

CITY OF DANVILLE
Danville, Illinois

**FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION**
April 30, 2012



CliftonLarsonAllen

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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, 2012, 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.

As described in Note 1 to the financial statements, during the year ended April 30, 2012, the City adopted the provision of Governmental Accounting Standards Board No. 54, *Fund Balance Reporting and Governmental Fund Type Definition*.

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, 2012 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 October 5, 2012 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.

Accounting principles generally accepted in the United States of America require that management's discussion and analysis, the budgetary comparison information and the schedules of funding progress and schedules of employer contributions, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions 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. The combining financial statements, the grant statements of receipts and disbursements, and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The statistical data 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.

CliftonLarsonAllen LLP

Danville, Illinois
October 5, 2012

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, 2012. 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 auditors have compiled all 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 condition of the City's infrastructure, to most accurately assess the overall health of the City.

FINANCIAL HIGHLIGHTS

Government –Wide:

- As of April 30, 2012, the City's total liabilities and net assets increased by \$934,012 or 1.4244% during the year. The government total liabilities and net assets showed an increase of \$1,514,751 or 2.7576% while the business-type total liabilities and net assets decreased by \$580,739 or 5.4571%.
- The governmental activities total net assets showed an increase of \$2,890,953 or 7.8458%. 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 \$39,737,864.
- The business-type activities total net assets showed a slight decrease from a year ago of \$304,123 or 3.1628%, with a reported total net assets at year-end of \$9,311,545.
- The City has \$17,457,090 in liabilities which includes accumulated vacation and sick days, post-employment benefits and current pension obligation, and long-term debt, including all general obligation bonds and notes payable.
- Last year the General Fund (the primary operating fund) revenues before other financing sources (uses) exceeded expenditures by \$1,693,070 or 7.72%, while this year, with the foresight of the City Council and Mayor, revenues before other financing sources (uses) exceeded expenditures by \$2,305,591 or 10.11%. The 2011 Fund balance, as restated, for the General fund was \$ 4,483,499, compared to this year's total of \$5,781,671, representing an increase of \$1,298,172 or 28.95% (actual data found on page 4 and 7 of the financials).
- Once again, none of the Property Taxes collected finance General Fund services. The funds collected through property taxes fund the pensions, bonds and Danville Public Library.

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 Proprietary Funds.
- **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 general and 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
	2012	2011	2012	2011	2012	2011	
Current and other assets	\$17.9	\$20.1	\$3.2	\$4.3	\$21.1	\$24.4	-\$3.3
Capital assets	38.5	34.8	6.9	6.3	45.4	41.1	4.3
Total assets	\$56.4	\$54.9	\$10.1	\$10.6	\$66.5	\$65.5	\$1.0
Current liabilities	4.2	5.1	0.6	0.5	4.8	5.6	-0.8
Noncurrent liabilities	12.5	13.0	0.2	0.5	12.7	13.5	-0.8
Total liabilities	\$16.7	\$18.1	\$0.8	\$1.0	\$17.5	\$19.1	-\$1.6
Net assets:							
Invested in capital assets, net of related debt	26.7	22.9	6.9	6.3	33.6	29.2	4.4
Restricted	8.0	5.4	0.0	0.0	8.0	5.4	2.6
Unrestricted	5.0	8.5	2.4	3.3	7.4	11.8	-4.4
Total net assets	\$39.7	\$36.8	\$9.3	\$9.6	\$49.0	\$46.4	\$2.6

Total net assets of the City increased from \$46.4 million as of April 30, 2011 to \$49.0 million as of April 30, 2012. This represents a 5.603% increase over last year. Once again, 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, 2012, are down \$1.7 million from last year's \$19.1 million. Of this amount, approximately \$12.6 million represents debt from bond issuances that will be paid over the next 20 years. The City's net assets totaled \$49.0 million, of which \$33.6 million represent the amount that is invested in capital assets, net of related debt.

The largest portion of the City's net assets, \$33.6 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 decreased from \$11.8 million to \$7.4 million, with the decrease due to a change in net asset classification in connection with implementing GASB 54. 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):

Revenues:							
Program Revenues							
Charges for services	\$ 1.9	\$ 1.8	\$ 5.8	\$ 5.8	\$ 7.7	\$ 7.6	\$ 0.1
Operating grants and contributions	3.1	3.4			3.1	3.4	(0.3)
Capital grants and contributions	4.5	2.5			4.5	2.5	2.0
General revenues:							
Property Taxes	5.9	7.2			5.9	7.2	(1.3)
Other Taxes	20.9	19.9			20.9	19.9	1.0
Grants and contributions not restricted to specific programs							
Other	3.6	5.4	(0.1)		3.5	5.4	(1.9)
Total revenues	\$39.9	\$40.2	\$5.7	\$5.8	\$45.6	\$46.0	(\$0.4)
Expenses:							
General Government	\$4.6	\$5.1			\$4.6	\$5.1	-\$0.5
Public Safety	15.9	15.7			15.9	15.7	0.2
Community Development	7.8	3.8			7.8	3.8	4.0
Transportation	2.1	2.5			2.1	2.5	-0.4
Streets	4.1	4.1			4.1	4.1	0.0
Culture and recreation	1.9	2.1			1.9	2.1	-0.2
Interest on long-term debt	0.6	0.6			0.6	0.6	0.0
Sanitary Sewer Department			3.0	2.3	3.0	2.3	0.7
Harrison Park			0.5	0.5	0.5	0.5	0.0
Solid Waste Management			2.5	2.4	2.5	2.4	0.1
Total expenses	\$37.0	\$33.9	\$6.0	\$5.2	\$43.0	\$39.1	\$3.9
Change in net assets	\$2.9	\$6.3	-\$0.3	\$0.6	\$2.6	\$6.9	-\$4.3

This year there was no significant increase in Revenue. Other Taxes is up \$1,000,000 or 5.03%, over last year, due primarily to full year of collection of the increase in the Home Rule Sales tax that took effect July, 2011. Total Revenue for Governmental Activities for 2012 is \$39.9 million down \$300,000 or 1.0% over last year's total of \$40.2 million.

Total Business-type program revenues for 2012 are \$5.7 million, showing a minimal change from last year's total of \$5.8 million.

As the City of Danville entered this fiscal year, significant fiscal and resource priority was placed on the development of retail throughout the community. Because of this effort, Community Development shows an increase of \$4 million, from 2011 expenditures of \$3.8 million to 2012 numbers totaling \$7.8 million. With this increase in Community Development, the total Governmental Activities Program expenses show an increase from \$33.9 million last year to \$37.0 million this year. With so many unknowns in the economy, the City Council and the Administration required once again that expenditures be held to a minimum. Besides the Community Development increase, there was little or no change in the other Funds. Three of the programs showed a slight decrease in expenses over last year. Even with the large increase in Community Development, due to the diligence of the Mayor, City Council and the Administration in management under significant funding pressure, including increasing personnel costs, rising cost of materials and commodities, and escalating utility costs, the Governmental Activities Program expenses show an increase of \$3.1 million or 9.1%.

Governmental program expenses consist of \$ 15.9 million for Public Safety, \$4.6 million for General Government Activities, \$4.1 million for Streets, \$ 1.9 million for Culture and Recreation, \$2.1 million for Transportation, \$7.8 million for Community Development, and \$ 0.6 million for Interest on long-term debt. Business-type programs expenses consist of \$3.0 million for Sanitary Sewer, \$ 0.5 million for Harrison Park and \$2.5 million for Solid Waste funds in the chart above.

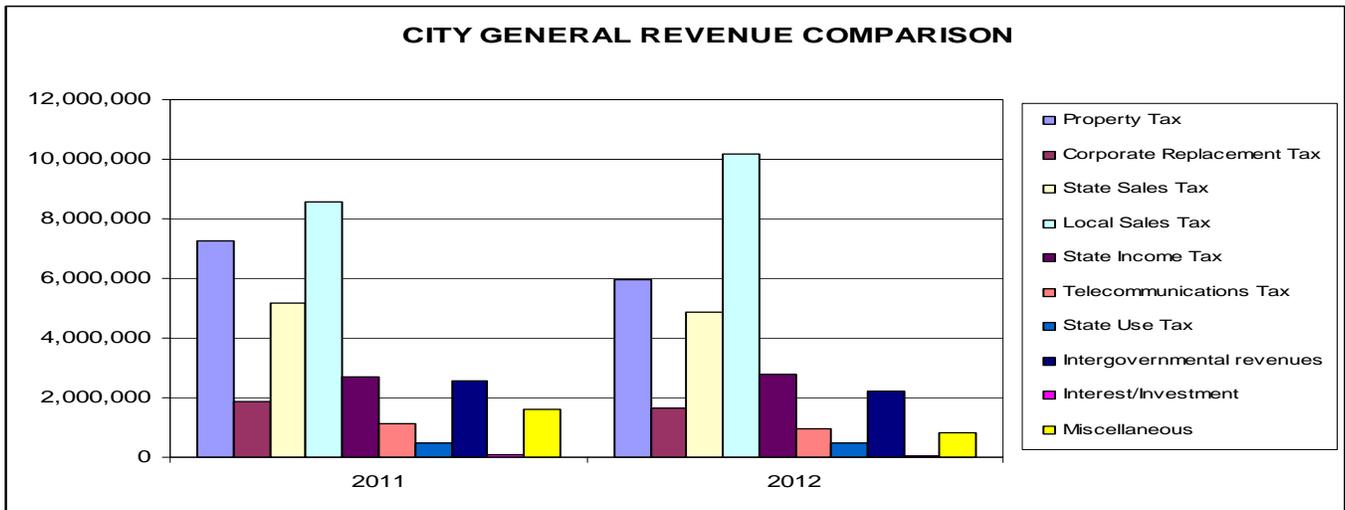
The Sanitary Sewer fund had operating expenditures in excess of operating revenues totaling \$108,432 for the year. Total Sanitary Sewer operating revenues were \$2,890,865 million compared to operating expenditures at \$2,999,297. Total operating revenues for the Sanitary Sewer fund for 2011 was \$2,872,794 compared to 2012's total of \$2,890,865. Total Net Assets for Sanitary Sewer for 2012 is \$7.6 million, down \$0.3 million over the 2011 total of \$7.9 million or 3.79%, (actual amounts for 2012 are on page 10).

In 2012, the Solid Waste fund had operating revenues in excess of operating expenditures totaling \$57,239 with total Solid Waste operating revenues at \$2.6 and operating expenditures equaled \$2.5. There was little change in the total operating revenues for the Solid Waste fund from 2011 compared to 2012. Total Net Assets for the Solid Waste fund for 2012 is \$1.5 million, down slightly over the 2011 in the amount of \$8,458, (actual amounts for 2012 are on page 10).

In 2012, Harrison Park fund had operating expenditures in excess of operating revenue of \$3,738. In 2011, operating expenditures were in excess of operating revenue by \$40,110. Total operating revenue for Harrison Park was \$467,005 while operating expenditures were \$470,743. Revenues in 2012 show a slight increase of \$8,026 and expenditures show a decrease of \$28,346. Total Net Assets for Harrison Park fund for 2012 is \$178,161 down compared to 2011 totals of \$195,684 or 9.8%, (actual amounts for 2012 are on page 10).

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, 2011 and April 30, 2012, (actual amounts for 2012 are on page 3).

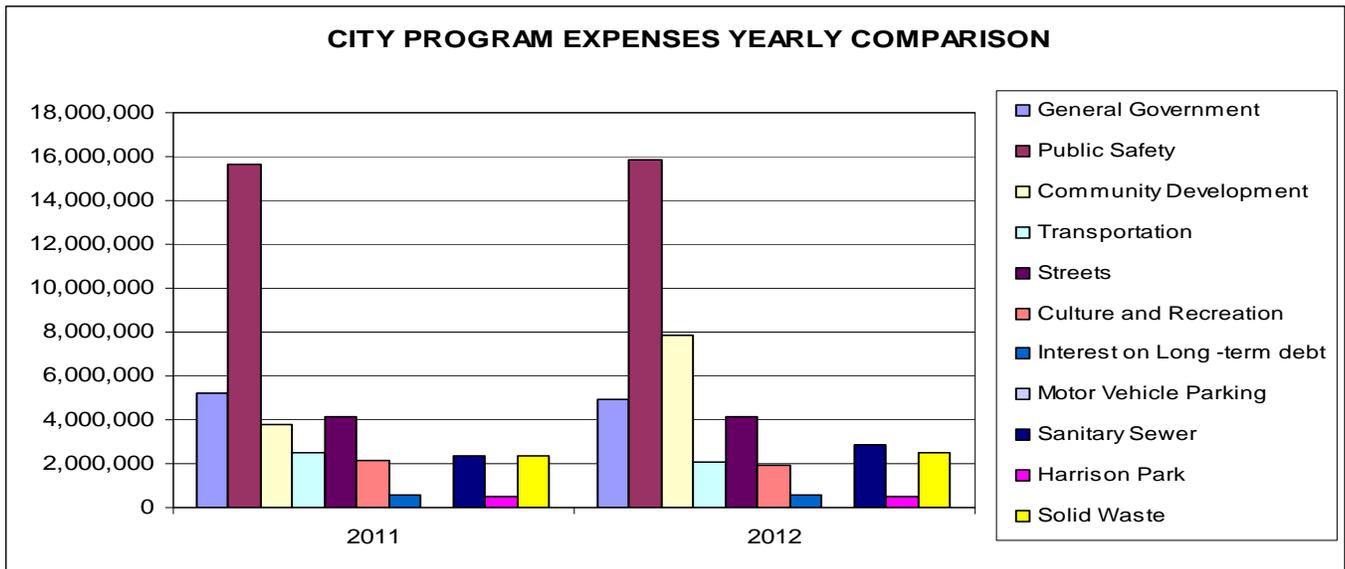


<u>City Revenues</u>	<u>2011</u>	<u>2012</u>	<u>Increase (Decrease)</u>	<u>Percent Change</u>
Property Tax	7,251,845.00	5,948,305.00	(1,303,540.00)	-17.98%
Corporate Replacement Tax	1,848,146.00	1,633,568.00	(214,578.00)	-11.61%
State Sales Tax	5,187,571.00	4,855,098.00	(332,473.00)	-6.41%
Local Sales Tax	8,546,794.00	10,188,330.00	1,641,536.00	19.21%
State Income Tax	2,681,386.00	2,781,746.00	100,360.00	3.74%
Telecommunications Tax	1,130,716.00	957,593.00	(173,123.00)	-15.31%
State Use Tax	490,236.00	479,667.00	(10,569.00)	-2.16%
Intergovernmental revenues	2,561,619.00	2,618,621.00	57,002.00	2.23%
Interest/Investment	69,830.00	35,909.00	(33,921.00)	-48.58%
Miscellaneous	1,604,303.00	808,770.00	(795,533.00)	-49.59%
Total General Revenue	31,372,446.00	30,307,607.00	-1,064,839.00	-3.39%

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 \$ 30,307,607 for the year ending April 30, 2012 without the transfer total. This total represents a 3.79% decrease in General revenue over last year, with the largest decrease falling under Property Tax. Local Sales Tax shows an increase of \$1.6 million over last year representing a 19.21% increase. State Sales Tax shows a 6% decrease from last year, while Corporation Replacement Tax, Telecommunication Tax, and State Use tax all show a decrease 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, with 2011 State and Local Sales Tax totaling \$13,734,365, compared to this year's total of \$15,043,428. This represents a 9.5% increase due to a full year of collecting the increase in the local home rule sales tax rate which took effect July 1, 2011.

In reviewing expenditures for 2012 from 2011, you will notice that the expenditures have increased by \$3.9 million (or 9.88%) from last year. As stated earlier, that increase is due to the emphasis on new retail development, and the additional expenditures in Community Development to fund this priority. This year also represents a full year of the City's insurance plan being fully-funded rather than self-funded.

The following graph is a comparison of Program Expenses from fiscal year 2011 to fiscal year 2012 (actual dollar amounts found on page 2:



CITY PROGRAM EXPENSE YEARLY COMPARISON DATA

	<u>2011</u>	<u>2012</u>	<u>Increase (Decrease)</u>	<u>Percent Change</u>
General Government	5,186,360.00	4,632,114.00	(554,246.00)	-10.67%
Public Safety	15,675,742.00	15,886,688.00	210,946.00	1.35%
Community Development	3,804,380.00	7,836,954.00	4,032,574.00	106.00%
Transportation	2,479,767.00	2,087,777.00	(391,990.00)	-15.81%
Streets	4,142,279.00	4,146,060.00	3,781.00	0.09%
Culture and Recreation	2,113,560.00	1,912,538.00	(201,022.00)	-9.51%
Interest on Long -term debt	562,899.00	552,802.00	(10,097.00)	-1.79%
Motor Vehicle Parking	0.00	0.00	0.00	0%
Sanitary Sewer	2,331,185.00	2,999,297.00	668,112.00	28.66%
Harrison Park	513,754.00	484,614.00	(29,140.00)	-5.67%
Solid Waste	2,386,159.00	2,531,262.00	145,103.00	6.08%
Total City Program Expenses	39,196,085.00	43,070,106.00	3,874,021.00	9.88%

On a modified accrual basis, this year revenue exceeded expenditures in the General fund by \$2.3 million compared to last year when expenditures exceeded revenues by \$1.7 million. While the Mayor, City Council and Administration worked together to keep the expenditures down as much as the economy will allow, the increase in expenditures over revenues was based solely on the additional dollars earmarked for new retail development growth. On a modified accrual basis, the General fund balance at the end of the fiscal year 2012 was \$5.8, up \$1.5 million from last year's Fund Balance. This 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 most expenditures under General Government in the above chart.

This year in the Motor Fuel Tax fund (MFT), revenue exceeded expenditures by \$1.3 million. Total MFT operating revenues for 2012 were \$1.9 while expenditures in MFT were \$0.6. In 2011, operating revenues decreased from \$2.2 to \$1.9 and expenditures decreased from \$1.9 million to \$0.6 million (pages 6 and 7). This large decrease in expenditures was due to a decrease in Capital Outlay. The MFT fund balance at year ending 2012 increased \$1.3 million to \$2.5 million (97.0%)

General Fund Budgetary Highlights

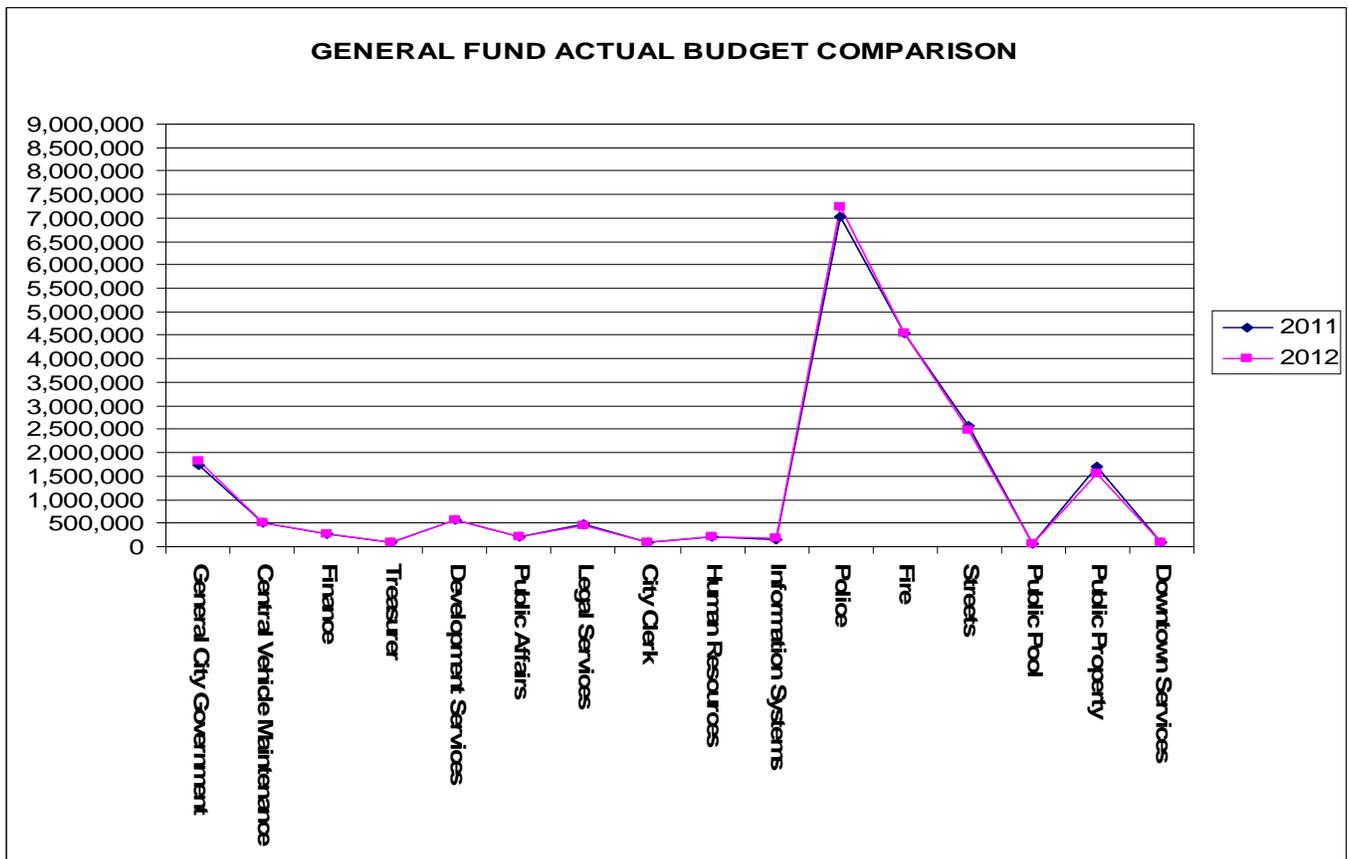
Over the course of the year, the City Council revised the City Budget several times. These budget amendments fall into three categories:

The first category includes amendments and supplemental appropriations that were approved as projects, and contracts that were competitively bid and were awarded higher than originally budgeted.

The second included Council approved increases in appropriations when the FY 2011-2012 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 adequately account for the revenues and expenditures.

The following graph and table shows the General Fund actual budgets for the year ended April 30, 2011 and April 30, 2012, for each division (actual dollar amounts for 2012 are located on page 50):



General Fund Actual Budget Comparison

	<u>2011</u>	<u>2012</u>	<u>Increase</u> <u>(Decrease)</u>	<u>Percent</u> <u>Change</u>
General City Government	1,733,355.00	1,815,068.00	81,713.00	4.714%
Central Vehicle Maintenance	499,340.00	518,790.00	19,450.00	3.895%
Finance	278,454.00	281,003.00	2,549.00	0.915%
Treasurer	85,369.00	90,252.00	4,883.00	5.720%
Development Services	564,318.00	564,222.00	(96.00)	-0.017%
Public Affairs	207,088.00	207,572.00	484.00	0.234%
Legal Services	473,657.00	443,676.00	(29,981.00)	-6.330%
City Clerk	91,708.00	90,164.00	(1,544.00)	-1.684%
Human Resources	213,572.00	222,222.00	8,650.00	4.050%
Information Systems	155,333.00	175,636.00	20,303.00	13.071%
Police	7,014,952.00	7,226,932.00	211,980.00	3.022%
Fire	4,533,734.00	4,553,595.00	19,861.00	0.438%
Streets	2,583,422.00	2,490,745.00	(92,677.00)	-3.587%
Public Pool	55,792.00	47,175.00	(8,617.00)	-15.445%
Public Property	1,709,796.00	1,554,564.00	(155,232.00)	-9.079%
Downtown Services	78,787.00	87,393.00	8,606.00	10.923%
Total Actual General Fund Budget	20,278,677.00	20,369,009.00	90,332.00	0.445%

The above charts and data show the difference in the actual budget for General Fund from the 2010-11 Fiscal Year and the 2011-12 Fiscal Year. Although the Mayor, members of the City Council, and Department Heads worked diligently to meet the FY 2011-2012 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 slight increase in the General Fund Actual budget for 2012 compared to 2011. In comparing the Police and Fire from 2011 to 2012, 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. The State's financial condition continues to way heavy on our ability to receive Income Tax Revenue in a timely basis. At the end of the fiscal year the State of Illinois was behind three months of Income Tax payments.

Over the last several years' the Mayor, City Council and Administration worked on a plan to bring the General Fund Cash reserve to an adequate level by fiscal year 2012, a goal which was met this year.

Capital Assets

At the end of April 30, 2012, the City had \$ 100.5 million invested in a broad range of Capital Assets (\$93.0 million-April 30, 2011), including police and fire equipment, buildings, park facilities, roads, bridges, public works equipment and sewer lines. After accumulated depreciation the total is \$45.3 million (\$41 million –April 30, 2011). These figures are derived from the Statement of Net Assets on page 1 under Non-current Assets.

Projects funded by the 2009 Bond Issue included engineering and design of Fairchild Street and a portion of Bowman Avenue, Jackson Street and Land Acquisition. 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 - \$2,043,956.00
- Equipment - \$190,172.00
- Infrastructure - \$5,417,117.00

Plans are in place to begin work on the Fairchild Street Reconstruction Project in the next couple of months. Work continues on Bowman Avenue and the State of Illinois continues to work on the East Main Street Expansion Project. The Infrastructure Improvement Funds were used this year to help facilitate economic development along North Vermilion Street.

Debt

At year's end of April 30, 2012, the City had \$14.9 million in capital leases, bonds, and notes payable including interest, while at the end of April 30, 2011, the City had \$16.4 million in capital leases, bonds, and notes payable interest included. The Solid Waste Fund paid off all debt this fiscal year. During the April 30, 2012 fiscal year the 2009 Bond Issue Funds were all expended and no new bonds were issued. The 2001 Bonds were refinanced in December of this fiscal year. With a population of 33,027 (2010 Census), total debt per capita is \$ 453.43. With grants obtained by the City to fund the Fairchild Street Reconstruction Project, no bonds are anticipated next year for any projects.

The Long-Term Debt service extends out to the year 2028 as listed in Note 5 on page 30 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.

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 \$55,000 to the Fire Pension Fund and \$44,000 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. The City has 187 centered line miles of roadway and is 17.5 square miles geographically.

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 administration looked at the number of personnel, health insurance cost, fuel cost, savings in utilities and suggestions from Alderman and the citizens. 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 third year of a four year financial plan, focusing efforts on sustaining the General Fund cash reserve, paying down the police and fire pension funds and improving the community's infrastructure. Last year the Mayor and City Council passed an Ordinance allotting 4% of the City Sales Tax revenue to be transferred for economic development from the General Fund to the Infrastructure Development and Improvement Funds. The 4% transfer is represented in the Fiscal Year 2012-2013 budget. Several years ago a budget plan for multiple years was implemented, allowing 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 2012-2013 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 and increasing expenditures. 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 the negotiation of multiple union contracts, salaries, and benefits, 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. There are no plans for any General Fund revenue increases and any new Bond Issues. On a positive cash flow note, we are excited about the retail development construction in progress along the North Vermilion Street corridor, as well as the increasing number of retailers locating within our Village Mall Shopping Center. To date, at least four new retail stores plan grand openings in this fiscal year.

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, 2012

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Danville Public Library
CURRENT ASSETS				
Cash	\$ 1,833,682	\$ 24,803	\$ 1,858,485	\$ 912,377
Temporary investments	7,409,000	2,316,500	9,725,500	386,628
Receivables	542,247	787,703	1,329,950	327
Taxes receivable	1,767,240	-	1,767,240	1,472,859
Inventory	-	26,920	26,920	-
Prepaid items	831,125	34,174	865,299	11,998
Due from other governments	5,522,451	-	5,522,451	-
Total current assets	<u>17,905,745</u>	<u>3,190,100</u>	<u>21,095,845</u>	<u>2,784,189</u>
NONCURRENT ASSETS				
Receivables	68,319	-	68,319	-
Capital assets not being depreciated:				
Land	6,134,573	206,865	6,341,438	-
Capital assets being depreciated:				
Buildings and improvements	18,309,067	15,650,262	33,959,329	-
Equipment	20,691,143	4,649,221	25,340,364	2,985,592
Infrastructure	34,851,391	-	34,851,391	-
Less accumulated depreciation	<u>41,514,908</u>	<u>13,635,279</u>	<u>55,150,187</u>	<u>2,620,073</u>
Total noncurrent assets	<u>38,539,585</u>	<u>6,871,069</u>	<u>45,410,654</u>	<u>365,519</u>
TOTAL ASSETS	<u>\$ 56,445,330</u>	<u>\$ 10,061,169</u>	<u>\$ 66,506,499</u>	<u>\$ 3,149,708</u>
CURRENT LIABILITIES				
Accounts payable	\$ 115,036	\$ 139,967	\$ 255,003	\$ 5,877
Accrued expenses	458,894	212,287	671,181	59,618
Due to other governments	11,966	-	11,966	-
Deferred revenue	1,897,279	61,343	1,958,622	1,535,208
Deferred compensation liability	-	-	-	330,301
Accumulated vacation and sick days	369,907	109,346	479,253	-
Current portion of long-term obligations	<u>1,389,097</u>	<u>57,772</u>	<u>1,446,869</u>	<u>-</u>
Total current liabilities	<u>4,242,179</u>	<u>580,715</u>	<u>4,822,894</u>	<u>1,931,004</u>
NONCURRENT LIABILITIES				
Noncurrent portion of pension obligation	348,384	-	348,384	-
Noncurrent portion of accumulated vacation and sick days	1,479,626	-	1,479,626	-
Noncurrent portion of other post-employment benefits	275,091	-	275,091	-
Noncurrent portion of long-term obligations	<u>10,362,186</u>	<u>168,909</u>	<u>10,531,095</u>	<u>-</u>
Total noncurrent liabilities	<u>12,465,287</u>	<u>168,909</u>	<u>12,634,196</u>	<u>-</u>
Total liabilities	<u>16,707,466</u>	<u>749,624</u>	<u>17,457,090</u>	<u>1,931,004</u>
NET ASSETS				
Invested in capital assets, net of related debt	26,719,983	6,871,069	33,591,052	365,519
Restricted for capital projects	1,863,915	-	1,863,915	-
Restricted for streets and transportation	2,825,673	-	2,825,673	-
Restricted for debt service	708,344	-	708,344	-
Restricted for retirement	409,239	-	409,239	-
Restricted for community development	1,086,691	-	1,086,691	-
Restricted for revolving loan fund	633,446	-	633,446	-
Restricted for tax increment financing projects	521,564	-	521,564	-
Unreserved	<u>4,969,009</u>	<u>2,440,476</u>	<u>7,409,485</u>	<u>853,185</u>
TOTAL NET ASSETS	<u>\$ 39,737,864</u>	<u>\$ 9,311,545</u>	<u>\$ 49,049,409</u>	<u>\$ 1,218,704</u>

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

CITY OF DANVILLE, ILLINOIS
STATEMENT OF ACTIVITIES
Year Ended April 30, 2012

	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	Danville Public Library
PROGRAMS								
Governmental activities:								
General government	\$ 4,632,114	\$ 822,359	\$ 14,474	\$ -	\$ (3,795,281)	\$ -	\$ (3,795,281)	\$ -
Public safety	15,886,688	559,136	215,876	-	(15,111,676)	-	(15,111,676)	-
Community development	7,836,954	-	706,892	-	(7,130,062)	-	(7,130,062)	-
Transportation	2,087,777	362,207	2,195,491	-	469,921	-	469,921	-
Streets	4,146,060	-	-	4,482,980	336,920	-	336,920	-
Culture and recreation	1,912,538	179,161	-	-	(1,733,377)	-	(1,733,377)	-
Interest on long-term debt	552,802	-	-	-	(552,802)	-	(552,802)	-
Total governmental activities	<u>37,054,933</u>	<u>1,922,863</u>	<u>3,132,733</u>	<u>4,482,980</u>	<u>(27,516,357)</u>	<u>-</u>	<u>(27,516,357)</u>	<u>-</u>
Business-type activities:								
Sanitary Sewer Department	2,999,297	2,884,827	-	-	-	(114,470)	(114,470)	-
Harrison Park	484,614	378,927	-	-	-	(105,687)	(105,687)	-
Solid Waste Management	2,531,262	2,546,999	-	-	-	15,737	15,737	-
Total business-type activities	<u>6,015,173</u>	<u>5,810,753</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(204,420)</u>	<u>(204,420)</u>	<u>-</u>
Component Unit:								
Danville Public Library	<u>1,529,961</u>	<u>22,104</u>	<u>-</u>	<u>49,462</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,458,395)</u>
TOTAL	<u>\$ 44,600,067</u>	<u>\$ 7,755,720</u>	<u>\$ 3,132,733</u>	<u>\$ 4,532,442</u>	<u>(27,516,357)</u>	<u>(204,420)</u>	<u>(27,720,777)</u>	<u>(1,458,395)</u>

General Revenues:

Property taxes	\$ 5,948,305	\$ -	\$ 5,948,305	\$ 1,461,916
Corporate personal property replacement taxes	1,633,568	-	1,633,568	-
State sales taxes	4,855,098	-	4,855,098	-
Local sales tax	10,188,330	-	10,188,330	-
State income tax allocation	2,781,746	-	2,781,746	-
Telecommunication tax	957,593	-	957,593	-
State use tax	479,667	-	479,667	-
Intergovernmental revenues	2,618,621	-	2,618,621	-
Interest/investment income	28,347	7,562	35,909	3,370
Miscellaneous	681,832	126,938	808,770	16,941
Transfers	234,203	(234,203)	-	-
	<u>30,407,310</u>	<u>(99,703)</u>	<u>30,307,607</u>	<u>1,482,227</u>
Total general revenues and transfers				
Change in net assets	2,890,953	(304,123)	2,586,830	23,832
NET ASSETS - BEGINNING OF YEAR	<u>36,846,911</u>	<u>9,615,668</u>	<u>46,462,579</u>	<u>1,194,872</u>
NET ASSETS - END OF YEAR	<u>\$ 39,737,864</u>	<u>\$ 9,311,545</u>	<u>\$ 49,049,409</u>	<u>\$ 1,218,704</u>

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

CITY OF DANVILLE, ILLINOIS
BALANCE SHEET
GOVERNMENTAL FUNDS
April 30, 2012

	<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	\$ 464,061	\$ 250,898	\$ 95,127	\$ -	\$ 654	\$ 851,635	\$ 1,662,375
Temporary investments	1,066,000	2,227,000	-	-	105,500	3,974,000	7,372,500
Receivables:							
Taxes, net of allowance for estimated uncollectibles	264,756	-	-	-	527,749	974,735	1,767,240
Other - current	142,325	48,724	-	-	-	339,114	530,163
Other - noncurrent	-	-	-	-	-	68,319	68,319
Prepaid items	787,700	-	43,425	-	-	-	831,125
Due from other funds	87,790	-	-	-	-	-	87,790
Due from other governments	5,160,507	64,118	-	-	-	297,826	5,522,451
TOTAL ASSETS	<u>\$ 7,973,139</u>	<u>\$ 2,590,740</u>	<u>\$ 138,552</u>	<u>\$ -</u>	<u>\$ 633,903</u>	<u>\$ 6,505,629</u>	<u>\$ 17,841,963</u>
LIABILITIES							
Accounts payable	\$ 49,500	\$ -	\$ -	\$ -	\$ -	\$ 65,536	\$ 115,036
Accrued expenses	428,159	-	16,014	-	-	14,721	458,894
Due to other funds	-	-	72,781	-	-	15,009	87,790
Due to other governments	248	-	11,718	-	-	-	11,966
Deferred revenue	1,713,561	-	38,039	-	527,749	1,158,735	3,438,084
Total liabilities	<u>2,191,468</u>	<u>-</u>	<u>138,552</u>	<u>-</u>	<u>527,749</u>	<u>1,254,001</u>	<u>4,111,770</u>
FUND BALANCE							
Nonspendable:							
Prepays	787,700	-	43,425	-	-	-	831,125
Noncurrent receivables	-	-	-	-	-	68,319	68,319
Restricted:							
Retirement	-	-	-	-	-	409,239	409,239
Public health and education	-	-	-	-	-	933,832	933,832
Public safety	-	-	-	-	-	62,014	62,014
Community development	-	-	-	-	-	1,086,691	1,086,691
Transportation	-	-	-	-	-	31,951	31,951
Streets	-	2,590,740	-	-	-	202,982	2,793,722
Debt service	-	-	-	-	106,154	602,190	708,344
Committed:							
Community development	-	-	-	-	-	9,672	9,672
Capital projects	-	-	-	-	-	1,301,328	1,301,328
Assigned:							
General and administrative	184,447	-	-	-	-	-	184,447
Capital projects	-	-	-	-	-	562,587	562,587
Unassigned	<u>4,809,524</u>	<u>-</u>	<u>(43,425)</u>	<u>-</u>	<u>-</u>	<u>(19,177)</u>	<u>4,746,922</u>
Total fund balance	<u>5,781,671</u>	<u>2,590,740</u>	<u>-</u>	<u>-</u>	<u>106,154</u>	<u>5,251,628</u>	<u>13,730,193</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 7,973,139</u>	<u>\$ 2,590,740</u>	<u>\$ 138,552</u>	<u>\$ -</u>	<u>\$ 633,903</u>	<u>\$ 6,505,629</u>	<u>\$ 17,841,963</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, 2012

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

Fund balances-total governmental funds	\$ 13,730,193
Capital assets used in governmental activities are not financial resources, therefore, are not reported in the funds.	38,471,266
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.	1,540,805
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.	219,891
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.	<u>(14,224,291)</u>
Net assets of governmental activities	<u><u>\$ 39,737,864</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, 2012**

	<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>
REVENUES							
Taxes	\$ 1,191,518	\$ -	\$ -	\$ -	\$ 476,870	\$ 6,108,284	\$ 7,776,672
Intergovernmental	19,418,511	1,909,582	1,957,264	-	-	2,462,827	25,748,184
Licenses and permits	723,100	-	-	-	-	-	723,100
Charges for services	336,589	-	362,207	-	-	21,576	720,372
Fines and forfeits	479,391	-	-	-	-	-	479,391
Miscellaneous	652,067	4,914	20,240	3,906	278	28,774	710,179
Total revenues	<u>22,801,176</u>	<u>1,914,496</u>	<u>2,339,711</u>	<u>3,906</u>	<u>477,148</u>	<u>8,621,461</u>	<u>36,157,898</u>
EXPENDITURES							
Current:							
General government	4,482,502	-	-	-	-	-	4,482,502
Public safety	11,826,874	-	-	-	-	3,842,638	15,669,512
Community development	-	-	-	2,274,633	-	5,666,007	7,940,640
Transportation	-	-	1,918,974	-	-	-	1,918,974
Streets	2,491,331	430,110	-	-	-	-	2,921,441
Culture and recreation	1,684,113	-	-	-	-	-	1,684,113
Capital outlay	10,765	208,709	553,659	628,882	-	378,850	1,780,865
Debt service:							
Principal	-	-	-	-	826,314	490,625	1,316,939
Interest	-	-	-	-	202,351	350,451	552,802
Total expenditures	<u>20,495,585</u>	<u>638,819</u>	<u>2,472,633</u>	<u>2,903,515</u>	<u>1,028,665</u>	<u>10,728,571</u>	<u>38,267,788</u>
Excess (deficiency) of revenues over expenditures	<u>2,305,591</u>	<u>1,275,677</u>	<u>(132,922)</u>	<u>(2,899,609)</u>	<u>(551,517)</u>	<u>(2,107,110)</u>	<u>(2,109,890)</u>

	<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)							
Debt proceeds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,200,000	\$ 1,200,000
Operating transfers in	1,062,642	-	132,922	-	504,734	1,828,508	3,528,806
Operating transfers out	(2,070,061)	-	-	-	-	(964,542)	(3,034,603)
Total other financing sources (uses)	<u>(1,007,419)</u>	<u>-</u>	<u>132,922</u>	<u>-</u>	<u>504,734</u>	<u>2,063,966</u>	<u>1,694,203</u>
Excess (deficiency) of revenues over expenditures and other financing sources (uses)	1,298,172	1,275,677	-	(2,899,609)	(46,783)	(43,144)	(415,687)
FUND BALANCE, BEGINNING OF YEAR, AS RESTATED	<u>4,483,499</u>	<u>1,315,063</u>	<u>-</u>	<u>2,899,609</u>	<u>152,937</u>	<u>5,294,772</u>	<u>14,145,880</u>
FUND BALANCE, END OF YEAR	<u>\$ 5,781,671</u>	<u>\$ 2,590,740</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 106,154</u>	<u>\$ 5,251,628</u>	<u>\$ 13,730,193</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, 2012

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

Net change in fund balances - total governmental funds	\$	(415,687)
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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.		(929,195)
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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	\$ 6,263,845		
Depreciation expense	(2,614,150)		
Loss on disposal	<u>(14,684)</u>		3,635,011

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.

Current year proceeds from note payable	(1,200,000)		
Principal repayments	1,420,625		
Decrease in compensated absences	211,328		
Increase in other post-employment benefits	(111,673)		
Increase in pension obligation	<u>(67,017)</u>		253,263

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>347,561</u>
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CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	\$	<u>2,890,953</u>
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The accompanying notes are an integral part of the financial statements.

CITY OF DANVILLE, ILLINOIS
STATEMENT OF NET ASSETS (DEFICIT)
PROPRIETARY FUNDS
April 30, 2012

	Business-Type Activities Enterprise Funds			Total	Governmental Activities -
	Sanitary Sewer Department	Harrison Park	Solid Waste Management		Internal Service Funds
CURRENT ASSETS					
Cash	\$ 2,997	\$ 21,028	\$ 778	\$ 24,803	\$ 171,307
Temporary investments	1,722,500	20,000	574,000	2,316,500	36,500
Receivables, net	370,058	-	417,645	787,703	12,084
Inventory	-	-	26,920	26,920	-
Prepaid items	14,539	2,849	16,786	34,174	-
Total current assets	<u>2,110,094</u>	<u>43,877</u>	<u>1,036,129</u>	<u>3,190,100</u>	<u>219,891</u>
NONCURRENT ASSETS					
Land	10,200	196,665	-	206,865	-
Buildings and improvements	14,827,807	822,455	-	15,650,262	-
Equipment	1,905,091	499,228	2,244,902	4,649,221	-
Total, at cost	16,743,098	1,518,348	2,244,902	20,506,348	-
Less accumulated depreciation	10,872,200	1,069,654	1,693,425	13,635,279	-
Total noncurrent assets	<u>5,870,898</u>	<u>448,694</u>	<u>551,477</u>	<u>6,871,069</u>	<u>-</u>
TOTAL ASSETS	<u>\$ 7,980,992</u>	<u>\$ 492,571</u>	<u>\$ 1,587,606</u>	<u>\$ 10,061,169</u>	<u>\$ 219,891</u>
CURRENT LIABILITIES					
Accounts payable	\$ 139,967	\$ -	\$ -	\$ 139,967	\$ -
Accrued payroll and other expenses	188,171	11,403	12,713	212,287	-
Accumulated vacation and sick days	50,955	14,983	43,408	109,346	-
Notes payable, current portion	-	57,772	-	57,772	-
Deferred revenue	-	61,343	-	61,343	-
Total current liabilities	<u>379,093</u>	<u>145,501</u>	<u>56,121</u>	<u>580,715</u>	<u>-</u>
LONG-TERM LIABILITIES					
Notes payable, less current portion	<u>-</u>	<u>168,909</u>	<u>-</u>	<u>168,909</u>	<u>-</u>
Total liabilities	<u>379,093</u>	<u>314,410</u>	<u>56,121</u>	<u>749,624</u>	<u>-</u>
NET ASSETS (DEFICIT)					
Invested in capital assets	5,870,898	448,694	551,477	6,871,069	-
Unrestricted net assets (deficit)	1,731,001	(270,533)	980,008	2,440,476	219,891
Total net assets (deficit)	<u>7,601,899</u>	<u>178,161</u>	<u>1,531,485</u>	<u>9,311,545</u>	<u>219,891</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 7,980,992</u>	<u>\$ 492,571</u>	<u>\$ 1,587,606</u>	<u>\$ 10,061,169</u>	<u>\$ 219,891</u>

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, 2012

	Business-Type Activities Enterprise Funds			Total	Governmental Activities -
	Sanitary Sewer Department	Harrison Park	Solid Waste Management		Internal Service Funds
OPERATING REVENUES					
Charges for services	\$ 2,884,827	\$ 378,927	\$ 2,546,999	\$ 5,810,753	\$ 4,332,404
Miscellaneous	6,038	88,078	32,822	126,938	-
Total operating revenues	<u>2,890,865</u>	<u>467,005</u>	<u>2,579,821</u>	<u>5,937,691</u>	<u>4,332,404</u>
OPERATING EXPENSES					
Personnel services	1,293,903	225,471	1,263,507	2,782,881	3,725,041
Supplies and materials	145,130	83,426	234,145	462,701	-
Other services and charges	645,516	32,149	108,732	786,397	-
Contractual services	397,671	35,709	646,058	1,079,438	-
Capital outlay	30,637	13,263	-	43,900	-
Depreciation	486,440	80,725	270,140	837,305	-
Total operating expenses	<u>2,999,297</u>	<u>470,743</u>	<u>2,522,582</u>	<u>5,992,622</u>	<u>3,725,041</u>
Operating income (loss)	<u>(108,432)</u>	<u>(3,738)</u>	<u>57,239</u>	<u>(54,931)</u>	<u>607,363</u>
NON-OPERATING REVENUES (EXPENSES)					
Interest income	5,803	86	1,673	7,562	198
Interest expense	-	(13,871)	(8,680)	(22,551)	-
Total non-operating revenues (expenses)	<u>5,803</u>	<u>(13,785)</u>	<u>(7,007)</u>	<u>(14,989)</u>	<u>198</u>
Income (loss) before transfers	<u>(102,629)</u>	<u>(17,523)</u>	<u>50,232</u>	<u>(69,920)</u>	<u>607,561</u>
OPERATING TRANSFERS					
Operating transfers out	<u>(175,513)</u>	<u>-</u>	<u>(58,690)</u>	<u>(234,203)</u>	<u>(260,000)</u>
CHANGE IN NET ASSETS	<u>(278,142)</u>	<u>(17,523)</u>	<u>(8,458)</u>	<u>(304,123)</u>	<u>347,561</u>
TOTAL NET ASSETS (DEFICIT), BEGINNING OF YEAR	<u>7,880,041</u>	<u>195,684</u>	<u>1,539,943</u>	<u>9,615,668</u>	<u>(127,670)</u>
TOTAL NET ASSETS (DEFICIT), END OF YEAR	<u>\$ 7,601,899</u>	<u>\$ 178,161</u>	<u>\$ 1,531,485</u>	<u>\$ 9,311,545</u>	<u>\$ 219,891</u>

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, 2012

	<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	\$ 2,869,616	\$ 478,018	\$ 2,605,023	\$ 5,952,657	\$ 4,099,189
Cash paid to suppliers and for claims	(1,082,983)	(164,934)	(989,548)	(2,237,465)	(3,775,041)
Cash paid to employees	(1,123,096)	(223,870)	(1,263,507)	(2,610,473)	-
Net cash provided by (used in) operating activities	<u>663,537</u>	<u>89,214</u>	<u>351,968</u>	<u>1,104,719</u>	<u>324,148</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Cash transfers to other funds	(175,513)	-	(58,690)	(234,203)	(260,000)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Principal payments on notes payable	-	(55,063)	(518,528)	(573,591)	-
Interest paid on notes payable	-	(13,871)	(8,680)	(22,551)	-
Purchase of property and equipment	(1,336,312)	-	(23,804)	(1,360,116)	-
Net cash provided by (used in) capital and related financing activities	<u>(1,336,312)</u>	<u>(68,934)</u>	<u>(551,012)</u>	<u>(1,956,258)</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchases of investments	(1,722,500)	(20,000)	(574,000)	(2,316,500)	(36,500)
Interest received	5,803	86	1,673	7,562	198
Proceeds from sale of investments	2,565,500	-	829,500	3,395,000	36,500
Net cash provided by (used in) investing activities	<u>848,803</u>	<u>(19,914)</u>	<u>257,173</u>	<u>1,086,062</u>	<u>198</u>
NET INCREASE (DECREASE) IN CASH	515	366	(561)	320	64,346
CASH, BEGINNING OF YEAR	<u>2,482</u>	<u>20,662</u>	<u>1,339</u>	<u>24,483</u>	<u>106,961</u>
CASH, END OF YEAR	<u>\$ 2,997</u>	<u>\$ 21,028</u>	<u>\$ 778</u>	<u>\$ 24,803</u>	<u>\$ 171,307</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)	\$ (108,432)	\$ (3,738)	\$ 57,239	\$ (54,931)	\$ 607,363
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:					
Depreciation	486,440	80,725	270,140	837,305	-
Effects of changes in operating assets and liabilities:					
Receivables	(15,525)	-	25,202	9,677	(60)
Inventory	-	-	19,195	19,195	-
Prepaid items	-	-	(3,502)	(3,502)	-
Accounts payable and accrued payroll	130,247	1,110	(16,306)	115,051	-
Other current liabilities	170,807	1,601	-	172,408	(283,155)
Deferred revenue	-	9,516	-	9,516	-
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>\$ 663,537</u>	<u>\$ 89,214</u>	<u>\$ 351,968</u>	<u>\$ 1,104,719</u>	<u>\$ 324,148</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, 2012

	<u>Pension Trust Funds</u>	<u>Agency Funds</u>	<u>Total</u>
ASSETS			
Cash	\$ 1,583,033	\$ 20,915	\$ 1,603,948
Investments:			
Money market funds	-	274,500	274,500
Treasury notes	3,278,381	-	3,278,381
US government agencies	8,174,033	-	8,174,033
Mutual funds	14,045,078	-	14,045,078
Receivables:			
Accounts	-	74,025	74,025
Accrued interest	79,907	-	79,907
Other	3,329,862	-	3,329,862
TOTAL ASSETS	<u>\$ 30,490,294</u>	<u>\$ 369,440</u>	<u>\$ 30,859,734</u>
 LIABILITIES AND NET ASSETS			
LIABILITIES			
Accounts payable	\$ -	\$ 93,495	\$ 93,495
Due to others	-	275,945	275,945
 Total liabilities	 <u>-</u>	 <u>369,440</u>	 <u>369,440</u>
NET ASSETS			
Held in trust for pension benefits	<u>30,490,294</u>	<u>-</u>	<u>30,490,294</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 30,490,294</u>	<u>\$ 369,440</u>	<u>\$ 30,859,734</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, 2012

ADDITIONS

Contributions

Employer		\$ 3,428,638
Plan members		<u>677,192</u>
Total contributions		<u>4,105,830</u>

Investment income

Net appreciation in fair value of investments		313,146
Interest and dividends		<u>553,833</u>
Total investment income		866,979
Less investment expense		<u>128,904</u>
Net investment income		<u>738,075</u>
Total additions		<u>4,843,905</u>

DEDUCTIONS

Benefits		4,898,963
Administrative expense		<u>42,679</u>
Total deductions		<u>4,941,642</u>

CHANGE IN NET ASSETS (97,737)

NET ASSETS HELD IN TRUST FOR
PENSION BENEFITS, BEGINNING OF YEAR 30,588,031

NET ASSETS HELD IN TRUST FOR
PENSION BENEFITS, END OF YEAR \$ 30,490,294

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

CITY OF DANVILLE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2012

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. Separate financial statements are not provided.

CITY OF DANVILLE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2012

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. Separate supplementary information financial statements are available upon request.

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, 2012

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.

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

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

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, 2012

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, 2012

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.

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, 2012

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 ITEMS

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 items 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 Sanitary Sewer Department, 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, 2012

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, 2012.

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 BALANCE CLASSIFICATION

Beginning with fiscal year 2012, the City implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balances more transparent. The following classifications describe the relative strength of the spending constraints:

CITY OF DANVILLE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

FUND BALANCE CLASSIFICATION (Continued)

Nonspendable: This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact. The City has prepaid expenses as nonspendable fund balance.

Restricted: This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws and regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation. The City has classified state and federal grants as being restricted because their use is restricted by granting agencies. The City has also classified property, replacement, and motor fuel taxes as being restricted because their use is restricted by state laws and regulations.

Committed: This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the City Council. These amounts cannot be used for any other purpose unless the City Council removes or changes the specified use by taking the same type of action (ordinance or resolution) that was employed when the funds were initially committed.

Assigned: This classification includes amounts that are constrained by the City's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the City Council or through the City Council delegating this responsibility to a Council member or the Treasurer through the budgetary process. This classification also includes the remaining positive fund balance for all governmental funds except for the General Fund.

Unassigned: This classification includes the residual fund balance for the General Fund and includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of Assigned fund balance amounts.

The City would typically use Restricted fund balances first, followed by Committed resources, and then Assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend Unassigned resources first to defer the use of these other classified funds.

Beginning fund balances for the City's governmental funds have been restated to reflect the above classifications.

CITY OF DANVILLE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, 2012 was \$1.9795 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 August and September.

Based on collection histories, the City has provided at April 30, 2012 an allowance for uncollectible real property taxes equivalent to 1 percent of the current year's levy.

EMPLOYEE GROUP HEALTH INSURANCE

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

CITY OF DANVILLE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 restricted, committed or assigned fund balances and do not constitute expenditures or liabilities because the commitments will be honored during the subsequent year. See Note 17 for further disclosures related to the encumbrances.

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 and policy authorize the City, including Pension funds, 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.

As of April 30, 2012, the carrying amount of the City's (primary government) bank deposits including certificates of deposit was \$11,877,421 and the bank balance was \$12,300,768. Included in the carrying amounts are money market funds totaling \$10,000,000. The component unit, Danville Public Library, had a carrying amount of deposits of \$856,050 and the bank balance was \$1,055,263. The Police and Fire Pension Funds had a carrying amount of deposits of \$1,583,033.

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 other than pension funds, consist of certificates of deposit with maturities of one to three months.

CITY OF DANVILLE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2012

NOTE 2 - CASH AND INVESTMENTS (CONTINUED)

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, 2012 the City’s deposits were fully insured or collateralized.

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.

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 \$1,979 for the primary government and \$56,327 for the component unit at April 30, 2012.

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.

CITY OF DANVILLE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2012

NOTE 2 - CASH AND INVESTMENTS (CONTINUED)

As of April 30, 2012, the Pension Funds had the following investments:

Investment Type	Fair Value	Less Than 1	1-5	6-10	More Than 10
Treasury notes	\$ 3,278,381	\$ -	\$ 1,783,138	\$ 1,495,243	\$ -
U.S. government agencies	8,174,033	1,959,462	1,736,787	808,807	3,668,977
Mutual funds	<u>14,045,078</u>	<u>14,045,078</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 25,497,492</u>	<u>\$ 16,004,540</u>	<u>\$ 3,519,925</u>	<u>\$ 2,304,050</u>	<u>\$ 3,668,977</u>

NOTE 3 - INTERFUND ACCOUNTS

Individual fund interfund receivables and payables (due to/due from other funds) at April 30, 2012 were as follows:

	<u>Receivable</u>	<u>Payable</u>
Primary Government		
General Fund	<u>\$ 87,790</u>	<u>\$ -</u>
Danville Mass Transit	<u>-</u>	<u>72,781</u>
Non-Major Governmental Funds		
CDBG	-	14,924
Capital Fund	-	85
Total Non-Major Governmental Funds	<u>-</u>	<u>15,009</u>
Total	<u>\$ 87,790</u>	<u>\$ 87,790</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, 2012 consisted of the following:

Transfer to General Fund from:	
Non-major governmental funds	<u>\$ 802,642</u>
Transfer to Bond and Interest Fund from:	
Sanitary Sewer Fund	<u>\$ 103,952</u>
Transfer to Bond and Interest Fund from:	
General Fund	<u>\$ 400,782</u>
Transfer to Nonmajor Funds from:	
Solid Waste Management	<u>\$ 58,690</u>
Transfer to Danville Mass Transit Fund from:	
General Fund	<u>\$ 132,922</u>
Transfer to Nonmajor Governmental Funds from:	
Sanitary Sewer Fund	<u>\$ 71,561</u>

CITY OF DANVILLE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2012

NOTE 3 - INTERFUND ACCOUNTS (CONTINUED)

Transfer to Nonmajor governmental funds from:	
General Fund	<u>\$ 1,536,357</u>
Transfer to General Fund from:	
Internal Service 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, 2012 was as follows:

Primary government

Governmental activities

	<u>Balance 5/1/11</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 4/30/12</u>
Capital assets not being depreciated:				
Land	\$ 5,640,429	\$ 494,144	\$ -	\$ 6,134,573
Construction in progress	<u>725,428</u>	<u>-</u>	<u>725,428</u>	<u>-</u>
	<u>6,365,857</u>	<u>494,144</u>	<u>725,428</u>	<u>6,134,573</u>
Capital assets being depreciated:				
Buildings	17,577,893	731,174	-	18,309,067
Equipment	20,532,131	346,838	187,826	20,691,143
Infrastructure assets	<u>29,434,274</u>	<u>5,417,117</u>	<u>-</u>	<u>34,851,391</u>
	67,544,298	6,495,129	187,826	73,851,601
Less accumulated depreciation	<u>39,073,900</u>	<u>2,614,150</u>	<u>173,142</u>	<u>41,514,908</u>
	<u>28,470,398</u>	<u>3,880,979</u>	<u>14,684</u>	<u>32,336,693</u>
Total	<u>\$34,836,255</u>	<u>\$ 4,375,123</u>	<u>\$ 740,112</u>	<u>\$38,471,266</u>

CITY OF DANVILLE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2012

NOTE 4 - CAPITAL ASSETS (CONTINUED)

Business-Type activities

Sanitary Sewer

	Balance <u>5/1/11</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>4/30/12</u>
Capital assets not being depreciated:				
Land	\$ 10,200	\$ -	\$ -	\$ 10,200
Capital assets being depreciated:				
Sewer construction	13,515,025	1,312,782	-	14,827,807
Equipment	<u>1,897,735</u>	<u>23,530</u>	<u>16,174</u>	<u>1,905,091</u>
	15,412,760	1,336,312	16,174	16,732,898
Less accumulated depreciation	<u>10,401,934</u>	<u>486,440</u>	<u>16,174</u>	<u>10,872,200</u>
	<u>5,010,826</u>	<u>849,872</u>	<u>-</u>	<u>5,860,698</u>
Total	<u>5,021,026</u>	<u>849,872</u>	<u>-</u>	<u>5,870,898</u>

Harrison Park

	Balance <u>5/1/11</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>4/30/12</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>499,228</u>
	1,321,683	-	-	1,321,683
Less accumulated depreciation	<u>988,929</u>	<u>80,725</u>	<u>-</u>	<u>1,069,654</u>
	<u>332,754</u>	<u>(80,725)</u>	<u>-</u>	<u>252,029</u>
Total	<u>529,419</u>	<u>(80,725)</u>	<u>-</u>	<u>448,694</u>

CITY OF DANVILLE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2012

NOTE 4 - CAPITAL ASSETS (CONTINUED)

Solid Waste Management

	<u>Balance</u> <u>5/1/11</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>4/30/12</u>
Equipment	\$ 2,221,098	\$ 23,804	\$ -	\$ 2,244,902
Less accumulated depreciation	<u>1,423,285</u>	<u>270,140</u>	<u>-</u>	<u>1,693,425</u>
	<u>797,813</u>	<u>(246,336)</u>	<u>-</u>	<u>551,477</u>
Total Business-Type Activities	<u>\$ 6,348,258</u>	<u>\$ 522,811</u>	<u>\$ -</u>	<u>\$ 6,871,069</u>

Component Unit – Danville Public Library

	<u>Balance</u> <u>5/1/11</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>4/30/12</u>
Library	\$ 2,830,908	\$ 154,684	\$ -	\$ 2,985,592
Less accumulated depreciation	<u>2,578,924</u>	<u>41,149</u>	<u>-</u>	<u>2,620,073</u>
Total	<u>\$ 251,984</u>	<u>\$ 113,535</u>	<u>\$ -</u>	<u>\$ 365,519</u>

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

Governmental activities:

General government	\$ 775,127
Public safety	217,176
Transportation	168,803
Streets	1,224,619
Culture and recreation	<u>228,425</u>

Total depreciation – governmental activities \$ 2,614,150

Business-type activities:

Sanitary Sewer	\$ 486,440
Harrison Park	80,725
Solid Waste Management	<u>270,140</u>

Total depreciation – business-type activities \$ 837,305

CITY OF DANVILLE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2012

NOTE 5 - NOTES PAYABLE AND OTHER LONG-TERM DEBT

Governmental Activities

Bonds payable at April 30, 2012 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).
3,100,000	General Obligation Bond: \$3,175,000 issued September 26, 2011. Interest is payable semi-annually at rates of 1.00% to 4.00% per annum. Bond matures December, 2016 (principal and interest to be serviced by property tax levy with residual amounts from general revenues and sewer fund revenues). Bond issue refund Series 2001 general obligation bond which were used for various capital projects. This transaction had an economic gain of approximately \$197,000.
2,925,000	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 tele-communication tax revenue, general revenues, solid waste funds and sewer fund revenues of the City).
<u>\$ 10,760,000</u>	

CITY OF DANVILLE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2012

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

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

		First Financial Bank. Annual payments of \$21,568 plus one balloon payment in the amount of \$43,066, including interest of 3.01%. Note matures May 23, 2016
\$	<u>989,289</u>	

The principal and interest for the above note payable to be serviced by Infrastructure fund.

Obligations under capital lease at April 30, 2012 are comprised of the following:

		The City leases telephone equipment under capital lease agreements, which require monthly payments of \$645 including interest of 4.32%, due dates July 2, 2012. The original cost of the equipment was \$100,586 and became fully depreciated during fiscal year 2012.
1,994		
\$	<u><u>991,283</u></u>	

The principal and interest for the above capital leases are to be serviced by the Capital Improvements Fund.

Business Type Activities:

		Central Illinois Bank. Annual payments of \$58,135, including interest at 4.99%. Note matures October, 2015.
\$	205,941	

		Iroquois Federal Bank. Annual payments of \$10,993, including interest at 3.99%. Note matures November, 2013.
	<u>20,740</u>	
\$	<u><u>226,681</u></u>	

The above notes payable are unsecured.

CITY OF DANVILLE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2012

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, 2012 are as follows:

Year Ending April 30	Capital Leases and Notes Payable		General Obligation Bonds		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2013	\$ 291,869	\$ 38,085	\$ 1,155,000	\$ 421,793	\$ 1,446,869	\$ 459,878
2014	299,832	28,143	1,195,000	382,243	1,494,832	410,386
2015	299,097	17,854	1,240,000	333,931	1,539,097	351,785
2016	327,166	7,645	920,000	283,793	1,247,166	291,438
2017	-	-	975,000	252,231	975,000	252,231
2017-2021	-	-	2,945,000	829,172	2,945,000	829,172
2022-2026	-	-	1,595,000	355,780	1,595,000	355,780
Thereafter	-	-	735,000	46,996	735,000	46,996
Total	<u>\$ 1,217,964</u>	<u>\$ 91,727</u>	<u>\$10,760,000</u>	<u>\$ 2,905,939</u>	<u>\$ 11,977,964</u>	<u>\$ 2,997,666</u>

Note payable and long-term debt activity for the year ending April 30, 2012 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities:					
Bonds payable					
General					
obligation					
bonds	\$ 11,920,000	\$ 3,175,000	\$ 4,335,000	\$ 10,760,000	\$ 1,155,000
Notes payable	-	1,200,000	210,711	989,289	232,103
Capital leases	51,908	-	49,914	1,994	1,994
Net police and fire					
pension					
obligation	281,367	-	216,810	64,557	-
Net IMRF pension					
obligation	-	283,827	-	283,827	-
Other post- employment benefits	163,418	111,673	-	275,091	-
Accumulated vacation and sick days	2,060,861	-	211,328	1,849,533	369,907
Total	<u>\$ 14,477,554</u>	<u>\$ 4,770,500</u>	<u>\$ 5,023,763</u>	<u>\$ 14,224,291</u>	<u>\$ 1,759,004</u>

CITY OF DANVILLE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2012

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	\$ 800,272	\$ -	\$ 573,591	\$ 226,681	\$ 57,772
Accumulated vacation and sick days	<u>120,010</u>	<u>-</u>	<u>10,664</u>	<u>109,346</u>	<u>109,346</u>
Total	<u>\$ 920,282</u>	<u>\$ -</u>	<u>\$ 584,255</u>	<u>\$ 336,027</u>	<u>\$ 167,118</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 2011 was 10.16 percent of annual covered payroll. The City's annual required contribution rate for calendar year 2011 was 11.96 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, 2011, the City of Danville's annual pension cost of \$750,533. Its required contribution for calendar year 2011 was \$883,502.

CITY OF DANVILLE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2012

NOTE 6 - PENSION PLANS (CONTINUED)

Illinois Municipal Retirement Fund (Continued)

THREE-YEAR TREND INFORMATION FOR THE REGULAR PLAN

Fiscal Year <u>Ending</u>	Annual Pension <u>Cost (APC)</u>	Percentage of APC <u>Contributed</u>	Net Pension <u>Obligation</u>
12/31/11	\$ 883,502	85%	\$ 132,969
12/31/10	838,098	82%	150,858
12/31/09	624,695	100%	-

The required contribution for 2011 was determined as part of the December 31, 2009, actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions at December 31, 2009, included (a) 7.5 percent investment rate of return (net of administrative and direct investment expenses), (b) projected salary increases of 4.00% 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, 2009 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, 2011, the most recent actuarial valuation date, the Regular plan was 75.82 percent funded. The actuarial accrued liability for benefits was \$21,470,640 and the actuarial value of assets was \$16,278,834, resulting in an underfunded actuarial accrued liability (UAAL) of \$5,191,806. The covered payroll for calendar year 2011 (annual payroll of active employees covered by the plan) was \$7,387,141 and the ratio of the UAAL to the covered payroll was 70 percent.

The schedule of funding progress, presented as Required Supplementary 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, 2012

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, 2012 was \$3,780,656 out of a total payroll of \$14,522,620. At April 30, 2012 the Police Pension Plan membership consisted of:

Retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them	66
Active vested plan members	43
Active non-vested plan members	<u>18</u>
Total	<u><u>127</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, 2012**

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, 2012 was \$3,222,322 out of a total payroll of \$14,522,620. At April 30, 2012 the Firefighter Pension Plan membership consisted of:

Retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them	79
Active vested plan members	42
Active non-vested plan members	<u>10</u>
Total	<u><u>131</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, 2012

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, 2012 were as follows:

	<u>Police Pension</u>	<u>Firefighter Pension</u>
Annual required contribution	\$ 1,640,934	\$ 2,107,962
Interest on net pension obligation	12,235	9,571
Adjustments to annual required contribution	<u>(9,711)</u>	<u>(7,597)</u>
Annual pension cost	1,643,458	2,109,936
Contributions made	<u>1,771,948</u>	<u>2,198,256</u>
Decrease in net pension obligation	(128,490)	(88,320)
Net pension obligation beginning of year	<u>157,868</u>	<u>123,499</u>
Net pension obligation end of year	<u>\$ 29,378</u>	<u>\$ 35,179</u>

During fiscal year 2012, an additional contribution was made by the City into the Police Pension in the amount of \$44,000 and into the Firefighter Pension in the amount of \$55,000. These contributions were in addition to the annual required contribution for fiscal year 2012.

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 30-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, 2012

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	46.87%	68.22%
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			
4/30/11	\$ 1,643,458	107.8%	\$ 29,378
4/30/10	1,584,431	98.3%	157,868
4/30/09	1,380,569	99.3%	131,180
Firefighter Pension Fund			
4/30/11	\$ 2,109,936	104.2%	\$ 35,179
4/30/10	2,034,221	98.4%	123,499
4/30/09	1,813,903	99.4%	91,101

STATEMENT OF FIDUCIARY NET ASSETS

	<u>Police Pension</u>	<u>Fire Pension</u>
ASSETS		
Cash	\$ 818,087	\$ 764,946
Investments:		
Treasury notes	2,094,938	1,183,443
U.S. government agencies	4,992,109	3,181,924
Mutual funds	<u>8,627,561</u>	<u>5,417,517</u>
Total investments	<u>15,714,608</u>	<u>9,782,884</u>
Receivables:		
Accrued interest	49,399	30,508
Other	<u>1,434,956</u>	<u>1,894,906</u>
Total receivables	<u>1,484,355</u>	<u>1,925,414</u>
Net assets, held in trust for pension benefits	<u>\$ 18,017,050</u>	<u>\$ 12,473,244</u>

CITY OF DANVILLE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2012

NOTE 6 - PENSION PLANS (CONTINUED)

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS

	<u>Police Pension</u>	<u>Fire Pension</u>
Additions		
Contributions - employer	\$ 1,478,858	\$ 1,949,780
Contributions – Plan members	<u>373,999</u>	<u>303,193</u>
Total contributions	<u>1,852,857</u>	<u>2,252,973</u>
Investment income		
Interest and dividends	381,581	172,252
Net appreciation in fair value of investments	<u>184,127</u>	<u>129,019</u>
Total investment income	565,708	301,271
Less investment expense	<u>78,848</u>	<u>50,056</u>
Net investment income	<u>486,860</u>	<u>251,215</u>
 Total additions	 <u>2,339,717</u>	 <u>2,504,188</u>
Deductions		
Pension benefits	2,247,847	2,651,116
Administrative expenses	<u>18,298</u>	<u>24,381</u>
Total deductions	<u>2,266,145</u>	<u>2,675,497</u>
 Changes in net assets	 73,572	 (171,309)
 Net assets held in trust for benefits, beginning of year	 <u>17,943,478</u>	 <u>12,644,553</u>
 Net assets held in trust for benefits, end of year	 <u>\$ 18,017,050</u>	 <u>\$ 12,473,244</u>

NOTE 7 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

The following funds incurred expenditures in excess of their appropriations:

DATS Program	\$ 14,137
Danville Mass Transit	\$ 625,291

CITY OF DANVILLE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2012

NOTE 7 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (CONTINUED)

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, 2012:

Community Development Block Grant	\$	19,177
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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 expired on October 31, 2013. Expense under this lease for the year ended April 30, 2012 was \$1,113,096. Minimum lease commitments are as follows:

Year Ending April 30

2013	\$	1,113,096
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In 2012, the Library entered into two new 60 month lease agreements for copiers with both leases expiring May 30, 2016. The lease payment per month for each copier is \$132 and \$217, respectively. Expense under these loan agreements for the year ended April 30, 2012 was \$3,839.

Minimum lease commitments are as follows:

Year Ending April 30

2013	\$	4,188
2014		4,188
2015		4,188
2016		349
Total	\$	12,913

CITY OF DANVILLE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2012

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, 2012, 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.

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, 2012</u>
Heartland Center	Monthly payments of \$833 including interest at 0%	\$ 96,531
Peter Blackmon	Monthly payments vary based on interest rates. Current rate is 1.83%.	10,688
Danville Renaissance Enterprises, LLC	Monthly payments of \$603 including interest of 2%	41,534
Maruti Gagan Management, LLC	Monthly payments of \$1,054 including interest of 2%	36,313
Cynthia Pratt	Monthly payments of \$100 no interest	2,184
Cynthia Pratt	Monthly payments of \$100 no interest	285
Big R	Monthly payments of \$1,667 no interest	14,167
146 North, LLC	Monthly payments of \$185 1% interest	8,460

CITY OF DANVILLE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2012

NOTE 10 - OTHER RECEIVABLES (CONTINUED)

<u>Payee</u>	<u>Terms</u>	<u>Balance</u> <u>April 30, 2012</u>
Vermilion Café	Monthly payments of \$39 2% interest	\$ 7,100
William Phelps	Monthly payments of \$100 no interest	2,840
Shirley Smith	Monthly payments of \$50 no interest	1,215
This Is It Furniture	Monthly payments of \$595 no interest	24,991
Nancy Cahall	Monthly payments of \$56 no interest	1,000
Daniel Duncheon	Monthly payments of \$193 2% interest	25,371
S&N Enterprises LLC	Monthly payments of \$274 2% interest	30,155
Lorana Biship	Monthly payments of \$78 no interest	312
Eugene Thompson	Monthly payments of \$139 no interest	181
Donna Anderson	Monthly payments of \$73 no interest	2,958
Kea Sanford	Monthly payments of \$117 no interest	3,150
Terry Moreman	Monthly payments of \$168 no interest	8,249
Delphina Robertson	Monthly payment of \$61 no interest	1,894
Geneva Washington	Monthly payment of \$100 no interest	<u>300</u>
Total		<u>\$ 319,878</u>

CITY OF DANVILLE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2012

NOTE 10 - OTHER RECEIVABLES (CONTINUED)

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.

These notes receivables are recorded in the following funds:

	<u>Total</u>	<u>Due Within One Year</u>
Small Business Loan Fund	\$ 295,310	\$ 56,102
Housing Loan Fund	<u>24,568</u>	<u>12,217</u>
Total	<u>\$ 319,878</u>	<u>\$ 68,319</u>

NOTE 11 - RISK MANAGEMENT

The City's health insurance risks are covered with a commercial carrier.

The City also maintains an internal service fund for general liability insurance. The City maintains liability coverage through the Illinois Municipal League Risk Management Pool. Prior to 2005, the City was liable for additional premiums up to their maximum claim fund. As of April 30, 2012, only loss year 1999 remains open with a potential liability of approximately \$170,000.

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.

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.

CITY OF DANVILLE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2012

NOTE 12 - DANVILLE PUBLIC BUILDING COMMISSION (CONTINUED)

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 \$13,871 in the Harrison Park Fund.

Cash paid for interest totaled \$8,680 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.

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.

CITY OF DANVILLE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2012

NOTE 16 - OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

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, 2012, membership consisted of:

Retirees and beneficiaries currently receiving benefits	131
Terminated employees entitled to benefits but not yet receiving them	-
Active employees	<u>258</u>
Total	<u><u>389</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.

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, 2011 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, 2012. The City's annual OPEB cost (expense) of \$349,637 was equal to the ARC for the fiscal year 2012. The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2012 was as follows:

CITY OF DANVILLE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2012

NOTE 16 - OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

Fiscal Year Ended	Annual OPEB Cost	Employer Contributions	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
April 30, 2012	\$ 349,637	\$ 237,864	68.0%	\$ 111,773
April 30, 2011	200,340	121,130	60.5%	163,418
April 30, 2010	198,937	-	54.5%	90,524

The net OPEB obligation as of April 30, 2012, was calculated as follows:

Annual required contribution	\$ 349,637
Interest on net OPEB obligation	-
Adjustment to annual required contribution	-
Annual OPEB cost	<u>349,637</u>
Contributions made	<u>237,964</u>
Increase in net OPEB obligation	111,673
Net OPEB obligation, beginning of year	<u>163,418</u>
Net OPEB obligation, end of year	<u>\$ 275,091</u>

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.

CITY OF DANVILLE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2012

NOTE 16 - OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

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

In the April 30, 2012 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 - COMMITMENTS

At fiscal year end the City had the following encumbered amounts:

General Fund	\$ 184,447
Motor Fuel Tax Fund	1,253,440
Non-major Funds	1,051,443

NOTE 18 - RESTATEMENT OF FUND BALANCE

The City adopted an accounting standard to conform with generally accepted accounting principles. As reflected in Note 1, the statement adopted requiring restatement was Governmental Accounting Standards Board (GASB) Statement 54. With the implementation of the new GASB pronouncement, the Land Acquisition Fund and Working Cash Fund were combined with the General Fund for financial reporting purposes (the Flex Spending Fund was combined with the General Fund prior to GASB 54 implementation).

Accordingly, the City's fund balance as of May 1, 2011 has been restated as follows:

	<u>General Fund</u>	<u>Special Revenue Funds</u>
Fund balance, May 1, 2011, as previously reported	\$ 4,192,558	\$ 3,627,009
Adjustment to reflect implementation of GASB Pronouncement	<u>290,941</u>	<u>(290,941)</u>
Fund Balance, April 30, 2011 as restated	<u>\$ 4,483,499</u>	<u>\$ 3,336,068</u>

CITY OF DANVILLE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2012

NOTE 19 - FUTURE CHANGES IN ACCOUNTING PRINCIPLES

The Governmental Accounting Standards Board (GASB) has issued new accounting standards that may restate portions of these financial statements in future periods. Listed below are the statements and short summary of the Standard's objective:

New accounting Standards effective for the April 30, 2013 financial statements include:

GASB Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*, issued November 2010. The objective of this Statement is to improve financial reporting by addressing issues related to service concession arrangements, which are a type of public-private or public-public partnership.

GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncement*, issued December 2010. The objective of this Statement is to incorporate into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in the FASB and AICPA pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements.

GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, issued June 2011. The objective of this Statement is to provide financial reporting guidance for deferred outflows of resources and deferred inflows of resources.

New accounting standards effective for the April 30, 2014 financial statements include:

GASB Statement No. 61, *The Financial Reporting Entity: Omnibus-an amendment of GASB Statements No. 14 and No. 34*, issued November 2010. The objective of this Statement is to improve financial reporting for a governmental financial reporting entity. This Statement modifies certain requirements for inclusion of component units in the financial reporting entity.

GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, issued March 2012. The objective of this Statement is to establish accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities.

GASB Statement No. 66, *Technical Corrections – 2012 – an Amendment of GASB Statements No. 10 and No. 62*, issued March 2012. The objective of this Statement is to improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* and No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*.

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

REQUIRED SUPPLEMENTARY 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, 2012

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Favorable (Unfavorable)
REVENUES				
Taxes	\$ 976,700	\$ 976,700	\$ 1,047,039	\$ 70,339
Intergovernmental	17,377,601	17,403,701	18,641,641	1,237,940
Licenses and permits	692,500	692,500	723,100	30,600
Charges for services	361,643	361,643	336,589	(25,054)
Fines and forfeits	561,300	563,300	481,228	(82,072)
Miscellaneous	236,464	683,439	634,752	(48,687)
	<u>20,206,208</u>	<u>20,681,283</u>	<u>21,864,349</u>	<u>1,183,066</u>
Total revenues				
EXPENDITURES				
Current:				
General Government				
General City government	1,654,558	2,014,558	1,815,068	199,490
Central vehicle maintenance	543,076	543,076	518,790	24,286
Finance	323,913	323,913	281,003	42,910
Treasurer	90,222	92,722	90,252	2,470
Development services	558,754	568,254	564,222	4,032
Public affairs	205,241	209,241	207,572	1,669
Legal services	363,197	458,697	443,676	15,021
City Clerk	89,664	91,464	90,164	1,300
Human resources	221,287	227,887	222,222	5,665
Information systems	163,124	176,124	175,636	488
	<u>4,213,036</u>	<u>4,705,936</u>	<u>4,408,605</u>	<u>297,331</u>
Total General Government				
Public Safety				
Police	7,194,654	7,288,404	7,226,932	61,472
Fire	4,482,125	4,607,135	4,553,595	53,540
	<u>11,676,779</u>	<u>11,895,539</u>	<u>11,780,527</u>	<u>115,012</u>
Total Public Safety				
Streets				
	<u>2,697,437</u>	<u>2,697,437</u>	<u>2,490,745</u>	<u>206,692</u>
Culture and Recreation				
Public pool	62,395	63,377	47,175	16,202
Public property	1,643,266	1,643,266	1,554,564	88,702
Downtown services	99,529	100,495	87,393	13,102
	<u>1,805,190</u>	<u>1,807,138</u>	<u>1,689,132</u>	<u>118,006</u>
Total Culture and Recreation				
Total expenditures				
	<u>20,392,442</u>	<u>21,106,050</u>	<u>20,369,009</u>	<u>737,041</u>
Excess (deficiency) of revenues over expenditures				
	<u>(186,234)</u>	<u>(424,767)</u>	<u>1,495,340</u>	<u>1,920,107</u>

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Favorable (Unfavorable)
OTHER FINANCING SOURCES (USES)				
Operating transfers in	\$ 828,643	\$ 795,243	\$ 1,062,641	\$ 267,398
Operating transfers out	<u>(770,084)</u>	<u>(1,064,784)</u>	<u>(1,959,441)</u>	<u>(894,657)</u>
Total other financing sources (uses)	<u>58,559</u>	<u>(269,541)</u>	<u>(896,800)</u>	<u>(627,259)</u>
Excess (deficiency) of revenues over expenditures and other sources (uses) (Budgetary basis)	<u>\$ (127,675)</u>	<u>\$ (694,308)</u>	598,540	<u>\$ 1,292,848</u>
RECONCILIATION TO MODIFIED ACCRUAL BASIS (GAAP BASIS)			<u>699,632</u>	
Excess of revenues over expenditures (GAAP basis)			1,298,172	
FUND BALANCE, BEGINNING OF YEAR, AS RESTATED			<u>4,483,499</u>	
FUND BALANCE, END OF YEAR			<u>\$ 5,781,671</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, 2012

	Original Budget	Final Budget	Actual	Variance with Final Budget Favorable (Unfavorable)
REVENUES				
Intergovernmental	\$ 840,000	\$ 838,505	\$ 971,879	\$ 133,374
Miscellaneous	15,000	15,000	4,912	(10,088)
Total revenues	855,000	853,505	976,791	123,286
EXPENDITURES				
Current:				
Streets	855,000	947,166	716,286	230,880
Excess (deficiency) of revenues over expenditures (Budgetary basis)	\$ -	\$ (93,661)	260,505	\$ 354,166
RECONCILIATION TO MODIFIED ACCRUAL BASIS (GAAP BASIS)			1,015,172	
Excess of revenues over expenditures (GAAP basis)			1,275,677	
FUND BALANCE, BEGINNING OF YEAR			1,315,063	
FUND BALANCE, END OF YEAR			\$ 2,590,740	

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, 2012

	Original Budget	Final Budget	Actual	Variance with Final Budget Favorable (Unfavorable)
REVENUES				
Intergovernmental	\$ 1,838,189	\$ 683,544	\$ 2,219,112	\$ 1,535,568
Charges for services	358,000	491,925	381,585	(110,340)
Miscellaneous	20,000	28,162	20,240	(7,922)
Total revenues	2,216,189	1,203,631	2,620,937	1,417,306
EXPENDITURES				
Current:				
Transportation	2,238,491	1,903,443	2,528,734	(625,291)
Excess (deficiency) of revenues over expenditures	(22,302)	(699,812)	92,203	792,015
OTHER FINANCING SOURCES				
Operating transfers in	22,302	44,604	22,302	(22,302)
Excess (deficiency) of revenues and other sources expenditures (Budgetary basis)	\$ -	\$ (655,208)	114,505	\$ 769,713
RECONCILIATION TO MODIFIED ACCRUAL BASIS (GAAP BASIS)			(114,505)	
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, 2012

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Favorable (Unfavorable)
REVENUES				
Miscellaneous	\$ 20,000	\$ 3,906	\$ 3,906	\$ -
EXPENDITURES				
Community development	<u>1,950,000</u>	<u>2,903,515</u>	<u>2,903,515</u>	<u>-</u>
Deficiency of revenues over expenditures (Budgetary basis)	<u>\$ (1,930,000)</u>	<u>\$ (2,899,609)</u>	(2,899,609)	<u>\$ -</u>
RECONCILIATION TO MODIFIED ACCRUAL BASIS (GAAP BASIS)			<u>-</u>	
Deficiency of revenues over expenditures (GAAP basis)			(2,899,609)	
FUND BALANCE, BEGINNING OF YEAR			<u>2,899,609</u>	
FUND BALANCE, END OF YEAR			<u>\$ -</u>	

**CITY OF DANVILLE, ILLINOIS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULES OF FUNDING PROGRESS
Year Ended April 30, 2012**

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)
12/31/11	\$ 16,278,834	\$ 21,470,640	\$ 5,191,806	75.82%	\$ 7,387,141	70.28%
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%

On a market value basis, the actuarial value of assets as of December 31, 2011 is \$15,396,323. On a market value basis, the funded ratio would be 71.71%.

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)
4/30/11	\$17,943,481	\$ 41,362,442	\$ 23,418,961	43.4%	\$3,780,656	619.4%
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	46.12%	3,641,181	547.88%
4/30/07	16,853,313	35,350,834	18,497,521	47.67%	3,421,440	540.63%
4/30/06	15,703,914	34,159,668	18,455,754	46.00%	3,359,906	549.30%
4/30/05	14,880,087	33,083,652	18,203,565	45.00%	3,248,000	560.45%

**CITY OF DANVILLE, ILLINOIS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULES OF FUNDING PROGRESS
Year Ended April 30, 2012**

FIREFIGHTERS' PENSION FUND

Actuarial Valuation Date	Actuarial Value of Assets <u>(a)</u>	Actuarial Accrued Liability (AAL) Entry Age <u>(b)</u>	Unfunded AAL (UAAL) <u>(b-a)</u>	Funded Ratio <u>(a/b)</u>	Covered Payroll <u>(c)</u>	UAAL as a Percentage of Covered Payroll <u>((b-a)/c)</u>
4/30/11	\$ 12,644,553	\$ 43,442,964	\$30,798,411	29.1%	\$ 3,222,322	955.8%
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	32.51%	3,262,626	784.74%
4/30/07	12,304,373	36,307,408	24,003,035	33.99%	3,126,906	767.63%
4/30/06	11,735,670	34,986,140	23,250,470	33.54%	2,944,438	789.64%
4/30/05	11,402,047	33,499,039	22,096,992	34.04%	2,842,981	777.25%

**CITY OF DANVILLE, ILLINOIS
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULES OF FUNDING PROGRESS
 Year Ended April 30, 2012**

OTHER POST-EMPLOYMENT BENEFITS

Trend information for the year ended April 30, 2012 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)
4/30/12*	\$ -	\$ 6,332,400	\$ 6,332,400	0.00%	\$ 14,522,620	43.60%
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%

*A full actuarial valuation is not required annually. These amounts have been estimated based on the April 30, 2010 valuation, differences are not considered significant.

Information for prior years is not available as the City implemented Governmental Accounting Standards Board Statement No. 45 for fiscal year 2009.

**CITY OF DANVILLE, ILLINOIS
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULES OF EMPLOYER CONTRIBUTIONS
 Year Ended April 30, 2012**

POLICE PENSION FUND

Year Year <u>April 30</u>	Annual Pension Cost/OPEB Cost (APC)	Percentage Contributed
2011	\$ 1,643,458	107.80%
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%

FIREFIGHTERS' PENSION FUND

2011	\$ 2,109,936	104.20%
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%

ILLINOIS MUNICIPAL RETIREMENT FUND

Actuarial Valuation Date	Annual Pension/ OPEB Cost (APC)	Percentage of APC Contributed
12/31/11	\$ 883,502	85%
12/31/10	838,098	82%
12/31/09	624,695	100%

**CITY OF DANVILLE, ILLINOIS
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULES OF EMPLOYER CONTRIBUTIONS
 Year Ended April 30, 2012**

OTHER POST-EMPLOYMENT BENEFITS

Actuarial Valuation Date	Annual Pension/ OPEB Cost (APC)	Percentage of APC Contributed
4/30/12	\$ 349,637	68.0%
4/30/11	200,340	60.5%
4/30/10	198,937	54.5%
4/30/09	202,743	59.7%

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 SUPPLEMENTARY INFORMATION
SCHEDULES OF EMPLOYER CONTRIBUTIONS
Year Ended April 30, 2012**

	Illinois Municipal Retirement Fund	Police Pension	Firefighter Pension	Other Post- Employment Benefits
Annual pension/OPEB cost	\$ 883,502	\$ 1,643,458	\$ 2,109,936	\$ 349,637
Contributions made	750,533	1,771,948	2,198,256	237,864
Actuarial valuation date	12/31/11	4/30/11	4/30/11	4/30/11
Actuarial cost method	Entry age	Entry age	Entry age	Entry age
Amortization method	Level % of payroll open	Level % of payroll closed	Level % of payroll closed	Level % of payroll open
Remaining amortization period	30 years	30 years	30 years	30 years
Asset valuation method	Market	Market	Market	Market
Actuarial assumptions:				
Investment rate of return*	7.5%	7.75%	7.75%	5.00%
Projected salary increases*	0.4% - 10%	4.50%	4.50%	5.00%
*Includes inflation at	4.00%	3.00%	3.00%	N/A
Healthcare inflation rate	N/A	N/A	N/A	8.00% initial 6.00% ultimate
Cost of living adjustment	3.00% per year	3.00% per year	3.00% per year	N/A

CITY OF DANVILLE, ILLINOIS
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
April 30, 2012

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.

BUDGET COMPLIANCE

The following funds incurred expenditures in excess of their appropriations:

DATS Program	\$ 14,137
Danville Mass Transit	\$ 625,291

OTHER SUPPLEMENTARY INFORMATION

CITY OF DANVILLE, ILLINOIS
COMBINING BALANCE SHEET
GENERAL FUND
April 30, 2012

	<u>General Account</u>	<u>Flex Spending</u>	<u>Land Acquisition</u>	<u>Working Cash</u>	<u>Total General Fund</u>
ASSETS					
Cash	\$ 378,763	\$ 12,450	\$ 978	\$ 71,870	\$ 464,061
Temporary investments	847,500	-	80,500	138,000	1,066,000
Receivables:					
Taxes, net of allowance for estimated uncollectibles	264,756	-	-	-	264,756
Other	142,325	-	-	-	142,325
Prepaid items	787,700	-	-	-	787,700
Due from other funds	87,790	-	-	-	87,790
Due from other governments	<u>5,160,507</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,160,507</u>
TOTAL ASSETS	<u>\$ 7,669,341</u>	<u>\$ 12,450</u>	<u>\$ 81,478</u>	<u>\$ 209,870</u>	<u>\$ 7,973,139</u>
LIABILITIES					
Accounts payable	\$ 49,500	\$ -	\$ -	\$ -	\$ 49,500
Accrued expenses	428,159	-	-	-	428,159
Due to other governments	248	-	-	-	248
Deferred revenue	<u>1,713,561</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,713,561</u>
Total liabilities	<u>2,191,468</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,191,468</u>
FUND BALANCE					
Nonspendable:					
Prepays	787,700	-	-	-	787,700
Assigned:					
General and administrative	184,447	-	-	-	184,447
Unassigned	<u>4,505,726</u>	<u>12,450</u>	<u>81,478</u>	<u>209,870</u>	<u>4,809,524</u>
Total fund balance	<u>5,477,873</u>	<u>12,450</u>	<u>81,478</u>	<u>209,870</u>	<u>5,781,671</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 7,669,341</u>	<u>\$ 12,450</u>	<u>\$ 81,478</u>	<u>\$ 209,870</u>	<u>\$ 7,973,139</u>

CITY OF DANVILLE, ILLINOIS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
GENERAL FUND
Year Ended April 30, 2012

	<u>General Account</u>	<u>Flex Spending</u>	<u>Land Acquisition</u>	<u>Working Cash</u>	<u>Total General Fund</u>
REVENUES					
Taxes	\$ 1,191,518	\$ -	\$ -	\$ -	\$ 1,191,518
Intergovernmental	19,418,511	-	-	-	19,418,511
Licenses and permits	723,100	-	-	-	723,100
Charges for services	277,420	59,169	-	-	336,589
Fines and forfeits	479,391	-	-	-	479,391
Miscellaneous	651,660	-	276	131	652,067
	<u>22,741,600</u>	<u>59,169</u>	<u>276</u>	<u>131</u>	<u>22,801,176</u>
Total revenues					
EXPENDITURES					
Current:					
General government	4,435,783	46,719	-	-	4,482,502
Public safety	11,826,874	-	-	-	11,826,874
Streets	2,491,331	-	-	-	2,491,331
Culture and recreation	1,684,113	-	-	-	1,684,113
Capital outlay	10,765	-	-	-	10,765
	<u>20,448,866</u>	<u>46,719</u>	<u>-</u>	<u>-</u>	<u>20,495,585</u>
Total expenditures					
Excess (deficiency) of revenues over expenditures	<u>2,292,734</u>	<u>12,450</u>	<u>276</u>	<u>131</u>	<u>2,305,591</u>
OTHER FINANCING SOURCES (USES)					
Operating transfers in	1,062,642	-	-	-	1,062,642
Operating transfers out	(2,070,061)	-	-	-	(2,070,061)
	<u>(1,007,419)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,007,419)</u>
Total other financing sources (uses)					
Excess (deficiency) of revenues over expenditures and other financing sources (uses)	1,285,315	12,450	276	131	1,298,172
FUND BALANCE, BEGINNING OF YEAR	<u>4,192,558</u>	<u>-</u>	<u>81,202</u>	<u>209,739</u>	<u>4,483,499</u>
FUND BALANCE, END OF YEAR	<u>\$ 5,477,873</u>	<u>\$ 12,450</u>	<u>\$ 81,478</u>	<u>\$ 209,870</u>	<u>\$ 5,781,671</u>

CITY OF DANVILLE, ILLINOIS
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 April 30, 2012

	Illinois Municipal Retirement	Social Security	State Narcotic Forfeiture	Federal Narcotic Forfeiture	Community Development Block Grant	Towne Centre	Storm Water Drainage	Small Business Loan
Cash	\$ 495	\$ 1,744	\$ 731	\$ 790	\$ -	\$ 672	\$ 924	\$ 483
Temporary investments	242,000	165,000	54,000	2,000	-	9,000	201,500	200,500
Receivables:								
Taxes, net of allowance for estimated uncollectibles	396,246	406,120	-	-	-	-	-	-
Other - current	-	-	-	-	-	-	558	239,208
Other - noncurrent	-	-	-	-	-	-	-	56,102
Due from other governments	-	-	-	-	-	-	-	-
TOTAL ASSETS	<u>\$ 638,741</u>	<u>\$ 572,864</u>	<u>\$ 54,731</u>	<u>\$ 2,790</u>	<u>\$ -</u>	<u>\$ 9,672</u>	<u>\$ 202,982</u>	<u>\$ 496,293</u>
LIABILITIES								
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Accrued expenses	-	-	-	870	4,253	-	-	-
Due to other funds	-	-	-	-	14,924	-	-	-
Deferred revenue	396,246	406,120	-	-	-	-	-	-
Total liabilities	<u>396,246</u>	<u>406,120</u>	<u>-</u>	<u>870</u>	<u>19,177</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE								
Nonspendable:								
Noncurrent receivables	-	-	-	-	-	-	-	56,102
Restricted:								
Retirement	242,495	166,744	-	-	-	-	-	-
Public health and education	-	-	-	-	-	-	-	-
Public safety	-	-	54,731	1,920	-	-	-	-
Community development	-	-	-	-	-	-	-	440,191
Transportation	-	-	-	-	-	-	-	-
Streets	-	-	-	-	-	-	202,982	-
Debt service	-	-	-	-	-	-	-	-
Committed:								
Community development	-	-	-	-	-	9,672	-	-
Capital projects	-	-	-	-	-	-	-	-
Assigned:								
Capital projects	-	-	-	-	-	-	-	-
Unassigned	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(19,177)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total fund balance (deficit)	<u>242,495</u>	<u>166,744</u>	<u>54,731</u>	<u>1,920</u>	<u>(19,177)</u>	<u>9,672</u>	<u>202,982</u>	<u>496,293</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 638,741</u>	<u>\$ 572,864</u>	<u>\$ 54,731</u>	<u>\$ 2,790</u>	<u>\$ -</u>	<u>\$ 9,672</u>	<u>\$ 202,982</u>	<u>\$ 496,293</u>

CITY OF DANVILLE, ILLINOIS
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 April 30, 2012

	DATS Program	TIF Midtown	TIF Westgate	TIF Campus	Housing Loan	Law Enforcement Grant	Landfill Remediation	Special Sewer Projects	Police ARRA
Cash	\$ 8,556	\$ 839	\$ 911	\$ 814	\$ 2,085	\$ 7	\$ 832	\$ 650	\$ -
Temporary investments	-	334,500	183,000	1,500	110,500	-	933,000	163,000	-
Receivables:									
Taxes, net of allowance for estimated uncollectibles	-	-	-	-	-	-	-	-	-
Other - current	-	-	-	-	12,351	-	-	-	12,248
Other - noncurrent	-	-	-	-	12,217	-	-	-	-
Due from other governments	26,101	-	-	-	-	-	-	-	-
TOTAL ASSETS	<u>\$ 34,657</u>	<u>\$ 335,339</u>	<u>\$ 183,911</u>	<u>\$ 2,314</u>	<u>\$ 137,153</u>	<u>\$ 7</u>	<u>\$ 933,832</u>	<u>\$ 163,650</u>	<u>\$ 12,248</u>
LIABILITIES									
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Accrued expenses	2,706	-	-	-	-	-	-	-	6,892
Due to other funds	-	-	-	-	-	-	-	-	-
Deferred revenue	-	-	-	-	-	-	-	-	-
Total liabilities	<u>2,706</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,892</u>
FUND BALANCE									
Nonspendable:									
Noncurrent receivables	-	-	-	-	12,217	-	-	-	-
Restricted:									
Retirement	-	-	-	-	-	-	-	-	-
Public health and education	-	-	-	-	-	-	933,832	-	-
Public safety	-	-	-	-	-	7	-	-	5,356
Community development	-	335,339	183,911	2,314	124,936	-	-	-	-
Transportation	31,951	-	-	-	-	-	-	-	-
Streets	-	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-	-
Committed:									
Community development	-	-	-	-	-	-	-	-	-
Capital projects	-	-	-	-	-	-	-	163,650	-
Assigned:									
Capital projects	-	-	-	-	-	-	-	-	-
Unassigned									
Total fund balance (deficit)	<u>31,951</u>	<u>335,339</u>	<u>183,911</u>	<u>2,314</u>	<u>137,153</u>	<u>7</u>	<u>933,832</u>	<u>163,650</u>	<u>5,356</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 34,657</u>	<u>\$ 335,339</u>	<u>\$ 183,911</u>	<u>\$ 2,314</u>	<u>\$ 137,153</u>	<u>\$ 7</u>	<u>\$ 933,832</u>	<u>\$ 163,650</u>	<u>\$ 12,248</u>

CITY OF DANVILLE, ILLINOIS
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 April 30, 2012

	Capital Projects Funds				Debt Service Funds		Total	
	Brownfield Grant	Firefighter Pension	Police Pension	Capital Improvements	Infrastructure Development	2007 Debt Service		2009 Debt Service
Cash	\$ -	\$ -	\$ -	\$ 483	\$ 529,929	\$ 296,085	\$ 4,605	\$ 851,635
Temporary investments	-	-	-	540,000	533,000	206,500	95,000	3,974,000
Receivables:								
Taxes, net of allowance for estimated uncollectibles	-	-	-	-	-	38,997	133,372	974,735
Other - current	-	-	-	-	74,749	-	-	339,114
Other - noncurrent	-	-	-	-	-	-	-	68,319
Due from other governments	-	-	-	271,725	-	-	-	297,826
TOTAL ASSETS	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 812,208</u>	<u>\$ 1,137,678</u>	<u>\$ 541,582</u>	<u>\$ 232,977</u>	<u>\$ 6,505,629</u>
LIABILITIES								
Accounts payable	\$ -	\$ -	\$ -	\$ 65,536	\$ -	\$ -	\$ -	\$ 65,536
Accrued expenses	-	-	-	-	-	-	-	14,721
Due to other funds	-	-	-	85	-	-	-	15,009
Deferred revenue	-	-	-	184,000	-	38,997	133,372	1,158,735
Total liabilities	-	-	-	249,621	-	38,997	133,372	1,254,001
FUND BALANCE								
Nonspendable:								
Noncurrent receivables	-	-	-	-	-	-	-	68,319
Restricted:								
Retirement	-	-	-	-	-	-	-	409,239
Public health and education	-	-	-	-	-	-	-	933,832
Public safety	-	-	-	-	-	-	-	62,014
Community development	-	-	-	-	-	-	-	1,086,691
Transportation	-	-	-	-	-	-	-	31,951
Streets	-	-	-	-	-	-	-	202,982
Debt service	-	-	-	-	-	502,585	99,605	602,190
Committed:								
Community development	-	-	-	-	-	-	-	9,672
Capital projects	-	-	-	-	1,137,678	-	-	1,301,328
Assigned:								
Capital projects	-	-	-	562,587	-	-	-	562,587
Unassigned	-	-	-	-	-	-	-	(19,177)
Total fund balance (deficit)	-	-	-	562,587	1,137,678	502,585	99,605	5,251,628
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 812,208</u>	<u>\$ 1,137,678</u>	<u>\$ 541,582</u>	<u>\$ 232,977</u>	<u>\$ 6,505,629</u>

CITY OF DANVILLE, ILLINOIS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
Year Ended April 30, 2012

	<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>Towne Centre</u>
REVENUES						
Taxes	\$ 371,178	\$ 402,021	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	-	-	706,892	-
Charges for services	-	-	19,826	-	-	1,000
Miscellaneous	<u>622</u>	<u>517</u>	<u>1,467</u>	<u>5</u>	<u>1,050</u>	<u>24</u>
Total revenues	<u>371,800</u>	<u>402,538</u>	<u>21,293</u>	<u>5</u>	<u>707,942</u>	<u>1,024</u>
EXPENDITURES						
Public safety	-	-	8,791	-	-	-
Community development	-	-	-	-	726,380	-
Capital projects	-	-	-	-	-	-
Debt service:						
Principal	-	-	-	-	-	-
Interest	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>-</u>	<u>-</u>	<u>8,791</u>	<u>-</u>	<u>726,380</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>371,800</u>	<u>402,538</u>	<u>12,502</u>	<u>5</u>	<u>(18,438)</u>	<u>1,024</u>
OTHER FINANCING SOURCES (USES)						
Debt proceeds	-	-	-	-	-	-
Operating transfers in	-	-	-	-	14,173	-
Operating transfers out	<u>(382,780)</u>	<u>(379,862)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>(382,780)</u>	<u>(379,862)</u>	<u>-</u>	<u>-</u>	<u>14,173</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures and other financing sources (uses)	(10,980)	22,676	12,502	5	(4,265)	1,024
FUND BALANCE (DEFICIT), BEGINNING OF YEAR	<u>253,475</u>	<u>144,068</u>	<u>42,229</u>	<u>1,915</u>	<u>(14,912)</u>	<u>8,648</u>
FUND BALANCE (DEFICIT), END OF YEAR	<u>\$ 242,495</u>	<u>\$ 166,744</u>	<u>\$ 54,731</u>	<u>\$ 1,920</u>	<u>\$ (19,177)</u>	<u>\$ 9,672</u>

CITY OF DANVILLE, ILLINOIS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCE
 NONMAJOR GOVERNMENTAL FUNDS
 Year Ended April 30, 2012

	<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>Housing Loan</u>
REVENUES							
Taxes	\$ 28,167	\$ -	\$ -	\$ 376,127	\$ 36,767	\$ -	\$ -
Intergovernmental	-	-	238,227	-	-	-	-
Charges for services	-	-	-	-	-	-	-
Miscellaneous	390	3,979	-	1,465	458	4	11,116
	<u>28,557</u>	<u>3,979</u>	<u>238,227</u>	<u>377,592</u>	<u>37,225</u>	<u>4</u>	<u>11,116</u>
Total revenues							
EXPENDITURES							
Public safety	-	-	-	-	-	-	-
Community development	-	214,725	213,223	641,974	49,263	-	-
Capital projects	-	-	-	-	-	-	-
Debt service:							
Principal	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>-</u>	<u>214,725</u>	<u>213,223</u>	<u>641,974</u>	<u>49,263</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>28,557</u>	<u>(210,746)</u>	<u>25,004</u>	<u>(264,382)</u>	<u>(12,038)</u>	<u>4</u>	<u>11,116</u>
OTHER FINANCING SOURCES (USES)							
Debt proceeds	-	-	-	-	-	-	-
Operating transfers in	-	-	-	-	-	-	-
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>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures and other financing sources (uses)	<u>28,557</u>	<u>(210,746)</u>	<u>25,004</u>	<u>(264,382)</u>	<u>(12,038)</u>	<u>4</u>	<u>11,116</u>
FUND BALANCE (DEFICIT), BEGINNING 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>126,037</u>
FUND BALANCE (DEFICIT), END OF YEAR	<u>\$ 202,982</u>	<u>\$ 496,293</u>	<u>\$ 31,951</u>	<u>\$ 335,339</u>	<u>\$ 183,911</u>	<u>\$ 2,314</u>	<u>\$ 137,153</u>

CITY OF DANVILLE, ILLINOIS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
Year Ended April 30, 2012

	<u>Law Enforcement Grant</u>	<u>Landfill Remediation</u>	<u>Special Sewer Projects</u>	<u>Police ARRA</u>	<u>Brownfield Grant</u>	<u>Firefighter Pension</u>	<u>Police Pension</u>
REVENUES							
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,086,989	\$ 1,624,682
Intergovernmental	14,202	-	-	236,099	8,974	-	-
Charges for services	-	-	750	-	-	-	-
Miscellaneous	<u>7</u>	<u>2,035</u>	<u>275</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total revenues	<u>14,209</u>	<u>2,035</u>	<u>1,025</u>	<u>236,099</u>	<u>8,974</u>	<u>2,086,989</u>	<u>1,624,682</u>
EXPENDITURES							
Public safety	14,202	-	-	-	8,974	2,141,989	1,668,682
Community development	-	-	-	248,375	-	-	-
Capital projects	-	-	-	-	-	-	-
Debt service:							
Principal	-	-	-	-	-	-	-
Interest	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>14,202</u>	<u>-</u>	<u>-</u>	<u>248,375</u>	<u>8,974</u>	<u>2,141,989</u>	<u>1,668,682</u>
Excess (deficiency) of revenues over expenditures	<u>7</u>	<u>2,035</u>	<u>1,025</u>	<u>(12,276)</u>	<u>-</u>	<u>(55,000)</u>	<u>(44,000)</u>
OTHER FINANCING SOURCES (USES)							
Debt proceeds	-	-	-	-	-	-	-
Operating transfers in	-	22,653	-	1,184	-	55,000	44,000
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>22,653</u>	<u>-</u>	<u>1,184</u>	<u>-</u>	<u>55,000</u>	<u>44,000</u>
Excess (deficiency) of revenues over expenditures and other financing sources (uses)	7	24,688	1,025	(11,092)	-	-	-
FUND BALANCE (DEFICIT), BEGINNING OF YEAR	<u>-</u>	<u>909,144</u>	<u>162,625</u>	<u>16,448</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE (DEFICIT), END OF YEAR	<u>\$ 7</u>	<u>\$ 933,832</u>	<u>\$ 163,650</u>	<u>\$ 5,356</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF DANVILLE, ILLINOIS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCE
 NONMAJOR GOVERNMENTAL FUNDS
 Year Ended April 30, 2012

	<u>Capital Projects Funds</u>		<u>Debt Service Funds</u>		<u>Total</u>
	<u>Capital Improvements</u>	<u>Infrastructure Development</u>	<u>2007 Debt Service</u>	<u>2009 Debt Service</u>	
REVENUES					
Taxes	\$ -	\$ 903,005	\$ 89,130	\$ 190,218	\$ 6,108,284
Intergovernmental	1,258,433	-	-	-	2,462,827
Charges for services	-	-	-	-	21,576
Miscellaneous	3,841	715	622	182	28,774
	<u>1,262,274</u>	<u>903,720</u>	<u>89,752</u>	<u>190,400</u>	<u>8,621,461</u>
EXPENDITURES					
Public safety	-	-	-	-	3,842,638
Community development	625,185	2,946,882	-	-	5,666,007
Capital projects	378,850	-	-	-	378,850
Debt service:					
Principal	49,914	210,711	230,000	-	490,625
Interest	261	26,537	131,830	191,823	350,451
	<u>1,054,210</u>	<u>3,184,130</u>	<u>361,830</u>	<u>191,823</u>	<u>10,728,571</u>
Excess (deficiency) of revenues over expenditures	<u>208,064</u>	<u>(2,280,410)</u>	<u>(272,078)</u>	<u>(1,423)</u>	<u>(2,107,110)</u>
OTHER FINANCING SOURCES (USES)					
Debt proceeds	-	1,200,000	-	-	1,200,000
Operating transfers in	-	1,422,000	269,498	-	1,828,508
Operating transfers out	(201,900)	-	-	-	(964,542)
	<u>(201,900)</u>	<u>2,622,000</u>	<u>269,498</u>	<u>-</u>	<u>2,063,966</u>
Excess (deficiency) of revenues over expenditures and other financing sources (uses)	6,164	341,590	(2,580)	(1,423)	(43,144)
FUND BALANCE (DEFICIT), BEGINNING OF YEAR	<u>556,423</u>	<u>796,088</u>	<u>505,165</u>	<u>101,028</u>	<u>5,294,772</u>
FUND BALANCE (DEFICIT), END OF YEAR	<u>\$ 562,587</u>	<u>\$ 1,137,678</u>	<u>\$ 502,585</u>	<u>\$ 99,605</u>	<u>\$ 5,251,628</u>

CITY OF DANVILLE, ILLINOIS
COMBINING STATEMENT OF NET ASSETS
INTERNAL SERVICE FUNDS
Year Ended April 30, 2012

	<u>Health Insurance</u>	<u>General Liability Insurance</u>	<u>Total</u>
CURRENT ASSETS			
Cash	\$ 170,541	\$ 766	\$ 171,307
Temporary investments	-	36,500	36,500
Accounts receivable	<u>12,084</u>	<u>-</u>	<u>12,084</u>
TOTAL ASSETS	<u>\$ 182,625</u>	<u>\$ 37,266</u>	<u>\$ 219,891</u>
 LIABILITIES			
Accrued expenses	\$ -	\$ -	\$ -
 NET ASSETS			
Unrestricted net assets	<u>182,625</u>	<u>37,266</u>	<u>219,891</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 182,625</u>	<u>\$ 37,266</u>	<u>\$ 219,891</u>

CITY OF DANVILLE, ILLINOIS
COMBINING STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN NET ASSETS (DEFICIT)
INTERNAL SERVICE FUNDS
Year Ended April 30, 2012

	Health Insurance	General Liability Insurance	Total
OPERATING REVENUES			
Charges for services	\$ 4,099,249	\$ 233,155	\$ 4,332,404
OPERATING EXPENSES			
Personnel services	3,725,041	-	3,725,041
Net income from operating activities	374,208	233,155	607,363
NON-OPERATING REVENUES			
Interest income	97	101	198
OPERATING TRANSFERS			
Operating transfers out	(260,000)	-	(260,000)
CHANGE IN NET ASSETS	114,305	233,256	347,561
TOTAL NET ASSETS (DEFICIT), BEGINNING OF YEAR	68,320	(195,990)	(127,670)
TOTAL NET ASSETS (DEFICIT), END OF YEAR	\$ 182,625	\$ 37,266	\$ 219,891

CITY OF DANVILLE, ILLINOIS
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
Year Ended April 30, 2012

	Health Insurance	General Liability Insurance	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers including cash deposits	\$ 4,099,189	\$ -	\$ 4,099,189
Cash paid to suppliers and for claims	(3,775,041)	-	(3,775,041)
Net cash provided by (used in) operating activities	324,148	-	324,148
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Cash transfers to other funds	(260,000)	-	(260,000)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of investments	-	(36,500)	(36,500)
Interest received	97	101	198
Proceeds from sale of investments	-	36,500	36,500
Net cash provided by investing activities	97	101	198
NET INCREASE IN CASH	64,245	101	64,346
CASH, BEGINNING OF YEAR	106,296	665	106,961
CASH, END OF YEAR	\$ 170,541	\$ 766	\$ 171,307
CASH FLOWS FROM OPERATING ACTIVITIES			
Operating income	\$ 374,208	\$ 233,155	\$ 607,363
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:			
Effects of changes in operating assets and liabilities:			
Receivables	(60)	-	(60)
Other current liabilities	(50,000)	(233,155)	(283,155)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	\$ 324,148	\$ -	\$ 324,148

CITY OF DANVILLE, ILLINOIS
COMBINING STATEMENT OF FIDUCIARY NET ASSETS
AGENCY FUNDS
April 30, 2012

ASSETS

	<u>Dependent Life Insurance</u>	<u>Civic Center</u>	<u>Evidence Holding</u>	<u>Total</u>
Cash	\$ 7,306	\$ 13,082	\$ 527	\$ 20,915
Certificates of deposit	-	166,500	108,000	274,500
Accounts receivable	<u>-</u>	<u>74,025</u>	<u>-</u>	<u>74,025</u>
TOTAL ASSETS	<u>\$ 7,306</u>	<u>\$ 253,607</u>	<u>\$ 108,527</u>	<u>\$ 369,440</u>

LIABILITIES

Accounts payable	\$ -	\$ 5,185	\$ 88,310	\$ 93,495
Due to others	<u>7,306</u>	<u>248,422</u>	<u>20,217</u>	<u>275,945</u>
TOTAL LIABILITIES	<u>\$ 7,306</u>	<u>\$ 253,607</u>	<u>\$ 108,527</u>	<u>\$ 369,440</u>

**CITY OF DANVILLE, ILLINOIS
 STATEMENT OF RECEIPTS AND DISBURSEMENTS
 BUDGET COMPARED TO ACTUAL
 GRANT # 02-121346
 Year Ended April 30, 2012**

	<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 Receipts and Disbursements, Budget Compared to Actual - City of Danville, Illinois complied 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, 2012

	<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 FUNDS RETURNED	<u>-</u>	<u>304,368</u>	<u>(304,368)</u>
EXCESS OF RECEIPTS OVER DISBURSEMENTS	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Note to Statement of Receipts and Disbursements, 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, 2012

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
RECEIPTS			
Grant funds	\$ 1,175,000	\$ 1,175,000	\$ -
Interest income	<u>-</u>	<u>1,297</u>	<u>1,297</u>
Total receipts	<u>1,175,000</u>	<u>1,176,297</u>	<u>1,297</u>
DISBURSEMENTS			
Design/Engineering	75,000	69,296	5,704
Building/land purchase	62,000	55,799	6,201
Paving/concrete/masonry	456,830	434,975	21,855
Construction management and oversight	8,122	7,349	773
Excavation/site prep/demolition	572,048	598,026	(25,978)
Contingency	<u>1,000</u>	<u>9,555</u>	<u>(8,555)</u>
Total disbursements	<u>1,175,000</u>	<u>1,175,000</u>	<u>-</u>
EXCESS OF RECEIPTS OVER DISBURSEMENTS	<u>\$ -</u>	<u>\$ 1,297</u>	<u>\$ 1,297</u>

Note to Statement of Receipts and Disbursements, 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

STATISTICAL DATA

**CITY OF DANVILLE, ILLINOIS
GENERAL PROPERTY TAX INFORMATION
April 30, 2012**

VALUATION AND TAX RATES

A three-year comparison of assessed valuation and tax rates for 2011, 2010, and 2009 follows:

	<u>2011</u>	<u>2010</u>	<u>2009</u>
ASSESSED VALUATIONS	\$ <u>321,742,434</u>	\$ <u>342,128,757</u>	\$ <u>357,903,707</u>
TAX RATES			
Social Security	0.1275	0.1187	0.1090
Illinois Municipal Retirement Fund	0.1244	0.1096	0.0866
Police Pension	0.4505	0.4797	0.4420
Firemen's Pension	0.5949	0.6162	0.5680
Library	0.4624	0.4275	0.4022
General Obligations Debt	<u>0.2198</u>	<u>0.2232</u>	<u>0.3778</u>
TOTAL	<u><u>1.9795</u></u>	<u><u>1.9749</u></u>	<u><u>1.9856</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 (City) as of and for the year ended April 30, 2012, which collectively comprise the City of Danville, Illinois' basic financial statements and have issued our report thereon dated October 5, 2012. 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

Management of the City of Danville, Illinois is responsible for establishing and maintaining effective 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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's 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 and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider to be a material weakness.

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 12-01).

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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the City of Danville, Illinois in a separate letter dated October 5, 2012.

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

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.

A handwritten signature in black ink that reads "Clifton Larson Allen LLP". The signature is written in a cursive, flowing style.

Danville, Illinois
October 5, 2012

**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, 2012. 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, 2012.

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.

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.



Danville, Illinois
October 5, 2012

CITY OF DANVILLE, ILLINOIS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended April 30, 2012

<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	2008 DJBX0075	\$ 7,025	\$ -
Edward Byrne Memorial Grant	16.738	2010 DJBX-1413	<u>6,930</u>	<u>-</u>
Subtotal			<u>13,955</u>	<u>-</u>
ARRA - COPS Hire Grant	16.710	2009 RKWX-0335	<u>236,099</u>	<u>-</u>
Total Department of Justice			<u>250,054</u>	<u>-</u>
Department of Housing and Urban Development				
Community Development Block Grants-Entitlement	14.218	B-08-MC-17-0038	46,141	-
Community Development Block Grants-Entitlement	14.218	B-09-MC-17-0038	73,123	-
Community Development Block Grants-Entitlement	14.218	B-10-MC-17-0038	241,213	-
Community Development Block Grants-Entitlement	14.218	B-11-MC-17-0038	<u>278,238</u>	<u>-</u>
Total Department of Housing and Urban Development			<u>638,715</u>	<u>-</u>
Department of Transportation				
ARRA - Federal Transit Capital Investment Grant	20.500	IL-04-0049-00	<u>35,578</u>	<u>-</u>
ARRA - Federal Transit Formula Grant	20.507	IL-96-X010-00	8,127	-
Federal Transit Formula Grant	20.507	IL-90-X618-00	125	-
Federal Transit Formula Grant	20.507	IL-90-X635-00	26,479	-
Federal Transit Formula Grant	20.507	IL-90-X652-00	12,653	-
Federal Transit Formula Grant	20.507	IL-90-X612-00	110,085	-
Federal Transit Formula Grant	20.507	IL-90-X670-00	30,000	-
Federal Transit Formula Grant	20.507	IL-90-X629-00	41,853	-
Federal Transit Formula Grant	20.507	IL-90-X682-00	318,436	-
Federal Transit Formula Grant	20.507	IL-90-X658-00	33,263	-
Federal Transit Formula Grant	20.507	IL-90-X660-00	<u>8,435</u>	<u>-</u>
Subtotal			<u>589,456</u>	<u>-</u>
Subtotal of Federal Transit Cluster			<u>625,034</u>	<u>-</u>
Passed through Illinois Department of Transportation (IDOT)				
Highway Planning and Construction	20.205	None	<u>238,227</u>	<u>-</u>
IMaGE	20.600	None	5,242	-
SPEED	20.600	None	<u>18,593</u>	<u>-</u>
Subtotal			<u>23,835</u>	<u>-</u>
Total passed through IDOT			<u>262,062</u>	<u>-</u>
Total Department of Transportation			<u>887,096</u>	<u>-</u>
Department of Homeland Security				
Firefighter Radio Grant	97.044	EMW 2009 FO-00365	468	-
Assistance to Firefighters Grant	97.044	EMW 2010 FO-06244	<u>172,344</u>	<u>-</u>
Total Department of Home and Security			<u>172,812</u>	<u>-</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 1,948,677</u>	<u>\$ -</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, 2012

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, 2012**

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
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, 2012**

Section II – Financial Statement Findings

FINDING NO. 12-01 – 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 CliftonLarsonAllen LLP to assist in preparing its financial statements and accompanying disclosures, including any necessary adjustments to accrual basis. However, as independent auditors, CliftonLarsonAllen LLP 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.

Section III – Federal Award Findings and Questioned Costs

None to report.

CITY OF DANVILLE, ILLINOIS
SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
Year Ended April 30, 2012

FINDING NO. 11-01 – FINANCIAL STATEMENT PREPARATION, INCLUDING CASH TO ACCRUAL BASIS ADJUSTMENTS

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

Condition still exists.

FINDING NO. 11-02 – BANK COLLATERAL COVERAGE

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

Condition has been corrected.

FINDING NO. 11-03 – CONTROL OVER SUSPENSION AND DEBARMENT WAS NOT PROPERLY MAINTAINED – CFDA #14.218/20.500/20.507

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.

No issues found in our testing as of April 30, 2012.

FINDING NO. 11-04 – FORMAL REVIEW OF REIMBURSEMENT REQUESTS–CFDA #16.710

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.

No issues found in our testing as of April 30, 2012.