2,063,407)
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<u>4,064,820</u>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u>\$ 2,001,413</u>
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES</b>	
Operating loss	\$ (156,134)
Adjustments to reconcile operating loss to net cash used in operating activities	
Depreciation	503,488
Changes in operating assets and liabilities:	
Prepaid expenses	12,710
Accounts payable and accrued expenses	(94,287)
Advance Payments	(1,027,727)
Unearned revenue	(126,084)
Due to other governments	<u>(76,290)</u>
<b>NET CASH USED IN OPERATING ACTIVITIES</b>	<u>\$ (964,324)</u>

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

**DANVILLE PUBLIC BUILDING COMMISSION  
STATEMENT OF FIDUCIARY NET POSITION  
October 31, 2014**

	<b>Agency Fund</b>
<b>ASSETS</b>	
<b>CURRENT ASSETS</b>	
Cash and cash equivalents	<u>\$ 1,650</u>
<b>LIABILITIES</b>	
Refunds payable and others	<u>\$ 1,650</u>

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

**DANVILLE PUBLIC BUILDING COMMISSION  
NOTES TO BASIC FINANCIAL STATEMENTS  
October 31, 2014**

**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 net position.

**Basis of Presentation**

The accounts of the Commission are organized and reported as a single business-type activity.

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. The financial statements have been prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred. 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.

**DANVILLE PUBLIC BUILDING COMMISSION**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**October 31, 2014**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Basis of Presentation** (Continued)

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:

Buildings	40 years
Improvements	10 to 40 years
Equipment	3 to 10 years
Furniture and fixtures	5 to 7 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, 2014**

**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, 2014, the carrying amount of the Commission's deposits was \$45,509. The bank balance of the deposits was \$57,493.

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, 2014, 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 \$1,955,904 at October 31, 2014.

**DANVILLE PUBLIC BUILDING COMMISSION  
NOTES TO BASIC FINANCIAL STATEMENTS  
October 31, 2014**

**NOTE 3 - CAPITAL ASSETS**

The following is a summary of changes in capital assets for the year ended October 31, 2014.

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Ending Balance</u>
Capital assets not being depreciated:				
Land	\$ 558,575	\$ -	\$ -	\$ 558,575
Capital assets being depreciated:				
Buildings and improvements	8,586,436	312,404	-	8,898,840
Equipment	3,248,795	790,155	(23,413)	4,015,537
Furniture and fixtures	<u>271,672</u>	<u>1,395</u>	<u>(7,589)</u>	<u>265,478</u>
Total capital assets, being depreciated	<u>12,106,903</u>	<u>1,103,954</u>	<u>(31,002)</u>	<u>13,179,855</u>
Less accumulated depreciation for:				
Buildings and improvements	(6,586,645)	(228,417)	-	(6,815,062)
Equipment	(2,880,703)	(265,868)	23,384	(3,123,187)
Furniture and fixtures	<u>(218,577)</u>	<u>(9,203)</u>	<u>7,589</u>	<u>(220,191)</u>
Total accumulated depreciation	<u>(9,685,925)</u>	<u>(503,488)</u>	<u>30,973</u>	<u>(10,158,440)</u>
Total capital assets, being depreciated, net	<u>2,420,978</u>	<u>600,464</u>	<u>(29)</u>	<u>3,021,415</u>
<b>Capital assets net</b>	<u>\$ 2,979,553</u>	<u>\$ 600,464</u>	<u>\$ (29)</u>	<u>\$ 3,579,990</u>

**DANVILLE PUBLIC BUILDING COMMISSION  
NOTES TO BASIC FINANCIAL STATEMENTS  
October 31, 2014**

**NOTE 4 - LEASE AGREEMENTS**

**Direct Financing Leases**

**Juvenile Detention Center**

The Commission has entered into a lease agreement with Vermilion County for the Juvenile Detention Center. The Juvenile Detention Center is being leased to Vermilion County for a period beginning on September 1, 1999 and ending on October 31, 2020. 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.

**Jail Addition**

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.

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

	<b><u>Juvenile Detention Center Lease</u></b>	<b><u>County Jail Addition Lease</u></b>	<b><u>City Jail Addition Lease</u></b>
2015	\$ 300,000	\$ 43,711	\$ 128,871
2016	300,000	46,534	128,871
2017	300,000	43,812	128,871
2018	300,000	45,667	128,871
2019	300,000	42,048	128,871
Thereafter	<u>300,000</u>	<u>3,320,848</u>	<u>257,742</u>
<b>Total</b>	<b><u>\$ 1,800,000</u></b>	<b><u>\$ 3,542,620</u></b>	<b><u>\$ 902,097</u></b>

**DANVILLE PUBLIC BUILDING COMMISSION  
NOTES TO BASIC FINANCIAL STATEMENTS  
October 31, 2014**

**NOTE 4 - LEASE AGREEMENTS (CONTINUED)**

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

	<b>Juvenile Detention Center</b>	<b>County Jail Addition</b>	<b>City Jail Addition</b>	<b>Total</b>
Total lease payments	\$ 3,900,000	\$ 3,851,156	\$ 2,577,420	\$ 10,328,576
Earned interest to date	(735,610)	(308,536)	(694,678)	(1,738,824)
Unearned interest	<u>(264,849)</u>	<u>(1,669,024)</u>	<u>(150,396)</u>	<u>(2,084,269)</u>
Net investment in direct financing lease	2,899,541	1,873,596	1,732,346	6,505,483
Principal payments received to date	<u>(1,364,390)</u>	<u>-</u>	<u>(980,645)</u>	<u>(2,345,035)</u>
<b>Total</b>	<b><u>\$ 1,535,151</u></b>	<b><u>\$ 1,873,596</u></b>	<b><u>\$ 751,701</u></b>	<b><u>\$ 4,160,448</u></b>

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

	<b>Juvenile Detention Center</b>	<b>County Jail Addition</b>	<b>City Jail Addition</b>	<b>Total</b>
2015	\$ 228,751	\$ -	\$ 93,914	\$ 322,665
2016	241,248	-	99,289	340,537
2017	247,808	-	101,505	349,313
2018	257,705	-	105,067	362,772
2019	274,061	-	112,559	386,620
Thereafter	<u>285,578</u>	<u>1,873,596</u>	<u>239,367</u>	<u>2,398,541</u>
<b>Total</b>	<b><u>\$ 1,535,151</u></b>	<b><u>\$ 1,873,596</u></b>	<b><u>\$ 751,701</u></b>	<b><u>\$ 4,160,448</u></b>

**DANVILLE PUBLIC BUILDING COMMISSION  
NOTES TO BASIC FINANCIAL STATEMENTS  
October 31, 2014**

**NOTE 4 - LEASE AGREEMENTS (CONTINUED)**

**Operating Leases**

**Juvenile Detention Center**

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 October 31, 2014 the gross rental income was \$221,362

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, 2014 net rental receipts were in excess of funds by \$59,510. 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.

**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 totaling \$2,435,382, 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 has been extended through October 31, 2016.

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, 2014 net rental receipts were in excess of the funds required. Accordingly, refunds of the excess will be made as follows:

City of Danville, Illinois	\$ 71,874
County of Vermilion, Illinois	<u>814,191</u>
<b>Total</b>	<b><u>\$ 886,065</u></b>

**DANVILLE PUBLIC BUILDING COMMISSION  
NOTES TO BASIC FINANCIAL STATEMENTS  
October 31, 2014**

**NOTE 4 - LEASE AGREEMENTS (CONTINUED)**

The amount of the check that the County will receive for their rebate will be reduced by \$146,014. These funds will be retained by the Danville Public Building Commission and transferred to be used for assigned personnel as requested by Vermilion County.

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.

Lease payments are due as follows:

	<u>Public Safety Building</u>		
	<u>County</u>	<u>City</u>	<u>Total</u>
November 1, 2014	5,049,883	1,135,470	6,185,353
November 1, 2015	<u>5,150,551</u>	<u>1,146,824</u>	<u>6,297,375</u>
<b>Total</b>	<u>\$10,200,434</u>	<u>\$ 2,282,294</u>	<u>\$ 12,482,728</u>

**DANVILLE PUBLIC BUILDING COMMISSION  
NOTES TO BASIC FINANCIAL STATEMENTS  
October 31, 2014**

**NOTE 5 - LONG-TERM DEBT**

Public Safety Building Addition and Juvenile Detention Center Revenue Bonds outstanding, respectively, at October 31, 2014, 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>
12/1/14	\$ 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
<b>Payable October 31, 2014</b>	<u><u>\$ 770,000</u></u>	

Public Safety Building Addition and Juvenile Detention Center Revenue Bonds outstanding, respectively, at October 31, 2014, 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

**DANVILLE PUBLIC BUILDING COMMISSION  
NOTES TO BASIC FINANCIAL STATEMENTS  
October 31, 2014**

**NOTE 5 - LONG-TERM DEBT (CONTINUED)**

	<u>Principal</u>	<u>Rate on Coupons</u>
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, 2014** \$4,010,000

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Public Safety Building and Juvenile Detention Center Revenue Bonds	\$ 860,000	\$ -	\$ 90,000	\$ 770,000
Public Safety Building and Juvenile Detention Center Revenue Bonds	<u>4,185,000</u>	<u>-</u>	<u>175,000</u>	<u>4,010,000</u>
<b>Total</b>	<u>\$ 5,045,000</u>	<u>\$ -</u>	<u>\$ 265,000</u>	<u>\$ 4,780,000</u>

**DANVILLE PUBLIC BUILDING COMMISSION  
NOTES TO BASIC FINANCIAL STATEMENTS  
October 31, 2014**

**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	\$ 95,000	\$ 675,000	\$ 770,000
Public Safety Building and Juvenile Detention Center Revenue Bonds	<u>180,000</u>	<u>3,830,000</u>	<u>4,010,000</u>
<b>Total</b>	<u>\$ 275,000</u>	<u>\$ 4,505,000</u>	<u>\$ 4,780,000</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, 2014, the Commission was involved in the following construction management agreement:

**Public Library** – The Commission received \$3,543 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, 2014**

**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 - 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](http://www.imrf.org).

**DANVILLE PUBLIC BUILDING COMMISSION  
NOTES TO BASIC FINANCIAL STATEMENTS  
October 31, 2014**

**NOTE 8 - ILLINOIS MUNICIPAL RETIREMENT FUND (CONTINUED)**

*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 2013 was 11.67 percent of annual covered payroll. The Danville Public Building Commission's annual required contribution rate for calendar year 2013 was 14.38 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, 2013, the Danville Public Building Commission's actual pension cost for the regular plan was \$157,219. Its required contribution for 2013 was \$193,728.

**Three-Year Trend Information for the Regular Plan**

<b>Actuarial Valuation Date</b>	<b>Annual Pension Cost (APC)</b>	<b>Percentage of APC Contributed</b>	<b>Net Pension Obligation</b>
December 31, 2013	\$ 193,728	81%	\$ 262,929
December 31, 2012	226,583	65	226,121
December 31, 2011	212,604	60	85,042

The required contribution for 2013 was determined as part of the December 31, 2011 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions at December 31, 2011 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, 2011 is being amortized as a level percentage of projected payroll on an open 10 year basis.

**DANVILLE PUBLIC BUILDING COMMISSION  
NOTES TO BASIC FINANCIAL STATEMENTS  
October 31, 2014**

**NOTE 8 - ILLINOIS MUNICIPAL RETIREMENT FUND (CONTINUED)**

*Funded Status and Funding Progress.* As of December 31, 2013, the most recent actuarial valuation date, the regular plan was 94.28 percent funded. The actuarial accrued liability for benefits was \$3,213,115 and the actuarial value of assets was \$3,029,423, resulting in an underfunded actuarial accrued liability (UAAL) of \$183,692. The covered payroll for calendar year 2013 (annual payroll of active employees covered by the plan) was \$1,347,207 and the ratio of the UAAL to the covered payroll was 14 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 9 - RESTATEMENT OF NET POSITION**

The Commission adopted a new accounting standard to conform with generally accepted accounting principles. The statement adopted requiring restatement of net position was Governmental Accounting Standards Board (GASB) Statement 65, *Items Previously Reported as Assets and Liabilities*. With the implementation of the new GASB pronouncement, assets related to bond issuance costs that were previously capitalized and amortized are now expensed.

Accordingly, the Commission's net position as of October 31, 2013 has been restated as follows:

	<b>Governmental <u>Activities</u></b>
Net position, October 31, 2013 as previously reported	\$ 2,947,278
Adjustment to reflect implementation of GASB Pronouncement	<u>(134,196)</u>
<b>Net position, October 31, 2013 as restated</b>	<b><u>\$ 2,813,082</u></b>

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, 2014**

(Unaudited)

**ILLINOIS MUNICIPAL RETIREMENT FUND**

<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets (a)</b>	<b>Actuarial Accrued Liability (AAL) Entry Age (b)</b>	<b>Unfunded AAL (UAAL) (b-a)</b>	<b>Funded Ratio (a/b)</b>	<b>Covered Payroll (c)</b>	<b>UAAL as a Percentage of Covered Payroll ((b-a)/c)</b>
12/31/13	\$ 3,029,423	\$ 3,213,115	\$ 183,692	94.28%	1,347,207	13.64%
12/31/12	2,789,194	3,459,655	670,461	80.62%	1,436,795	46.66%
12/31/11	3,075,460	3,717,652	642,192	82.73%	1,350,724	47.54%

On a market value basis, the actuarial value of assets as of December 31, 2013 is \$3,694,103. On a market basis, the funded ratio would be 114.97%.

**OTHER SUPPLEMENTARY INFORMATION**

**DANVILLE PUBLIC BUILDING COMMISSION  
COMBINING STATEMENT OF NET POSITION  
October 31, 2014**

	<b>General</b>	<b>Jail Addition</b>	<b>Total</b>
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	\$ 1,393,648	\$ 607,765	\$ 2,001,413
Prepaid expenses	41,937	-	41,937
Due from others	-	139,733	139,733
Capital lease receivable	-	322,665	322,665
Total current assets	1,435,585	1,070,163	2,505,748
<b>NONCURRENT ASSETS</b>			
Capital lease receivable	-	3,837,783	3,837,783
Capital assets, net of accumulated depreciation	3,579,990	-	3,579,990
Total noncurrent assets	3,579,990	3,837,783	7,417,773
<b>TOTAL ASSETS</b>	<b>5,015,575</b>	<b>4,907,946</b>	<b>9,923,521</b>
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Accounts payables	262,647	131,591	394,238
Interest payable	-	82,334	82,334
Accrued expenses	89,255	1,784	91,039
Advance payments	615,000	-	615,000
Unearned revenue	-	125,975	125,975
Due to Vermilion County	814,191	54,510	868,701
Due to City of Danville	71,874	-	71,874
Current portion - bonds payable	-	275,000	275,000
Total current liabilities	1,852,967	671,194	2,524,161
<b>NONCURRENT LIABILITIES</b>			
Pension obligation	262,929	-	262,929
Bonds payable	-	4,505,000	4,505,000
Unamortized premium on revenue bonds	-	10,178	10,178
Total noncurrent liabilities	262,929	4,515,178	4,778,107
<b>TOTAL LIABILITIES</b>	<b>2,115,896</b>	<b>5,186,372</b>	<b>7,302,268</b>
<b>NET POSITION</b>			
Net investment in capital assets	3,579,990	-	3,579,990
Unrestricted	(680,311)	(278,426)	(958,737)
<b>TOTAL NET POSITION</b>	<b>\$ 2,899,679</b>	<b>\$ (278,426)</b>	<b>\$ 2,621,253</b>

**DANVILLE PUBLIC BUILDING COMMISSION  
COMBINING STATEMENT OF REVENUES, EXPENSES,  
AND CHANGES IN NET POSITION  
Year Ended October 31, 2014**

	<u>General</u>	<u>Jail Addition</u>	<u>Total</u>
<b>OPERATING REVENUES</b>			
Rent	\$ 5,304,819	\$ 1,715,086	\$ 7,019,905
Rebate	124,823	-	124,823
Salary reimbursement	3,543	-	3,543
Miscellaneous	<u>117,380</u>	<u>-</u>	<u>117,380</u>
Total operating revenues	<u>5,550,565</u>	<u>1,715,086</u>	<u>7,265,651</u>
<b>OPERATING EXPENSES</b>			
Administrative	158,395	1,507,495	1,665,890
Operations and maintenance	1,492,096	165,121	1,657,217
Communications	1,071,131	-	1,071,131
Assigned personnel and dietary	2,511,060	-	2,511,060
911 Center	12,999	-	12,999
Depreciation	<u>503,488</u>	<u>-</u>	<u>503,488</u>
Total operating expenses	<u>5,749,169</u>	<u>1,672,616</u>	<u>7,421,785</u>
Total operating income (loss)	<u>(198,604)</u>	<u>42,470</u>	<u>(156,134)</u>
<b>NONOPERATING REVENUES AND EXPENSES</b>			
Interest expense	-	(200,027)	(200,027)
Interest on capital lease	-	163,530	163,530
Loss on disposal of capital assets	(29)	-	(29)
Interest on investments and deposits	<u>719</u>	<u>112</u>	<u>831</u>
Total nonoperating revenues and expenses	<u>690</u>	<u>(36,385)</u>	<u>(35,695)</u>
<b>INCOME (LOSS) BEFORE TRANSFERS</b>	(197,914)	6,085	(191,829)
<b>TRANSFERS IN (OUT)</b>	<u>109,996</u>	<u>(109,996)</u>	<u>-</u>
<b>NET INCOME (LOSS)</b>	(87,918)	(103,911)	(191,829)
<b>NET POSITION, BEGINNING OF YEAR, AS PREVIOUSLY REPORTED</b>	2,987,597	(40,319)	2,947,278
<b>RESTATEMENT - to expense previous bond issuance costs capitalized</b>	<u>-</u>	<u>(134,196)</u>	<u>(134,196)</u>
<b>NET POSITION, BEGINNING OF YEAR, AS RESTATED, See Note 9</b>	<u>2,987,597</u>	<u>(174,515)</u>	<u>2,813,082</u>
<b>NET POSITION, END OF YEAR</b>	<u>\$ 2,899,679</u>	<u>\$ (278,426)</u>	<u>\$ 2,621,253</u>