

CITY OF DANVILLE
Danville, Illinois

**FINANCIAL STATEMENTS
AND SUPPLEMENTAL INFORMATION**
April 30, 2011

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Independent Auditor's Report

The Mayor and City Council
City of Danville, Illinois

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Danville, Illinois (City) as of and for the year ended April 30, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Danville, Illinois' 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of 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 respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Danville, Illinois as of April 30, 2011 and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated August 25, 2011 on our consideration of the City of Danville, Illinois' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in assessing the results of our audit.

The management's discussion and analysis, budgetary comparison information, schedules of funding progress and schedules of employer contributions are not a required part of the basic financial statements but are supplemental 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 supplemental 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 City of Danville, Illinois' basic financial statements. The combining financial statements and the grant Statements of Receipts and Disbursements, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The statistical information listed in the table of contents has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

Clifton Gunderson LLP

Danville, Illinois
August 25, 2011

Management's Discussion and Analysis

As management of the City of Danville, Illinois, we offer readers of these financial statements this narrative overview and analysis of the City of Danville's financial position and activity as of the fiscal year ending April 30, 2011. Please read in conjunction with the City's financial statements, which follow this section.

The Statement of Net Assets and the Statement of Fund Activities

In reviewing the Financial Statements of the City, everyone wants to know if the City as a whole is better off this year than last year as a result of our fiscal activities. The financial statements tell the story of the condition of the City as a whole. The City reports assets and liabilities using the accrual basis of accounting, which is similar with the accounting used by most private-sector companies.

In this report you will see the City's net assets and changes within them. You can think of the City's net assets as the difference between assets and liabilities, or as one way to measure the City's financial health and financial position. Over time, increases or decreases in the City's net assets are one indicator of whether its financial health is improving or deteriorating. You will, however, need to consider other non-financial factors, such as changes in the City's property tax base, the City's overall economic conditions, and the conditions of the City's infrastructure, to most accurately assess the overall health of the City.

FINANCIAL HIGHLIGHTS

Government –Wide:

- As of April 30, 2011, the City's total liabilities and net assets increased by \$85,082 or .001% during the year. The government total liabilities and net assets showed an increase of \$848,200 or 1.57% while the business-type total liabilities and net assets decreased by \$ 763,118 or 6.69%.
- The governmental activities total net assets showed an increase of \$6,264,092 or 20.48%. The majority of this increase is shown in capital assets, net of related debt. Total net assets reported at year end for governmental activities are \$36,846,911.
- The business-type activities total net assets showed a slight decrease from a year ago of \$450,579 or 4.47%, with a reported total net assets at year-end of \$9,615,668.
- The City has \$13,452,112 in noncurrent liabilities which includes accumulated vacation and sick days, other post-employment benefits, pension obligation, and long-term debt, including all general obligation bonds and contractual obligations.
- Last year the General Fund (the primary operating fund) expenditures before other financing sources exceeded revenues by \$4,073,438 or 21.5%, while this year, with the foresight of the City Council and Mayor, revenues exceeded expenditures by \$1,693,070 or 8.4%. The 2010 Fund balance for the General fund was \$2,609,940, compared to this year's total of \$4,192,558, representing an increase of \$1,582,618 or 60.6% (actual data found on page 6 and 7 of the financials).
- Once again, none of the Property Taxes collected finance General Fund services.

For purposes of this report we can divide the City's basic financial statements (shown right after the Management's Discussion and Analysis's report) into two major sections:

- 1. Governmental-wide financial statements** – Provides both long-term and short-term information about the City's overall financial status. The required financial statements include statement of net assets, and statement of activities. The measurement focus is on economic resources, and accrual accounting is used. Assets and liabilities include both financial and capital and are reported as short and long term. Revenues and expenses are included regardless of when cash is received or paid. The Danville Public Library is reported in this section as a Component Unit. A Component Unit is a legally separate entity, but is included in the City's financial because the City is responsible for levying the taxes that supports this unit.

- 2. Fund Financial Statements** – Focus on the individual parts of the City, reporting in more detail the City's operation. The fund financial statements provide detailed information about the most significant funds, but not the City as a whole. Some funds are required to be established by State Law and by bond covenants. However, the City Council establishes many other funds to help it control and manage money for particular purposes (like the Capital Improvements Fund) or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money (like grants received from the U. S. Department of Housing and Urban Development). The City's three kinds of funds are-Governmental, Proprietary, and Fiduciary – and each use different accounting approaches.
 - **Governmental Funds** – Most of the City's basic services are reported in governmental funds including, but not limited to, public safety (police and fire), public works (central vehicle maintenance, streets, parks and municipal pool), public development and public affairs (finance, public affairs, general city government, office of city treasurer, legal department, city clerk, office of personnel and human relations, information systems). These financial statements focus on how money flows in and out of those funds, as well as the balances left at year-end available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or less financial resources that can be spent in the near future to finance the City's programs.

 - **Proprietary Funds (Business-type)** - When the City charges customers for the services it provides (whether to outside customers or to other units of the City), these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the financial statements. The City charges residents (customers) a fee to help cover a portion or all of the cost of certain services it provides. The Solid Waste Management, Sanitary Sewer, and Harrison Park Golf Course are examples of Proprietary Funds reported here.

- **Fiduciary Fund** - There are two components to Fiduciary funds including the Pension Trust fund and Agency funds. The City of Danville sponsors three pension trust funds: the Illinois Municipal Retirement Fund, Police Pension Fund and Firefighter Pension Fund (Further information can be found in Note 6-Pension Disclosure). These funds are kept separate from the City's other financial statements because the City cannot use these assets to finance its operations. The City is responsible for ensuring that the assets reported in these funds are not used for the operation of the City. Agency funds (commonly referred to as "pass through funds") include Dependent Life Insurance, David S. Palmer Arena, and Evidence Holding funds that pass through the City.

Notes to the basic Financial Statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Required Supplementary Information includes budgetary comparison schedules for the General Fund and major special revenue funds.

Other Supplementary Information includes combining statements for non-major governmental funds and budget comparison schedules for all non-major special revenue funds, internal service funds, agency funds and proprietary funds.

Financial Analysis

Primary Government

Statement of Net Assets

The following chart reflects the condensed statement of net assets (in millions);

	Governmental Activities		Business-type Activities		Total		Net change
	2011	2010	2011	2010	2011	2010	
Current and other assets	\$20.1	\$23.6	\$4.3	\$4.0	\$24.4	\$27.6	-\$3.2
Capital assets	34.8	30.4	6.3	7.4	41.1	37.8	3.3
Total assets	54.9	54.0	10.6	11.4	65.5	65.4	0.1
Current liabilities	5.1	9.8	0.5	0.5	5.6	10.3	-4.7
Noncurrent liabilities	13.0	13.6	0.5	0.8	13.5	14.4	-0.9
Total liabilities	18.1	23.4	1.0	1.3	19.1	24.7	-5.6
Net assets:							
Invested in capital assets, net of related debt	22.9	17.3	6.3	7.4	29.2	24.7	4.5
Restricted	5.4	6.4	0.0	0.0	5.4	6.4	-1.0
Unrestricted	8.5	6.9	3.3	2.7	11.8	9.6	2.2
Total net assets	36.8	30.6	9.6	10.1	46.4	40.7	5.7

Total net assets of the City increased from \$40.7 million as of April 30, 2010 to \$46.4 million as of April 30, 2011. This represents a 14.1% increase over last year. As you can see from the chart above, the increase is primarily a result of the increase in invested capital assets, net of related debt.

Total liabilities of the City as of April 30, 2011, are down \$5.6 million from last year's \$24.7 million. Of this amount, approximately \$13.5 million represents debt from bond issuances that will be paid over the next 20 years. The City's net assets totaled \$46.4 million, of which \$29.2 million represent the amount that is invested in capital assets, net of related debt.

The largest portion of the City's net assets, \$29.2 million, reflects its investment in capital assets (e.g. land, buildings, machinery, and equipment), less any related debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. The unreserved net assets increased from \$9.6 million to \$11.8 million. The positive number in the unrestricted net assets represents the amount the City can use to meet short and long-term obligations.

Statement of Activities-Programs-Expenses

The following chart reflects the condensed statement of activities (in millions):

	Governmental Activities		Business-type Activities		Total		Net change
	2011	2010	2011	2010	2011	2010	
Revenues:							
Program Revenues							
Charges for services	\$ 1.8	\$ 1.6	\$ 5.8	\$ 6.0	\$ 7.6	\$ 7.6	\$ -
Operating grants and contributions	3.4	3.2	-	-	3.4	3.2	0.2
Capital grants and contributions	2.5	0.2	-	-	2.5	0.2	2.3
General revenues:							
Property Taxes	7.2	7.0	-	-	7.2	7.0	0.2
Other Taxes	19.9	16.5	-	-	19.9	16.5	3.4
Grants and contributions not restricted to specific programs							
Other	5.4	6.0	-	-	5.4	6.0	(0.6)
Total revenues	\$40.2	\$34.5	\$5.8	\$6.0	\$46.0	\$40.5	\$5.5
Expenses:							
General government	\$5.1	\$5.0	\$ -	\$ -	\$5.1	\$5.0	\$0.1
Public Safety	15.7	14.5	-	-	15.7	14.5	1.2
Community development	3.8	4.6	-	-	3.8	4.6	(0.8)
Transportation	2.5	2.0	-	-	2.5	2.0	0.5
Streets	4.1	8.5	-	-	4.1	8.5	(4.4)
Culture and recreation	2.1	1.8	-	-	2.1	1.8	0.3
Interest on long-term debt	0.6	0.6	-	-	0.6	0.6	-
Motor Vehicle Parking System	-	-	-	0.1	-	0.1	(0.1)
Sanitary Sewer Department	-	-	2.3	2.1	2.3	2.1	0.2
Harrison Park	-	-	0.5	0.5	0.5	0.5	-
Solid Waste Management	-	-	2.4	2.3	2.4	2.3	0.1
Total expenses	\$33.9	\$37.0	\$5.2	\$5.0	\$39.1	\$42.0	-\$2.9
Change in net assets	\$6.3	-\$2.5	\$0.6	\$1.0	\$6.9	-\$1.5	\$8.4

There was a significant increase in Other Taxes of \$3.4 million, or 20.6%, over last year, due primarily to the increase in the Home Rule Sales tax effective July, 2010. Total Revenue for Governmental Activities for 2011 is \$40.2 up \$5.7 million or 16.52% over last year's total of \$34.5.

Total Business-type program revenues for 2011 are \$5.8 million, down \$0.2 or 3.4% from last year's total of \$6.0 million. This change is primarily due to the Motor Vehicle Parking System being dissolved and revenues reflected in the Governmental Revenues.

With so many unknowns in the economy, the City Council and the Administration required once again that expenditures be held to a minimum. Due to the diligence of the Mayor, City Council and the Administration in management under significant funding pressure, including personnel costs, cost of materials, and utility costs, the Governmental Activities Program expenses show a decrease of \$3.1 million or 8.4%.

The Streets category showed a 51.7% decrease from last year. In 2010 expenses for Streets totaled \$8.5, whereas in 2011 the total equaled only \$4.1. Last year under governmental activities we spent \$37.0 million, while this year we spent \$33.9 million. Besides the Streets Division decrease, there was little or no change in the other funds. Five of the programs showed a slight decrease in expenses over last year.

Governmental program expenses consist of \$15.7 million for Public Safety, \$5.1 million for General Government Activities, \$4.1 million for Streets, \$2.1 million for Culture and Recreation, \$2.5 million for Transportation, \$3.8 million for Community Development, and \$0.6 million for interest on long-term debt. Business-type programs expenses consist of \$2.3 million for Sanitary Sewer, \$0.5 million for Harrison Park and \$2.4 million for Solid Waste funds in the chart above.

The Sanitary Sewer fund had operating revenues in excess of operating expenditures totaling approximately \$0.4 million for the year. Total Sanitary Sewer operating revenues were \$2.8 compared to operating expenditures at \$2.3. Total operating revenues for the Sanitary Sewer fund for 2010 was \$2.9 compared to 2011's total of \$2.8. The ending fund balance for Sanitary Sewer for 2011 is \$7.9 million, up \$0.4 million over the 2010 total of \$7.5 million (4%).

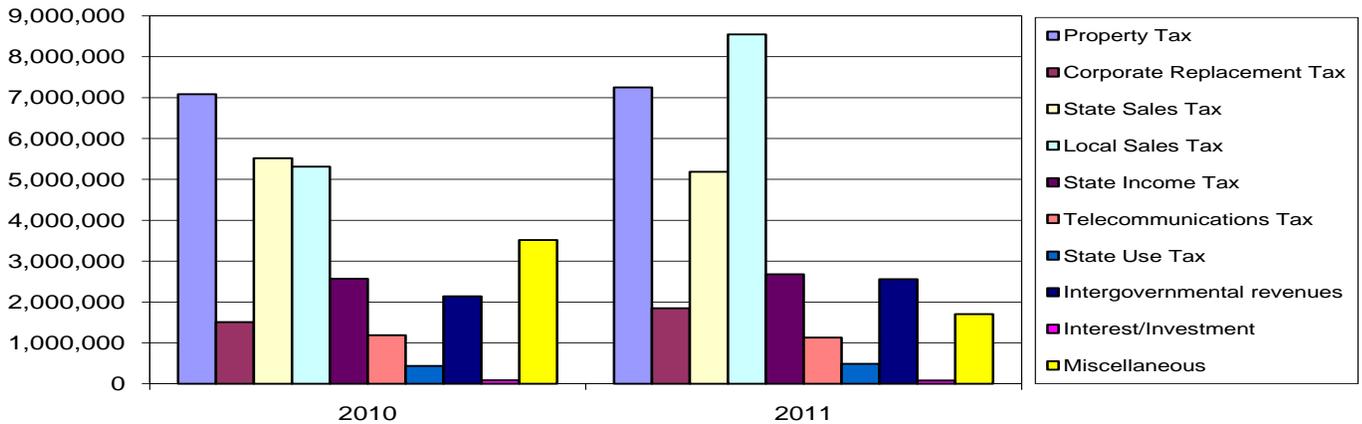
In 2011, the Solid Waste fund had operating revenues in excess of operating expenditures totaling approximately \$0.2 million with total Solid Waste operating revenues at \$2.6 and operating expenditures equaled \$2.4. There was little change in the total operating revenues for the Solid Waste fund from 2010 compared to 2011. The ending fund balance for the Solid Waste fund for 2011 is \$1.5 million, up \$0.2 million over the 2010 amount of \$1.3 million, or 12% (actual amounts for 2011 are on page 10).

Harrison Park fund had operating expenditures in excess of operating revenues of \$40,110. Total operating revenue for Harrison Park was \$458,979 while operating expenditures were \$499,089. There was little change in operating revenue and expenditure from 2010 to 2011. The ending fund balance for Harrison Park fund for 2011 is \$195,684 down compared to 2010 totals of \$231,402 or 15.4%.

Other fund activity was within expectations and can be referenced in the financial statements.

The chart below shows a comparison of the revenues received ending April 30, 2010 and April 30, 2011, (actual amounts for 2011 are on page 3).

CITY GENERAL REVENUE COMPARISON



CITY GENERAL REVENUE DATA

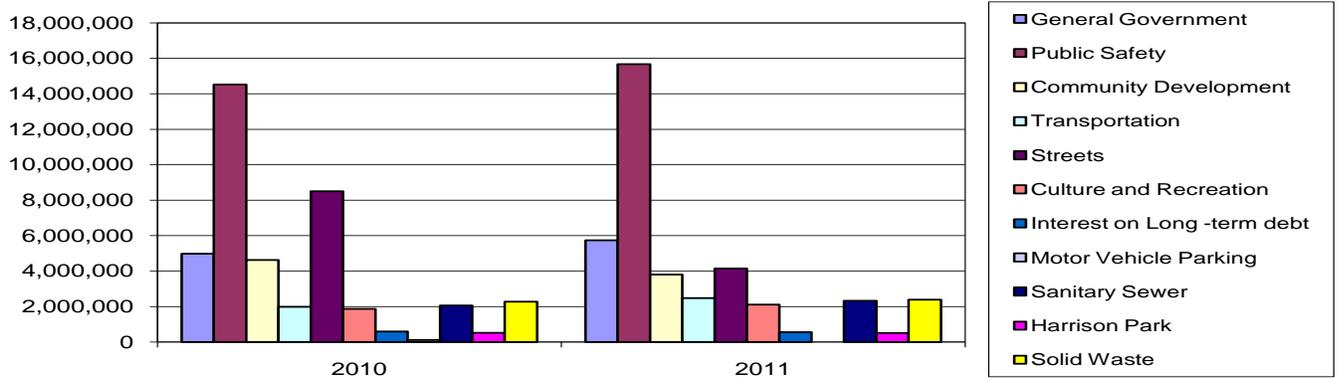
City Revenues	2010	2011	Increase (Decrease)	Percent Change
Property Tax	7,083,949.00	7,251,845.00	167,896.00	2.37%
Corporate Replacement Tax	1,508,110.00	1,848,146.00	340,036.00	22.55%
State Sales Tax	5,519,811.00	5,187,571.00	(332,240.00)	-6.02%
Local Sales Tax	5,314,450.00	8,546,794.00	3,232,344.00	60.82%
State Income Tax	2,573,753.00	2,681,386.00	107,633.00	4.18%
Telecommunications Tax	1,191,261.00	1,130,716.00	(60,545.00)	-5.08%
State Use Tax	439,454.00	490,236.00	50,782.00	11.56%
Intergovernmental revenues	2,141,573.00	2,561,619.00	420,046.00	19.61%
Interest/Investment	68,515.00	69,830.00	1,315.00	1.92%
Miscellaneous	3,416,973.00	1,604,303.00	(1,812,670.00)	-53.05%
Total General Revenue	29,257,849.00	31,372,446.00	2,114,597.00	7.23%

As with all municipalities, the City of Danville is supported by tax revenues from various sources. Total General Revenues, which include revenues from sales tax, income tax, property tax, as well as other income generators, totaled \$31,372,446 for the year ending April 30, 2011 without the transfer total. This total represents a 7.23% increase in General revenue over last year, with the largest increase falling under Local Sales Tax. State Sales Tax shows a 6% decrease from last year, while Corporation Replacement Tax, Local Sales Tax, and State Income tax all show an increase in revenue over last year. As you can see from the chart above, State and Local Sales Tax account for the largest revenue source for the General Fund, total 2010 State and Local Sales Tax was \$10,834,261, compared to this year's total of \$13,734,365 representing a 26.8% increase due to the increase in the local sales tax rate which took effect July 1, 2010.

In reviewing expenditures for 2011 from 2010, you will notice that the expenditures have decreased by \$2.9 million (or 6.69%) from last year. This year the major increase was in the cost of Health Insurance which is shared by each Division/Fund that has employees who participate in the Group Insurance Program. The City has been self funded for a number of years prior, but on January 1, 2011 the City went with Health Alliance and is no longer self funded.

The following graph is a comparison of Program Expenses from fiscal year 2010 to fiscal year 2011 (actual dollar amounts found on page 2):

CITY PROGRAM EXPENSES YEARLY COMPARISON



CITY PROGRAM EXPENSE YEARLY COMPARISON DATA

	<u>2010</u>	<u>2011</u>	<u>Increase (Decrease)</u>	<u>Percent Change</u>
General Government	4,979,960.00	5,186,360.00	206,400.00	4.14%
Public Safety	14,516,905.00	15,675,742.00	1,158,837.00	7.98%
Community Development	4,627,502.00	3,804,380.00	(823,122.00)	-17.79%
Transportation	1,990,269.00	2,479,767.00	489,498.00	24.59%
Streets	8,508,380.00	4,142,279.00	(4,366,101.00)	-51.32%
Culture and Recreation	1,870,668.00	2,113,560.00	242,892.00	12.98%
Interest on Long-term debt	593,539.00	562,899.00	(30,640.00)	-5.16%
Motor Vehicle Parking	118,410.00	0.00	(118,410.00)	-100.00%
Sanitary Sewer	2,061,117.00	2,331,185.00	270,068.00	13.10%
Harrison Park	524,659.00	513,754.00	(10,905.00)	-2.08%
Solid Waste	2,283,465.00	2,386,159.00	102,694.00	4.50%
Total City Program Expenses	42,074,874.00	39,196,085.00	(2,878,789.00)	-6.84%

On a modified accrual basis, this year revenue exceeded expenditures in the General fund by \$1.7 million compared to last year when expenditures exceeded revenues by \$4.0 million. In 2010, there were more street projects being funded than in 2011 due to additional grant dollars from the American Reinvestment and Recovery Act available only in 2010. In the General fund balance at the end of the year 2011 was \$4.1, up \$1.5 million from last year's Fund Balance. The increase in the General fund balance is shown in the total revenues with the increase in Local Sales Tax, and also in the decrease of expenditures in the above chart.

This year in the Motor Fuel Tax fund (MFT), revenue exceeded expenditures by \$0.3 million. Total MFT operating revenues for 2011 were \$2.2 while expenditures in MFT were \$1.9. In 2011, operating revenues decreased from \$3.9 to \$2.2 and expenditures decreased from \$4.9 million to \$1.9 million (pages 6 and 7). This large decrease was due to completion of the American Reinvestment and Recovery Act Program in 2010. The MFT fund balance at year ending 2011 increased \$0.3 million to \$1.3 million (34%)

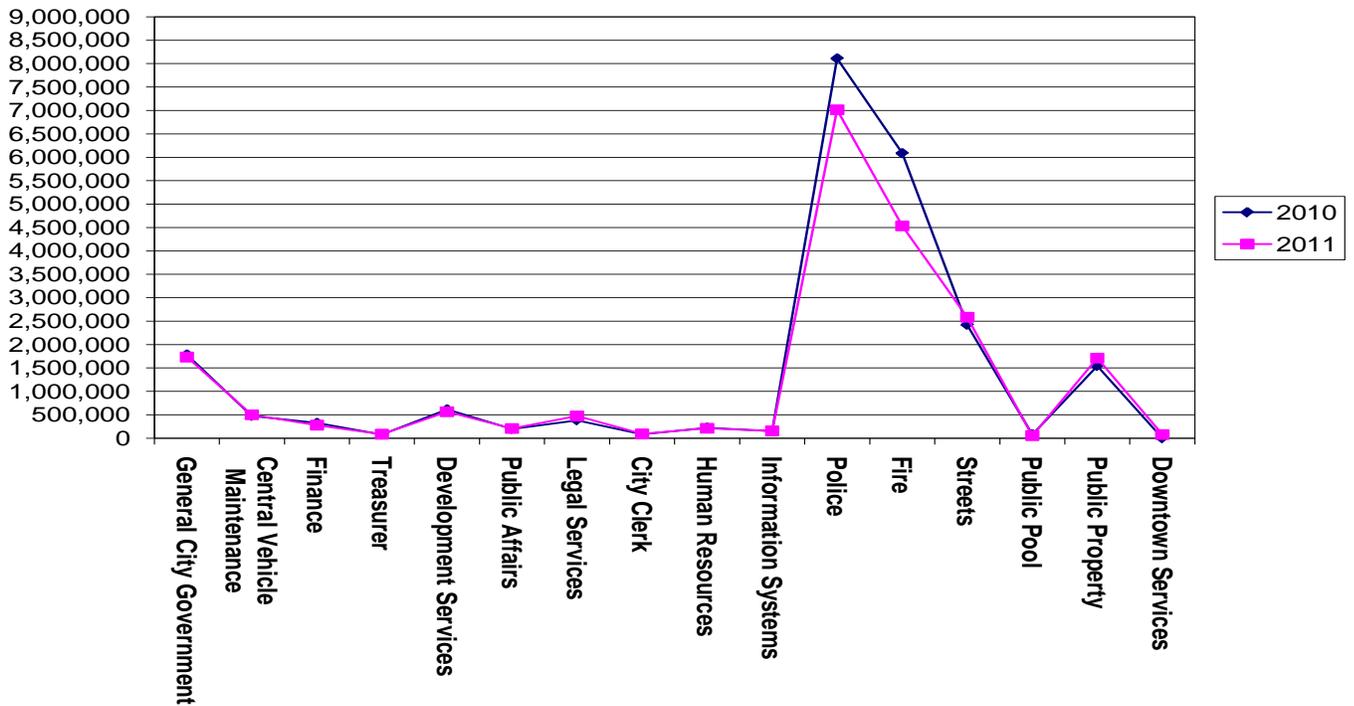
General Fund Budgetary Highlights

Over the course of the year, the City Council revised the City Budget several times. These budget amendments fall into three categories. The first category includes amendments and supplemental appropriations that were approved as projects, and contracts were competitively bid and were awarded higher than originally budgeted. The second included Council approved increases in appropriations when the FY 2010-2011 Budget was passed. These appropriations were to adjust the original budget when departments submitted estimated year-end figures that exceeded current budgeted amounts. Finally, the budget was amended at the last several Council meetings of the Fiscal Year to prevent budget overruns.

The following graph and table shows the actual budgets for the year ended April 30, 2010 and April 30, 2011, for each fund (actual dollar amounts for 2011 are located on page 47):

□

GENERAL FUND ACTUAL BUDGET COMPARISON



General Fund Actual Budget Comparison

	<u>2010</u>	<u>2011</u>	<u>Increase</u> <u>(Decrease)</u>	<u>Percent</u> <u>Change</u>
General City Government	1,786,613.00	1,733,355.00	(53,258.00)	-2.981%
Central Vehicle Maintenance	477,740.00	499,340.00	21,600.00	4.521%
Finance	325,810.00	278,454.00	(47,356.00)	-14.535%
Treasurer	79,386.00	85,369.00	5,983.00	7.537%
Development Services	613,839.00	564,318.00	(49,521.00)	-8.067%
Public Affairs	198,262.00	207,088.00	8,826.00	4.452%
Legal Services	382,754.00	473,657.00	90,903.00	23.750%
City Clerk	84,443.00	91,708.00	7,265.00	8.603%
Human Resources	224,687.00	213,572.00	(11,115.00)	-4.947%
Information Systems	154,242.00	155,333.00	1,091.00	0.707%
Police	8,109,761.00	7,014,952.00	(1,094,809.00)	-13.500%
Fire	6,085,515.00	4,533,734.00	(1,551,781.00)	-25.500%
Streets	2,422,078.00	2,583,422.00	161,344.00	6.661%
Public Pool	80,871.00	55,792.00	(25,079.00)	-31.011%
Public Property	1,541,169.00	1,709,796.00	168,627.00	10.941%
Downtown Services	0.00	78,787.00	78,787.00	
Total Actual General Fund Budget	22,567,170.00	20,278,677.00	(2,288,493.00)	-10.141%

The above charts and data show the difference in the actual budget for General Fund from the 2009-10 Fiscal Year and the 2010-11 Fiscal Year. Although the Mayor, members of the City Council, and Department Heads worked diligently to meet the FY 2010-2011 Budget as approved, it became difficult with fluctuating gasoline prices, electric rates, overtime, and materials needed for repairs to public buildings, exceeding all projections. The above chart shows a decrease in the General Fund actual budget for 2011 compared to 2010. In comparing the Police and Fire from 2010 to 2011, you must take into account that the Pension Payments are no longer included in their budgets. Separate funds have been created to account for the Police and Fire Pension Contributions. Also, this is the first year Downtown Services is included in the General Fund. Prior to this year, Downtown Services revenue and expenditures were included in the Motor Vehicle Parking System which was dissolved last fiscal year. The State's financial condition continues to way heavy on our ability to receive Income Tax Revenue on a timely basis. At the end of the fiscal year the State was behind four months of Income Tax payments.

Last year the Mayor, Council and Administration worked on a plan to bring the General Fund reserve to an adequate level over a period of two fiscal years, and the plan is currently on track and by the end of fiscal year 2012 we plan to have \$1.0 million in our General Fund reserve.

Capital Assets

At the end of April 30, 2011, the City had \$93.0 million invested in a broad range of Capital Assets (\$86.6 million-April 30, 2010), including police and fire equipment, buildings, park facilities, roads, bridges, public works equipment and sewer lines. After accumulated depreciation the total is \$41.2 million (\$37.8 million –April 30, 2010). These figures are derived from the Statement of Net Assets on page 1 under Noncurrent Assets.

Due to the need to cash flow the renovation of Carver Park until funds could be reimbursed through grant dollars from the State of Illinois, major capital purchases were kept to a minimum with funds needed from the Capital Improvement Funds to cash flow the project. Projects funded by the 2009 Bond Issue, including engineering and design of Fairchild Street and a portion of Bowman Avenue, were all underway. Changes to the Capital Assets as stated in the Noncurrent Asset section of the Statement of Net Assets shows net changes (additions and deletions) in the following:

Buildings and improvements - \$1.2 million
Equipment - \$1.8 million
Infrastructure - \$2.6 million

Carver Park was renovated this year through funding from a State grant totaling \$373,500. The whole project is estimated at \$725,428. Through the diligent work of our City engineer's, we were able to successfully acquire grants to fund the Fairchild Subway project. Work continues on Bowman Avenue and the State continues to work on Main Street.

Debt

At year's end of April 30, 2010, the City had \$18.5 million in capital leases, bonds and notes payable including interest. At the end of April 30, 2011, the City had \$16.4 million in capital leases, bonds and notes payable interest included. No bonds were issued during the April 30, 2011 fiscal year. With a population of 33,027 (2010 Census), total debt per capita is \$496.56.

The Long-Term Debt service extends out to the year 2028 as listed in Note 5 of the financial statements. The City's Debt service requirements from General Obligation bonds will decrease until all bonds are paid off in 2028, unless new bonds are sold. During the fiscal year 2011-12, the 2001 General Obligation bonds will be callable.

The Police and Fire Pension funds continue to be under-funded according to accounting and actuarial reporting standards. However, the City annually consults with an independent actuary to determine the required funding levels and levies taxes accordingly. There are several factors that determine the amount of pension contributions including the stock market, number and age of employees, rate of salary increases, and the unfunded portion of the pension fund. This year in addition to the Tax levy contributions, the City contributed \$111,447 to the Firefighter Pension Fund and \$147,470 to the Police Pension fund. The City's unfunded pension liabilities continue to put pressure on the City's financial situation.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATE

Danville (population 33,027) is primarily a residential community located 3 miles from the Indiana border, 120 miles southwest of Chicago, and located 30 miles east from the University of Illinois in Champaign-Urbana. The City's proximity to Interstate 74 has helped attract the majority of our Southgate and Eastgate industries. We are in the process of working with a developer to construct several new stores in the old K's Merchandise site on North Vermillion Street.

With a declining national economy, a history of unacceptable levels of unemployment, decline in the stock market, and costs of materials and utilities increasing at an alarming rate, coupled with the financial condition of the State of Illinois, the budget process was once again very challenging. To balance the budget this year, the City looked at every position to determine whether the position was still needed. The Mayor, City Council and Administration discussed the current programs and services to determine if any could be eliminated or reduced. The City also found itself in the second year of a four year financial plan, focusing efforts on increasing the General Fund reserve, paying down the police and fire pension funds, improving the community's infrastructure, and to set aside dollars for the specific purpose of assisting economic development projects in the future. By implementing a budget plan for multiple years, it allowed the Mayor, City Council, and Administration to focus on proactive long-term goals and objectives rather than reactionary short-term solutions.

The City's elected and appointed officials considered many factors when setting the Fiscal Year 2011-2012 Budget, including cash flow, services, programs, tax rates, the economy as a whole, and fees that will be charged for business-type activities. Budgetary considerations require that focused attention be directed toward declining revenue sources, including interest and state taxes. The Administration will be challenged to find opportunities to control expenses in this economic climate, and find even more efficient ways of delivering services to its constituents. Impacting expenditures in this fiscal year includes pending negotiations with five of the six municipal unions. With only one union contract in effect, salaries, benefits, and employee costs remain unknown for a majority of our staff, and any increases to such have not been included in the current budget. We are continuing our goal of working with union employees to maintain cost at current levels. This will also be the first full year of the increased Home Rule Sales Tax (Local Tax) which took effect July 1, 2010. The additional funds are included in the budget to bring the General Fund Reserve to an adequate level, to help fund the Infrastructure Development and Improvement Program funding the maintenance and improvements of our streets, and to offset the 2001 Bond and Interest payments. There are no plans for any General Fund revenue increases.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This Financial Report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the Comptroller's Office, at the City of Danville, 17 W. Main Street, Danville, IL 61832.

CITY OF DANVILLE, ILLINOIS
STATEMENT OF NET ASSETS
April 30, 2011

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Danville Public Library
CURRENT ASSETS				
Cash	\$ 1,854,088	\$ 24,483	\$ 1,878,571	\$ 969,584
Temporary investments	9,332,000	3,395,000	12,727,000	366,215
Receivables	646,396	797,380	1,443,776	327
Taxes receivable	1,793,190	-	1,793,190	1,447,975
Inventory	-	46,115	46,115	-
Prepaid items	831,125	30,672	861,797	12,002
Due from other governments	5,637,525	-	5,637,525	-
Total current assets	<u>20,094,324</u>	<u>4,293,650</u>	<u>24,387,974</u>	<u>2,796,103</u>
NONCURRENT ASSETS				
Capital assets not being depreciated:				
Land	5,640,429	206,865	5,847,294	-
Construction in progress	725,428	-	725,428	-
Capital assets being depreciated:				
Buildings and improvements	17,577,893	14,337,480	31,915,373	-
Equipment	20,532,131	4,618,061	25,150,192	2,830,908
Infrastructure	29,434,274	-	29,434,274	-
Less accumulated depreciation	<u>39,073,900</u>	<u>12,814,148</u>	<u>51,888,048</u>	<u>2,578,924</u>
Total noncurrent assets	<u>34,836,255</u>	<u>6,348,258</u>	<u>41,184,513</u>	<u>251,984</u>
TOTAL ASSETS	<u>\$ 54,930,579</u>	<u>\$ 10,641,908</u>	<u>\$ 65,572,487</u>	<u>\$ 3,048,087</u>
CURRENT LIABILITIES				
Accounts payable	\$ 619,894	\$ 14,252	\$ 634,146	\$ 10,445
Accrued expenses	684,857	39,879	724,736	56,974
Due to other governments	13,065	-	13,065	-
Deferred revenue	2,288,298	51,827	2,340,125	1,468,802
Deferred compensation liability	-	-	-	316,994
Accumulated vacation and sick days	412,172	120,010	532,182	-
Current portion of long-term obligations	<u>1,104,914</u>	<u>308,628</u>	<u>1,413,542</u>	<u>-</u>
Total current liabilities	<u>5,123,200</u>	<u>534,596</u>	<u>5,657,796</u>	<u>1,853,215</u>
NONCURRENT LIABILITIES				
Noncurrent portion of pension obligation	281,367	-	281,367	-
Noncurrent portion of accumulated vacation and sick days	1,648,689	-	1,648,689	-
Noncurrent portion of other post-employment benefits	163,418	-	163,418	-
Noncurrent portion of long-term obligations	<u>10,866,994</u>	<u>491,644</u>	<u>11,358,638</u>	<u>-</u>
Total noncurrent liabilities	<u>12,960,468</u>	<u>491,644</u>	<u>13,452,112</u>	<u>-</u>
Total liabilities	<u>18,083,668</u>	<u>1,026,240</u>	<u>19,109,908</u>	<u>1,853,215</u>
NET ASSETS				
Invested in capital assets, net of related debt	22,864,347	6,348,258	29,212,605	251,984
Restricted for encumbrances	2,784,720	-	2,784,720	-
Restricted for capital projects	812,050	-	812,050	-
Restricted for revolving loan fund	833,076	-	833,076	-
Restricted for tax increment financing projects	797,980	-	797,980	-
Restricted for working cash	209,739	-	209,739	-
Unreserved	<u>8,544,999</u>	<u>3,267,410</u>	<u>11,812,409</u>	<u>942,888</u>
Total net assets	<u>36,846,911</u>	<u>9,615,668</u>	<u>46,462,579</u>	<u>1,194,872</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 54,930,579</u>	<u>\$ 10,641,908</u>	<u>\$ 65,572,487</u>	<u>\$ 3,048,087</u>

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

CITY OF DANVILLE, ILLINOIS
STATEMENT OF ACTIVITIES
Year Ended April 30, 2011

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets			Component
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Unit
					Governmental Activities	Business- Type Activities	Total	
PROGRAMS								
Governmental activities:								
General government	\$ 5,186,360	\$ 760,565	\$ 95,959	\$ -	\$ (4,329,836)	\$ -	\$ (4,329,836)	\$ -
Public safety	15,675,742	555,902	68,681	-	(15,051,159)	-	(15,051,159)	-
Community development	3,804,380	-	909,665	-	(2,894,715)	-	(2,894,715)	-
Transportation	2,479,767	295,938	2,292,001	1,020,786	1,128,958	-	1,128,958	-
Streets	4,142,279	-	-	1,470,363	(2,671,916)	-	(2,671,916)	-
Culture and recreation	2,113,560	216,075	-	-	(1,897,485)	-	(1,897,485)	-
Interest on long-term debt	562,899	-	-	-	(562,899)	-	(562,899)	-
Total governmental activities	<u>33,964,988</u>	<u>1,828,480</u>	<u>3,366,306</u>	<u>2,491,149</u>	<u>(26,279,053)</u>	<u>-</u>	<u>(26,279,053)</u>	<u>-</u>
Business-type activities:								
Sanitary Sewer Department	2,331,185	2,872,794	-	-	-	541,609	541,609	-
Harrison Park	513,754	374,611	-	-	-	(139,143)	(139,143)	-
Solid Waste Management	2,386,159	2,590,072	-	-	-	203,913	203,913	-
Total business-type activities	<u>5,231,098</u>	<u>5,837,477</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>606,379</u>	<u>606,379</u>	<u>-</u>
Component Unit:								
Danville Public Library	1,480,797	25,764	-	25,963	-	-	-	(1,429,070)
TOTAL	<u>\$ 40,676,883</u>	<u>\$ 7,691,721</u>	<u>\$ 3,366,306</u>	<u>\$ 2,517,112</u>	<u>(26,279,053)</u>	<u>606,379</u>	<u>(25,672,674)</u>	<u>(1,429,070)</u>

General Revenues:

Property taxes	\$ 7,251,845	\$ -	\$ 7,251,845	\$ 1,422,664
Corporate personal property replacement taxes	1,848,146	-	1,848,146	-
State sales taxes	5,187,571	-	5,187,571	-
Local sales tax	8,546,794	-	8,546,794	-
State income tax allocation	2,681,386	-	2,681,386	-
Telecommunication tax	1,130,716	-	1,130,716	-
State use tax	490,236	-	490,236	-
Intergovernmental revenues	2,561,619	-	2,561,619	-
Interest/investment income	69,830	13,326	83,156	8,068
Miscellaneous	1,611,358	100,415	1,711,773	30,333
Loss on sale of capital asset	(7,055)	-	(7,055)	-
Transfers	1,170,699	(1,170,699)	-	-
	<u>32,543,145</u>	<u>(1,056,958)</u>	<u>31,486,187</u>	<u>1,461,065</u>
Total general revenues and transfers				
Change in net assets	6,264,092	(450,579)	5,813,513	31,995
NET ASSETS - BEGINNING OF YEAR	<u>30,582,819</u>	<u>10,066,247</u>	<u>40,649,066</u>	<u>1,162,877</u>
NET ASSETS - END OF YEAR	<u>\$ 36,846,911</u>	<u>\$ 9,615,668</u>	<u>\$ 46,462,579</u>	<u>\$ 1,194,872</u>

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

**CITY OF DANVILLE, ILLINOIS
BALANCE SHEET
GOVERNMENTAL FUNDS
April 30, 2011**

	<u>General Fund</u>	<u>Motor Fuel Tax</u>	<u>Danville Mass Transit</u>	<u>2009 Bond Issue</u>	<u>Bond and Interest</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS							
Cash	\$ 697,923	\$ 555,253	\$ -	\$ 4,131	\$ 49,937	\$ 439,883	\$ 1,747,127
Temporary investments	-	1,709,000	-	2,888,000	103,000	4,595,500	9,295,500
Receivables:							
Taxes, net of allowance for estimated uncollectibles	263,926	-	-	-	569,869	959,395	1,793,190
Other	142,284	1,862	-	7,478	-	482,748	634,372
Prepaid items	787,700	-	43,425	-	-	-	831,125
Due from other funds	198,376	-	-	-	-	-	198,376
Due from other governments	4,807,003	69,975	223,809	-	-	536,738	5,637,525
TOTAL ASSETS	<u>\$ 6,897,212</u>	<u>\$ 2,336,090</u>	<u>\$ 267,234</u>	<u>\$ 2,899,609</u>	<u>\$ 722,806</u>	<u>\$ 7,014,264</u>	<u>\$ 20,137,215</u>
LIABILITIES							
Accounts payable	\$ 42,697	\$ 304,368	\$ 56,101	\$ -	\$ -	\$ 216,728	\$ 619,894
Accrued expenses	372,755	-	16,014	-	-	12,933	401,702
Due to other funds	-	-	183,401	-	-	14,975	198,376
Due to other governments	1,347	-	11,718	-	-	-	13,065
Deferred revenue	2,287,855	716,659	-	-	569,869	1,183,915	4,758,298
Total liabilities	<u>2,704,654</u>	<u>1,021,027</u>	<u>267,234</u>	<u>-</u>	<u>569,869</u>	<u>1,428,551</u>	<u>5,991,335</u>
FUND BALANCE							
Reserved for encumbrances	94,884	1,211,333	-	1,471,556	-	6,947	2,784,720
Reserved for prepaid items	787,700	-	-	-	-	-	787,700
Reserved for revolving loan fund	-	-	-	-	-	833,076	833,076
Reserved for road projects	-	103,730	-	-	-	-	103,730
Reserved for working cash	-	-	-	-	-	209,739	209,739
Reserved for capital projects	-	-	-	-	-	812,050	812,050
Reserved for debt service	-	-	-	-	152,937	606,193	759,130
Unreserved, reported in							
General Fund	3,309,974	-	-	-	-	-	3,309,974
Special Revenue Funds	-	-	-	1,428,053	-	3,117,708	4,545,761
Total fund balance	<u>4,192,558</u>	<u>1,315,063</u>	<u>-</u>	<u>2,899,609</u>	<u>152,937</u>	<u>5,585,713</u>	<u>14,145,880</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 6,897,212</u>	<u>\$ 2,336,090</u>	<u>\$ 267,234</u>	<u>\$ 2,899,609</u>	<u>\$ 722,806</u>	<u>\$ 7,014,264</u>	<u>\$ 20,137,215</u>

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

CITY OF DANVILLE, ILLINOIS
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL
FUNDS TO THE NET ASSETS OF GOVERNMENTAL ACTIVITIES
April 30, 2011

**Amounts reported for governmental activities in the statement
of net assets are different because:**

Fund balances-total governmental funds	\$	14,145,880
Capital assets used in governmental activities are not financial resources, therefore, are not reported in the funds.		34,836,255
Certain assets are not reported in the fund financial statement because they are not current financial resources, but they are reported in the statement of net assets.		2,470,000
Internal service fund is used by management to charge the costs of fleet maintenance and insurance to individual funds. The assets and liabilities of the internal service fund is included in governmental activities in the statement of net assets.		(127,670)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.		<u>(14,477,554)</u>
Net assets of governmental activities	\$	<u><u>36,846,911</u></u>

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

CITY OF DANVILLE, ILLINOIS
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended April 30, 2011

	General Fund	Motor Fuel Tax	Danville Mass Transit	2009 Bond Issue	Bond and Interest	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES							
Taxes	\$ 1,210,860	\$ -	\$ -	\$ -	\$ 1,061,182	\$ 5,925,439	\$ 8,197,481
Intergovernmental	18,718,159	1,163,755	3,156,243	-	-	3,248,348	26,286,505
Licenses and permits	671,485	-	-	-	-	-	671,485
Charges for services	304,155	-	295,938	-	-	3,784	603,877
Fines and forfeits	553,118	-	-	-	-	-	553,118
Miscellaneous	462,513	1,124,931	15,705	10,681	23,073	44,285	1,681,188
Total revenues	21,920,290	2,288,686	3,467,886	10,681	1,084,255	9,221,856	37,993,654
EXPENDITURES							
Current:							
General government	4,257,798	-	-	-	-	-	4,257,798
Public safety	11,538,788	-	-	-	-	3,875,568	15,414,356
Community development	-	-	-	753,814	-	3,050,566	3,804,380
Transportation	-	-	2,276,601	-	-	-	2,276,601
Streets	2,570,416	319,783	-	-	-	-	2,890,199
Culture and recreation	1,838,634	-	-	-	-	-	1,838,634
Capital outlay	21,584	1,630,839	1,461,563	428,256	-	1,144,974	4,687,216
Debt service:							
Principal	-	-	-	-	975,000	268,677	1,243,677
Interest	-	-	-	-	226,098	336,801	562,899
Total expenditures	20,227,220	1,950,622	3,738,164	1,182,070	1,201,098	8,676,587	36,975,761
Excess (deficiency) of revenues over expenditures	1,693,070	338,064	(270,278)	(1,171,389)	(116,843)	545,269	1,017,893

	<u>General Fund</u>	<u>Motor Fuel Tax</u>	<u>Danville Mass Transit</u>	<u>2009 Bond Issue</u>	<u>Bond and Interest</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
OTHER FINANCING SOURCES (USES)							
Operating transfers in	\$ 784,326	\$ -	\$ 270,278	\$ -	\$ 108,896	\$ 654,783	\$ 1,818,283
Operating transfers out	<u>(894,778)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(962,321)</u>	<u>(1,857,099)</u>
Total other financing sources (uses)	<u>(110,452)</u>	<u>-</u>	<u>270,278</u>	<u>-</u>	<u>108,896</u>	<u>(307,538)</u>	<u>(38,816)</u>
Excess (deficiency) of revenues over expenditures and other financing sources (uses)	1,582,618	338,064	-	(1,171,389)	(7,947)	237,731	979,077
FUND BALANCE, BEGINNING OF YEAR	<u>2,609,940</u>	<u>976,999</u>	<u>-</u>	<u>4,070,998</u>	<u>160,884</u>	<u>5,347,982</u>	<u>13,166,803</u>
FUND BALANCE, END OF YEAR	<u>\$ 4,192,558</u>	<u>\$ 1,315,063</u>	<u>\$ -</u>	<u>\$ 2,899,609</u>	<u>\$ 152,937</u>	<u>\$ 5,585,713</u>	<u>\$ 14,145,880</u>

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

**CITY OF DANVILLE, ILLINOIS
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
Year Ended April 30, 2011**

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances - total governmental funds	\$	979,077
Revenues that are not available to pay current obligations are not reported in the fund financial statement, but they are presented in the statement of activities. The effect of the change from prior year is a reconciling item.		(398,581)
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 outlays exceeded depreciation in the current period.		
Capital outlay	\$ 6,157,579	
Depreciation expense	(2,739,577)	
Loss on disposal	<u>(7,055)</u>	3,410,947
The net effect of contribution of capital assets from business-type activities fund is to increase net assets		949,515
Note payable proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. This amount is the net effect of these differences in the treatment of long-term debt and related items.		
Principal repayments	1,243,677	
Increase in compensated absences	(450,101)	
Increase in other post-employment benefits	8,716	
Increase in pension obligation	<u>(59,086)</u>	743,206
Internal service funds are used by management to charge the costs of fleet maintenance and insurance to individual funds. The net expenditure of internal service funds is reported with governmental activities		<u>579,928</u>
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	\$	<u><u>6,264,092</u></u>

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

CITY OF DANVILLE, ILLINOIS
STATEMENT OF NET ASSETS (DEFICIT)
PROPRIETARY FUNDS
April 30, 2011

	Business-Type Activities Enterprise Funds				Total	Governmental Activities -
	Motor Vehicle Parking System	Sanitary Sewer Department	Harrison Park	Solid Waste Management		Internal Service Funds
CURRENT ASSETS						
Cash	\$ -	\$ 2,482	\$ 20,662	\$ 1,339	\$ 24,483	\$ 106,961
Temporary investments	-	2,565,500	-	829,500	3,395,000	36,500
Receivables, net	-	354,533	-	442,847	797,380	12,024
Inventory	-	-	-	46,115	46,115	-
Prepaid items	-	14,539	2,849	13,284	30,672	-
Total current assets	-	2,937,054	23,511	1,333,085	4,293,650	155,485
NONCURRENT ASSETS						
Land	-	10,200	196,665	-	206,865	-
Buildings and improvements	-	13,515,025	822,455	-	14,337,480	-
Equipment	-	1,897,735	499,228	2,221,098	4,618,061	-
Total, at cost	-	15,422,960	1,518,348	2,221,098	19,162,406	-
Less accumulated depreciation	-	10,401,934	988,929	1,423,285	12,814,148	-
Total noncurrent assets	-	5,021,026	529,419	797,813	6,348,258	-
TOTAL ASSETS	\$ -	\$ 7,958,080	\$ 552,930	\$ 2,130,898	\$ 10,641,908	\$ 155,485
CURRENT LIABILITIES						
Accounts payable	\$ -	\$ 3,996	\$ 387	\$ 9,869	\$ 14,252	\$ -
Accrued payroll and other expenses	-	17,364	9,802	12,713	39,879	283,155
Accumulated vacation and sick days	-	56,679	13,486	49,845	120,010	-
Notes payable, current portion	-	-	55,063	253,565	308,628	-
Deferred revenue	-	-	51,827	-	51,827	-
Total current liabilities	-	78,039	130,565	325,992	534,596	283,155
LONG-TERM LIABILITIES						
Notes payable, less current portion	-	-	226,681	264,963	491,644	-
Total liabilities	-	78,039	357,246	590,955	1,026,240	283,155
NET ASSETS (DEFICIT)						
Invested in capital assets	-	5,021,026	529,419	797,813	6,348,258	-
Unrestricted net assets (deficit)	-	2,859,015	(333,735)	742,130	3,267,410	(127,670)
Total net assets (deficit)	-	7,880,041	195,684	1,539,943	9,615,668	(127,670)
TOTAL LIABILITIES AND NET ASSETS	\$ -	\$ 7,958,080	\$ 552,930	\$ 2,130,898	\$ 10,641,908	\$ 155,485

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

CITY OF DANVILLE, ILLINOIS
STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET ASSETS (DEFICIT)
PROPRIETARY FUNDS
Year Ended April 30, 2011

	Business-Type Activities Enterprise Funds				Total	Governmental Activities -
	Motor Vehicle Parking System	Sanitary Sewer Department	Harrison Park	Solid Waste Management		Internal Service Funds
OPERATING REVENUES						
Charges for services	\$ -	\$ 2,872,794	\$ 374,611	\$ 2,590,072	\$ 5,837,477	\$ 3,955,487
Miscellaneous	-	-	84,368	16,047	100,415	-
Total operating revenues	-	2,872,794	458,979	2,606,119	5,937,892	3,955,487
OPERATING EXPENSES						
Personnel services	-	1,288,641	188,410	1,302,620	2,779,671	3,635,775
Supplies and materials	-	101,639	104,297	169,394	375,330	-
Other services and charges	-	148,710	57,049	47,106	252,865	-
Contractual services	-	305,335	35,006	607,815	948,156	-
Capital outlay	-	1,895	33,012	-	34,907	-
Depreciation	-	484,965	81,315	236,100	802,380	-
Total operating expenses	-	2,331,185	499,089	2,363,035	5,193,309	3,635,775
Operating income (loss)	-	541,609	(40,110)	243,084	744,583	319,712
NON-OPERATING REVENUES (EXPENSES)						
Interest income	-	9,758	72	3,496	13,326	216
Interest expense	-	-	(14,665)	(23,124)	(37,789)	-
Total non-operating revenues (expenses)	-	9,758	(14,593)	(19,628)	(24,463)	216
Income (loss) before transfers	-	551,367	(54,703)	223,456	720,120	319,928
OPERATING TRANSFERS						
Operating transfers in	-	930	18,985	-	19,915	260,000
Operating transfers out	(951,700)	(181,931)	-	(56,983)	(1,190,614)	-
Net operating transfers	(951,700)	(181,001)	18,985	(56,983)	(1,170,699)	260,000
CHANGE IN NET ASSETS	(951,700)	370,366	(35,718)	166,473	(450,579)	579,928
TOTAL NET ASSETS (DEFICIT), BEGINNING OF YEAR	951,700	7,509,675	231,402	1,373,470	10,066,247	(707,598)
TOTAL NET ASSETS (DEFICIT), END OF YEAR	\$ -	\$ 7,880,041	\$ 195,684	\$ 1,539,943	\$ 9,615,668	\$ (127,670)

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

**CITY OF DANVILLE, ILLINOIS
STATEMENT OF CASH FLOWS
PROPRIETARY FUND TYPES
Year Ended April 30, 2011**

	<u>Motor Vehicle Parking System</u>	<u>Sanitary Sewer Department</u>	<u>Harrison Park</u>	<u>Solid Waste Management</u>	<u>Total</u>	<u>Governmental Activities Internal Service Funds</u>
CASH FLOWS FROM OPERATING ACTIVITIES						
Cash received from customers including cash deposits	\$ -	\$ 2,975,378	\$ 473,124	\$ 2,667,164	\$ 6,115,666	\$ 3,938,651
Cash paid to suppliers and for claims	5,840	(582,378)	(234,779)	(771,614)	(1,582,931)	(4,185,775)
Cash paid to employees	(3,705)	(1,286,689)	(192,787)	(1,308,775)	(2,791,956)	-
Net cash provided by (used in) operating activities	2,135	1,106,311	45,558	586,775	1,740,779	(247,124)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES						
Cash transfers from other funds	-	930	18,985	-	19,915	260,000
Cash transfers to other funds	(951,700)	(181,931)	-	(56,983)	(1,190,614)	-
Net cash provided by (used in) noncapital financing activities	(951,700)	(181,001)	18,985	(56,983)	(1,170,699)	260,000
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Principal payments on notes payable	-	-	(80,255)	(244,355)	(324,610)	-
Interest paid on notes payable	-	-	(14,665)	(23,124)	(37,789)	-
Transfer of property and equipment to other fund	949,515	-	-	-	949,515	-
Purchase of property and equipment	-	(368,753)	-	(346,294)	(715,047)	-
Net cash provided by (used in) capital and related financing activities	949,515	(368,753)	(94,920)	(613,773)	(127,931)	-
CASH FLOWS FROM INVESTING ACTIVITIES						
Purchases of investments	-	(2,565,500)	-	(829,500)	(3,395,000)	(36,500)
Interest received	-	9,758	72	3,496	13,326	216
Proceeds from sale of investments	-	1,951,700	48,500	909,700	2,909,900	36,500
Net cash provided by (used in) investing activities	-	(604,042)	48,572	83,696	(471,774)	216
NET INCREASE (DECREASE) IN CASH	(50)	(47,485)	18,195	(285)	(29,625)	13,092
CASH, BEGINNING OF YEAR	50	49,967	2,467	1,623	54,107	93,869
CASH, END OF YEAR	\$ -	\$ 2,482	\$ 20,662	\$ 1,338	\$ 24,482	\$ 106,961

	<u>Motor Vehicle Parking System</u>	<u>Sanitary Sewer Department</u>	<u>Harrison Park</u>	<u>Solid Waste Management</u>	<u>Total</u>	<u>Governmental Activities Internal Service Funds</u>
CASH FLOWS FROM OPERATING ACTIVITIES						
Operating income (loss)	\$ -	\$ 541,609	\$ (40,110)	\$ 243,084	\$ 744,583	\$ 319,712
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:						
Depreciation	-	484,965	81,315	236,100	802,380	-
Effects of changes in operating assets and liabilities:						
Receivables	-	52,728	53	61,045	113,826	(2,840)
Inventory	-	-	-	(4,221)	(4,221)	-
Prepaid items	5,840	24,556	5,131	36,613	72,140	-
Accounts payable and accrued payroll	(3,705)	501	1,342	20,309	18,447	-
Other current liabilities	-	1,952	(4,377)	(6,155)	(8,580)	(563,996)
Deferred revenue	-	-	2,204	-	2,204	-
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>\$ 2,135</u>	<u>\$ 1,106,311</u>	<u>\$ 45,558</u>	<u>\$ 586,775</u>	<u>\$ 1,740,779</u>	<u>\$ (247,124)</u>

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

CITY OF DANVILLE, ILLINOIS
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
April 30, 2011

	Pension	Agency	
	Trust Funds	Funds	Total
	<u> </u>	<u> </u>	<u> </u>
ASSETS			
Cash	\$ 1,969,008	\$ 12,411	\$ 1,981,419
Investments:			
Certificates of deposits	-	273,000	273,000
Treasury notes	3,278,381	-	3,278,381
US government agencies	9,336,527	-	9,336,527
Mutual funds	12,178,602	-	12,178,602
Receivables:			
Accounts	-	78,082	78,082
Accrued interest	113,618	-	113,618
Other	<u>3,711,895</u>	<u>-</u>	<u>3,711,895</u>
TOTAL ASSETS	<u>\$ 30,588,031</u>	<u>\$ 363,493</u>	<u>\$ 30,951,524</u>
 LIABILITIES AND NET ASSETS			
LIABILITIES			
Accounts payable	\$ -	\$ 108,470	\$ 108,470
Due to others	<u>-</u>	<u>255,023</u>	<u>255,023</u>
Total liabilities	<u>-</u>	<u>363,493</u>	<u>363,493</u>
NET ASSETS			
Held in trust for pension benefits	<u>30,588,031</u>	<u>-</u>	<u>30,588,031</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 30,588,031</u>	<u>\$ 363,493</u>	<u>\$ 30,951,524</u>

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

CITY OF DANVILLE, ILLINOIS
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
PENSION TRUST FUNDS
Year Ended April 30, 2011

	<u>Police Pension Trust</u>	<u>Firefighter Pension Trust</u>	<u>Totals</u>
ADDITIONS			
Contributions			
Employer	\$ 1,624,478	\$ 2,086,809	\$ 3,711,287
Plan members	<u>380,221</u>	<u>306,576</u>	<u>686,797</u>
Total contributions	<u>2,004,699</u>	<u>2,393,385</u>	<u>4,398,084</u>
Investment income			
Net appreciation in fair value of investments	985,970	624,706	1,610,676
Interest and dividends	<u>414,693</u>	<u>304,030</u>	<u>718,723</u>
Total investment income	1,400,663	928,736	2,329,399
Less investment expense	<u>66,726</u>	<u>46,934</u>	<u>113,660</u>
Net investment income	<u>1,333,937</u>	<u>881,802</u>	<u>2,215,739</u>
Total additions	<u>3,338,636</u>	<u>3,275,187</u>	<u>6,613,823</u>
DEDUCTIONS			
Benefits	2,201,850	2,585,499	4,787,349
Administrative expense	<u>17,128</u>	<u>14,321</u>	<u>31,449</u>
Total deductions	<u>2,218,978</u>	<u>2,599,820</u>	<u>4,818,798</u>
CHANGE IN NET ASSETS	1,119,658	675,367	1,795,025
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS, BEGINNING OF YEAR	<u>16,823,820</u>	<u>11,969,186</u>	<u>28,793,006</u>
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS, END OF YEAR	<u>\$ 17,943,478</u>	<u>\$ 12,644,553</u>	<u>\$ 30,588,031</u>

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

CITY OF DANVILLE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

City of Danville, Illinois (City) is a municipality located in Central Illinois. Revenues are substantially generated as a result of taxes assessed and allocated to the City (examples would be property, sales, income, and motor fuel taxes), charges for services performed and governmental grants. Revenues are therefore dependent on the economy within the territorial boundaries of the City and nearby surrounding area and the appropriations of entitlements at the State and Federal Government level. Taxable industry within the area is primarily manufacturing and retail. The surrounding area has a substantial agricultural base.

The following is a summary of the significant accounting policies of the City.

PRINCIPLES USED TO DETERMINE THE SCOPE OF THE REPORTING ENTITY

The definition of the reporting entity is based primarily on the notion of financial accountability. A primary government is financially accountable for the organizations that make up its legal entity. It is also financially accountable for legally separate organizations if its officials appoint a voting majority of an organization's governing body and either it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on, the primary government. A primary government may also be financially accountable for governmental organizations that are fiscally dependent on it.

The City's reporting entity includes the City's governing board and all related organizations for which the City is financially accountable.

The City is not aware of any entity which would be financially accountable for the City to the extent that they would be considered a component unit of the entity.

Component Units

In conformity with generally accepted accounting principles, the financial statements of component units have been included in the financial reporting entity either as blended component units or as discretely presented component units.

Blended Component Units

The City of Danville Police Pension Fund is a separate entity, governed by a five-member board including representatives of the City. The City of Danville Firefighters' Pension Fund is also a separate entity, governed by a five-member board, including representatives of the City. The Pension Funds are recorded as if they were part of the City's operations because they exclusively benefit the primary government.

CITY OF DANVILLE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Discretely Presented Component Unit

Danville Public Library is a separate entity, governed by a board primarily appointed by the primary government. The Library is dependent on the City because its budget is approved and can be modified by the City. Although the City does not have legal access to their resources, the tax rates established by the Library and bonded debt must be approved by the City Council. The primary government cannot, however, overrule or modify decisions of the Library's governing body, approve or modify fee changes, or appoint or dismiss those responsible for day to day operations. In accordance with generally accepted accounting policies for governments, this unit is reported in a separate column to emphasize that it is legally separate from the City.

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. The effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from the legally separate component unit for which the government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are 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 are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Basis of Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied for budgetary purposes. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

CITY OF DANVILLE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement Focus, Basis of Accounting, and Basis of Presentation (Continued)

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. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within the current period or soon thereafter to pay liabilities of the current period. The City considers all revenues available if they are collected within 60 days of the end of the current fiscal year.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The accounts of the City are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for by providing a separate set of self-balancing accounts which comprise its assets, liabilities, and fund balance/retained earnings, revenues, and expenditures/expenses.

Governmental Funds are those through which governmental functions of the City are financed. The acquisition, use, and balances of the City's expendable resources and the related liabilities are accounted for through governmental funds. The City reports the following major governmental funds:

General Fund – The General Fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.

Danville Mass Transit – This fund is used to account for activities of the public transportation.

Motor Fuel Tax Fund – This fund is used to collect and disburse state funds for City road projects.

2009 Bond Issue – This fund is used to account for the activities of the 2009 Bond Issue.

Bond and Interest Fund – This fund is used to account for accumulation of resources for, and the payment of, bond principal, interest, and related costs.

CITY OF DANVILLE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement Focus, Basis of Accounting, and Basis of Presentation (Continued)

Proprietary funds are used to account for City activities that are similar to those found in the private sector. The measurement focus is upon the determination of net income, financial position, and changes in financial position.

The City reports the following major proprietary funds:

Sanitary Sewer Department – This fund accounts for the operations and maintenance of the Sanitary Sewer Department.

Harrison Park – This fund accounts for the operations and maintenance of the City-owned golf course.

Solid Waste Management – This fund accounts for the operations and maintenance of the Solid Waste Department.

Additional governmental fund types which are combined as nonmajor funds are as follows:

Governmental Fund Types

Special Revenue Funds – These funds are used to account for City activities which are primarily financed by special revenue sources such as governmental grants or general property taxes levied for specific purposes.

Capital Projects Fund – The Capital Projects Fund is used to account for financial resources to be used for acquisition or construction of major capital facilities (other than those financed by proprietary funds and trust funds).

Debt Service Funds – These funds are used to account for principal and interest payments made throughout the year on the general obligation bonds.

Proprietary Fund Types

Internal Service Funds – The Internal Service Funds are used to account for the financing of goods or services provided by one department or agency, or other departments or agencies of the government, on a cost-reimbursement basis.

Pension Trust Funds – These funds are established to provide pension benefits for City employees. These are accounted for essentially the same as proprietary funds since capital maintenance is critical.

CITY OF DANVILLE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement Focus, Basis of Accounting, and Basis of Presentation (Continued)

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board.

Proprietary funds separate all activity into two categories: operating and non-operating revenues and expenses. Operating revenues and expenses result from providing services and producing and delivering goods. Non-operating revenues and expenses entail all other activity not included in operating revenues and expenses. Non-operating revenues and expenses include capital and noncapital financing activities and investing activities.

Government fund types also distinguish between restricted and unrestricted resources. When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

USE OF 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 these estimates.

POOLED CASH

The City maintains pooled cash accounts for different fund groups which are used to account for all cash transactions of that group. Monthly interest income of each pool is distributed to the individual funds based on their cash balances in the pool during that period.

TEMPORARY INVESTMENTS

Temporary investments consist of certificates of deposit with maturities of less than one year. These investments are stated at cost which approximates fair value.

FIDUCIARY FUND INVESTMENTS

Investments are carried at fair value based on quoted market prices.

RECEIVABLES

The City's receivables include sewer and solid waste billings which are not collateralized or secured and are shown net of an allowance for uncollectibles. These receivables are due when the customers are billed.

CITY OF DANVILLE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

RECEIVABLES (Continued)

Receivables also include property tax receivables, outstanding balances due from other governments and other miscellaneous items.

PREPAID EXPENSES

The City's liability insurance is for coverage on a calendar year. The City makes one payment in the month prior to the coverage year. The prepaid expense represents costs applicable to future accounting periods.

CAPITAL ASSETS

Capital assets, which include property, equipment, and infrastructure assets (e.g., bridges, drainage systems, and similar items) are reported in the City's government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$5,000 for equipment, \$10,000 for infrastructure, and \$15,000 for buildings and improvements. Buildings and equipment acquired prior to January 31, 1982 are valued at estimated cost at this date. Land is valued at appraised value as of April 30, 1975. All other additions since these dates are valued at historical cost. Donated fixed assets are valued at their estimated fair value on the date donated.

Infrastructure assets are being accounted for prospectively beginning 2004, as required by Governmental Accounting Standards Board (GASB). All major general infrastructure assets acquired prior to 2004 were valued and reported in the prior year, as required by GASB.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Capital assets in Harrison Park and Solid Waste Management have been recorded at cost less depreciation that would have been recorded had the assets been accounted for in an enterprise fund since acquisition.

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

Buildings and improvements	40 years
Equipment	3-7 years
Infrastructure assets	25 years

CITY OF DANVILLE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

IMPAIRMENT OF LONG-LIVED ASSETS

In accordance with GASB Statement, “Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries,” management evaluates prominent events or changes in circumstances affecting capital assets to determine whether impairment of a capital asset has occurred. A capital asset is generally considered impaired if both (a) the decline in service utility of the capital asset is large in magnitude and (b) the event or change in circumstance is outside the normal life cycle of the capital asset. No impairment losses were recognized in the year ended April 30, 2011.

LONG-TERM LIABILITIES

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net assets including discretely presented component units.

The proprietary funds are accounted for on the accrual basis. This means that all assets and all liabilities (whether current or noncurrent) associated with their activities are included on the balance sheet of these funds.

ACCUMULATED UNPAID VACATION AND SICK PAY

Vacation days are required to be used in the year to which they apply, the “year” being determined by the anniversary of the date of hire. City employees are not permitted to accumulate vacation days. Compensated absences will be paid from the fund from which the employee is paid for regular payroll.

City employees may accumulate sick days as follows:

	<u>Per Year</u>	<u>Maximum Accumulation</u>	<u>Payable on Retirement</u>
Policemen	15	No maximum	60
Firemen	30 – 56	180 – 252	60 – 84
Other union employees	15	180	60
Non-union employees	12	120	40

FUND EQUITY/NET ASSETS

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

CITY OF DANVILLE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

FUND EQUITY/NET ASSETS (Continued)

Net assets represent the differences between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition construction of improvements of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors, laws, or regulations of other governments.

PROPERTY TAXES

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on the second Tuesday of December and are intended to finance the City's new fiscal year beginning May 1. The City is a "Home Rule" municipality as described in Art. 7 Sec. b of the Illinois Constitution. The City, therefore, does not have a limit on the rate of tax, which may be imposed for government services. The combined tax rate of the City for the year ended April 30, 2011 was \$1.9749 per \$100 assessed valuation. For budgetary purposes, taxes are recognized as revenue in the period in which they are intended to finance.

Property in the City of Danville is assessed by the Vermilion County Assessor. The values are adjusted by various percentages depending upon the type of property (residential, commercial, etc.). The assessed values are equalized by the Illinois Department of Revenue to ensure uniformity of property assessments throughout the state. The Vermilion County Clerk computes the annual tax rate by dividing the levy into the equalized value of each taxing unit. The Clerk then computes the tax for each parcel by multiplying the aggregate rates of all the taxing units having jurisdiction over the parcel by the equalized value. The tax amounts by parcel are forwarded to the Vermilion County Collector.

Property taxes are collected by the Vermilion County Collector who remits to the taxing units their respective shares of the collection. Taxes levied in one year become due and payable in two installments during the following year in July and September.

Based on collection histories, the City has provided at April 30, 2011 an allowance for uncollectible real property taxes equivalent to 1 percent of the current year's levy.

Real property tax revenues are recognized when earned in Pension Trust Funds. Since property taxes are measurable but not available to finance current period obligations, the receivable is recorded and deferred in the governmental funds.

CITY OF DANVILLE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

EMPLOYEE GROUP HEALTH INSURANCE

The City was self-insured for employee group medical coverage through December 31, 2010. Expenditures were recognized in the General Fund and other applicable funds for the amount determined to fund claims presented for payment. Corresponding revenues were recognized in the Health Insurance internal service fund. Expenditures and liabilities for these claims were recognized in the internal service fund.

As of January 1, 2011, the City purchased coverage for group health insurance plan through a national carrier.

ENCUMBRANCES

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in the General Fund, Special Revenue Funds, and Capital Projects Funds. Encumbrances outstanding at year-end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be honored during the subsequent year.

CHANGE IN FUND TYPE

During the year, the City determined the Motor Vehicle Parking System Fund would no longer remain a proprietary fund, due to its dependence and relation with the General Fund. As of May 1, 2010, the assets, liabilities and fund balance were transferred in to the General Fund as part of the Downtown Services department.

NOTE 2 - CASH AND INVESTMENTS

The City Council has adopted an investment policy which authorizes the City to invest funds in a manner which will provide the highest return of public funds with maximum security while meeting the daily cash flow demands of the City of Danville. Statutes authorize the City to invest in bonds, notes, certificates, treasury bills, or other securities guaranteed by the full faith and credit of the United States Government as to principal and interest, short-term discount obligations of the Federal National Mortgage Association, certificates of deposit, time deposits or savings accounts which constitute direct obligations of any bank, share and securities of savings and loan associations, share accounts of an Illinois or federal chartered credit union, the State Treasurer's investment pool, commercial paper noted in the "A" category by two standard rating services and maturity dates no longer than 180 days, or money market mutual funds registered under the Investment Company Act of 1940.

CITY OF DANVILLE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2011

NOTE 2 - CASH AND INVESTMENTS (CONTINUED)

As of April 30, 2011, the carrying amount of the City's (primary government) bank deposits including certificates of deposit was \$7,890,982 and the bank balance was \$13,882,301. Included in the carrying amounts are certificates of deposits totaling \$6,000,000. The component unit, Danville Public Library, had a carrying amount of deposits of \$969,584 and the bank balance was \$994,874. The Police and Fire Pension Funds had a carrying amount of deposits of \$1,969,008. Included in the carrying amounts are money market deposits with a national brokerage firm totaling \$554,097. The Library also held \$316,994 invested in a deferred compensation plan.

Interest Rate Risk – the risk that changes in interest rates will adversely affect the fair value of an investment. The City's formal investment policy states the portfolio shall remain sufficiently liquid to meet all operating costs which may be reasonably anticipated. In addition, the City shall maintain a diversity of investments to avoid unreasonable risks. The portfolio should obtain a comparable rate of return during a market/economic environment of stable interest rates. The City's investments consist of certificates of deposit with maturities of one to three months.

Credit Risk – the risk that an issuer or other counter party to an investment will not fulfill its obligation. The standard of prudence to be used by the City shall be the "prudent person" standard which states:

Investments shall be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the possible income to be derived.

The above standard is established as the standard for professional responsibility and shall be applied in the context of managing the City's overall portfolio.

Custodial Credit Risk – the risk that a government will not be able to cover deposits if the depository financial institution fails or will not be able to recover collateral securities that are in the possession of an outside party. The City's deposit policy allows that funds on deposit in excess of FDIC limits must be secured by some form of collateral, witnessed by a written agreement and held at an independent, third party institution in the name of the City. As of April 30, 2011 \$3,012,237 of the City's deposits were not insured or collateralized and, therefore, subject to custodial risk.

Deposits in the Illinois Funds - The State Treasurer maintains the Illinois Funds Money Market Fund (Fund). Its primary purpose is to provide custodians of public funds with an alternative investment vehicle which enables them to earn a competitive rate on return or fully collateralized investments, while maintaining immediate access to those funds.

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 Pool maintains a Standard and Poor's AAA rating.

CITY OF DANVILLE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2011

NOTE 2 – CASH AND INVESTMENTS (CONTINUED)

Deposits in the Illinois Funds (Continued)

The time deposits are collateralized 110% over the FDIC \$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% with U.S. Treasury obligations and the collateral is checked daily to determine sufficiency. Deposits in the Illinois Funds totaled \$1,925 for the primary government and \$49,221 for the component unit at April 30, 2011.

All funds deposited in the Pool are classified as investments even though some could be withdrawn on a day's notice. Although not subject to direct regulatory oversight, the fund is administered in accordance with the provisions of the Illinois Public Funds Investment Act, 30 ILCS 235.

NOTE 3 - INTERFUND ACCOUNTS

Individual fund interfund receivables and payables (due to/due from other funds) at April 30, 2011 were as follows:

	<u>Receivable</u>	<u>Payable</u>
Primary Government		
General Fund	\$ 198,376	\$ -
Non-Major Governmental Funds		
Danville Mass Transit	-	183,401
CDBG	-	14,924
Police ARRA	-	51
Total Non-Major Governmental Funds	<u>-</u>	<u>198,376</u>
Total	<u>\$ 198,376</u>	<u>\$ 198,376</u>

The amounts due to/from other funds are for routine and recurring interfund charges. The amount payable to the General Fund from Danville Mass Transit is not expected to be repaid within one year.

Interfund transfers for the year ended April 30, 2011 consisted of the following:

Transfer to General Fund from:	
Non-major governmental funds	<u>\$ 782,141</u>
Transfer to Bond and Interest Fund from:	
Sanitary Sewer Fund	<u>\$ 108,896</u>
Transfer to Sanitary Sewer Fund from:	
Non-major governmental funds	<u>\$ 930</u>
Transfer to General Fund from:	
Motor Vehicle Parking System	<u>\$ 2,185</u>

CITY OF DANVILLE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2011

NOTE 3 – INTERFUND ACCOUNTS (CONTINUED)

Transfer to Danville Mass Transit Fund from:	
General Fund	<u>\$ 270,278</u>
Transfer to Harrison Park Fund from:	
Non-major governmental funds	<u>\$ 18,985</u>
Transfer to non-major governmental funds from:	
General Fund	<u>\$ 654,783</u>
Transfer to Internal Service Funds from:	
General Fund	<u>\$ 260,000</u>

Transfers are used to (1) move revenues from the fund collecting them to the fund that statute or budget reflects to expend them and (2) use unrestricted revenues collected to finance various programs accounted for in other funds in accordance with budgetary authorizations.

NOTE 4 - CAPITAL ASSETS

Capital asset activity for the year ending April 30, 2011 was as follows:

Primary government

Governmental activities

	<u>Balance</u> <u>5/1/10</u>	<u>Additions</u>	<u>Deletions</u>	<u>Transfer from</u> <u>Motor Vehicle</u> <u>Parking</u> <u>System</u>	<u>Balance</u> <u>4/30/11</u>
Capital assets not being depreciated:					
Land	\$ 4,706,468	\$ -	\$ -	\$ 933,961	\$ 5,640,429
Construction in progress	<u>-</u>	<u>725,428</u>	<u>-</u>	<u>-</u>	<u>725,428</u>
Total	<u>4,706,468</u>	<u>725,428</u>	<u>-</u>	<u>933,961</u>	<u>6,365,857</u>
Capital assets being depreciated:					
Buildings	15,057,557	1,132,144	-	1,388,192	17,577,893
Equipment	19,202,754	1,499,168	232,628	62,837	20,532,131
Infrastructure assets	<u>26,839,784</u>	<u>2,800,839</u>	<u>206,349</u>	<u>-</u>	<u>29,434,274</u>
	61,100,095	5,432,151	438,977	1,451,029	67,544,298
Less accumulated depreciation	<u>35,330,770</u>	<u>2,739,577</u>	<u>431,922</u>	<u>1,435,475</u>	<u>39,073,900</u>
	<u>25,769,325</u>	<u>2,692,574</u>	<u>7,055</u>	<u>15,554</u>	<u>28,470,398</u>
Total	<u>\$30,475,793</u>	<u>\$ 3,418,002</u>	<u>\$ 7,055</u>	<u>\$ 949,515</u>	<u>\$ 34,836,255</u>

CITY OF DANVILLE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2011

NOTE 4 - CAPITAL ASSETS (CONTINUED)

Business-Type activities

Motor Vehicle Parking System

	Balance <u>5/1/10</u>	<u>Additions</u>	<u>Deletions</u>	Transfer to Governmental <u>Activities</u>	Balance <u>4/30/11</u>
Capital assets not being depreciated:					
Land	\$ 933,961	\$ -	\$ -	\$ 933,961	\$ -
Capital assets being depreciated:					
Buildings	1,388,192	-	-	1,388,192	-
Equipment	<u>62,837</u>	<u>-</u>	<u>-</u>	<u>62,837</u>	<u>-</u>
	1,451,029	-	-	1,451,029	-
Less accumulated depreciation	<u>1,435,475</u>	<u>-</u>	<u>-</u>	<u>1,435,475</u>	<u>-</u>
	<u>15,554</u>	<u>-</u>	<u>-</u>	<u>15,554</u>	<u>-</u>
	<u>949,515</u>	<u>-</u>	<u>-</u>	<u>949,515</u>	<u>-</u>

Sanitary Sewer

	Balance <u>5/1/10</u>	<u>Additions</u>	<u>Deletions</u>	Transfer to Governmental <u>Activities</u>	Balance <u>4/30/11</u>
Capital assets not being depreciated:					
Land	\$ 10,200	\$ -	\$ -	\$ -	\$ 10,200
Capital assets being depreciated:					
Sewer construction	13,410,997	104,028	-	-	13,515,025
Equipment	<u>1,633,010</u>	<u>264,725</u>	<u>-</u>	<u>-</u>	<u>1,897,735</u>
	15,044,007	368,753	-	-	15,412,760
Less accumulated depreciation	<u>9,916,969</u>	<u>484,965</u>	<u>-</u>	<u>-</u>	<u>10,401,934</u>
	<u>5,127,038</u>	<u>(116,212)</u>	<u>-</u>	<u>-</u>	<u>5,010,826</u>
	<u>5,137,238</u>	<u>(116,212)</u>	<u>-</u>	<u>-</u>	<u>5,021,026</u>

CITY OF DANVILLE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2011

NOTE 4 - CAPITAL ASSETS (CONTINUED)

Harrison Park

	Balance <u>5/1/10</u>	<u>Additions</u>	<u>Deletions</u>	Transfer to Governmental <u>Activities</u>	Balance <u>4/30/11</u>
Capital assets not being depreciated:					
Land	\$ 196,665	\$ -	\$ -	\$ -	\$ 196,665
Capital assets being depreciated:					
Buildings and improvements	822,455	-	-	-	822,455
Equipment	<u>499,228</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>499,228</u>
	1,321,683	-	-	-	1,321,683
Less accumulated depreciation	<u>907,614</u>	<u>81,315</u>	<u>-</u>	<u>-</u>	<u>988,929</u>
	<u>414,069</u>	<u>(81,315)</u>	<u>-</u>	<u>-</u>	<u>332,754</u>
	<u>610,734</u>	<u>(81,315)</u>	<u>-</u>	<u>-</u>	<u>529,419</u>

Solid Waste Management

	Balance <u>5/1/10</u>	<u>Additions</u>	<u>Deletions</u>	Transfer to Governmental <u>Activities</u>	Balance <u>4/30/11</u>
Equipment	1,874,805	346,293	-	-	2,221,098
Less accumulated depreciation	<u>1,187,185</u>	<u>236,100</u>	<u>-</u>	<u>-</u>	<u>1,423,285</u>
	<u>687,620</u>	<u>110,193</u>	<u>-</u>	<u>-</u>	<u>797,813</u>
Total	<u>\$ 7,385,107</u>	<u>\$ (87,334)</u>	<u>\$ -</u>	<u>\$ 949,515</u>	<u>\$ 6,348,258</u>

Component Unit – Danville Public Library

	Balance <u>5/1/10</u>	<u>Additions</u>	<u>Deletions</u>	Transfer to Governmental <u>Activities</u>	Balance <u>4/30/11</u>
Library	\$ 2,813,295	\$ 17,613	\$ -	\$ -	\$ 2,830,908
Less accumulated depreciation	<u>2,535,232</u>	<u>43,692</u>	<u>-</u>	<u>-</u>	<u>2,578,924</u>
Total	<u>\$ 278,063</u>	<u>\$ (26,079)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 251,984</u>

CITY OF DANVILLE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2011

NOTE 4 - CAPITAL ASSETS (CONTINUED)

Depreciation expense was charged to programs of the primary government as follows:

Governmental activities:	
General government	\$ 748,019
Public safety	261,386
Transportation	203,166
Streets	1,252,080
Culture and recreation	<u>274,926</u>
Total depreciation – governmental activities	<u>\$ 2,739,577</u>
Business-type activities:	
Sanitary Sewer	\$ 484,965
Harrison Park	81,315
Solid Waste Management	<u>236,100</u>
Total depreciation – business-type activities	<u>\$ 802,380</u>

NOTE 5 - NOTES PAYABLE AND OTHER LONG-TERM DEBT

Bonds payable at April 30, 2011 are comprised of the following:

\$ 4,735,000	General Obligation Bond: \$4,750,000 issued February 1, 2009. Interest is payable semi-annually at rates not to exceed 7.5% per annum. Bond matures December, 2028 (principal and interest to be serviced by property tax levy with residual amounts from general revenues).
4,030,000	General Obligation Bond: \$12,050,000 issued February 15, 2001. Interest is payable semi-annually at rates of 3.45% to 4.7% per annum. Bond matures June, 2017 (principal and interest to be serviced by property tax levy with residual amounts from general revenues and sewer fund revenues).
3,155,000	General Obligation Bond: \$3,985,000 issued February 5, 2007. Interest is payable semi-annually at rates of 3.90% to 5.0% per annum. Bond matures December, 2021 (principal and interest to be serviced by telecommunication tax revenue, general revenues, solid waste funds and sewer fund revenues of the City).
<u>\$ 11,920,000</u>	

CITY OF DANVILLE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2011

NOTE 5 - NOTES PAYABLE AND OTHER LONG-TERM DEBT (CONTINUED)

Obligations under capital lease at April 30, 2011 are comprised of the following:

<u>\$ 51,908</u>	The City leases telephone equipment under capital lease agreements, which require monthly payments of \$3,621 and \$645 including interest of 2.98% and 4.32%, due dates March 10, 2012 and July 2, 2012.
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The principal and interest for the above capital leases are to be serviced by the Capital Improvements Fund.

Notes payable at April 30, 2011 are comprised of the following:

\$ 252,368	Old National Bank. Annual payments of \$134,397, including 4.5% interest. Note matures June 26, 2012.
<u>266,160</u>	Old National Bank. Annual payments of \$143,518, including 4.25% interest. Note matures April 30, 2013.
<u>518,528</u>	

The principal and interest for the above notes payable to be serviced by Solid Waste revenues.

\$ 251,180	Central Illinois Bank. Annual payments of \$58,135, including interest at 4.99%. Note matures October, 2015.
<u>30,564</u>	Iroquois Federal Bank. Annual payments of \$10,993, including interest at 3.99%. Note matures November, 2013.
<u>281,744</u>	
<u>\$ 800,272</u>	

The principal and interest for the above notes payable to be serviced by Harrison Park revenues.

The above notes payable are unsecured.

CITY OF DANVILLE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2011

NOTE 5 - NOTES PAYABLE AND OTHER LONG-TERM DEBT (CONTINUED)

The annual requirements to amortize all bonds and notes payable outstanding as of April 30, 2011 are as follows:

Year Ending April 30	Capital Leases and Notes Payable		General Obligation Bonds		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2012	\$ 358,541	\$ 37,519	\$ 1,055,000	\$ 505,902	\$ 1,413,541	\$ 543,421
2013	324,730	23,025	1,160,000	460,814	1,484,730	483,839
2014	60,717	8,513	1,210,000	410,674	1,270,717	419,187
2015	52,611	5,524	1,260,000	357,232	1,312,611	362,756
2016	55,581	2,838	950,000	536,784	1,005,581	539,622
2017-2021	-	-	3,320,000	747,481	3,320,000	747,481
2022-2026	-	-	1,885,000	416,812	1,885,000	416,812
Thereafter	-	-	1,080,000	92,372	1,080,000	92,372
Total	\$ 852,180	\$ 77,419	\$11,920,000	\$ 3,528,071	\$ 12,772,180	\$ 3,605,490

Note payable and long-term debt activity for the year ending April 30, 2011 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
Bonds payable:					
General obligation bond	\$ 13,115,000	\$ -	\$ 1,195,000	\$ 11,920,000	\$ 1,055,000
Capital leases	100,585	-	48,677	51,908	49,914
Net pension obligation	222,281	59,086	-	281,367	-
Other post- employment benefits	172,134	79,210	87,926	163,418	-
Accumulated vacation and sick days	1,610,760	450,101	-	2,060,861	412,172
Total	\$ 15,220,760	\$ 588,397	\$ 1,331,603	\$ 14,477,554	\$ 1,517,086

CITY OF DANVILLE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2011

NOTE 5 - NOTES PAYABLE AND OTHER LONG-TERM DEBT (CONTINUED)

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Business-Type activities:					
Notes payable	\$ 1,124,882	\$ -	\$ 324,610	\$ 800,272	\$ 308,628
Accumulated vacation and sick days	<u>109,298</u>	<u>10,712</u>	<u>-</u>	<u>120,010</u>	<u>120,010</u>
Total	<u>\$ 1,234,180</u>	<u>\$ 10,712</u>	<u>\$ 324,610</u>	<u>\$ 920,282</u>	<u>\$ 428,638</u>

NOTE 6 - PENSION PLANS

The City of Danville participates in three defined benefit pension plans: the Illinois Municipal Retirement Fund, an agent multiple-employer plan, the Police Pension Plan, a single-employer plan, and the Firefighter Pension Plan, a single-employer plan.

Illinois Municipal Retirement Fund

Plan Description. The City of Danville's defined benefit pension plan for Regular employees provides retirement and disability benefits, post retirement increases, and death benefits to plan members and beneficiaries. The City of Danville'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 City of Danville Regular plan members are required to contribute 4.50 percent of their annual covered salary. The statutes require the City of Danville to contribute the amount necessary, in addition to member contributions, to finance the retirement coverage of its own employees. The City of Danville's contribution rate for calendar year 2010 was 9.24 percent of annual covered payroll. The City's annual required contribution rate for calendar year 2010 was 11.33 percent. The City of Danville 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, 2010, the City of Danville's annual pension cost of \$683,497. Its required contribution for calendar year 2010 was \$838,098.

CITY OF DANVILLE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2011

NOTE 6 - PENSION PLANS (CONTINUED)

Illinois Municipal Retirement Fund (Continued)

THREE-YEAR TREND INFORMATION FOR THE REGULAR PLAN

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
12/31/10	\$ 838,098	82%	\$ -
12/31/09	624,695	100%	-
12/31/08	593,482	100%	-

The required contribution for 2010 was determined as part of the December 31, 2008, actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions at December 31, 2008, included (a) 7.5 percent investment rate of return (net of administrative and direct investment expenses), (b) projected salary increases of 4.00% a year, attributable to inflation, (c) additional projected salary increases ranging from 0.4% to 10% per year depending on age and service, attributable to seniority/merit, and (d) post retirement benefit increases of 3% annually. The actuarial value of the City of Danville'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% corridor between the actuarial and market value of assets. The City of Danville's Regular plan's unfunded actuarial accrued liability at December 31, 2008 is being amortized as a level percentage of projected payroll on an open 30 year basis.

Funded Status and Funding Progress. As of December 31, 2010, the most recent actuarial valuation date, the Regular plan was 76.75 percent funded. The actuarial accrued liability for benefits was \$20,480,392 and the actuarial value of assets was \$15,719,246, resulting in an underfunded actuarial accrued liability (UAAL) of \$4,761,146. The covered payroll for calendar year 2010 (annual payroll of active employees covered by the plan) was \$7,397,158 and the ratio of the UAAL to the covered payroll was 64 percent.

The schedule of funding progress, presented as Required Supplemental Information (RSI) following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

CITY OF DANVILLE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2011

NOTE 6 - PENSION PLANS (CONTINUED)

Police Pension Plan

Plan Description

Police sworn personnel are covered by the Police Pension Plan, which is a defined benefit single-employer, pension plan. Although this is a single-employer pension plan, the defined benefits and employee and employer contribution levels are governed by Illinois State Statutes (Chapter 40 Article 3) and may be amended only by the Illinois legislature. The City accounts for the plan as a pension trust fund. The City's payroll for employees covered by the Police Pension Plan for the year ended April 30, 2011 was \$3,578,540 out of a total payroll of \$14,588,209. At April 30, 2011 the Police Pension Plan membership consisted of:

Retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them	67
Active vested plan members	41
Active non-vested plan members	<u>20</u>
Total	<u><u>128</u></u>

The following is a summary of the Police Pension Plan as provided for in Illinois State Statutes.

The Police Pension Plan provides retirement benefits as well as death and disability benefits. Employees attaining the age of 50 or more with 20 or more years of creditable service are entitled to receive an annual retirement benefit of 2.5% of final salary for each year of service up to 30 years, to a maximum of 75% of such salary. Employees with at least 8 years but less than 20 years of credited service may retire at or after age 60 and receive a reduced benefit of 2.5% of final salary for each year of service. Surviving spouses receive 100% of final salary for fatalities resulting from an act of duty or otherwise the greater of 50% of final salary or the employee's retirement benefit. Employees disabled in the line of duty receive 65% of final salary. The monthly pension of a police officer who retired with 20 or more years of service after January 1, 1977, shall be increased annually following the first anniversary date of retirement and be paid upon reaching the age of at least 55 years by 3% of the original pension. Beginning with increases granted on or after July 1, 1993, the second and subsequent automatic annual increases shall be calculated as 3% of the amount payable at the time of the increase.

Covered employees are required to contribute 9.91% of their base salary to the Police Pension Plan. If an employee leaves covered employment with less than 20 years of service, accumulated employee contributions may be refunded without accumulated interest. The City is required to contribute the remaining amounts necessary to finance the plan.

CITY OF DANVILLE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2011

NOTE 6 - PENSION PLANS (CONTINUED)

Firefighter Pension Plan

Plan Description

Fire sworn personnel are covered by the Firefighter Pension Plan, which is a defined-benefit single-employer pension plan. Although this is a single-employer pension plan, the defined benefits as well as the employee and employer contribution levels are mandated by Illinois State Statutes (Chapter 40, Article 4) and may be amended only by the Illinois legislature. The City accounts for the plan as a pension trust fund. The City's payroll for employees covered by the Firefighter Pension Plan for the year ended April 30, 2011 was \$3,228,025 out of a total payroll of \$14,588,209. At April 30, 2011 the Firefighter Pension Plan membership consisted of:

Retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them	76
Active vested plan members	40
Active non-vested plan members	14
Total	<u><u>130</u></u>

The following is a summary of the Firefighter Pension Plan as provided for in Illinois State Statutes.

The Firefighter Pension Plan provides retirement benefits as well as death and disability benefits. Employees attaining the age of 50 or more with 20 or more years of creditable service are entitled to receive an annual retirement benefit of one-half of the salary attached to the rank held on the last day of service. The pension shall be increased by one-twelfth of 2.5% of such monthly salary for each additional month of service over 20 years up to 30 years, to a maximum of 75% of such monthly salary. Employees with at least 10 years but less than 20 years of credited service may retire at or after age 60 and receive a reduced retirement benefit ranging from 15% of final salary for 10 years of service to 45.6% for 19 years of service. Surviving spouses receive 100% of final salary for fatalities resulting from an act of duty, or otherwise the greater of 54% of final salary or the monthly retirement pension that the deceased firefighter was receiving at the time of death. Surviving children receive 12% of final salary. The maximum family survivor benefit is 75% of final salary. Employees disabled in the line of duty receive 65% of final salary.

The monthly pension of a firefighter who retired with 20 or more years of service after January 1, 1977, shall be increased annually following the first anniversary date of retirement and be paid upon reaching at least the age 55 by 3% of the amount of the pension payable at time of the increase.

CITY OF DANVILLE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2011

NOTE 6 - PENSION PLANS (CONTINUED)

Covered employees are required to contribute 9.455% of their salary to the Firefighter Pension Plan. If an employee leaves covered employment with less than 20 years of service, accumulated employee contributions may be refunded without accumulated interest. The City is required to contribute the remaining amounts necessary to finance the plan.

Annual Pension Cost and Net Pension Obligation, Single-Employer Plans

The City's annual pension cost and net pension obligation as of April 30, 2010 were as follows:

	<u>Police Pension</u>	<u>Firefighter Pension</u>
Annual required contribution	\$ 1,582,103	\$ 2,032,604
Interest on net pension obligation	10,166	7,060
Adjustments to annual required contribution	<u>(7,838)</u>	<u>(5,443)</u>
Annual pension cost	1,584,431	2,034,221
Contributions made	<u>1,557,743</u>	<u>2,001,823</u>
Increase in net pension obligation	26,688	32,398
Net pension obligation beginning of year	<u>131,180</u>	<u>91,101</u>
Net pension obligation end of year	<u>\$ 157,868</u>	<u>\$ 123,499</u>

During fiscal year 2011, an additional contribution was made by the City into the Police Pension in the amount of \$147,470 and into the Firefighter Pension in the amount of \$111,447. These contributions were in addition to the annual required contribution for fiscal year 2011.

Funding Policy and Annual Pension Cost

The funding policy provides for actuarially determined periodic contributions at rates that, for individual employees, accumulate assets gradually over time so that sufficient assets will be available to pay benefits when due. The rate for the City's employee group as a whole has tended to remain level as a percentage of annual covered payroll. The contribution rate for normal cost is determined using the entry age normal actuarial funding method. The actuary calculation used a level dollar amount method to amortize the unfunded liability over a 40-year period.

The significant actuarial assumptions used to compute the actuarially determined contribution requirements are the same as those used to compute the pension benefit obligation as described above.

CITY OF DANVILLE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2011

NOTE 6 - PENSION PLANS (CONTINUED)

The City's annual pension cost for the current year and related information for each plan is as follows:

	<u>Police Pension</u>	<u>Firefighter Pension</u>
Contribution rates:		
City	43.53%	62.01%
Plan members	9.91%	9.45%

TREND INFORMATION

<u>Actuarial Valuation Date</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
Police Pension Fund			
4/30/10	\$ 1,584,431	98.3%	\$ 157,868
4/30/09	1,380,569	99.3%	131,180
4/30/08	1,234,927	99.2%	122,014
Firefighter Pension Fund			
4/30/10	\$ 2,034,221	98.4%	\$ 123,499
4/30/09	1,813,903	99.4%	91,101
4/30/08	1,676,913	99.3%	80,210

NOTE 7 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

The following funds incurred expenditures in excess of their appropriations:

Solid Waste Management	\$ 15,177
Health Insurance Department	\$ 442
Danville Mass Transit	\$ 1,182,444

These excess expenditures are to be funded through the respective fund's remaining fund balance at year-end.

The following funds had a deficit fund balance as of April 30, 2011:

General Liability Insurance	\$ 195,990
Community Development Block Grant	\$ 14,912

CITY OF DANVILLE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2011

NOTE 7 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (CONTINUED)

It is anticipated these deficits will be funded from normal operations or transfers from other funds, if necessary.

NOTE 8 - LEASES

The City leases certain designated space in the Public Safety Building from the Danville Public Building Commission (See also Note 12). The current lease expires October 31, 2011. Expense under this lease for the year ended April 30, 2011 was \$1,113,096. Minimum lease commitments are as follows:

Year Ending April 30

2012	\$ 1,113,096
2013	1,113,096

In 2007, the Library leased a coin operator under a 60-month lease/purchase contract. The cost of the coin operator for depreciation purposes is \$5,640. The balance due on the contract as of April 30, 2011 is \$679. The contract payment per month of \$97 includes interest.

NOTE 9 - FEDERAL AND STATE ASSISTED PROGRAMS

The City participates in a number of federal and state programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulations, the City may be required to reimburse the grantor government. As of April 30, 2011, significant amounts of grant expenditures have not been audited by the grantor government. The City believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on any of the individual funds or the overall financial position of the City.

CITY OF DANVILLE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2011

NOTE 10 - OTHER RECEIVABLES

The following summarizes recorded notes receivable through a community development revolving loan program initially established through grants from the Illinois Department of Commerce and Community Affairs.

<u>Payee</u>	<u>Terms</u>	<u>Balance</u> <u>April 30, 2011</u>
Heartland Center	Monthly payments of \$833 including interest at 0%	\$ 97,215
Peter Blackmon	Monthly payments vary based on interest rates. Current rate is 1.83%.	11,669
Danville Renaissance Enterprises, LLC	Monthly payments of \$603 including interest of 2%	48,004
Maruti Gagan Management, LLC	Monthly payments of \$1,054 including interest of 2%	36,313
Millikin Dry Cleaners	Monthly payments of \$406 including interest of 2%	1,933
Chittick's Family Eyecare	Monthly payments of \$885 1% interest	4,478
Cynthia Pratt	Monthly payments of \$100 no interest	2,185
Cynthia Pratt	Monthly payments of \$100 no interest	285
Big R	Monthly payments of \$1,667 no interest	24,167
146 North, LLC	Monthly payments of \$185 1% interest	10,582
Vermilion Café	Monthly payments of \$27,156 2% interest	7,421

CITY OF DANVILLE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2011

NOTE 10 - OTHER RECEIVABLES (CONTINUED)

<u>Payee</u>	<u>Terms</u>	<u>Balance</u> <u>April 30, 2011</u>
Maggie Blanden	Monthly payments of \$51 no interest	\$ 510
William Phelps	Monthly payments of \$100 no interest	2,840
Shirley Smith	Monthly payments of \$50 no interest	1,265
This Is It Furniture	Monthly payments of \$595 no interest	30,953
Nancy Cahall	Monthly payments of \$56 no interest	1,665
Daniel Duncheon	Monthly payments of \$193 2% interest	27,438
S&N Enterprises LLC	Monthly payments of \$274 2% interest	34,320
Lorana Biship	Monthly payments of \$78 no interest	1,246
Connie Terrell	Monthly payments of \$50 no interest	1,250
Eugene Thompson	Monthly payments of \$139 no interest	186
Donna Anderson	Monthly payments of \$73 no interest	2,958
Kea Sanford	Monthly payments of \$117 no interest	<u>3,850</u>
Total		<u>\$ 352,733</u>

The due dates for the other receivables above, range from 2012 to 2015. Several notes listed above have passed their due dates, with no formal extension dates. However, payments are being received on a regular basis and, therefore, are expected to be fully collected.

CITY OF DANVILLE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2011

NOTE 10 - OTHER RECEIVABLES (CONTINUED)

These notes receivables are recorded in the following funds:

Small Business Loan Fund	\$ 334,493
Housing Loan Fund	<u>18,240</u>
Total	<u>\$ 352,733</u>

NOTE 11 - SELF-FUNDED INSURANCE

The City maintained a partially self-insured group health insurance plan through December 31, 2010. A liability for unpaid claims has been established in the Health Insurance Internal Service Fund. This liability is equal to claims submitted and not paid prior to December 31, 2010 and an estimate of claims incurred and not yet submitted based on historical lag payment data. The City carries insurance to limit their liability for excessive claims. Estimated recoveries on unsettled claims are deducted from the liability for unpaid claims. The City believes the estimated liability for unpaid losses and loss adjustment expense is sufficient to cover the ultimate net cost of incurred claims. However, such reserves are based on estimates and the ultimate liability may be greater or less than the amounts estimated. The methods used to calculate such estimates and establish the resulting liabilities are continually reviewed, and any adjustments are reflected in current earnings. The liability is included in accrued expenses on the Internal Service Funds.

As of January 1, 2011, the City purchased coverage for group health insurance plan through a national carrier.

Reconciliation of Changes in Claims Liability

	<u>2011</u>	<u>2010</u>
Claims liability, beginning balance	\$ 600,000	\$ 500,000
Claims paid, incurred prior to January, 2011 and May, 2010, respectively	(321,598)	(178,852)
Increase (decrease) in claims liability for claims incurred prior to January, 2011 and May, 2010, respectively	<u>(228,402)</u>	<u>278,852</u>
Claims liability, ending balance	<u>\$ 50,000</u>	<u>\$ 600,000</u>

The City also maintains an internal service fund for general liability insurance. The City currently pays 80% of the total premium due and funds the remaining 20% for possible future claims.

In addition, the City elected the self-funded method for unemployment compensation. The City is therefore liable for benefits to any of its former employees eligible for benefits.

The City had no claims exceeding their coverage limits on their other insurance coverage.

CITY OF DANVILLE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2011

NOTE 12 - DANVILLE PUBLIC BUILDING COMMISSION

Based on the criteria established by the Governmental Accounting Standards Board, the following information is provided concerning the joint venture between the City of Danville and the Danville Public Building Commission.

The Danville Public Building Commission was organized under the provisions of the "Public Building Commission Act of the State of Illinois" to enable the erecting, equipping and providing of modern public buildings to space and house the various branches, departments and agencies of government in the County Seat of Vermilion County, Illinois.

The Commission officials of the Danville Public Building Commission are appointed by the City of Danville, Danville Sanitary District, Danville School District #118 and Vermilion County.

The City has only indirect control over the Commission's budgeting and financing through the appointment of commission officials. However, all capital improvement projects financed by the Commission must be approved by the City of Danville, Vermilion County and the Danville Public Building Commission.

NOTE 13 - DEFERRED COMPENSATION PLAN

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan is available to all City employees and permits them to defer a portion of their salary until future years. Contributions to the deferred compensation plan remain in a separate trust for the benefit of the employees and are not available until termination, retirement, death, or unforeseeable emergency.

NOTE 14 - CASH FLOW DISCLOSURES

Cash paid for interest totaled \$14,665 in the Harrison Park Fund.

Cash paid for interest totaled \$23,124 in the Solid Waste Management Fund.

NOTE 15 - LITIGATION

The City is currently involved in several litigation matters. In the estimation of the City's management and legal counsel, the final settlement of these matters cannot be estimated.

CITY OF DANVILLE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2011

NOTE 16 - OTHER POST-EMPLOYMENT BENEFITS

a. Plan Description

In addition to providing the pension benefits described in Note 6, the City provides post-employment health care benefits (OPEB) for retired employees through a single employer defined benefit plan (Retiree Healthcare Program). The benefits, benefit levels, employee contributions and employer contributions are governed by the City and can be amended by the City through its personnel manual and union contracts. The plan is not accounted for as a trust fund, as an irrevocable trust has not been established to account for the plan. The plan does not issue a separate report. The activity of the plan is reported in the City's governmental and business-type activities.

b. Benefits Provided

The City provides continued health insurance coverage at the active employee rate to all eligible employees in accordance with Illinois statutes, which creates an implicit subsidy of retiree health insurance. To be eligible for benefits, an employee must qualify for retirement under one of the City's retirement plans. Upon a retiree reaching age 65 years of age, Medicare becomes the primary insurer and the retiree can choose to not participate in the plan or continue under the City's plan at a Medicare Supplement rate.

c. Membership

At April 30, 2011, membership consisted of:

Retirees and beneficiaries currently receiving benefits	49
Terminated employees entitled to benefits but not yet receiving them	-
Active employees	<u>252</u>
Total	<u><u>301</u></u>
Participating employers	<u><u>1</u></u>

d. Funding Policy

The City is not required to and currently does not advance fund the cost of benefits that will become due and payable in the future. Active employees do not contribute to the plan until retirement.

Premium cost sharing arrangements vary depending on the bargaining unit and date of retirement. Qualified retirees pay a percentage of the premium cost for single and dependent coverage based on Medicare status and family status.

CITY OF DANVILLE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2011

NOTE 16 - OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

e. Annual OPEB Costs and Net OPEB Obligation

The City's annual other post-employment benefit (OPEB) cost (expense) is calculated based on the annual required contribution (ARC) of the City, an amount actuarially determined in accordance with the parameters of required standards. The ARC represents a level of funding that, if paid on an on-going basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

The City first had an actuarial valuation performed for the plan as of April 30, 2009 to determine the funded status of the plan as of that date as well as the employer's annual required contribution (ARC) for the fiscal year ended April 30, 2011. The City's annual OPEB cost (expense) of \$198,937 was equal to the ARC for the fiscal year 2011. The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2011 was as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Employer Contributions</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
April 30, 2011	\$ 200,340	\$ 121,130	60.5 %	\$ 163,418

The net OPEB obligation as of April 30, 2011, was calculated as follows:

Annual required contribution	\$ 198,937
Interest on net OPEB obligation	4,210
Adjustment to annual required contribution	<u>(2,807)</u>
Annual OPEB cost	200,340
Contributions made	<u>121,130</u>
Increase in net OPEB obligation	79,210
Net OPEB obligation, beginning of year	<u>84,208</u>
Net OPEB obligation, end of year	<u>\$ 163,418</u>

Funded Status and Funding Progress. The funded status of the plan as of April 30, 2011, was as follows:

Actuarial accrued liability (AAL)	\$ 3,434,307
Actuarial value of plan assets	-
Unfunded actuarial accrued liability (UAAL)	3,434,307
Funded ratio (actuarial value of plan assets/AAL)	0%
Covered payroll (active plan members)	\$ 14,588,209
UAAL as a percentage of covered payroll	43.41%

CITY OF DANVILLE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2011

NOTE 16 - OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

e. Annual OPEB Costs and Net OPEB Obligation (Continued)

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the ARCs of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the AALs for benefits.

Actuarial Methods and Assumptions. Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the April 30, 2011 valuation the entry-age normal cost method was used. The actuarial assumptions included a discount rate of 5.0 percent, salary increases comprised of a wage inflation component of 5.0 percent, and an ultimate healthcare trend rate of 8.0 percent initially and an ultimate rate of 6.0 percent. The calculations assume a level-percentage-of-pay 30-year open amortization period for retirees.

The actuarial value of assets was not determined as the City has not advance funded its obligation.

NOTE 17 - NEW GOVERNMENT ACCOUNTING STANDARD

In February 2009, the Governmental Accounting Standards Board issued new accounting statement for *Fund Balance Reporting and Governmental Fund Type Definitions*. This statement establishes accounting and financial reporting standards for all governments that report governmental funds. It establishes criteria for classifying fund balances into specifically defined classifications and clarifies definitions for governmental fund types. The City will be required to adopt the new accounting standard in its April 30, 2012 financial statements. The City has not determined the effect, if any, the adoption of new accounting standard will have on the City's net assets.

This information is an integral part of the accompanying financial statements.

REQUIRED SUPPLEMENTAL INFORMATION

CITY OF DANVILLE, ILLINOIS
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES-BUDGET AND ACTUAL (BUDGETARY BASIS)
GENERAL FUND
Year Ended April 30, 2011

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Favorable (Unfavorable)
REVENUES				
Taxes	\$ 1,183,800	\$ 1,183,800	\$ 1,166,099	\$ (17,701)
Intergovernmental	15,627,827	15,683,074	17,376,765	1,693,691
Licenses and permits	696,500	696,500	671,485	(25,015)
Charges for services	300,631	300,631	304,155	3,524
Fines and forfeits	551,800	554,300	551,232	(3,068)
Miscellaneous	216,364	655,314	461,328	(193,986)
	<u>18,576,922</u>	<u>19,073,619</u>	<u>20,531,064</u>	<u>1,457,445</u>
EXPENDITURES				
Current:				
General Government				
General City government	1,359,324	1,770,574	1,733,355	37,219
Central vehicle maintenance	518,957	525,884	499,340	26,544
Finance	308,944	308,944	278,454	30,490
Treasurer	85,334	87,159	85,369	1,790
Development services	568,319	583,649	564,318	19,331
Public affairs	206,451	211,681	207,088	4,593
Legal services	384,272	490,272	473,657	16,615
City Clerk	89,590	89,590	91,708	(2,118)
Human resources	208,204	220,004	213,572	6,432
Information systems	160,440	160,715	155,333	5,382
	<u>3,889,835</u>	<u>4,448,472</u>	<u>4,302,194</u>	<u>146,278</u>
Public Safety				
Police	6,691,506	7,087,939	7,014,952	72,987
Fire	4,333,092	4,556,570	4,533,734	22,836
	<u>11,024,598</u>	<u>11,644,509</u>	<u>11,548,686</u>	<u>95,823</u>
Streets				
	<u>2,581,349</u>	<u>2,660,249</u>	<u>2,583,422</u>	<u>76,827</u>
Culture and Recreation				
Public pool	76,160	76,160	55,792	20,368
Public property	1,669,005	1,696,108	1,709,796	(13,688)
Downtown services	99,176	99,176	78,787	20,389
	<u>1,844,341</u>	<u>1,871,444</u>	<u>1,844,375</u>	<u>27,069</u>
Total expenditures	<u>19,340,123</u>	<u>20,624,674</u>	<u>20,278,677</u>	<u>345,997</u>
Excess (deficiency) of revenues over expenditures	<u>(763,201)</u>	<u>(1,551,055)</u>	<u>252,387</u>	<u>1,803,442</u>

	<u>Original</u> <u>Budget</u>	<u>Final</u> <u>Budget</u>	<u>Actual</u>	Variance with Final Budget Favorable (Unfavorable)
OTHER FINANCING SOURCES (USES)				
Operating transfers in	\$ 807,237	\$ 807,237	\$ 782,141	\$ (25,096)
Operating transfers out	<u>(65,082)</u>	<u>(318,669)</u>	<u>(623,635)</u>	<u>(304,966)</u>
Total other financing sources (uses)	<u>742,155</u>	<u>488,568</u>	<u>158,506</u>	<u>(330,062)</u>
Excess (deficiency) of revenues over expenditures and other sources (uses) (Budgetary basis)	<u>\$ (21,046)</u>	<u>\$ (1,062,487)</u>	410,893	<u>\$ 1,473,380</u>
RECONCILIATION TO MODIFIED ACCRUAL BASIS (GAAP BASIS)			<u>1,171,725</u>	
Excess of revenues over expenditures (GAAP basis)			1,582,618	
FUND BALANCE, BEGINNING OF YEAR			<u>2,609,940</u>	
FUND BALANCE, END OF YEAR			<u>\$ 4,192,558</u>	

CITY OF DANVILLE, ILLINOIS
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (BUDGETARY BASIS)
MAJOR FUND - MOTOR FUEL TAX
Year Ended April 30, 2011

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Favorable (Unfavorable)
REVENUES				
Intergovernmental	\$ 890,000	\$ 936,834	\$ 1,008,512	\$ 71,678
Miscellaneous	<u>15,000</u>	<u>15,000</u>	<u>5,228</u>	<u>(9,772)</u>
Total revenues	<u>905,000</u>	<u>951,834</u>	<u>1,013,740</u>	<u>61,906</u>
EXPENDITURES				
Current:				
Streets	<u>890,000</u>	<u>1,896,601</u>	<u>1,105,984</u>	<u>790,617</u>
Excess (deficiency) of revenues over expenditures (Budgetary basis)	<u>\$ 15,000</u>	<u>\$ (944,767)</u>	(92,244)	<u>\$ 852,523</u>
RECONCILIATION TO MODIFIED ACCRUAL BASIS (GAAP BASIS)			<u>430,308</u>	
Excess of revenues over expenditures (GAAP basis)			338,064	
FUND BALANCE, BEGINNING OF YEAR			<u>976,999</u>	
FUND BALANCE, END OF YEAR			<u>\$ 1,315,063</u>	

CITY OF DANVILLE, ILLINOIS
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (BUDGETARY BASIS)
MAJOR FUND - DANVILLE MASS TRANSIT
Year Ended April 30, 2011

	Original Budget	Final Budget	Actual	Variance with Final Budget Favorable (Unfavorable)
REVENUES				
Intergovernmental	\$ 1,712,572	\$ 1,873,742	\$ 2,809,135	\$ 935,393
Charges for services	382,000	526,969	295,938	(231,031)
Miscellaneous	21,000	21,441	15,705	(5,736)
Total revenues	2,115,572	2,422,152	3,120,778	698,626
EXPENDITURES				
Current:				
Transportation	2,137,874	1,791,976	3,673,420	(1,881,444)
Excess (deficiency) of revenues over expenditures (Budgetary basis)	(22,302)	630,176	(552,642)	(1,182,818)
OTHER FINANCING SOURCES (USES)				
Operating transfers in	22,302	22,302	22,302	-
Excess (deficiency) of revenues over expenditures and other uses (Budgetary basis)	\$ -	\$ 652,478	(530,340)	\$ (1,182,818)
RECONCILIATION TO MODIFIED ACCRUAL BASIS (GAAP BASIS)			530,340	
Excess of revenues over expenditures (GAAP basis)			-	
FUND BALANCE, BEGINNING OF YEAR			-	
FUND BALANCE, END OF YEAR			\$ -	

CITY OF DANVILLE, ILLINOIS
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (BUDGETARY BASIS)
MAJOR FUND - 2009 BOND ISSUE
Year Ended April 30, 2011

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Favorable (Unfavorable)
REVENUES				
Miscellaneous	\$ 75,000	\$ 10,681	\$ 10,681	\$ -
EXPENDITURES				
Capital projects	<u>2,480,000</u>	<u>1,182,070</u>	<u>1,256,986</u>	<u>(74,916)</u>
Deficiency of revenues over expenditures (Budgetary basis)	<u>\$ (2,405,000)</u>	<u>\$ (1,171,389)</u>	(1,246,305)	<u>\$ (74,916)</u>
RECONCILIATION TO MODIFIED ACCRUAL BASIS (GAAP BASIS)			<u>74,916</u>	
Deficiency of revenues over expenditures (GAAP basis)			(1,171,389)	
FUND BALANCE, BEGINNING OF YEAR			<u>4,070,998</u>	
FUND BALANCE, END OF YEAR			<u>\$ 2,899,609</u>	

**CITY OF DANVILLE, ILLINOIS
REQUIRED SUPPLEMENTAL INFORMATION
SCHEDULES OF FUNDING PROGRESS
Year Ended April 30, 2011**

ILLINOIS MUNICIPAL RETIREMENT FUND

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)
12/31/10	\$ 15,719,246	\$ 20,480,392	\$ 4,761,146	76.75%	\$ 7,397,158	64.36%
12/31/09	14,908,204	19,604,899	4,696,695	76.04%	7,436,846	63.15%
12/31/08	15,327,058	19,019,847	3,692,789	80.58%	7,273,069	50.77%

On a market value basis, the actuarial value of assets as of December 31, 2010 is \$16,931,928. On a market basis, the funded ratio would be 82.67%.

POLICE PENSION FUND

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)
4/30/10	\$16,823,824	\$ 39,846,670	\$ 23,022,846	42.2%	\$3,578,540	643.4%
4/30/09	15,211,921	38,221,858	23,009,937	39.8%	3,535,625	650.8%
4/30/08	17,073,756	37,023,135	19,949,379	46.1%	3,641,181	547.9%

**CITY OF DANVILLE, ILLINOIS
REQUIRED SUPPLEMENTAL INFORMATION
SCHEDULES OF FUNDING PROGRESS
Year Ended April 30, 2011**

FIREFIGHTERS' PENSION FUND

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)
4/30/10	\$ 11,969,189	\$ 41,111,600	\$ 29,142,411	29.1%	\$ 3,228,025	902.8%
4/30/09	10,969,225	39,869,423	28,900,198	27.5%	3,120,471	926.1%
4/30/08	12,335,285	37,938,554	25,603,269	32.5%	3,262,626	784.7%

OTHER POST-EMPLOYMENT BENEFITS

Trend information for the year ended April 30, 2011 is as follows:

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)
4/30/11	\$ -	\$ 6,332,400	\$ 6,332,400	0.00%	\$ 14,588,209	43.41%
4/30/10	-	3,524,831	3,524,831	0.00%	14,554,391	24.22%
4/30/09	-	3,434,307	3,434,307	0.00%	14,871,231	23.09%

**CITY OF DANVILLE, ILLINOIS
REQUIRED SUPPLEMENTAL INFORMATION
SCHEDULES OF EMPLOYER CONTRIBUTIONS
Year Ended April 30, 2011**

POLICE PENSION FUND

Year Ended <u>April 30</u>	Annual Required <u>Contribution</u>	Percentage <u>Contributed</u>
2010	\$ 1,584,431	98.30%
2009	1,380,569	99.30%
2008	1,234,927	99.20%
2007	1,218,642	99.40%
2006	1,155,319	97.70%
2005	1,042,703	97.85%
2004	913,414	97.64%
2003	871,073	99.10%
2002	744,069	99.16%
2001	645,740	105.33%
2000	604,559	95.00%
1999	604,098	97.40%
1998	592,668	98.50%

FIREFIGHTERS' PENSION FUND

2010	\$ 2,034,221	98.40%
2009	1,813,903	99.40%
2008	1,676,913	99.30%
2007	1,591,650	99.40%
2006	1,485,086	97.80%
2005	1,375,235	98.02%
2004	1,304,260	97.92%
2003	1,154,732	99.30%
2002	1,047,677	101.28%
2001	923,813	104.74%
2000	771,446	100.70%
1999	770,854	97.40%
1998	755,178	99.03%

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

**CITY OF DANVILLE, ILLINOIS
REQUIRED SUPPLEMENTAL INFORMATION
SCHEDULES OF EMPLOYER CONTRIBUTIONS
Year Ended April 30, 2011**

	<u>Police Pension</u>	<u>Firefighter Pension</u>
Annual pension cost	\$1,584,431	\$2,034,221
Contributions made	\$1,557,743	\$2,001,823
Actuarial valuation date	4/30/10	4/30/10
Actuarial cost method	Entry age	Entry age
Amortization method	Level % of pay, closed	Level % of pay, closed
Remaining amortization period	23 years	23 years
Asset valuation method	Market	Market
Actuarial assumptions:		
Investment rate of return*	7.75%	7.75%
Projected salary increases*	4.50%	4.50%
*Includes inflation at	3.00%	3.00%
Cost of living adjustment	3.00% per year	3.00% per year

CITY OF DANVILLE, ILLINOIS
NOTES TO REQUIRED SUPPLEMENTAL INFORMATION
April 30, 2011

BUDGETS AND BUDGETARY ACCOUNTING

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

1. In April the City Council is presented with a proposed operating budget for the fiscal year commencing May 1. The operating budget includes proposed expenditures and the means of financing them.
2. A public hearing is held the latter part of April to obtain taxpayer comments.
3. Prior to May 1, the budget is legally enacted through passage of an ordinance.
4. Budget amendments which alter total expenditures of any fund must be approved by a 3/5 vote of the City Council.
5. Formal budgetary integration is employed as a management control device during the year for all funds of the City other than State and Federal Grant Special Revenue Funds which employ project oriented budget control procedures.
6. Budgets for the City, except for the Library, are not prepared in accordance with generally accepted accounting principles (GAAP). Revenues are budgeted on the cash basis of accounting and expenditures are budgeted using the cash plus encumbrance basis of accounting. Budgetary comparisons in this report are presented on this non-GAAP basis for the City, except for the Library, which uses the modified accrual basis for its budget.

OTHER SUPPLEMENTAL INFORMATION

**CITY OF DANVILLE, ILLINOIS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
April 30, 2011**

	Illinois Municipal Retirement	Social Security	State Narcotic Forfeiture	Federal Narcotic Forfeiture	Community Development Block Grant	Infrastructure Development	Towne Centre
Cash	\$ 975	\$ 568	\$ 729	\$ 785	\$ -	\$ 14,301	\$ 648
Temporary investments	252,500	143,500	41,500	2,000	-	714,500	8,000
Receivables:							
Taxes, net of allowance for estimated uncollectibles	371,223	402,046	-	-	-	-	-
Other	-	-	-	-	-	67,287	-
Due from other governments	-	-	-	-	220,993	-	-
TOTAL ASSETS	<u>\$ 624,698</u>	<u>\$ 546,114</u>	<u>\$ 42,229</u>	<u>\$ 2,785</u>	<u>\$ 220,993</u>	<u>\$ 796,088</u>	<u>\$ 8,648</u>
 LIABILITIES							
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ 216,728	\$ -	\$ -
Accrued expenses	-	-	-	870	4,253	-	-
Due to other funds	-	-	-	-	14,924	-	-
Deferred revenue	371,223	402,046	-	-	-	-	-
Total liabilities	<u>371,223</u>	<u>402,046</u>	<u>-</u>	<u>870</u>	<u>235,905</u>	<u>-</u>	<u>-</u>
 FUND BALANCE (DEFICIT)	 <u>253,475</u>	 <u>144,068</u>	 <u>42,229</u>	 <u>1,915</u>	 <u>(14,912)</u>	 <u>796,088</u>	 <u>8,648</u>
 TOTAL LIABILITIES AND FUND BALANCE	 <u><u>\$ 624,698</u></u>	 <u><u>\$ 546,114</u></u>	 <u><u>\$ 42,229</u></u>	 <u><u>\$ 2,785</u></u>	 <u><u>\$ 220,993</u></u>	 <u><u>\$ 796,088</u></u>	 <u><u>\$ 8,648</u></u>

**CITY OF DANVILLE, ILLINOIS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
April 30, 2011**

	<u>Storm Water Drainage</u>	<u>Small Business Loan</u>	<u>DATS Program</u>	<u>TIF Midtown</u>	<u>TIF Westgate</u>	<u>TIF Campus</u>	<u>2007 Debt Service</u>
Cash	\$ 719	\$ 4,046	\$ 9,653	\$ 18,721	\$ -	\$ 810	\$ 96,165
Temporary investments	173,500	368,500	-	581,000	196,000	1,500	409,000
Receivables:							
Taxes, net of allowance for estimated uncollectibles	-	-	-	-	-	-	42,109
Other	206	334,493	-	-	-	-	-
Due from other governments	-	-	-	-	-	-	-
TOTAL ASSETS	<u>\$ 174,425</u>	<u>\$ 707,039</u>	<u>\$ 9,653</u>	<u>\$ 599,721</u>	<u>\$ 196,000</u>	<u>\$ 2,310</u>	<u>\$ 547,274</u>
 LIABILITIES							
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Accrued expenses	-	-	2,706	-	-	-	-
Due to other funds	-	-	-	-	51	-	-
Deferred revenue	-	-	-	-	-	-	42,109
Total liabilities	<u>-</u>	<u>-</u>	<u>2,706</u>	<u>-</u>	<u>51</u>	<u>-</u>	<u>42,109</u>
 FUND BALANCE (DEFICIT)	<u>174,425</u>	<u>707,039</u>	<u>6,947</u>	<u>599,721</u>	<u>195,949</u>	<u>2,310</u>	<u>505,165</u>
 TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 174,425</u>	<u>\$ 707,039</u>	<u>\$ 9,653</u>	<u>\$ 599,721</u>	<u>\$ 196,000</u>	<u>\$ 2,310</u>	<u>\$ 547,274</u>

**CITY OF DANVILLE, ILLINOIS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
April 30, 2011**

	<u>2009 Debt Service</u>	<u>Housing Loan</u>	<u>Law Enforcement Grant</u>	<u>Landfill Remediation</u>	<u>Capital Improvements</u>	<u>Land Acquisition</u>
Cash	\$ 45,028	\$ 797	\$ 770	\$ 1,144	\$ 129,958	\$ 702
Temporary investments	56,000	107,000	6,500	908,000	287,000	80,500
Receivables:						
Taxes, net of allowance for estimated uncollectibles	144,017	-	-	-	-	-
Other	-	18,240	-	-	40,970	-
Due from other governments	-	-	-	-	315,745	-
TOTAL ASSETS	<u>\$ 245,045</u>	<u>\$ 126,037</u>	<u>\$ 7,270</u>	<u>\$ 909,144</u>	<u>\$ 773,673</u>	<u>\$ 81,202</u>
 LIABILITIES						
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Accrued expenses	-	-	-	-	-	-
Due to other funds	-	-	-	-	-	-
Deferred revenue	144,017	-	7,270	-	217,250	-
Total liabilities	<u>144,017</u>	<u>-</u>	<u>7,270</u>	<u>-</u>	<u>217,250</u>	<u>-</u>
 FUND BALANCE (DEFICIT)	<u>101,028</u>	<u>126,037</u>	<u>-</u>	<u>909,144</u>	<u>556,423</u>	<u>81,202</u>
 TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 245,045</u>	<u>\$ 126,037</u>	<u>\$ 7,270</u>	<u>\$ 909,144</u>	<u>\$ 773,673</u>	<u>\$ 81,202</u>

**CITY OF DANVILLE, ILLINOIS
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 April 30, 2011**

	Working Cash	Special Sewer Projects	Police ARRA	Firefighter Pension	Police Pension	Total
Cash	\$ 112,739	\$ 625	\$ -	\$ -	\$ -	\$ 439,883
Temporary investments	97,000	162,000	-	-	-	4,595,500
Receivables:						
Taxes, net of allowance for estimated uncollectibles	-	-	-	-	-	959,395
Other	-	-	21,552	-	-	482,748
Due from other governments	-	-	-	-	-	536,738
TOTAL ASSETS	\$ 209,739	\$ 162,625	\$ 21,552	\$ -	\$ -	\$ 7,014,264
 LIABILITIES						
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 216,728
Accrued expenses	-	-	5,104	-	-	12,933
Due to other funds	-	-	-	-	-	14,975
Deferred revenue	-	-	-	-	-	1,183,915
Total liabilities	-	-	5,104	-	-	1,428,551
FUND BALANCE (DEFICIT)	209,739	162,625	16,448	-	-	5,585,713
 TOTAL LIABILITIES AND FUND BALANCE	\$ 209,739	\$ 162,625	\$ 21,552	\$ -	\$ -	\$ 7,014,264

CITY OF DANVILLE, ILLINOIS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
Year Ended April 30, 2011

	<u>Illinois Municipal Retirement</u>	<u>Social Security</u>	<u>State Narcotic Forfeiture</u>	<u>Federal Narcotic Forfeiture</u>	<u>Community Development Block Grant</u>	<u>Infrastructure Development</u>	<u>Towne Centre</u>
REVENUES							
Taxes	\$ 307,075	\$ 386,326	\$ -	\$ -	\$ -	\$ 925,247	\$ -
Intergovernmental	-	-	-	-	909,665	-	-
Charges for services	-	-	-	2,784	-	-	1,000
Miscellaneous	<u>1,042</u>	<u>661</u>	<u>2,948</u>	<u>1</u>	<u>2,500</u>	<u>1,423</u>	<u>42</u>
Total revenues	<u>308,117</u>	<u>386,987</u>	<u>2,948</u>	<u>2,785</u>	<u>912,165</u>	<u>926,670</u>	<u>1,042</u>
EXPENDITURES							
Public safety	-	-	6,488	870	-	-	-
Community development	-	-	-	-	693,699	708,463	-
Capital projects	-	-	-	-	246,886	202,979	-
Debt service:							
Principal	-	-	-	-	-	-	-
Interest	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>-</u>	<u>-</u>	<u>6,488</u>	<u>870</u>	<u>940,585</u>	<u>911,442</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>308,117</u>	<u>386,987</u>	<u>(3,540)</u>	<u>1,915</u>	<u>(28,420)</u>	<u>15,228</u>	<u>1,042</u>
OTHER FINANCING SOURCES (USES)							
Operating transfers in	-	-	-	-	44,880	-	-
Operating transfers out	<u>(366,770)</u>	<u>(395,286)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>(366,770)</u>	<u>(395,286)</u>	<u>-</u>	<u>-</u>	<u>44,880</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures and other financing sources (uses)	(58,653)	(8,299)	(3,540)	1,915	16,460	15,228	1,042
FUND BALANCE (DEFICIT), BEGINNING OF YEAR	<u>312,128</u>	<u>152,367</u>	<u>45,769</u>	<u>-</u>	<u>(31,372)</u>	<u>780,860</u>	<u>7,606</u>
FUND BALANCE (DEFICIT), END OF YEAR	<u>\$ 253,475</u>	<u>\$ 144,068</u>	<u>\$ 42,229</u>	<u>\$ 1,915</u>	<u>\$ (14,912)</u>	<u>\$ 796,088</u>	<u>\$ 8,648</u>

CITY OF DANVILLE, ILLINOIS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
Year Ended April 30, 2011

	<u>Storm Water Drainage</u>	<u>Small Business Loan</u>	<u>DATS Program</u>	<u>TIF Midtown</u>	<u>TIF Westgate</u>	<u>TIF Campus</u>	<u>2007 Debt Service</u>
REVENUES							
Taxes	\$ 28,166	\$ -	\$ -	\$ 359,013	\$ 62,766	\$ 1,020	\$ 88,134
Intergovernmental	-	-	156,544	-	-	-	-
Charges for services	-	-	-	-	-	-	-
Miscellaneous	<u>600</u>	<u>9,205</u>	<u>-</u>	<u>2,648</u>	<u>555</u>	<u>6</u>	<u>1,184</u>
Total revenues	<u>28,766</u>	<u>9,205</u>	<u>156,544</u>	<u>361,661</u>	<u>63,321</u>	<u>1,026</u>	<u>89,318</u>
EXPENDITURES							
Public safety	-	-	-	-	-	-	-
Community development	-	11,162	273,916	160,856	36,866	-	-
Capital projects	-	-	-	-	-	-	-
Debt service:							
Principal	-	-	-	-	-	-	220,000
Interest	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>141,547</u>
Total expenditures	<u>-</u>	<u>11,162</u>	<u>273,916</u>	<u>160,856</u>	<u>36,866</u>	<u>-</u>	<u>361,547</u>
Excess (deficiency) of revenues over expenditures	<u>28,766</u>	<u>(1,957)</u>	<u>(117,372)</u>	<u>200,805</u>	<u>26,455</u>	<u>1,026</u>	<u>(272,229)</u>
OTHER FINANCING SOURCES (USES)							
Operating transfers in	-	-	29,377	-	-	-	267,108
Operating transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>29,377</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>267,108</u>
Excess (deficiency) of revenues over expenditures and other financing sources (uses)	28,766	(1,957)	(87,995)	200,805	26,455	1,026	(5,121)
FUND BALANCE (DEFICIT), BEGINNING OF YEAR	<u>145,659</u>	<u>708,996</u>	<u>94,942</u>	<u>398,916</u>	<u>169,494</u>	<u>1,284</u>	<u>510,286</u>
FUND BALANCE (DEFICIT), END OF YEAR	<u>\$ 174,425</u>	<u>\$ 707,039</u>	<u>\$ 6,947</u>	<u>\$ 599,721</u>	<u>\$ 195,949</u>	<u>\$ 2,310</u>	<u>\$ 505,165</u>

CITY OF DANVILLE, ILLINOIS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCE
 NONMAJOR GOVERNMENTAL FUNDS
 Year Ended April 30, 2011

	<u>2009</u> <u>Debt Service</u>	<u>Housing</u> <u>Loan</u>	<u>Law</u> <u>Enforcement</u> <u>Grant</u>	<u>Landfill</u> <u>Remediation</u>	<u>Capital</u> <u>Improvements</u>	<u>Land</u> <u>Acquisition</u>
REVENUES						
Taxes	\$ 189,621	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	68,681	-	1,916,175	-
Charges for services	-	-	-	-	-	-
Miscellaneous	<u>240</u>	<u>10,389</u>	<u>480</u>	<u>4,017</u>	<u>5,412</u>	<u>202</u>
Total revenues	<u>189,861</u>	<u>10,389</u>	<u>69,161</u>	<u>4,017</u>	<u>1,921,587</u>	<u>202</u>
EXPENDITURES						
Public safety	-	-	31,222	-	-	-
Community development	-	-	-	-	947,292	6,151
Capital projects	-	-	37,939	-	657,171	-
Debt service:						
Principal	-	-	-	-	48,677	-
Interest	<u>192,739</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,515</u>	<u>-</u>
Total expenditures	<u>192,739</u>	<u>-</u>	<u>69,161</u>	<u>-</u>	<u>1,655,655</u>	<u>6,151</u>
Excess (deficiency) of revenues over expenditures	<u>(2,878)</u>	<u>10,389</u>	<u>-</u>	<u>4,017</u>	<u>265,932</u>	<u>(5,949)</u>
OTHER FINANCING SOURCES (USES)						
Operating transfers in	-	-	-	23,175	-	-
Operating transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(200,265)</u>	<u>-</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>23,175</u>	<u>(200,265)</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures and other financing sources (uses)	<u>(2,878)</u>	<u>10,389</u>	<u>-</u>	<u>27,192</u>	<u>65,667</u>	<u>(5,949)</u>
FUND BALANCE (DEFICIT), BEGINNING OF YEAR	<u>103,906</u>	<u>115,648</u>	<u>-</u>	<u>881,952</u>	<u>490,756</u>	<u>87,151</u>
FUND BALANCE (DEFICIT), END OF YEAR	<u>\$ 101,028</u>	<u>\$ 126,037</u>	<u>\$ -</u>	<u>\$ 909,144</u>	<u>\$ 556,423</u>	<u>\$ 81,202</u>

CITY OF DANVILLE, ILLINOIS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
Year Ended April 30, 2011

	<u>Working Cash</u>	<u>Special Sewer Projects</u>	<u>Police ARRA</u>	<u>Firefighter Pension</u>	<u>Police Pension</u>	<u>Total</u>
REVENUES						
Taxes	\$ -	\$ -	\$ -	\$ 2,012,258	\$ 1,565,813	\$ 5,925,439
Intergovernmental	-	-	197,283	-	-	3,248,348
Charges for services	-	-	-	-	-	3,784
Miscellaneous	<u>102</u>	<u>628</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>44,285</u>
Total revenues	<u>102</u>	<u>628</u>	<u>197,283</u>	<u>2,012,258</u>	<u>1,565,813</u>	<u>9,221,856</u>
EXPENDITURES						
Public safety	-	-	-	2,123,705	1,713,283	3,875,568
Community development	-	-	212,161	-	-	3,050,566
Capital projects	-	-	-	-	-	1,144,974
Debt service:						
Principal	-	-	-	-	-	268,677
Interest	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>336,801</u>
Total expenditures	<u>-</u>	<u>-</u>	<u>212,161</u>	<u>2,123,705</u>	<u>1,713,283</u>	<u>8,676,587</u>
Excess (deficiency) of revenues over expenditures	<u>102</u>	<u>628</u>	<u>(14,878)</u>	<u>(111,447)</u>	<u>(147,470)</u>	<u>545,269</u>
OTHER FINANCING SOURCES (USES)						
Operating transfers in	-	-	31,326	111,447	147,470	654,783
Operating transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(962,321)</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>31,326</u>	<u>111,447</u>	<u>147,470</u>	<u>(307,538)</u>
Excess (deficiency) of revenues over expenditures and other financing sources (uses)	102	628	16,448	-	-	237,731
FUND BALANCE (DEFICIT), BEGINNING OF YEAR	<u>209,637</u>	<u>161,997</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,347,982</u>
FUND BALANCE (DEFICIT), END OF YEAR	<u>\$ 209,739</u>	<u>\$ 162,625</u>	<u>\$ 16,448</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,585,713</u>

**CITY OF DANVILLE, ILLINOIS
 COMBINING STATEMENT OF NET ASSETS
 INTERNAL SERVICE FUNDS
 Year Ended April 30, 2011**

	Health Insurance	General Liability Insurance	Total
CURRENT ASSETS			
Cash	\$ 106,296	\$ 665	\$ 106,961
Temporary investments	-	36,500	36,500
Accounts receivable	12,024	-	12,024
TOTAL ASSETS	\$ 118,320	\$ 37,165	\$ 155,485
 LIABILITIES			
Accrued expenses	\$ 50,000	\$ 233,155	\$ 283,155
 NET ASSETS			
Unrestricted net assets	68,320	(195,990)	(127,670)
TOTAL LIABILITIES AND NET ASSETS	\$ 118,320	\$ 37,165	\$ 155,485

CITY OF DANVILLE, ILLINOIS
COMBINING STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET ASSETS (DEFICIT)
INTERNAL SERVICE FUNDS
Year Ended April 30, 2011

	<u>Health Insurance</u>	<u>General Liability Insurance</u>	<u>Total</u>
OPERATING REVENUES			
Charges for services	\$ 3,941,491	\$ 13,996	\$ 3,955,487
OPERATING EXPENSES			
Personnel services	<u>3,635,775</u>	<u>-</u>	<u>3,635,775</u>
Net income (loss) from operating activities	305,716	13,996	319,712
NON-OPERATING REVENUES			
Interest income	58	158	216
OPERATING TRANSFERS			
Operating transfers in	<u>260,000</u>	<u>-</u>	<u>260,000</u>
CHANGE IN NET ASSETS	565,774	14,154	579,928
TOTAL NET ASSETS (DEFICIT), BEGINNING OF YEAR	<u>(497,454)</u>	<u>(210,144)</u>	<u>(707,598)</u>
TOTAL NET ASSETS (DEFICIT), END OF YEAR	<u>\$ 68,320</u>	<u>\$ (195,990)</u>	<u>\$ (127,670)</u>

CITY OF DANVILLE, ILLINOIS
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
Year Ended April 30, 2011

	Health Insurance	General Liability Insurance	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers including cash deposits	\$ 3,938,651	\$ -	\$ 3,938,651
Cash paid to suppliers and for claims	(4,185,775)	-	(4,185,775)
Net cash provided by (used in) operating activities	(247,124)	-	(247,124)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Cash transfers from other funds	260,000	-	260,000
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of investments	-	(36,500)	(36,500)
Interest received	58	158	216
Proceeds from sale of investments	-	36,500	36,500
Net cash provided by investing activities	58	158	216
NET INCREASE IN CASH	12,934	158	13,092
CASH, BEGINNING OF YEAR	93,362	507	93,869
CASH, END OF YEAR	\$ 106,296	\$ 665	\$ 106,961
CASH FLOWS FROM OPERATING ACTIVITIES			
Operating income	\$ 305,716	\$ 13,996	\$ 319,712
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:			
Effects of changes in operating assets and liabilities:			
Receivables	(2,840)	-	(2,840)
Other current liabilities	(550,000)	(13,996)	(563,996)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	\$ (247,124)	\$ -	\$ (247,124)

CITY OF DANVILLE, ILLINOIS
COMBINING STATEMENT OF FIDUCIARY NET ASSETS
AGENCY FUNDS
April 30, 2011

ASSETS

	<u>Dependent Life Insurance</u>	<u>Civic Center</u>	<u>Evidence Holding</u>	<u>Total</u>
Cash	\$ 5,914	\$ 5,510	\$ 987	\$ 12,411
Temporary investments	-	148,500	124,500	273,000
Accounts receivable	<u>-</u>	<u>78,082</u>	<u>-</u>	<u>78,082</u>
TOTAL ASSETS	<u>\$ 5,914</u>	<u>\$ 232,092</u>	<u>\$ 125,487</u>	<u>\$ 363,493</u>

LIABILITIES

Accounts payable	\$ -	\$ 2,975	\$ 105,495	\$ 108,470
Due to others	<u>5,914</u>	<u>229,117</u>	<u>19,992</u>	<u>255,023</u>
TOTAL LIABILITIES	<u>\$ 5,914</u>	<u>\$ 232,092</u>	<u>\$ 125,487</u>	<u>\$ 363,493</u>

CITY OF DANVILLE, ILLINOIS
COMPONENT UNIT - DANVILLE PUBLIC LIBRARY
COMBINING BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS
April 30, 2011

	<u>General</u>	<u>IMRF Fund</u>	<u>FICA Fund</u>	<u>Capital Projects</u>	<u>Total</u>
ASSETS					
Cash	\$ 955,810	\$ 5,736	\$ 5,191	\$ 2,847	\$ 969,584
Temporary investments	318,884	-	-	47,331	366,215
Accounts receivable :					
Taxes	1,303,177	75,295	62,263	7,240	1,447,975
Other	327	-	-	-	327
Prepaid insurance	<u>12,002</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>12,002</u>
TOTAL ASSETS	<u>\$ 2,590,200</u>	<u>\$ 81,031</u>	<u>\$ 67,454</u>	<u>\$ 57,418</u>	<u>\$ 2,796,103</u>
LIABILITIES AND FUND BALANCE					
LIABILITIES					
Accounts payable	\$ 10,445	\$ -	\$ -	\$ -	\$ 10,445
Accrued expenses	56,974	-	-	-	56,974
Deferred compensation liability	316,994	-	-	-	316,994
Deferred revenue	<u>1,324,004</u>	<u>75,295</u>	<u>62,263</u>	<u>7,240</u>	<u>1,468,802</u>
Total liabilities	<u>1,708,417</u>	<u>75,295</u>	<u>62,263</u>	<u>7,240</u>	<u>1,853,215</u>
FUND BALANCE					
Board designated	877,161	-	-	-	877,161
Unreserved	<u>4,622</u>	<u>5,736</u>	<u>5,191</u>	<u>50,178</u>	<u>65,727</u>
Total fund balance	<u>881,783</u>	<u>5,736</u>	<u>5,191</u>	<u>50,178</u>	<u>942,888</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 2,590,200</u>	<u>\$ 81,031</u>	<u>\$ 67,454</u>	<u>\$ 57,418</u>	<u>\$ 2,796,103</u>

CITY OF DANVILLE, ILLINOIS
COMPONENT UNIT - DANVILLE PUBLIC LIBRARY
COMBINING STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCE - ALL FUND TYPES
Year Ended April 30, 2011

	<u>General</u>	<u>IMRF Fund</u>	<u>FICA Fund</u>	<u>Capital Projects</u>	<u>Total</u>
REVENUES					
Taxes	\$ 1,279,972	\$ 74,232	\$ 61,585	\$ 6,875	\$ 1,422,664
Grants	25,963	-	-	-	25,963
Non-resident library fees	4,455	-	-	-	4,455
Donations	410	-	-	-	410
Rent income	5,915	-	-	-	5,915
Fines and forfeits	15,394	-	-	-	15,394
Interest income	7,678	167	138	85	8,068
Miscellaneous	15,438	-	-	14,485	29,923
	<u>1,355,225</u>	<u>74,399</u>	<u>61,723</u>	<u>21,445</u>	<u>1,512,792</u>
EXPENDITURES					
Salaries	792,941	-	-	-	792,941
Employee benefits	111,158	73,218	59,903	-	244,279
Collection development	207,753	-	-	-	207,753
Building and grounds maintenance	29,332	-	-	-	29,332
Equipment maintenance	32,893	-	-	7,995	40,888
Telephone and utilities	65,053	-	-	-	65,053
Insurance	13,938	-	-	-	13,938
Supplies	11,535	-	-	-	11,535
Professional services	8,849	-	-	-	8,849
Advertising	4,744	-	-	-	4,744
Other contractual	15,141	-	-	-	15,141
Capital outlay	-	-	-	16,626	16,626
Miscellaneous	3,639	-	-	-	3,639
	<u>1,296,976</u>	<u>73,218</u>	<u>59,903</u>	<u>24,621</u>	<u>1,454,718</u>
Excess (deficiency) of revenues over expenditures	<u>58,249</u>	<u>1,181</u>	<u>1,820</u>	<u>(3,176)</u>	<u>58,074</u>
OTHER FINANCING SOURCES (USES)					
Operating transfers in	-	-	-	6,088	6,088
Operating transfers out	(6,088)	-	-	-	(6,088)
	<u>(6,088)</u>	<u>-</u>	<u>-</u>	<u>6,088</u>	<u>-</u>
Excess of revenues and other sources over expenditures and other uses	52,161	1,181	1,820	2,912	58,074
FUND BALANCE, BEGINNING OF YEAR	<u>829,622</u>	<u>4,555</u>	<u>3,371</u>	<u>47,266</u>	<u>884,814</u>
FUND BALANCE, END OF YEAR	<u>\$ 881,783</u>	<u>\$ 5,736</u>	<u>\$ 5,191</u>	<u>\$ 50,178</u>	<u>\$ 942,888</u>

**CITY OF DANVILLE, ILLINOIS
 STATEMENT OF RECEIPTS AND DISBURSEMENTS
 BUDGET COMPARED TO ACTUAL
 GRANT # 02-121346
 Year Ended April 30, 2011**

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
RECEIPTS - Grant funds	\$ 600,000	\$ 518,343	\$ (81,657)
DISBURSEMENTS			
Land purchase	50,000	50,000	-
New construction "Bid as a Whole"	<u>550,000</u>	<u>550,000</u>	<u>-</u>
Total disbursements	<u>600,000</u>	<u>600,000</u>	<u>-</u>
EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS	<u>\$ -</u>	<u>\$ (81,657)</u>	<u>\$ (81,657)</u>

Note to Statement of Revenue and Expenditures, Budget Compared to Actual - City of Danville, Illinois complies in all material respects, with the compliance requirements of Section 2.1 of grant agreement #02-121346.

CITY OF DANVILLE, ILLINOIS
STATEMENT OF RECEIPTS AND DISBURSEMENTS
BUDGET COMPARED TO ACTUAL
GRANT # 08-203189
Year Ended April 30, 2011

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
RECEIPTS			
Grant funds	\$ 500,000	\$ 500,000	\$ -
Interest income	<u>-</u>	<u>5,681</u>	<u>5,681</u>
Total receipts	<u>500,000</u>	<u>505,681</u>	<u>5,681</u>
DISBURSEMENTS			
Construction	<u>500,000</u>	<u>201,313</u>	<u>298,687</u>
EXCESS OF RECEIPTS OVER DISBURSEMENTS	<u>\$ -</u>	<u>\$ 304,368</u>	<u>\$ 304,368</u>

Note to Statement of Revenue and Expenditures, Budget Compared to Actual - City of Danville, Illinois complied in all material respects, with the compliance requirements of Section 2.1 of grant agreement #08-203189

CITY OF DANVILLE, ILLINOIS
STATEMENT OF RECEIPTS AND DISBURSEMENTS
BUDGET COMPARED TO ACTUAL
GRANT # 10-203033
Year Ended April 30, 2011

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
RECEIPTS			
Grant funds	\$ 1,175,000	\$ 1,175,000	\$ -
Interest income	<u>-</u>	<u>699</u>	<u>699</u>
Total receipts	<u>1,175,000</u>	<u>1,175,699</u>	<u>699</u>
DISBURSEMENTS			
Design/Engineering	80,000	69,296	10,704
Building/land purchase	56,000	40,815	15,185
Paving/concrete/masonry	500,000	462,048	37,952
Construction management and oversight	70,000	6,122	63,878
Excavation/site prep/demolition	351,500	293,249	58,251
Contingency	<u>117,500</u>	<u>9,555</u>	<u>107,945</u>
Total disbursements	<u>1,175,000</u>	<u>881,085</u>	<u>293,915</u>
EXCESS OF RECEIPTS OVER DISBURSEMENTS	<u>\$ -</u>	<u>\$ 294,614</u>	<u>\$ 294,614</u>

Note to Statement of Revenue and Expenditures, Budget Compared to Actual - City of Danville, Illinois complied in all material respects, with the compliance requirements of Section 3.1 of grant agreement #10-203033

CITY OF DANVILLE, ILLINOIS
STATEMENT OF RECEIPTS AND DISBURSEMENTS
BUDGET COMPARED TO ACTUAL
GRANT # 10-203305
Year Ended April 30, 2011

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
RECEIPTS			
Grant funds	\$ 300,000	\$ 300,000	\$ -
DISBURSEMENTS			
Building/land purchase	<u>300,000</u>	<u>300,000</u>	<u>-</u>
EXCESS OF RECEIPTS OVER DISBURSEMENTS	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Note to Statement of Revenue and Expenditures, Budget Compared to Actual - City of Danville, Illinois complied in all material respects, with the compliance requirements of Section 3.1 of grant agreement #10-203305

STATISTICAL DATA

**CITY OF DANVILLE, ILLINOIS
GENERAL PROPERTY TAX INFORMATION
April 30, 2011**

VALUATION AND TAX RATES

A three-year comparison of assessed valuation and tax rates for 2010, 2009, and 2008 follows:

	<u>2010</u>	<u>2009</u>	<u>2008</u>
ASSESSED VALUATIONS	\$ <u>342,128,757</u>	\$ <u>357,903,707</u>	\$ <u>369,269,481</u>
TAX RATES			
Social Security	0.1187	0.1090	0.1175
Illinois Municipal Retirement Fund	0.1096	0.0866	0.1126
Police Pension	0.4797	0.4420	0.3733
Firemen's Pension	0.6162	0.5680	0.4908
Library	0.4275	0.4022	0.3899
General Obligations Debt	<u>0.2232</u>	<u>0.3778</u>	<u>0.4005</u>
TOTAL	<u><u>1.9749</u></u>	<u><u>1.9856</u></u>	<u><u>1.8846</u></u>

**INDEPENDENT AUDITOR'S REPORTS ON COMPLIANCE
AND INTERNAL CONTROL**

**Independent Auditor's Report on Internal Control
Over Financial Reporting and on Compliance and Other Matters
Based on Audit of Financial Statements
Performed in Accordance with Government Auditing Standards**

The Mayor and City Council
City of Danville, Illinois

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Danville, Illinois as of and for the year ended April 30, 2011, which collectively comprise the City of Danville, Illinois' basic financial statements and have issued our report thereon dated August 25, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider to be a material weakness and another deficiency that we consider to be a significant deficiency.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the City of Danville, Illinois' financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned costs to be a material weakness in internal control over financial reporting [Finding 11-01].

A significant deficiency is a deficiency or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of findings and questioned costs to be a significant deficiency [Finding 11-02].

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Danville, Illinois' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as Finding 11-02.

We noted certain matters that we reported to management of the City of Danville, Illinois in a separate letter dated August 25, 2011.

The City of Danville, Illinois' responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the City of Danville, Illinois' responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the City Council, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Clifton Henderson LLP

Danville, Illinois
August 25, 2011

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

The Mayor and City Council
City of Danville, Illinois

Compliance

We have audited the compliance of the City of Danville, Illinois with the types of compliance requirements described in the OMB *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended April 30, 2011. The City of Danville, Illinois' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the City of Danville, Illinois' management. Our responsibility is to express an opinion on the City of Danville, Illinois' compliance based on our audit.

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

In our opinion, the City of Danville, Illinois complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended April 30, 2011. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as Finding 11-04.

Internal Control Over Compliance

The management of the City of Danville, Illinois is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City of Danville, Illinois' internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Danville, Illinois' internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies as described in the accompanying schedule of findings and questioned costs as Findings 11-03 and 11-04. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

The City of Danville, Illinois' responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the City of Danville, Illinois' responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the City Council, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Clifton Henderson LLP

Danville, Illinois
August 25, 2011

CITY OF DANVILLE, ILLINOIS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended April 30, 2011

<u>FEDERAL GRANTOR / PROGRAM TITLE</u>	<u>CFDA Number</u>	<u>Grantor's Number</u>	<u>Federal Expenditures</u>	<u>Passed Through to Subrecipients</u>
Department of Justice				
Edward Byrne Memorial Grant	16.738	2007 DJBX-0261	\$ 9,056	\$ -
Edward Byrne Memorial Grant	16.738	2010 DJBX-1413	<u>21,686</u>	<u>21,686</u>
Subtotal			<u>30,742</u>	<u>21,686</u>
ARRA - COPS Hire Grant	16.710	2009 RKWX-0335	<u>197,283</u>	<u>-</u>
Passed through Illinois Department of Justice				
ARRA - Illinois Criminal Justice Grant	16.803	809820	<u>37,939</u>	<u>-</u>
Total Department of Justice			<u>265,964</u>	<u>21,686</u>
Department of Housing and Urban Development				
Community Development Block Grants-Entitlement	14.218	B-08-MC-17-0038	128,381	-
Community Development Block Grants-Entitlement	14.218	B-09-MC-17-0038	33,222	-
Community Development Block Grants-Entitlement	14.218	B-10-MC-17-0038	<u>748,019</u>	<u>-</u>
Total Department of Housing and Urban Development			<u>909,622</u>	<u>-</u>
Department of Transportation				
ARRA - Federal Transit Capital Investment Grant	20.500	IL-04-0049-00	<u>340,786</u>	<u>-</u>
ARRA - Federal Transit Formula Grant	20.507	IL-96-X010-00	866,033	-
Federal Transit Formula Grant	20.507	IL-90-X618-00	18,160	-
Federal Transit Formula Grant	20.507	IL-90-X625-00	58,609	-
Federal Transit Formula Grant	20.507	IL-90-X635-00	20,563	-
Federal Transit Formula Grant	20.507	IL-90-X652-00	15,712	-
Federal Transit Formula Grant	20.507	IL-90-X612-00	91,582	-
Federal Transit Formula Grant	20.507	IL-90-X670-00	170,000	-
Federal Transit Formula Grant	20.507	IL-90-X629-00	<u>352,879</u>	<u>-</u>
Subtotal			<u>1,593,538</u>	<u>-</u>
Subtotal of Federal Transit Cluster			<u>1,934,324</u>	<u>-</u>
Passed through Illinois Department of Transportation (IDOT)				
Highway Planning and Construction	20.205	None	<u>156,544</u>	<u>-</u>
IMaGE	20.600	OP0-1395-173	20,315	-
SPEED	20.600	OP1-1395-114	<u>9,277</u>	<u>-</u>
Subtotal			<u>29,592</u>	<u>-</u>
Total passed through IDOT			<u>186,136</u>	<u>-</u>
Total Department of Transportation			<u>2,120,460</u>	<u>-</u>
Department of Homeland Security				
Firefighter Radio Grant	97.044	None	<u>413,798</u>	<u>-</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 3,709,844</u>	<u>\$ 21,686</u>

This schedule should be read only in connection with the accompanying notes to the schedule.

CITY OF DANVILLE, ILLINOIS
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
April 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting

The accompanying schedule of expenditures of federal awards is prepared on the accrual basis of accounting.

NOTE 2 – FEDERAL NON-CASH ASSISTANCE

The City of Danville, Illinois did not receive any federally provided insurance or federal loan or loan guarantees.

This information is an integral part of the accompanying schedule.

**CITY OF DANVILLE, ILLINOIS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended April 30, 2011**

Section I – Summary of Auditor’s Results

Financial Statements

Type of auditor’s report issued: unqualified opinion

Internal control over financial reporting:

- Material weakness identified? Yes No
- Significant deficiency identified that is not considered to be a material weakness? Yes None reported

Noncompliance material to financial statements noted? Yes No

Federal Awards

Internal control over major programs:

- Material weakness identified? Yes No
- Significant deficiencies identified that are not considered to be material weakness? Yes None reported

Type of auditor’s report issued on compliance for major programs: unqualified opinion

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

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
14.218	Community Development Block Grants- Entitlement Grants
16.710	COPS Hire Grant
20.500/20.507	Federal Transit Cluster

Dollar threshold used to distinguish between type A and type B programs: \$ 300,000
Auditee qualified as low-risk auditee? Yes No

**CITY OF DANVILLE, ILLINOIS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended April 30, 2011**

Section II – Financial Statement Findings

FINDING NO. 11-01 – FINANCIAL STATEMENT PREPARATION AND ADJUSTMENTS

Criteria or Specific Requirement: Financial statement preparation and adjustments to accrual basis are the responsibility of the City's Management.

Condition: The City engages Clifton Gunderson to assist in preparing its financial statements and accompanying disclosures, including any necessary adjustments to accrual basis. However, as independent auditors, Clifton Gunderson cannot be considered part of the City's internal control system.

Context: The City Council and management share the ultimate responsibility for the City's internal control system.

Effect: While it is acceptable to outsource various accounting functions, the responsibility for internal control cannot be outsourced.

Cause: Currently the City's personnel do not have sufficient financial statement reporting and accounting knowledge to perform a review of the City's financial statements and related disclosures including the necessary adjustments to accrual basis, to provide a high level of assurance that any potential material omissions or other errors would be identified and corrected.

Recommendation: The City should consider obtaining additional training to be able to assist in determining the cash to accrual adjustments and development of the necessary financial reporting package.

Views of Responsible Officials and Planned Corrective Action: The City's management is aware of the need for proper resources to complete the financial statements and related disclosures in accordance with generally accepted accounting principles and will continue to monitor the cost benefit in regards to it being completed in-house.

**CITY OF DANVILLE, ILLINOIS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended April 30, 2011**

Section II – Financial Statement Findings (Continued)

FINDING NO. 11-02 – BANK COLLATERAL COVERAGE

Criteria: The City is required by state statutes to have full collateral coverage over their bank accounts.

Condition: During our testing of cash, we noted one instance where the bank deposits were not fully insured or collateralized.

Context: As of April 30, 2011, \$3,012,237 of the City's bank deposits were not insured or collateralized.

Effect: Uncollateralized amounts create a risk to the City as they are subject to loss in the event of bank failure.

Cause: The City maintains a collateral agreement with the bank and receives regular month-end reports from the bank. However, the amount of pledged collateral as of April 30, 2011 was not sufficient to cover the total bank account balance. Due to the timing of when the month-end report was received, the City was not aware of the under collateralized balance until after year-end.

Recommendation: We recommend the City review its collateral agreement with the bank and put into place procedures to ensure fulfillment of the agreement. While the City receives collateral reports from the bank at the end of each month, they may consider obtaining these reports more frequently throughout each month.

Views of Responsible Officials and Planned Corrective Action: The City has been in contact with the bank at various times throughout the year regarding this issue. They have reviewed the collateral agreement in place between the City and the bank and will continue to work with the bank to get this issue corrected.

**CITY OF DANVILLE, ILLINOIS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended April 30, 2011**

Section III – Federal Award Findings and Questioned Costs

FINDING NO. 11-03 – CONTROL OVER SUSPENSION AND DEBARMENT WAS NOT PROPERLY MAINTAINED

**U.S DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT,
COMMUNITY DEVELOPMENT BLOCK GRANTS - ENTITLEMENT
GRANTS, CFDA #14.218 - 2008**

**U.S. DEPARTMENT OF TRANSPORTATION, FEDERAL TRANSIT
CLUSTER, CFDA #20.500/20.507 - 2009**

QUESTIONED COSTS: NONE

Criteria: Federal guidelines require controls be in place to ensure compliance with procurement, suspension, and debarment requirements.

Condition: During the course of the audit, it was noted that the City does not have proper internal controls over the compliance requirement of procurement, suspension, and debarment, as there was not always evidence that the contractor used was not suspended or debarred.

Context: During testing of the Community Development Block Grants – Entitlement Grants, a sample of nine files were selected for testing. Of those selected, two files did not have the Excluded Parties List System (EPLS) sheet included in the file or any evidence of the EPLS having been checked. During testing of the Federal Transit Cluster, a sample of two projects were selected for testing. Of those selected, one project did not have the Excluded Parties List System (EPLS) sheet included in the file or any evidence of the EPLS having been checked.

Effect: Inclusion of the EPLS sheet in the file verifies the contractor selected for the project has not been suspended or debarred from the federal government. When suspension or debarment of contractors is not checked prior to commitments with vendors, the City is at risk of working with a problematic vendor which could result in noncompliance with grant requirements.

Cause: It is not uncommon for the Urban and Economic Development Department to work with other departments within the City of Danville on various projects. However, during these joint projects, it became unclear who was responsible for researching the contractors on the EPLS website and there were not appropriate controls to ensure the documentation was being obtained. The Danville Mass Transit Department's personnel were unaware of who was responsible for researching the contractors on the EPLS website and there were not appropriate controls to ensure the documentation was being obtained.

**CITY OF DANVILLE, ILLINOIS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended April 30, 2011**

Section III – Federal Award Findings and Questioned Costs (Continued)

FINDING NO. 11-03 – CONTROL OVER SUSPENSION AND DEBARMENT WAS NOT PROPERLY MAINTAINED

**U.S DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT,
COMMUNITY DEVELOPMENT BLOCK GRANTS - ENTITLEMENT
GRANTS, CFDA #14.218 - 2008**

**U.S. DEPARTMENT OF TRANSPORTATION, FEDERAL TRANSIT
CLUSTER, CFDA #20.500/20.507 - 2009**

QUESTIONED COSTS: NONE

Recommendation: Ultimately, responsibility for compliance with all federal guidelines rests with the Urban and Economic Development Department and the Danville Mass Transit Department. We recommend that the departments implement a process to ensure all projects, including joint projects with other departments, are in compliance with the procurement, suspension and debarment compliance requirements. The departments' personnel should generate an EPLS confirmation on contractors before any bid commitments are finalized. This confirmation should be printed and placed in the project file along with all other required documentation.

Views of Responsible Officials and Planned Corrective Action: The City of Danville's Urban and Economic Development Department has begun adding EPLS sheets to all project files before the start of the project. This sheet will provide appropriate documentation that a control over the compliance requirement was implemented, and compliance was satisfied. The City's Mass Transit Department is aware of the issue and is working to implement the appropriate controls to mitigate the risk of noncompliance going forward.

**CITY OF DANVILLE, ILLINOIS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended April 30, 2011**

Section III – Federal Award Findings and Questioned Costs (Continued)

FINDING NO. 11-04 – FORMAL REVIEW OF REIMBURSEMENT REQUESTS

**U.S. DEPARTMENT OF JUSTICE, COPS HIRE GRANT, CFDA
#16.710 - 2009**

QUESTIONED COSTS: \$10.50

Criteria: Under the COPS Hire grant agreement, it is required that the City of Danville comply with all compliance requirements applicable to the federal grant. One such requirement is that all reimbursement requests be for expenses which are allowable under the grant agreement.

Condition: Upon review of the City of Danville's reimbursement requests with the Department of Justice, it was noted that a reimbursement was requested for an unallowable expense.

Context: One of two reimbursement request filings tested included an unallowable expense in the amount of \$10.50.

Effect: Proper review process of the reimbursement request filings prior to submission would assist to verify all expenses included in the request are allowable under the terms of the grant.

Cause: It was an oversight on behalf of the City of Danville's Finance personnel which resulted in inclusion of an unallowable expense in the reimbursement request filing.

Recommendation: We recommend that the City of Danville improve upon the review process of the reimbursement request filings, prior to submission, to verify grant reimbursement request filings are in compliance with federal guidelines.

Views of Responsible Officials and Planned Corrective Action: The City of Danville is aware of the finding and is working to implement the appropriate control to mitigate the risk of this issue going forward. The questioned cost is in the process of being corrected.

CITY OF DANVILLE, ILLINOIS
SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
Year Ended April 30, 2010

**FINDING NO. 10-01 – FINANCIAL STATEMENT PREPARATION, INCLUDING CASH TO
ACCRUAL BASIS ADJUSTMENTS**

Condition: The City engages Clifton Gunderson to assist in preparing the necessary cash to accrual basis adjustments and its financial statements and accompanying disclosures. However, as independent auditors, Clifton Gunderson cannot be considered part of the City's internal control system.

Condition has not been corrected.