

CITY OF DANVILLE
Danville, Illinois

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**
April 30, 2013



CliftonLarsonAllen

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Independent Auditors' Report

The Mayor and City Council
City of Danville, Illinois

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, 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, 2013, and the related notes to the financial statements, which collectively comprise the entity's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions 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 *Governmental Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Danville, Illinois as of April 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Danville, Illinois's basic financial statements. The combining financial statements and the grant statements of receipts and disbursements, as listed in the tables of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards, as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is also presented for purposes of additional analysis 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 basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The statistical tables listed in the table of contents have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 11, 2013 on our consideration of the City of Danville's 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 result of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Danville's internal control over financial reporting and compliance.

CliftonLarsonAllen LLP

Danville, Illinois
September 11, 2013

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, 2013. 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. This year the Statement of Net Asset page is now titled Statement of the Net Position in keeping up with Governmental Accounting Standards to offer more transparency in the financial position of the City.

In this report you will see the City's net position and changes within them. You can think of the City's net position as the difference between total assets and total 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 position 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, 2013, the City's total net position was \$64,023,244, an increase of \$14,973,835 or 30.53% over the City's total net position for 2012 of \$49,049,490. The government total net position showed an increase of \$14,845,480 or 37.36% while the business-type total net position showed an increase of \$128,355 or 1.38%.
- The governmental activities total net position increase of \$14,845,480 was due primarily to the investments made in capital assets, net of related debt.
- As you review the Statement of Net Position, you will see Construction in progress of \$9.0 million due to construction of the Fairchild Subway project. The City was able to obtain grants for the project and no debt was issued. Total current assets reported at year end for governmental activities are \$23,078,357; representing a 28.89% increase over last fiscal year's total of \$17,905,745.
- The business-type activities total current assets reported at year end are \$2,450,773, whereas last fiscal year the total was \$3,190,100.
- The City has \$11,286,557 in noncurrent liabilities at year end, 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. This represents a decrease of \$1,347,639 or 10.67% from last year's total noncurrent liabilities, primarily due to non-issuance of any new debt.
- Last year the General Fund (the primary operating fund) expenditures before other financing sources exceeded revenues by \$2,305,591 or 10.11%, while this year, revenues exceeded

expenditures by \$876,649 or 3.953%. The 2012 Fund balance for the General fund was \$5,781,671, compared to this year's total of \$6,173,494, representing an increase of \$391,823 or 6.78% (actual data found for 2013 on page 6 and 7 of the financials).

- Once again, none of the Property Taxes collected finance General Fund services. This year, due to a 7% decline in the Equalized Assessed Valuation, the General Fund share of FICA and Medicare was eliminated from the 2012 Tax Levy. The funds collected through property taxes fund the Police and Fire pension, a portion of the General Obligation 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 position, 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 financials 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 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, internal service funds, agency funds and proprietary funds.

Financial Analysis

Primary Government

Statement of Net Position

The following chart reflects the condensed statement of net position (in millions):
(Actual 2013 numbers found on page 1)

	Governmental		Business-type		Total		Net change
	Activities	Activities	Activities	Activities	2013	2012	
	2013	2012	2013	2012	2013	2012	
Current and other assets	\$ 23.1	\$ 17.9	\$ 2.4	\$ 3.2	\$ 25.5	\$ 21.1	\$ 4.4
Noncurrent /Capital assets	48.4	38.5	7.5	6.9	55.9	45.4	10.5
Total assets	71.5	56.4	9.9	10.1	81.4	66.5	14.9
Current liabilities	\$ 5.7	\$ 4.2	\$ 0.4	\$ 0.6	\$ 6.1	\$ 4.8	\$ 1.3
Noncurrent liabilities	11.2	12.5	0.1	0.2	11.3	12.7	(1.4)
Tota liabilities	\$ 16.9	\$ 16.7	\$ 0.5	\$ 0.8	\$ 17.4	\$ 17.5	\$ (0.1)
Net assets:							
Net investment in capital assets	\$ 40.6	\$ 26.7	\$ 7.3	\$ 6.9	\$ 47.9	\$ 33.6	\$ 14.3
Restricted	11.2	8.0	-	-	11.2	8.0	3.2
Unrestricted	2.8	5.0	2.1	2.4	4.9	7.4	(2.5)
Total net position	\$ 54.6	\$ 39.7	\$ 9.4	\$ 9.3	\$ 64.0	\$ 49.0	\$ 15.0

Total assets of the City increased from \$66.5 million as of April 30, 2012 to \$81.4 million as of April 30, 2013. This represents a \$14.9 million increase over last year or 22.4%. As you can see from the chart above, the increase is primarily a result of the increase in Current assets and noncurrent assets. The Temporary Investments increase and the construction in progress increase are due to the Fairchild Subway project underway.

Total liabilities of the City as of April 30, 2013, are down \$.1 million from last year's \$17.5 million. Of this amount, approximately \$9.0 million represents debt from bond issuances that will be paid over the next 20 years. The City's net position totaled \$64.0 million, of which \$47.9 million represent the amount that is net investment in capital assets.

The largest portion of the City's net position, \$47.9 million, reflects its net 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 \$7.4 million to \$4.9 million. The positive number in the unreserved 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 found on page 2 (in millions):

	Governmental Activities		Business-type Activities		Total		Net change
	2013	2012	2013	2012	2013	2012	
Revenues:							
Program Revenues							
Charges for services	\$ 2.0	\$ 1.9	\$ 5.7	\$ 5.8	\$ 7.7	\$ 7.7	\$ 0.0
Operating grants and contributions	2.0	3.1			2.0	3.1	(1.1)
Capital grants and contributions	10.7	4.5			10.7	4.5	6.2
General revenues:							-
Property Taxes	5.5	5.9			5.5	5.9	(0.4)
Other Taxes	21.4	20.9			21.4	20.9	0.5
Grants and contributions not restricted to specific programs							-
Other	7.9	3.6		(0.1)	3.5	3.5	-
Total revenues	\$ 49.5	\$ 39.9	\$ 5.7	\$ 5.7	\$ 50.8	\$ 45.6	\$ 5.2
Expenses:							
General government	\$ 5.4	\$ 4.6			\$ 5.4	\$ 4.6	\$ 0.8
Public Safety	15.6	15.9			15.6	15.9	(\$0.3)
Community development	4.0	7.8			4.0	7.8	(\$3.8)
Public Health and education	0.0	0.0			0.0	0.0	\$0.0
Transportation	2.8	2.1			2.8	2.1	\$0.7
Streets	4.5	4.1			4.5	4.1	\$0.4
Culture and recreation	1.9	1.9			1.9	1.9	\$0.0
Interest on long-term debt	0.5	0.6			0.5	0.6	(\$0.1)
Sanitary Sewer Department			2.6	3.0	2.6	3.0	(\$0.4)
Harrison Park			0.5	0.5	0.5	0.5	\$0.0
Solid Waste Management			2.5	2.5	2.5	2.5	\$0.0
Total expenses	\$ 34.7	\$ 37.0	\$ 5.6	\$ 6.0	\$ 40.3	\$ 43.0	\$ (2.7)
Change in net position	\$ 14.8	\$ 2.9	\$ 0.1	\$ (0.3)	\$ 10.5	\$ 2.6	\$ 7.9

The largest increase this year in Governmental Activities was 137.8% in the Capital Grants and Contributions, which is attributed to grants and contributions received for the Fairchild Subway project. Other Taxes are up \$500,000 or 2.4%, over last year, due primarily to more timely State of Illinois shared revenue payments. Total Revenue for Governmental Activities for 2013 is \$49.5 million up \$11.6 million or 12.9% over last year's total of \$39.9 million.

Revenue for total Business-type activities for 2013 showed a small change from last year, while total expenses for Business-type activities decreased \$400,000.

The total Governmental Activities Program expenses show a decrease from \$37 million for 2012 to \$34.7 million this year. Community Development shows a decrease of \$3.8 million from 2012 expenditures of \$7.8 million to 2013 expenditures of \$4.0 million. Last year there was a large push by the Mayor, City Council and Administration to attract retail development through Community Development. This year the primary focus was placed on assisting the new retail developments, and assisting several other retail developments to help boost the city's economy. Public Safety also showed a slight decrease in expenses over last year. General government and Transportation each showed a slight increase in expenses. 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 decreased by \$2.3 million or 6.2% as shown in the chart above.

Governmental program expenses consist of \$ 15.6 million for Public Safety, \$5.4 million for General Government Activities, \$4.5 million for Streets, \$ 1.9 million for Culture and Recreation, \$2.8 million for Transportation, \$4 million for Community Development, and \$ 0.5 million for Interest on long-term debt. Business-type program expenses consist of \$2.6 million for Sanitary Sewer, \$ 0.5 million for Harrison Park and \$2.5 million for Solid Waste funds in the chart above.

In 2013, the Sanitary Sewer fund had operating revenues in excess of operating expenditures of \$400,346 with operating revenues totaling \$3 million and operating expense totaling \$2.6 million. Total Sanitary Sewer operating revenues were \$3 million compared to operating expenditures at \$2.6. Total operating revenues for the Sanitary Sewer fund for 2012 was \$2.9 million compared to \$3 million in 2013. Total operating expenses of \$3 million for 2012 are down approximately \$400,000 from the total in 2013 of \$2.6 million. Total Net Position for Sanitary Sewer for 2013 is \$7.8 million, up \$235,561 from 2012 total of \$7.6 million or 3.1%, (actual amounts for 2013 are on pages 9 and 10).

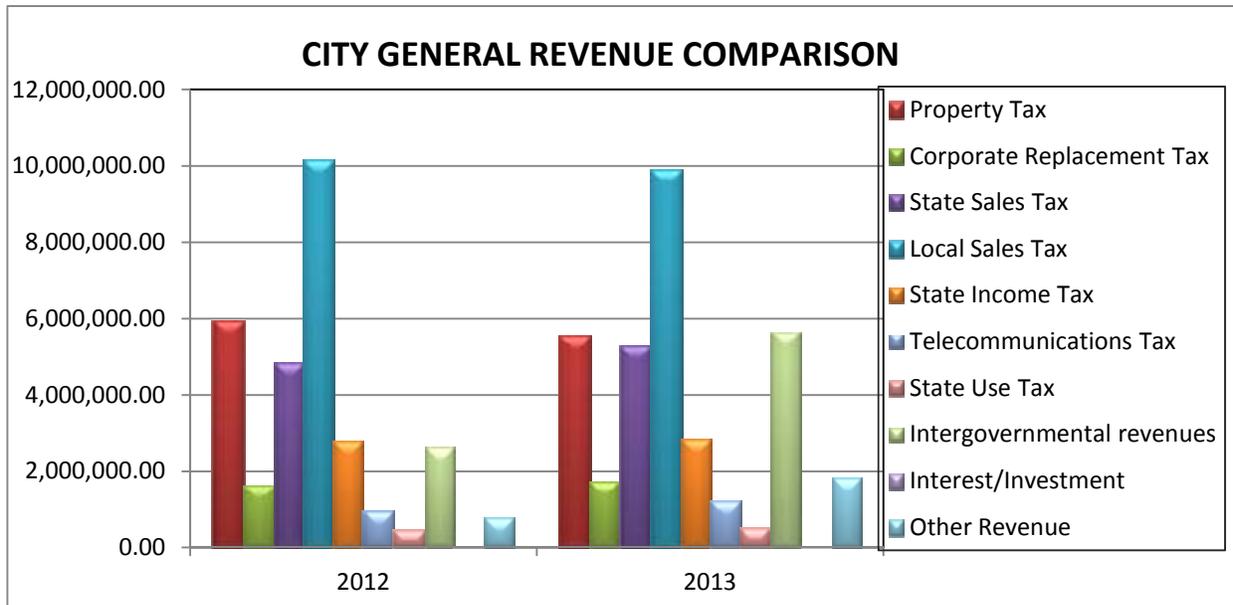
In 2013, the Solid Waste fund had operating expenditures in excess of operating revenue totaling approximately \$8,364 with total Solid Waste operating revenues at \$2.5 and operating expenditures equaled \$2.5. Total operating revenues for the Solid Waste fund for 2012 was \$2,579,821 and in 2013 the total was \$2,466,781, a decrease of approximately \$113,000. Total operating expenditure decreased approximately \$47,437 from \$2,522,582 in 2012 to \$2,475,145 in 2013. Total Net Position for the Solid Waste fund for 2013 is \$1.5 million, down \$63,302 over the 2012 total of \$1.5 million or 4.1%, (actual amounts for 2013 are on pages 9 and 10).

In 2013, Harrison Park fund had operating expenditures in excess of operating revenue by \$32,950. In 2012, operating expenditures were in excess of operating revenue by \$3,738. Total operating revenue for Harrison Park was \$466,715 while operating expenditures were \$499,665. Revenues in 2013 show a slight decrease and expenditures show an increase of approximately \$29,000. Total net positions for Harrison Park fund for 2013 is \$134,257 down compared to 2012 totals of \$178,161 or 24.6%, (actual amounts for 2013 are on pages 9 and 10).

This year a new category was added called Public Health and Education which includes work done at the old landfill.

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, 2012 and April 30, 2013, (actual amounts for 2013 are on page 3).



CITY GENERAL REVENUE DATA				
City Revenues	2012	2013	Increase (Decrease)	Percent Change
Property Tax	5,948,305.00	5,531,635.00	(416,670.00)	-7.00%
Corporate Replacement Tax	1,633,568.00	1,723,476.00	89,908.00	5.50%
State Sales Tax	4,855,098.00	5,295,030.00	439,932.00	9.06%
Local Sales Tax	10,188,330.00	9,921,928.00	(266,402.00)	-2.61%
State Income Tax	2,781,746.00	2,806,340.00	24,594.00	0.88%
Telecommunications Tax	957,593.00	1,198,725.00	241,132.00	25.18%
State Use Tax	479,667.00	521,729.00	42,062.00	8.77%
Intergovernmental revenues	2,618,621.00	5,672,537.00	3,053,916.00	116.62%
Interest/Investment	35,909.00	28,347.00	(7,562.00)	-21.06%
Other Revenue	808,770.00	1,841,266.00	1,032,496.00	127.66%
Total General Revenue	30,307,607.00	34,541,013.00	4,233,406.00	13.97%

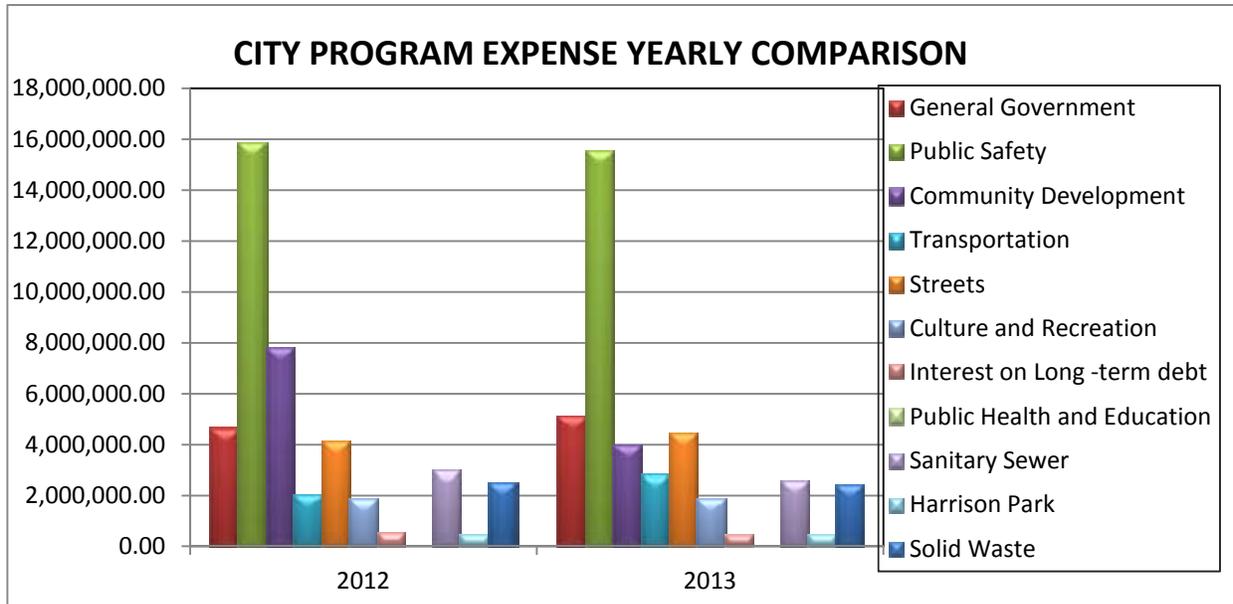
As with all municipalities, the City of Danville is supported by tax revenues from various sources. Total General Revenues, which include revenues from sales tax, income tax, property tax, as well as other income generators, totaled \$ 34,541,013 for the year ending April 30, 2013, without the transfer total. This total represents a 13.97% increase in General revenue over last year, with the largest increase falling under Intergovernmental Revenues. Local Sales Tax shows a decrease of \$266,402, from last year representing a 2.61% decrease. State Sales Tax shows a 9% increase from last year, Corporation Replacement Tax shows a 5.50% increase, Telecommunication Tax shows a 25.18% increase, and State Use tax shows an increase of .88% 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 2012 State and Local Sales Tax totaling \$15,043,428, compared to this year's total of \$15,216,958. This represents a 1% increase over last year.

In reviewing expenditures for 2013 from 2012, you will notice that the expenditures have decreased by \$2.7 million (or 6.4%) from last year. As stated earlier, that decrease is due to the prior year emphasis on new retail development, and the additional expenditures in Community Development to fund this priority.

The State of Illinois made a conservative effort to send the city's monthly payment of local shared revenue taxes in a timely manner. At the end of the fiscal year the State of Illinois was behind three months of Income Tax payments.

In reviewing expenditures for 2013 from 2012, you will notice that the expenditures have decreased by \$2.7 million (or 6.4%) from last year. As stated earlier, that decrease is due to the prior year emphasis on new retail development, and the additional expenditures in Community Development to fund this priority.

The following graph is a comparison of Program Expenses from fiscal year 2012 to fiscal year 2013 (actual dollar amounts found on page 2):



CITY PROGRAM EXPENSE YEARLY COMPARISON DATA			
	<u>2012</u>	<u>2013</u>	<u>Increase (Decrease)</u>
General Government	4,632,114.00	5,413,835.00	781,721.00
Public Safety	15,886,688.00	15,575,493.00	(311,195.00)
Community Development	7,836,954.00	4,011,701.00	(3,825,253.00)
Transportation	2,087,777.00	2,833,398.00	745,621.00
Streets	4,146,060.00	4,496,933.00	350,873.00
Culture and Recreation	1,912,538.00	1,922,856.00	10,318.00
Interest on Long-term debt	552,802.00	451,315.00	(101,487.00)
Public Health and Education	0.00	20,210.00	20,210.00
Sanitary Sewer	2,999,297.00	2,610,486.00	(388,811.00)
Harrison Park	484,614.00	510,716.00	26,102.00
Solid Waste	2,531,262.00	2,475,145.00	(56,117.00)
Total City Program Expenses	43,070,106.00	40,322,088.00	(2,748,018.00)

On a modified accrual basis, this year revenue exceeded expenditures, before other financing sources (uses), in the General fund by \$876,649 compared to last year's \$2.3 million. While the Mayor, City Council and Administration worked together to keep the expenditures down as much as the economy would allow, as you can see from the above chart, several programs had increases.

On a modified accrual basis, the General fund balance at the end of the fiscal year 2013 was \$6.2, up \$391,823 from last year's Fund Balance of \$5,781,671 as stated on page 7 of the financials. 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 expenditure under General Government in the above chart.

This year in the Motor Fuel Tax fund (MFT), revenue exceeded expenditures by \$2.7 million. Total MFT operating revenues for 2013 were \$12.1 while expenditures in MFT were \$9.4. In 2013, operating revenues increased from \$1.9 to \$10.8 due to the funds received for the Fairchild Subway Reconstruction and expenditures increased from \$638,819 to \$9.4 million (pages 6 and 7). The MFT fund balance at year end of 2013 increased from \$2.4 million to \$5.3 million. The large increases in revenues, expenditures and fund balance are due to the Fairchild Subway Reconstruction Project.

General Fund Budgetary Highlights

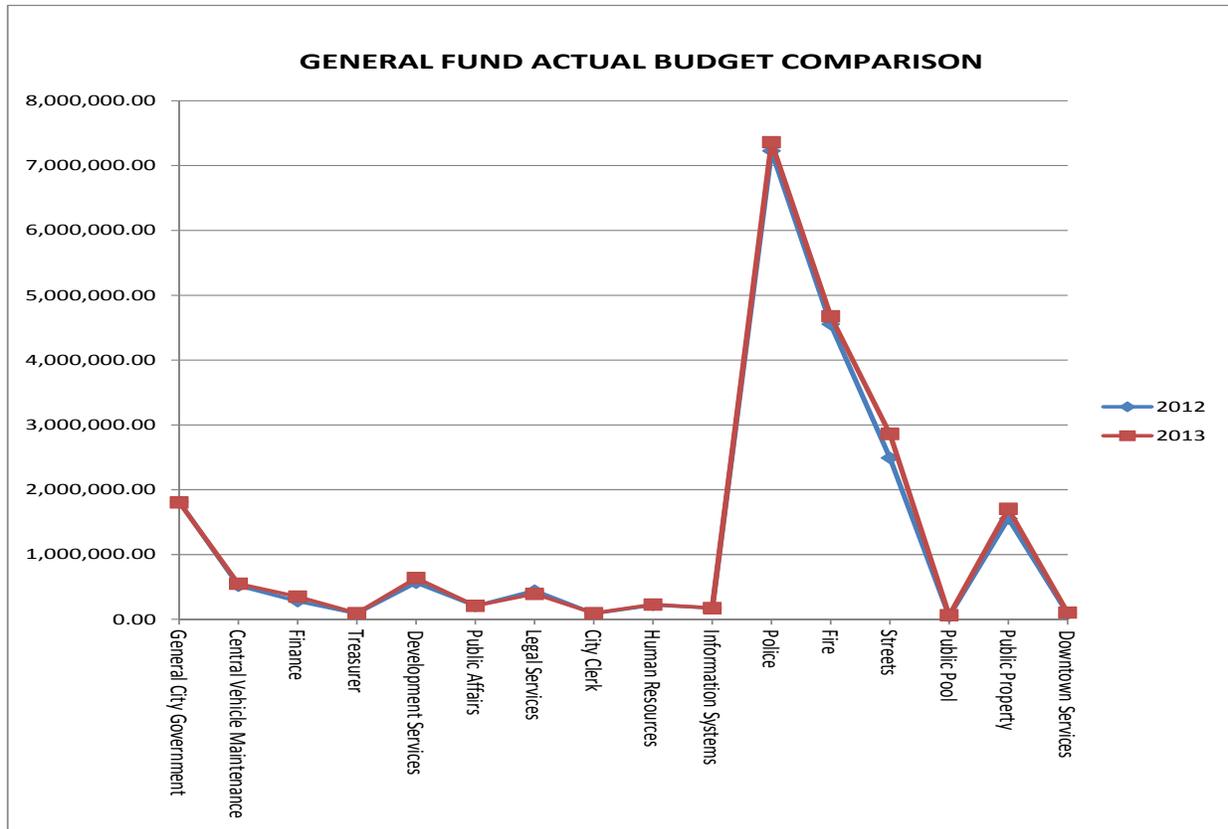
Over the course of the year, the City Council revised the City Budget numerous times. These budget amendments fall into three categories:

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 2012-2013 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, 2012 and April 30, 2013, for each division (actual dollar amounts for 2013 are located on page 52):



General Fund Actual Budget Comparison

	<u>2012</u>	<u>2013</u>	<u>Increase</u> <u>(Decrease)</u>	<u>Percent</u> <u>Change</u>
General City Government	1,815,068.00	1,803,290.00	(11,778.00)	-0.649%
Central Vehicle Maintenance	518,790.00	550,740.00	31,950.00	6.159%
Finance	281,003.00	350,680.00	69,677.00	24.796%
Treasurer	90,252.00	97,198.00	6,946.00	7.696%
Development Services	564,222.00	637,049.00	72,827.00	12.908%
Public Affairs	207,572.00	209,673.00	2,101.00	1.012%
Legal Services	443,676.00	393,748.00	(49,928.00)	-11.253%
City Clerk	90,164.00	96,690.00	6,526.00	7.238%
Human Resources	222,222.00	229,589.00	7,367.00	3.315%
Information Systems	175,636.00	174,675.00	(961.00)	-0.547%
Police	7,226,932.00	7,360,703.00	133,771.00	1.851%
Fire	4,553,595.00	4,675,906.00	122,311.00	2.686%
Streets	2,490,745.00	2,859,540.00	368,795.00	14.807%
Public Pool	47,175.00	63,928.00	16,753.00	35.512%
Public Property	1,554,564.00	1,707,085.00	152,521.00	9.811%
Downtown Services	87,393.00	104,985.00	17,592.00	20.130%
Total	20,369,009.00	21,315,479.00	946,470.00	4.647%

The above charts and data show the difference in the actual budget for General Fund from the 2011-12 Fiscal Year and the 2012-13 Fiscal Year. Although the Mayor, members of the City Council, and Department Heads worked diligently to meet the FY 2012-2013 Budget as approved, it became difficult with an aging fleet of the equipment and automobiles, gasoline prices, electric rates, overtime, materials needed for repairs to public buildings, and personnel expenditures exceeding our projections. The above chart shows a \$1.4 million dollar increase in the General Fund Actual budget for 2013 compared to 2012. The largest increase of 42.72% was in General City Government, due to Sales Tax Incentives offered to various new retail developments and an additional payment to General Liability Insurance. The next largest increase was in the Streets department, due to the age and condition of our streets. The increase in Public Property due to the renovation of Harrison Park Clubhouse. In comparing the Police and Fire from 2012 to 2013, 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.

Over the last several years, the Mayor, City Council, and Administration worked on a plan to bring the General Fund Cash reserve to a minimum level of \$1,200,000 by fiscal year 2012. This year we were able to maintain that level and still offer quality service to our citizens.

Capital Assets

At the end of April 30, 2013, the City had \$114.4 million invested in a broad range of Capital Assets (\$100.5 million-April 30, 2012), including police and fire equipment, buildings, park facilities, roads, bridges, public works equipment and sewer lines. After accumulated depreciation the total is \$55.9 million (\$45.4 million –April 30, 2012). These figures are derived from the Statement of Net Assets on page 1 under Non-current Assets.

This fiscal year we had numerous projects underway: Danville Mass Transit Transfer Zone design and engineering, construction of the Lincoln Park Bike Path, Danville High School Campus phase 1, Liberty Lane Rehabilitation from Vermilion to Bowman, Liberty Park Improvements, Westwood Sewer project, Shorewood pump station improvements, Harrison Park Clubhouse Renovation, and our biggest project, the Fairchild Street Reconstruction, with an anticipated May 2014 completion date. The State of Illinois also continues to work on the East Main Street Expansion Project.

The City made numerous equipment purchases as follows: pump station remote monitoring system, John Deere front end loader, 6 police vehicles, cargo van, Jacobson wide area mower, 2 Ford trucks and other small equipment as needed.

The City purchased land to develop for a new Solid Waste Site, two buildings on west Main Street were purchased, and some small lots around town (a breakdown of Capital asset activity per fund can be found in Note 4, pages 28 – 30).

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:

Construction in process - \$8,984,482.00
Buildings and improvements - \$1,276,000.00
Equipment - \$337,053.00
Infrastructure - \$3,189,600.00

Debt

At year's end of April 30, 2013, the City had \$13 million in bonds, and notes payable including interest, while at the end of April 30, 2012, the City had \$14.9 million in capital leases, bonds, and notes payable with interest included. During the April 30, 2013 no new bonds or notes payable were issued. With a population of 33,027 (2010 Census), total debt per capita for 2013 is \$ 393.62, down \$59.81 or 15.1% from 2012 total debt per capita of \$453.43. With the declining status of the State of Illinois bond rating, 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 pages 31 - 33 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 (see Note 6 – pages 35 – 41). 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 \$59,763 to the Fire Pension Fund and \$45,318 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, 130 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 and a 7% decline in the Equalized Assessed Valuation (EAV), the budget process was more challenging than prior years. Over the years, Medicare and FICA were paid from the Tax levy, but this year, due to the decline in the EAV, the General Fund is forced to fund six months of the payments for Medicare and FICA putting more burden on the General Fund. With revenues coming in higher than expected and the philosophy of the Administration to budget according to the revenues received the prior year minus any one time revenues, we were able to balance the budget. 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. It was determined that a reorganization would provide our citizens a more efficient and cost-effective means of conducting

business with the City. The reorganization, among many advantages, will aid the process of abating code enforcement violations with all of the functions of code enforcement under one department. As part of the reorganization, the Department of Development Services was eliminated, and the inspectors responsible for Environmental Code Enforcement were placed under the Public Works Department. In addition, the Department of Engineering and Urban Services was created within the General Fund, combining engineering, zoning and planning, and construction/building permits.

The City's elected and appointed officials considered many factors when setting the Fiscal Year 2013-2014 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 within the Firefighters, Police officers and Police Command 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. There are no plans for any General Fund revenue increases or the initiation of any new Bond Issues. On a positive cash flow note, we are excited about the opening of Kohl's Department Store and Ross Dress for Less. We have plans for other new businesses like Meijer's, TJ Maxx, McDonalds (Bowman & Main), and Burlington's Coats, to open in the 2013-2014 Fiscal year. We are excited about all of the development in city and are looking forward to the opening of the Fairchild Street Overpass in May, 2014.

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 POSITION
April 30, 2013

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Danville Public Library
CURRENT ASSETS				
Cash	\$ 2,153,126	\$ 36,120	\$ 2,189,246	\$ 866,209
Temporary investments	11,601,500	1,670,500	13,272,000	444,277
Receivables	1,504,910	720,427	2,225,337	327
Taxes receivable	1,190,297	-	1,190,297	1,535,288
Internal balances	10,448	(10,448)	-	-
Prepaid items	1,435,453	34,174	1,469,627	12,002
Due from other governments	5,182,623	-	5,182,623	-
Total current assets	<u>23,078,357</u>	<u>2,450,773</u>	<u>25,529,130</u>	<u>2,858,103</u>
NONCURRENT ASSETS				
Receivables	68,319	-	68,319	-
Capital assets not being depreciated:				
Land	6,134,573	281,010	6,415,583	-
Construction in progress	8,984,482	-	8,984,482	-
Capital assets being depreciated:				
Buildings and improvements	18,309,067	16,926,262	35,235,329	-
Equipment	20,964,533	4,712,884	25,677,417	2,998,153
Infrastructure	38,040,991	-	38,040,991	-
Less accumulated depreciation	44,076,361	14,436,011	58,512,372	2,663,269
Total noncurrent assets	<u>48,425,604</u>	<u>7,484,145</u>	<u>55,909,749</u>	<u>334,884</u>
TOTAL ASSETS	<u>71,503,961</u>	<u>9,934,918</u>	<u>81,438,879</u>	<u>3,192,987</u>
CURRENT LIABILITIES				
Accounts payable	1,860,547	2,308	1,862,855	5,877
Accrued expenses	434,925	160,100	595,025	59,618
Due to other governments	12,905	-	12,905	-
Unearned revenue	1,619,778	39,400	1,659,178	1,535,288
Unearned compensation liability	-	-	-	387,358
Accumulated vacation and sick days	379,709	124,608	504,317	-
Current portion of long-term notes and bonds	1,434,186	60,612	1,494,798	-
Total current liabilities	<u>5,742,050</u>	<u>387,028</u>	<u>6,129,078</u>	<u>1,988,141</u>
NONCURRENT LIABILITIES				
Noncurrent portion of pension obligation	343,164	-	343,164	-
Noncurrent portion of accumulated vacation and sick days	1,518,835	-	1,518,835	-
Noncurrent portion of other post-employment benefits	388,698	-	388,698	-
Noncurrent portion of long-term notes and bonds	8,927,870	107,990	9,035,860	-
Total noncurrent liabilities	<u>11,178,567</u>	<u>107,990</u>	<u>11,286,557</u>	<u>-</u>
Total liabilities	<u>16,920,617</u>	<u>495,018</u>	<u>17,415,635</u>	<u>1,988,141</u>
NET POSITION				
Net investment in capital assets	40,625,635	7,315,543	47,941,178	334,884
Restricted for capital projects	2,453,622	-	2,453,622	-
Restricted for streets and transportation	5,567,690	-	5,567,690	-
Restricted for debt service	673,873	-	673,873	-
Restricted for retirement	369,490	-	369,490	-
Restricted for community development	1,021,582	-	1,021,582	-
Restricted for revolving loan fund	584,641	-	584,641	-
Restricted for tax increment financing projects	497,943	-	497,943	-
Unreserved	2,788,868	2,124,357	4,913,225	869,962
TOTAL NET POSITION	<u>\$ 54,583,344</u>	<u>\$ 9,439,900</u>	<u>\$ 64,023,244</u>	<u>\$ 1,204,846</u>

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

CITY OF DANVILLE, ILLINOIS
STATEMENT OF ACTIVITIES
Year Ended April 30, 2013

	Program Revenues				Net (Expense) Revenue and Changes in Net Position			Component
					Primary Government			Unit
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business- Type Activities	Total	Danville Public Library
PROGRAMS								
Governmental activities:								
General government	\$ 5,413,835	\$ 906,721	\$ 82,211	\$ -	\$ (4,424,903)	\$ -	\$ (4,424,903)	\$ -
Public safety	15,575,493	588,068	140,258	-	(14,847,167)	-	(14,847,167)	-
Community development	4,011,701	-	928,835	-	(3,082,866)	-	(3,082,866)	-
Public health and education	20,210	-	-	-	(20,210)	-	(20,210)	-
Transportation	2,833,398	350,025	875,519	-	(1,607,854)	-	(1,607,854)	-
Streets	4,496,933	-	-	10,735,625	6,238,692	-	6,238,692	-
Culture and recreation	1,922,856	196,809	-	-	(1,726,047)	-	(1,726,047)	-
Interest on long-term debt	451,315	-	-	-	(451,315)	-	(451,315)	-
Total governmental activities	<u>34,725,741</u>	<u>2,041,623</u>	<u>2,026,823</u>	<u>10,735,625</u>	<u>(19,921,670)</u>	<u>-</u>	<u>(19,921,670)</u>	<u>-</u>
Business-type activities:								
Sanitary Sewer Department	2,610,486	2,923,405	-	-	-	312,919	312,919	-
Harrison Park	510,716	373,723	-	-	-	(136,993)	(136,993)	-
Solid Waste Management	2,475,145	2,403,216	-	-	-	(71,929)	(71,929)	-
Total business-type activities	<u>5,596,347</u>	<u>5,700,344</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>103,997</u>	<u>103,997</u>	<u>-</u>
Component Unit:								
Danville Public Library	<u>1,605,152</u>	<u>19,052</u>	<u>-</u>	<u>89,551</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,496,549)</u>
TOTAL	<u>\$ 41,927,240</u>	<u>\$ 7,761,019</u>	<u>\$ 2,026,823</u>	<u>\$ 10,825,176</u>	<u>(19,921,670)</u>	<u>103,997</u>	<u>(19,817,673)</u>	<u>(1,496,549)</u>

General Revenues:

Property taxes	\$ 5,531,635	\$ -	\$ 5,531,635	\$ 1,448,978
Corporate personal property replacement taxes	1,723,476	-	1,723,476	-
State sales taxes	5,295,030	-	5,295,030	-
Local sales tax	9,921,928	-	9,921,928	-
State income tax allocation	2,806,340	-	2,806,340	-
Telecommunication tax	1,198,725	-	1,198,725	-
State use tax	521,729	-	521,729	-
Intergovernmental revenues	5,672,537	-	5,672,537	-
Interest/investment income	28,347	6,511	34,858	2,304
Miscellaneous	1,841,266	243,984	2,085,250	31,409
Transfers	<u>226,137</u>	<u>(226,137)</u>	<u>-</u>	<u>-</u>
 Total general revenues and transfers	 <u>34,767,150</u>	 <u>24,358</u>	 <u>34,791,508</u>	 <u>1,482,691</u>
 Change in net position	 14,845,480	 128,355	 14,973,835	 (13,858)
 NET POSITION - BEGINNING OF YEAR	 <u>39,737,864</u>	 <u>9,311,545</u>	 <u>49,049,409</u>	 <u>1,218,704</u>
 NET POSITION - END OF YEAR	 <u>\$ 54,583,344</u>	 <u>\$ 9,439,900</u>	 <u>\$ 64,023,244</u>	 <u>\$ 1,204,846</u>

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

**CITY OF DANVILLE, ILLINOIS
BALANCE SHEET
GOVERNMENTAL FUNDS
April 30, 2013**

	<u>General Fund</u>	<u>Motor Fuel Tax</u>	<u>Danville Mass Transit</u>	<u>Bond and Interest</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS						
Cash	\$ 338,273	\$ 252,255	\$ 93,346	\$ 74,733	\$ 1,048,641	\$ 1,807,248
Temporary investments	1,280,500	6,210,500	-	-	4,110,500	11,601,500
Receivables:						
Taxes, net of allowance for estimated uncollectibles	262,838	-	-	448,055	479,404	1,190,297
Other - current	186,361	903,922	-	-	402,774	1,493,057
Other - noncurrent	-	-	-	-	68,319	68,319
Prepaid items	1,357,597	-	77,856	-	-	1,435,453
Due from other funds	507,510	-	-	-	-	507,510
Due from other governments	4,538,198	56,798	204,157	-	383,470	5,182,623
TOTAL ASSETS	<u>\$ 8,471,277</u>	<u>\$ 7,423,475</u>	<u>\$ 375,359</u>	<u>\$ 522,788</u>	<u>\$ 6,493,108</u>	<u>\$ 23,286,007</u>
LIABILITIES						
Accounts payable	\$ 201,139	\$ 1,609,041	\$ -	\$ -	\$ 50,367	\$ 1,860,547
Accrued expenses	397,619	-	22,585	-	14,721	434,925
Due to other funds	-	78,000	341,056	-	78,006	497,062
Due to other governments	1,187	-	11,718	-	-	12,905
Deferred revenue	1,697,838	429,481	-	448,055	569,404	3,144,778
Total liabilities	<u>2,297,783</u>	<u>2,116,522</u>	<u>375,359</u>	<u>448,055</u>	<u>712,498</u>	<u>5,950,217</u>
FUND BALANCE						
Nonspendable:						
Prepays	1,357,597	-	77,856	-	-	1,435,453
Noncurrent receivables	-	-	-	-	68,319	68,319
Restricted:						
Retirement	-	-	-	-	369,490	369,490
Public health and education	-	-	-	-	924,079	924,079
Public safety	-	-	-	-	75,021	75,021
Community development	-	-	-	-	1,021,582	1,021,582
Transportation	-	-	-	-	28,923	28,923
Streets	-	5,306,953	-	-	231,814	5,538,767
Debt service	-	-	-	74,733	599,140	673,873
Committed:						
Community development	-	-	-	-	10,692	10,692
Capital projects	-	-	-	-	1,689,749	1,689,749
Assigned:						
General and administrative	152,379	-	-	-	-	152,379
Capital projects	-	-	-	-	763,873	763,873
Unassigned	<u>4,663,518</u>	<u>-</u>	<u>(77,856)</u>	<u>-</u>	<u>(2,072)</u>	<u>4,583,590</u>
Total fund balance	<u>6,173,494</u>	<u>5,306,953</u>	<u>-</u>	<u>74,733</u>	<u>5,780,610</u>	<u>17,335,790</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 8,471,277</u>	<u>\$ 7,423,475</u>	<u>\$ 375,359</u>	<u>\$ 522,788</u>	<u>\$ 6,493,108</u>	<u>\$ 23,286,007</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 POSITION OF GOVERNMENTAL ACTIVITIES
April 30, 2013

FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$ 17,335,790
 Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources, therefore, are not reported in the funds.	48,357,285
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 position.	1,525,000
Internal service fund is used by management to charge the costs of fleet maintenance and insurance to individual funds. The assets and liabilities of the internal service fund is included in governmental activities in the statement of net position.	357,731
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.	<u>(12,992,462)</u>
Net position of governmental activities	<u>\$ 54,583,344</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, 2013

	<u>General Fund</u>	<u>Motor Fuel Tax</u>	<u>Danville Mass Transit</u>	<u>Bond and Interest</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES						
Taxes	\$ 1,116,050	\$ -	\$ -	\$ 330,961	\$ 5,804,236	\$ 7,251,247
Intergovernmental	18,989,922	10,801,902	2,487,546	-	2,729,436	35,008,806
Licenses and permits	807,754	-	-	-	-	807,754
Charges for services	342,310	-	350,025	-	13,077	705,412
Fines and forfeits	528,457	-	-	-	-	528,457
Miscellaneous	410,586	1,344,935	62,088	242	51,762	1,869,613
Total revenues	<u>22,195,079</u>	<u>12,146,837</u>	<u>2,899,659</u>	<u>331,203</u>	<u>8,598,511</u>	<u>46,171,289</u>
EXPENDITURES						
Current:						
General government	4,871,128	-	-	-	-	4,871,128
Public safety	11,812,445	-	-	-	3,518,697	15,331,142
Community development	-	-	-	-	4,012,631	4,012,631
Public health and education	-	-	-	-	20,210	20,210
Transportation	-	-	2,643,261	-	-	2,643,261
Streets	2,537,968	446,142	-	-	-	2,984,110
Culture and recreation	1,701,944	-	-	-	-	1,701,944
Capital outlay	394,945	8,984,482	10,425	-	35,269	9,425,121
Debt service:						
Principal	-	-	-	715,000	673,297	1,388,297
Interest	-	-	-	109,281	342,034	451,315
Total expenditures	<u>21,318,430</u>	<u>9,430,624</u>	<u>2,653,686</u>	<u>824,281</u>	<u>8,602,138</u>	<u>42,829,159</u>
Excess (deficiency) of revenues over expenditures	<u>876,649</u>	<u>2,716,213</u>	<u>245,973</u>	<u>(493,078)</u>	<u>(3,627)</u>	<u>3,342,130</u>

	<u>General Fund</u>	<u>Motor Fuel Tax</u>	<u>Danville Mass Transit</u>	<u>Bond and Interest</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
OTHER FINANCING SOURCES (USES)						
Operating transfers in	\$ 1,149,640	\$ -	\$ -	\$ 461,657	\$ 1,560,269	\$ 3,171,566
Operating transfers out	<u>(1,634,466)</u>	<u>-</u>	<u>(245,973)</u>	<u>-</u>	<u>(1,027,660)</u>	<u>(2,908,099)</u>
Total other financing sources (uses)	<u>(484,826)</u>	<u>-</u>	<u>(245,973)</u>	<u>461,657</u>	<u>532,609</u>	<u>263,467</u>
Excess (deficiency) of revenues over expenditures and other financing sources (uses)	391,823	2,716,213	-	(31,421)	528,982	3,605,597
FUND BALANCE, BEGINNING OF YEAR	<u>5,781,671</u>	<u>2,590,740</u>	<u>-</u>	<u>106,154</u>	<u>5,251,628</u>	<u>13,730,193</u>
FUND BALANCE, END OF YEAR	<u>\$ 6,173,494</u>	<u>\$ 5,306,953</u>	<u>\$ -</u>	<u>\$ 74,733</u>	<u>\$ 5,780,610</u>	<u>\$ 17,335,790</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, 2013**

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS \$ 3,605,597

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

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. (15,805)

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	\$ 12,614,721	
Depreciation expense	<u>(2,728,702)</u>	9,886,019

Note payable proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Principal repayments	1,389,227	
Increase in compensated absences	(49,011)	
Increase in other post-employment benefits	(113,607)	
Decrease in pension obligations	<u>5,220</u>	1,231,829

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 137,840

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES **\$ 14,845,480**

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

CITY OF DANVILLE, ILLINOIS
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
April 30, 2013

	Business-Type Activities Enterprise Funds			Total	Governmental Activities -
	Sanitary Sewer Department	Harrison Park	Solid Waste Management		Internal Service Funds
CURRENT ASSETS					
Cash	\$ 21,023	\$ -	\$ 15,097	\$ 36,120	\$ 345,878
Temporary investments	884,000	-	786,500	1,670,500	-
Receivables, net	380,814	-	339,613	720,427	11,853
Prepaid items	14,539	2,849	16,786	34,174	-
Total current assets	<u>1,300,376</u>	<u>2,849</u>	<u>1,157,996</u>	<u>2,461,221</u>	<u>357,731</u>
NONCURRENT ASSETS					
Land	10,200	196,665	74,145	281,010	-
Buildings and improvements	16,103,807	822,455	-	16,926,262	-
Equipment	1,968,754	499,228	2,244,902	4,712,884	-
Total, at cost	18,082,761	1,518,348	2,319,047	21,920,156	-
Less accumulated depreciation	11,349,438	1,143,221	1,943,352	14,436,011	-
Total noncurrent assets	<u>6,733,323</u>	<u>375,127</u>	<u>375,695</u>	<u>7,484,145</u>	<u>-</u>
TOTAL ASSETS	<u>8,033,699</u>	<u>377,976</u>	<u>1,533,691</u>	<u>9,945,366</u>	<u>357,731</u>
CURRENT LIABILITIES					
Accounts payable	1,921	387	-	2,308	-
Accrued payroll and other expenses	132,273	11,403	16,424	160,100	-
Accumulated vacation and sick days	62,045	13,479	49,084	124,608	-
Notes payable, current portion	-	60,612	-	60,612	-
Due to other funds	-	10,448	-	10,448	-
Deferred revenue	-	39,400	-	39,400	-
Total current liabilities	<u>196,239</u>	<u>135,729</u>	<u>65,508</u>	<u>397,476</u>	<u>-</u>
LONG-TERM LIABILITIES					
Notes payable, less current portion	-	107,990	-	107,990	-
Total liabilities	<u>196,239</u>	<u>243,719</u>	<u>65,508</u>	<u>505,466</u>	<u>-</u>
NET POSITION					
Net investment in capital assets	6,733,323	206,525	375,695	7,315,543	-
Unrestricted	1,104,137	(72,268)	1,092,488	2,124,357	357,731
Total net position	<u>\$ 7,837,460</u>	<u>\$ 134,257</u>	<u>\$ 1,468,183</u>	<u>\$ 9,439,900</u>	<u>\$ 357,731</u>

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

CITY OF DANVILLE, ILLINOIS
STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
Year Ended April 30, 2013

	Business-Type Activities			Total	Governmental
	Enterprise Funds				Activities -
	Sanitary	Harrison	Solid Waste		Internal Service
	Sewer Department	Park	Management		Funds
OPERATING REVENUES					
Charges for services	\$ 2,923,405	\$ 373,723	\$ 2,403,216	\$ 5,700,344	\$ 4,441,877
Miscellaneous	87,427	92,992	63,565	243,984	-
Total operating revenues	<u>3,010,832</u>	<u>466,715</u>	<u>2,466,781</u>	<u>5,944,328</u>	<u>4,441,877</u>
OPERATING EXPENSES					
Personnel services	1,352,729	236,271	1,292,796	2,881,796	4,266,888
Supplies and materials	177,588	128,543	271,066	577,197	-
Other services and charges	185,133	17,684	29,782	232,599	-
Contractual services	357,941	43,600	631,574	1,033,115	-
Capital outlay	59,857	-	-	59,857	-
Depreciation	477,238	73,567	249,927	800,732	-
Total operating expenses	<u>2,610,486</u>	<u>499,665</u>	<u>2,475,145</u>	<u>5,585,296</u>	<u>4,266,888</u>
Operating income (loss)	<u>400,346</u>	<u>(32,950)</u>	<u>(8,364)</u>	<u>359,032</u>	<u>174,989</u>
NON-OPERATING REVENUES (EXPENSES)					
Interest income	4,352	97	2,062	6,511	181
Interest expense	-	(11,051)	-	(11,051)	-
Total non-operating revenues (expenses)	<u>4,352</u>	<u>(10,954)</u>	<u>2,062</u>	<u>(4,540)</u>	<u>181</u>
Income (loss) before transfers	<u>404,698</u>	<u>(43,904)</u>	<u>(6,302)</u>	<u>354,492</u>	<u>175,170</u>
OPERATING TRANSFERS					
Operating transfers out	(169,137)	-	(57,000)	(226,137)	(37,330)
CHANGE IN NET POSITION	<u>235,561</u>	<u>(43,904)</u>	<u>(63,302)</u>	<u>128,355</u>	<u>137,840</u>
TOTAL NET POSITION, BEGINNING 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>
TOTAL NET POSITION, END OF YEAR	<u>\$ 7,837,460</u>	<u>\$ 134,257</u>	<u>\$ 1,468,183</u>	<u>\$ 9,439,900</u>	<u>\$ 357,731</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, 2013

	<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	\$ 3,011,166	\$ 453,716	\$ 2,544,813	\$ 6,009,695	\$ 4,442,108
Cash paid to suppliers and for claims	(918,565)	(189,440)	(899,826)	(2,007,831)	(4,266,888)
Cash paid to employees	<u>(1,408,627)</u>	<u>(236,271)</u>	<u>(1,289,085)</u>	<u>(2,933,983)</u>	<u>-</u>
Net cash provided by operating activities	<u>683,974</u>	<u>28,005</u>	<u>355,902</u>	<u>1,067,881</u>	<u>175,220</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Cash transfers to other funds	<u>(169,137)</u>	<u>-</u>	<u>(57,000)</u>	<u>(226,137)</u>	<u>(37,330)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Principal payments on notes payable	-	(58,079)	-	(58,079)	-
Interest paid on notes payable	-	(11,051)	-	(11,051)	-
Purchase of property and equipment	<u>(1,339,663)</u>	<u>-</u>	<u>(74,145)</u>	<u>(1,413,808)</u>	<u>-</u>
Net cash provided by (used in) capital and related financing activities	<u>(1,339,663)</u>	<u>(69,130)</u>	<u>(74,145)</u>	<u>(1,482,938)</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchases of investments	(884,000)	-	(786,500)	(1,670,500)	-
Interest received	4,352	97	2,062	6,511	181
Proceeds from sale of investments	<u>1,722,500</u>	<u>20,000</u>	<u>574,000</u>	<u>2,316,500</u>	<u>36,500</u>
Net cash provided by (used in) investing activities	<u>842,852</u>	<u>20,097</u>	<u>(210,438)</u>	<u>652,511</u>	<u>36,681</u>
NET INCREASE (DECREASE) IN CASH	<u>18,026</u>	<u>(21,028)</u>	<u>14,319</u>	<u>11,317</u>	<u>174,571</u>
CASH, BEGINNING OF YEAR	<u>2,997</u>	<u>21,028</u>	<u>778</u>	<u>24,803</u>	<u>171,307</u>
CASH, END OF YEAR	<u>\$ 21,023</u>	<u>\$ -</u>	<u>\$ 15,097</u>	<u>\$ 36,120</u>	<u>\$ 345,878</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)	\$ 400,346	\$ (32,950)	\$ (8,364)	\$ 359,032	\$ 174,989
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:					
Depreciation	477,238	73,567	249,927	800,732	-
Effects of changes in operating assets and liabilities:					
Receivables	(10,756)	-	78,032	67,276	231
Inventory	-	-	26,920	26,920	-
Accounts payable and accrued payroll	(126,956)	(1,117)	5,676	(122,397)	-
Other current liabilities	(55,898)	-	3,711	(52,187)	-
Deferred revenue	-	(21,943)	-	(21,943)	-
Due to other funds	-	10,448	-	10,448	-
	<u>-</u>	<u>10,448</u>	<u>-</u>	<u>10,448</u>	<u>-</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 683,974</u>	<u>\$ 28,005</u>	<u>\$ 355,902</u>	<u>\$ 1,067,881</u>	<u>\$ 175,220</u>

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

CITY OF DANVILLE, ILLINOIS
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
April 30, 2013

	<u>Pension Trust Funds</u>	<u>Agency Funds</u>	<u>Total</u>
ASSETS			
Cash	\$ 2,105,862	\$ 44,274	\$ 2,150,136
Investments:			
Money market funds	-	228,000	228,000
Treasury notes	2,030,724	-	2,030,724
US government agencies	8,223,941	-	8,223,941
Mutual funds	15,302,645	-	15,302,645
Receivables:			
Accounts	-	81,645	81,645
Accrued interest	54,886	-	54,886
Other	3,464,036	-	3,464,036
TOTAL ASSETS	<u>31,182,094</u>	<u>353,919</u>	<u>31,536,013</u>
LIABILITIES			
Accounts payable	-	125,920	125,920
Due to others	-	227,999	227,999
Total liabilities	<u>-</u>	<u>353,919</u>	<u>353,919</u>
NET POSITION			
Held in trust for pension benefits	<u>\$ 31,182,094</u>	<u>\$ -</u>	<u>\$ 31,182,094</u>

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

CITY OF DANVILLE, ILLINOIS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
PENSION TRUST FUNDS
Year Ended April 30, 2013

ADDITIONS

Contributions

Employer	\$ 3,435,675
Plan members	<u>677,367</u>
Total contributions	<u>4,113,042</u>

Investment income

Net appreciation in fair value of investments	1,512,954
Interest and dividends	<u>668,820</u>
Total investment income	2,181,774
Less investment expense	<u>147,205</u>
Net investment income	<u>2,034,569</u>
 Total additions	 <u>6,147,611</u>

DEDUCTIONS

Benefits	5,370,753
Administrative expense	<u>85,058</u>
Total deductions	<u>5,455,811</u>

CHANGE IN NET POSITION

691,800

**NET POSITION HELD IN TRUST FOR
PENSION BENEFITS, BEGINNING OF YEAR**

30,490,294

**NET POSITION HELD IN TRUST FOR
PENSION BENEFITS, END OF YEAR**

\$ 31,182,094

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

CITY OF DANVILLE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2013

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, 2013

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 position 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.

CITY OF DANVILLE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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/net position, 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:

CITY OF DANVILLE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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.

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.

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 Funds – These funds are 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).

CITY OF DANVILLE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Governmental Fund Types (Continued)

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.

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.

Allowance for Uncollectible Accounts is based on historical collection trends, collections made subsequent to the fiscal year end, and anticipated economic conditions that may affect the City's ability to collect. 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.

CITY OF DANVILLE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

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.

CITY OF DANVILLE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

CAPITAL ASSETS CAPITAL ASSETS (Continued)

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

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, 2013.

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 position 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 statement of net position of these funds.

CITY OF DANVILLE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Fund balance is divided into five classifications based primarily on the extent to which the City is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

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.

CITY OF DANVILLE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

FUND BALANCE CLASSIFICATION (Continued)

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.

Net Position: Beginning with fiscal year 2013, the City implemented GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. The objective of this statement is to provide financial reporting guidance for deferred outflows of resources and deferred inflows of resources.

Net position represents the difference between assets and liabilities. Net position invested in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net positions are reported as restricted when there are limitations imposed on their use through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

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.

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, 2013 was \$1.9989 per \$100 assessed valuation. For budgetary purposes, taxes are recognized as revenue in the period in which they are intended to finance.

CITY OF DANVILLE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

PROPERTY TAXES (Continued)

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, 2013 an allowance for uncollectible real property taxes equivalent to 1 percent of the current year's levy.

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.

CITY OF DANVILLE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2013

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, 2013, the carrying amount of the City's (primary government) bank deposits including certificates of deposit was \$15,731,477 and the bank balance was \$19,576,521. Included in the carrying amounts are certificates of deposit totaling \$13,500,000. The component unit, Danville Public Library, had a carrying amount of deposits of \$1,253,568 and the bank balance was \$958,615. The Police and Fire Pension Funds had a carrying amount of deposits of \$2,077,773.

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 and money market funds with no stated maturity date.

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.

CITY OF DANVILLE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2013

NOTE 2 - CASH AND INVESTMENTS (CONTINUED)

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, 2013 the City's deposits were fully insured or collateralized.

Deposits in the Illinois Funds - The State Treasurer maintains the Illinois Funds Money Market Fund (Pool). 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 \$2,043 for the primary government and \$56,918 for the component unit at April 30, 2013.

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.

As of April 30, 2013, the Pension Funds had the following investments:

Investment Type	Fair Value	Less Than 1	1 -5	6 – 10	More Than 10
Treasury notes\$	2,030,724	\$ -	\$ 1,910,874	\$ 119,850	\$ -
U.S. government agencies	8,223,941	-	3,579,444	1,862,229	2,782,268
Mutual funds	<u>15,302,645</u>	<u>-</u>	<u>15,302,645</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 25,557,310</u>	<u>\$ -</u>	<u>\$ 20,792,963</u>	<u>\$ 1,982,079</u>	<u>\$ 2,782,268</u>

CITY OF DANVILLE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2013

NOTE 3 - INTERFUND ACCOUNTS

Individual fund interfund receivables and payables (due to/due from other funds) at April 30, 2013 were as follows:

	<u>Receivable</u>	<u>Payable</u>
Primary Government:		
General Fund	\$ 507,510	\$ -
Motor Fuel Tax	-	78,000
Danville Mass Transit	-	341,056
Non-Major Governmental Funds		
CDBG	-	44,620
Law Enforcement Grant	-	18,749
DATS Program	-	14,552
Capital Fund	-	85
Total Non-Major Governmental Funds	<u>-</u>	<u>78,006</u>
Major Enterprise Funds		
Harrison Park	<u>-</u>	<u>10,448</u>
Total	<u>\$ 507,510</u>	<u>\$ 507,510</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, 2013 consisted of the following:

Transfer to General Fund from:	
Non-major Governmental Funds	<u>\$ 866,337</u>
Transfer to Bond and Interest Fund from:	
Sanitary Sewer Fund	<u>\$ 88,592</u>
Transfer to Bond and Interest Fund from:	
General Fund	<u>\$ 373,065</u>
Transfer to Nonmajor Funds from:	
Solid Waste Management	<u>\$ 57,000</u>
Transfer to Nonmajor Governmental Funds from:	
Sanitary Sewer Fund	<u>\$ 80,545</u>
Transfer to General Fund from:	
Danville Mass Transit Fund	<u>\$ 245,973</u>
Transfer to Nonmajor Governmental Funds from:	
General Fund	<u>\$ 1,261,401</u>
Transfer to General Fund from:	
Internal Service Fund	<u>\$ 37,330</u>
Transfer to Nonmajor Governmental Funds from:	
Nonmajor Governmental Funds	<u>\$ 161,323</u>

CITY OF DANVILLE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2013

NOTE 3 - INTERFUND ACCOUNTS (CONTINUED)

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, 2013 was as follows:

Primary government

Governmental activities

	<u>Beginning balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending balance</u>
Capital assets not being depreciated:				
Land	\$ 6,134,573	\$ -	\$ -	\$ 6,134,573
Construction in progress	<u>-</u>	<u>8,984,482</u>	<u>-</u>	<u>8,984,482</u>
	<u>6,134,573</u>	<u>8,984,482</u>	<u>-</u>	<u>15,119,055</u>
Capital assets being depreciated:				
Buildings	18,309,067	-	-	18,309,067
Equipment	20,691,143	440,639	167,249	20,964,533
Infrastructure assets	<u>34,851,391</u>	<u>3,189,600</u>	<u>-</u>	<u>38,040,991</u>
	73,851,601	3,630,239	167,249	77,314,591
Less accumulated depreciation	<u>41,514,908</u>	<u>2,728,702</u>	<u>167,249</u>	<u>44,076,361</u>
	<u>32,336,693</u>	<u>901,537</u>	<u>-</u>	<u>33,238,230</u>
Total	<u><u>\$ 38,471,266</u></u>	<u><u>\$ 9,886,019</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 48,357,285</u></u>

CITY OF DANVILLE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2013

NOTE 4 - CAPITAL ASSETS (CONTINUED)

Business-Type activities

Sanitary Sewer

	<u>Beginning balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending balance</u>
Capital assets not being depreciated:				
Land	\$ 10,200	\$ -	\$ -	\$ 10,200
Capital assets being depreciated:				
Sewer construction	14,827,807	1,276,000	-	16,103,807
Equipment	<u>1,905,091</u>	<u>63,663</u>	-	<u>1,968,754</u>
	16,732,898	1,339,663	-	18,072,561
Less accumulated depreciation	<u>10,872,200</u>	<u>477,238</u>	-	<u>11,349,438</u>
	<u>5,860,698</u>	<u>862,425</u>	-	<u>6,723,123</u>
Total	<u>5,870,898</u>	<u>862,425</u>	-	<u>6,733,323</u>

Harrison Park

	<u>Beginning balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending balance</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>499,228</u>
	1,321,683	-	-	1,321,683
Less accumulated depreciation	<u>1,069,654</u>	<u>73,567</u>	-	<u>1,143,221</u>
	<u>252,029</u>	<u>(73,567)</u>	-	<u>178,462</u>
Total	<u>448,694</u>	<u>(73,567)</u>	-	<u>375,127</u>

CITY OF DANVILLE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2013

NOTE 4 - CAPITAL ASSETS (CONTINUED)

Solid Waste Management

	<u>Beginning balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending balance</u>
Capital assets not being depreciated:				
Land	\$ -	\$ 74,145	\$ -	\$ 74,145
Capital assets being depreciated:				
Equipment	2,244,902	-	-	2,244,902
Less accumulated depreciation	<u>1,693,425</u>	<u>249,927</u>	<u>-</u>	<u>1,943,352</u>
	<u>551,477</u>	<u>(249,927)</u>	<u>-</u>	<u>301,550</u>
Total	<u>551,477</u>	<u>(175,782)</u>	<u>-</u>	<u>375,695</u>
Total Business- Type Activities	<u>\$ 6,871,069</u>	<u>\$ 613,076</u>	<u>\$ -</u>	<u>\$ 7,484,145</u>

Component Unit – Danville Public Library

	<u>Beginning balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending balance</u>
Library	\$ 2,985,592	\$ 12,561	\$ -	\$ 2,998,153
Less accumulated depreciation	<u>2,620,073</u>	<u>43,196</u>	<u>-</u>	<u>2,663,269</u>
Total	<u>\$ 365,519</u>	<u>\$ (30,635)</u>	<u>\$ -</u>	<u>\$ 334,884</u>

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

Governmental activities:	
General government	\$ 560,479
Public safety	244,351
Transportation	190,137
Streets	1,512,823
Culture and recreation	<u>220,912</u>
Total depreciation – governmental activities	<u>\$ 2,728,702</u>
Business-type activities:	
Sanitary Sewer	\$ 477,238
Harrison Park	73,567
Solid Waste Management	<u>249,927</u>
Total depreciation – business-type activities	<u>\$ 800,732</u>

CITY OF DANVILLE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2013

NOTE 5 - LONG-TERM DEBT

Governmental Activities

Bonds payable at April 30, 2013 are comprised of the following:

\$ 4,535,000	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).
2,385,000	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.
2,685,000	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>\$ 9,605,000</u>	
<u>\$ 757,056</u>	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.

The principal and interest for the above note payable is to be serviced by the Infrastructure Development Fund.

CITY OF DANVILLE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2013

NOTE 5 - LONG-TERM DEBT (CONTINUED)

Business Type Activities

\$ 158,045	Central Illinois Bank. Annual payments of \$58,135, including interest at 4.99%. Note matures October, 2015.
<u>10,557</u>	Iroquois Federal Bank. Annual payments of \$10,993, including interest at 3.99%. Note matures November, 2013.
<u>\$ 168,602</u>	

The above notes payable are unsecured.

The annual requirements to amortize all bonds and notes payable outstanding as of April 30, 2013 are as follows:

Year Ending <u>April 30</u>	Notes Payable		General Obligation Bonds		Total	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2014	\$ 299,798	\$ 28,143	\$ 1,195,000	\$ 382,243	\$ 1,494,798	\$ 410,386
2015	299,097	17,854	1,240,000	333,931	1,539,097	351,785
2016	326,763	7,645	920,000	283,793	1,246,763	291,438
2017	-	-	975,000	252,231	975,000	252,231
2018	-	-	545,000	209,794	545,000	209,794
2019-2023	-	-	2,695,000	714,948	2,695,000	714,948
2024-2028	-	-	1,660,000	291,276	1,660,000	291,276
Thereafter	-	-	<u>375,000</u>	<u>15,938</u>	<u>375,000</u>	<u>15,938</u>
Total	<u>\$ 925,658</u>	<u>\$ 53,642</u>	<u>\$ 9,605,000</u>	<u>\$ 2,484,154</u>	<u>\$ 10,530,658</u>	<u>\$ 2,537,796</u>

CITY OF DANVILLE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2013

NOTE 5 - LONG-TERM DEBT (CONTINUED)

Long-term debt activity for the year ending April 30, 2013 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	\$ 10,760,000	\$ -	\$ 1,155,000	\$ 9,605,000	\$ 1,195,000
Notes payable	989,289	-	232,233	757,056	239,186
Capital leases	1,994	-	1,994	-	-
Net police and fire pension obligation	64,557	-	63,619	938	-
Net IMRF pension obligation	283,827	58,399	-	342,226	-
Other post-employment benefits	275,091	113,607	-	388,698	-
Accumulated vacation and sick days	<u>1,849,533</u>	<u>49,011</u>	<u>-</u>	<u>1,898,544</u>	<u>379,709</u>
Total	<u>\$ 14,224,291</u>	<u>\$ 221,017</u>	<u>\$ 1,452,846</u>	<u>\$ 12,992,462</u>	<u>\$ 1,813,895</u>
Business-Type activities:					
Notes payable	\$ 226,681	\$ -	\$ 58,079	\$ 168,602	\$ 60,612
Accumulated vacation and sick days	<u>109,346</u>	<u>15,262</u>	<u>-</u>	<u>124,608</u>	<u>124,608</u>
Total	<u>\$ 336,027</u>	<u>\$ 15,262</u>	<u>\$ 58,079</u>	<u>\$ 293,210</u>	<u>\$ 185,220</u>

CITY OF DANVILLE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2013

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 2012 was 11.18 percent of annual covered payroll. The City's annual required contribution rate for calendar year 2012 was 11.97 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, 2012, the City of Danville's annual pension cost of \$891,579. Its required contribution for calendar year 2012 was \$832,736.

THREE-YEAR TREND INFORMATION FOR THE REGULAR PLAN

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
12/31/12	\$ 891,579	93%	\$ 58,843
12/31/11	883,502	85%	132,525
12/31/10	838,098	82%	150,858

CITY OF DANVILLE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2013

NOTE 6 - PENSION PLANS (CONTINUED)

Illinois Municipal Retirement Fund (Continued)

The required contribution for 2012 was determined as part of the December 31, 2010, actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions at December 31, 2010, 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, 2010 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, 2012, the most recent actuarial valuation date, the Regular plan was 77.07 percent funded. The actuarial accrued liability for benefits was \$21,877,635 and the actuarial value of assets was \$16,860,285, resulting in an underfunded actuarial accrued liability (UAAL) of \$5,017,350. The covered payroll for calendar year 2012 (annual payroll of active employees covered by the plan) was \$7,448,447 and the ratio of the UAAL to the covered payroll was 67 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.

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, 2013 was \$3,902,913 out of a total payroll of \$14,853,649. At April 30, 2013 the Police Pension Plan membership consisted of:

Retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them	69
Active vested plan members	40
Active non-vested plan members	<u>22</u>
Total	<u><u>131</u></u>

CITY OF DANVILLE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2013

NOTE 6 - PENSION PLANS (CONTINUED)

Police Pension Plan (Continued)

Plan Description (Continued)

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.

For employees hired after January 1, 2011, the Normal Retirement age is attainment of age 55 and completion of 10 years of service; Early Retirement age is attainment of age 50, completion of 10 years of service and the Early Retirement Factor is 6% per year; the Employee's Accrued Benefit is based on the Employee's final 8-year average salary not to exceed \$106,800 (as indexed); Cost of living adjustments are simple increases (not compounded) of the lesser of 3% or 50% of CPI beginning the later of the anniversary date and age 60; Surviving Spouse's Benefits are 66 2/3% of the Employee's benefit at the time of death.

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, 2013 was \$3,196,750 out of a total payroll of \$14,853,649. At April 30, 2013 the Firefighter Pension Plan membership consisted of:

CITY OF DANVILLE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2013

NOTE 6 - PENSION PLANS (CONTINUED)

Firefighter Pension Plan (Continued)

Plan Description (Continued)

Retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them	77
Active vested plan members	42
Active non-vested plan members	<u>10</u>
Total	<u><u>129</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.

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.

CITY OF DANVILLE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2013

NOTE 6 - PENSION PLANS (CONTINUED)

Firefighter Pension Plan (Continued)

Plan Description (Continued)

For employees hired after January 1, 2011, the annual retirement benefit is (2.5%) of final average salary for each year of service up to (30) years, to a maximum of (75%) of such salary, the Normal Retirement age is attainment of age 55 and completion of 10 years of service; Early Retirement age is attainment of age 50, completion of 10 years of service and the Early Retirement Factor is 6% per year; the Employee's Accrued Benefit is based on the Employee's final 8-year average salary not to exceed \$106,800 (as indexed); Cost of living adjustments are simple increases (not compounded) of the lesser of 3% or 50% of CPI beginning the later of the anniversary date and age 60; Surviving Spouse's Benefits are 66 2/3% of the Employee's benefit at the time of death.

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

The City's annual pension cost and net pension obligation as of April 30, 2013 were as follows:

	<u>Police Pension</u>	<u>Firefighter Pension</u>
Annual required contribution	\$ 1,449,425	\$ 1,913,931
Interest on net pension obligation	2,277	2,726
Adjustments to annual required contribution	<u>(1,520)</u>	<u>(1,820)</u>
Annual pension cost	1,450,182	1,914,837
Contributions made	<u>1,478,858</u>	<u>1,949,780</u>
Decrease in net pension obligation	(28,676)	(34,943)
Net pension obligation beginning of year	<u>29,378</u>	<u>35,179</u>
Net pension obligation end of year	<u>\$ 702</u>	<u>\$ 236</u>

During fiscal year 2013, an additional contribution was made by the City into the Police Pension in the amount of \$45,318 and into the Firefighter Pension in the amount of \$59,763. These contributions were in addition to the annual required contribution for fiscal year 2013.

CITY OF DANVILLE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2013

NOTE 6 - PENSION PLANS (CONTINUED)

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.

Actuarial Methods

The Actuarial Methods employed for this valuation are as follows:

Projected Unit Credit Cost Method (for years beginning on or after 2011 for PA 096-1495)

Under the Projected Unit Credit Cost Method, the Normal Cost is the present value of the projected benefit (including projected salary increases) earned during the year.

The Accrued Liability is the present value of the projected benefit (including projected salary increases) earned as of the actuarial valuation date. The Unfunded Accrued Liability is the excess of the Accrued Liability over the plan's assets. Experience gains or losses adjust the Unfunded Accrued Liability.

Entry Age Normal Cost Method

Under the Entry Age Normal Cost Method the Normal Cost for each participant is computed as the level percentage of pay which, if paid from the earliest age the participant is eligible to enter the plan until retirement or termination, will accumulate with interest to sufficiently fund all benefits under the plan. The Normal Cost for the plan is determined as the sum of the Normal Costs for all active participants.

The Accrued Liability is the theoretical amount that would have accumulated had annual contributions equal to the Normal Cost been paid. The Unfunded Accrued Liability is the excess of the Accrued Liability over the plan's assets. Experience gains or losses adjust the Unfunded Accrued Liability.

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	37.89%	60.993%
Plan members	9.91%	9.455%

CITY OF DANVILLE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2013

NOTE 6 - PENSION PLANS (CONTINUED)

TREND INFORMATION

Actuarial Valuation Date	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
Police Pension Fund			
4/30/12	\$ 1,450,182	102.0%	\$ 702
4/30/11	1,643,458	107.8%	29,378
4/30/10	1,584,431	98.3%	157,868
Firefighter Pension Fund			
4/30/12	\$ 1,914,837	101.8%	\$ 236
4/30/11	2,109,936	104.2%	35,179
4/30/10	2,034,221	98.4%	123,499

STATEMENT OF FIDUCIARY NET POSITION

	Police Pension	Fire Pension
ASSETS		
Cash	\$ 1,170,630	\$ 907,143
Investments:		
Treasury notes	5,091,527	3,132,414
U.S. government agencies	1,267,346	763,378
Mutual funds	9,556,218	5,746,427
Total investments	<u>15,915,091</u>	<u>9,642,219</u>
Receivables:		
Accrued interest	34,031	20,855
Other	1,531,434	1,932,602
Total receivables	<u>1,565,465</u>	<u>1,953,457</u>
Net position, held in trust for pension benefits	<u>\$ 18,651,186</u>	<u>\$ 12,502,819</u>

CITY OF DANVILLE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2013

NOTE 6 - PENSION PLANS (CONTINUED)

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

	<u>Police Pension</u>	<u>Fire Pension</u>
Additions		
Contributions - employer	\$ 1,525,482	\$ 1,910,193
Contributions - Plan members	<u>381,004</u>	<u>296,363</u>
Total contributions	<u>1,906,486</u>	<u>2,206,556</u>
Investment income		
Interest and dividends	413,309	227,422
Net appreciation in fair value of investments	<u>923,291</u>	<u>589,663</u>
Total investment income	1,336,600	817,085
Less investment expense	<u>90,095</u>	<u>57,110</u>
Net investment income	<u>1,246,505</u>	<u>759,975</u>
 Total additions	 <u>3,152,991</u>	 <u>2,966,531</u>
Deductions		
Pension benefits	2,455,482	2,915,271
Administrative expenses	<u>63,373</u>	<u>21,685</u>
Total deductions	<u>2,518,855</u>	<u>2,936,956</u>
 Changes in net position	 634,136	 29,575
 Net position held in trust for benefits, beginning of year	 <u>18,017,050</u>	 <u>12,473,244</u>
 Net position held in trust for benefits, end of year	 <u>\$ 18,651,186</u>	 <u>\$ 12,502,819</u>

NOTE 7 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

The following funds incurred expenditures in excess of their appropriations:

Motor Fuel Tax	\$ 3,739,367
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CITY OF DANVILLE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2013

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, 2013:

Law Enforcement Grant	\$ 18,451
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It is anticipated that the deficit 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, 2016. Expense under this lease for the year ended April 30, 2013 was \$1,113,096. Minimum lease commitments are as follows:

Year Ending April 30

2014	\$ 1,124,227
2015	1,135,470
2016	<u>1,146,824</u>

Total	\$ <u>3,406,521</u>
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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 lease agreements for the year ended April 30, 2013 was \$4,499.

Minimum lease commitments are as follows:

Year Ending April 30

2014	\$ 4,188
2015	4,188
2016	<u>698</u>

Total	\$ <u>9,074</u>
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CITY OF DANVILLE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2013

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, 2013, 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, 2013</u>
Heartland Center	Monthly payments of \$833 no interest	\$ 83,654
Peter Blackmon	Monthly payments vary based on interest rates. Current rate is 1.83%.	9,750
Danville Renaissance Enterprises, LLC	Monthly payments of \$573 including interest of 2%	35,946
Maruti Gagan Management, LLC	Monthly payments of \$1,054 including interest of 2%	13,031
Big R	Monthly payments of \$1,667 no interest	4,167
146 North, LLC	Monthly payments of \$185 including interest of 1%	6,676
Joyner, Sharon	Monthly payments of \$125 no interest	5,124
Rich's Deluxe Family Restaurant	Monthly payments of \$574.53 including interest of 2%	42,264

CITY OF DANVILLE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2013

NOTE 10 - OTHER RECEIVABLES (CONTINUED)

<u>Payee</u>	<u>Terms</u>	<u>Balance</u> <u>April 30, 2013</u>
Vermilion Café	Monthly payments of \$44.3 including interest of 2%	\$ 6,749
William Phelps	Monthly payments of \$100 no interest	2,840
Shirley Smith	Monthly payments of \$50 no interest	1,085
This Is It Furniture	Monthly payments of \$595 no interest	19,634
Nancy Cahall	Monthly payments of \$56 no interest	334
Daniel Duncheon	Monthly payments of \$216 including interest of 2%	23,268
S&N Enterprises LLC	Monthly payments of \$345 including interest of 2%	26,088
Eugene Thompson	Monthly payments of \$139 no interest	61
Donna Anderson	Monthly payments of \$73 no interest	2,888
Kea Sanford	Monthly payments of \$117 no interest	1,268
Terry Moreman	Monthly payments of \$168 no interest	6,229
Delphina Robertson	Monthly payment of \$61 no interest	<u>1,157</u>
Total		<u><u>\$ 292,213</u></u>

CITY OF DANVILLE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2013

NOTE 10 - OTHER RECEIVABLES (CONTINUED)

The due dates for the other receivables above, range from 2013 to 2016. 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	\$ 271,227	\$ 56,102
Housing Loan Fund	<u>20,986</u>	<u>8,769</u>
Total	<u>\$ 292,213</u>	<u>\$ 64,871</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, 2013, only loss year 1999 remains open with a potential liability of approximately \$115,000.

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 for the past three years.

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.

CITY OF DANVILLE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2013

NOTE 12 - DANVILLE PUBLIC BUILDING COMMISSION (CONTINUED)

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

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

NOTE 13 - DEFERRED COMPENSATION PLAN

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

NOTE 14 - CASH FLOW DISCLOSURES

Cash paid for interest totaled \$11,051 in the Harrison Park 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, 2013

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, 2013, membership consisted of:

Retirees and beneficiaries currently receiving benefits	45
Terminated employees entitled to benefits but not yet receiving them	-
Active employees	<u>242</u>
Total	<u><u>287</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, 2013 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, 2013. The City's annual OPEB cost (expense) was \$351,471. The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2013 was as follows:

CITY OF DANVILLE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2013

NOTE 16 - OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

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

Fiscal Year Ended	Annual OPEB Cost	Employer Contributions	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
April 30, 2013	\$ 351,471	\$ 237,864	67.7%	\$ 388,698
April 30, 2012	349,637	237,864	68.0%	275,091
April 30, 2011	200,340	121,130	60.5%	160,778

The net OPEB obligation as of April 30, 2013, was calculated as follows:

Annual required contribution	\$ 349,637
Interest on net OPEB obligation	11,004
Adjustment to annual required contribution	<u>(9,170)</u>
Annual OPEB cost	351,471
Contributions made	<u>237,864</u>
Increase in net OPEB obligation	113,607
Net OPEB obligation, beginning of year	<u>275,091</u>
Net OPEB obligation, end of year	<u>\$ 388,698</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, 2013

NOTE 16 - OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

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

In the April 30, 2013 valuation the entry-age normal cost method was used. The actuarial assumptions included a discount rate of 4.0 percent, salary increases comprised of a wage inflation component of 4.0 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	\$ 152,379
Motor Fuel Tax Fund	13,782,108
Danville Mass Transit	50,321
Non-major Funds	673,704

NOTE 18 - 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. The impact to the City has not yet been determined.

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.

CITY OF DANVILLE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2013

NOTE 18 - FUTURE CHANGES IN ACCOUNTING PRINCIPLES (CONTINUED)

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.

GASB Statement No. 67, *Financial Reporting for Pension Plans – an amendment of GASB Statement No. 25*, issued June 2012. The objective of this statement is to improve financial reporting by state and local governmental pension plans. This statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency.

New accounting standards effective for the April 30, 2015 financial statements include:

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, issued June 2012. The primary objective of this statement is to improve accounting and financial reporting by state and local governmental for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities.

GASB Statement No. 69, *Government Combinations and Disposals of Government Operations*, issued January 2013. The objective of this statement is to improve financial reporting by addressing accounting and financial reporting for government combinations and disposals of government operations.

NOTE 19 - SUBSEQUENT EVENTS

Events or transactions occurring after September 11, 2013 that provided additional evidence about conditions that existed at April 30, 2013, have been recognized in the financial statements for the year ended April 30, 2013. Events or transactions that provided evidence about conditions that did not exist at September 11, 2013 but arose before the financial statements were available to be issued have not been recognized in the financial statements for the year ended April 30, 2013.

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

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF DANVILLE, ILLINOIS
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES-BUDGET AND ACTUAL (BUDGETARY BASIS)
GENERAL FUND
Year Ended April 30, 2013

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
REVENUES				
Taxes	\$ 1,013,400	\$ 1,013,400	\$ 1,118,332	\$ 104,932
Intergovernmental	18,281,402	18,937,112	19,598,426	661,314
Licenses and permits	707,500	707,500	807,754	100,254
Charges for services	371,771	371,771	342,310	(29,461)
Fines and forfeits	496,800	497,614	523,739	26,125
Miscellaneous	<u>383,441</u>	<u>512,037</u>	<u>410,096</u>	<u>(101,941)</u>
Total revenues	<u>21,254,314</u>	<u>22,039,434</u>	<u>22,800,657</u>	<u>761,223</u>
EXPENDITURES				
Current:				
General Government				
General City government	1,803,290	2,693,250	2,590,435	102,815
Central vehicle maintenance	550,740	550,740	498,703	52,037
Finance	350,680	350,680	288,815	61,865
Treasurer	97,198	97,199	94,263	2,936
Development services	637,049	637,049	629,557	7,492
Public affairs	209,673	210,523	209,621	902
Legal services	393,748	426,948	406,108	20,840
City Clerk	96,690	96,690	95,214	1,476
Human resources	229,589	249,889	248,534	1,355
Information systems	<u>174,675</u>	<u>179,575</u>	<u>179,333</u>	<u>242</u>
Total General Government	<u>4,543,332</u>	<u>5,492,543</u>	<u>5,240,583</u>	<u>251,960</u>
Public Safety				
Police	7,360,703	7,409,425	7,326,998	82,427
Fire	<u>4,675,906</u>	<u>4,679,914</u>	<u>4,656,387</u>	<u>23,527</u>
Total Public Safety	<u>12,036,609</u>	<u>12,089,339</u>	<u>11,983,385</u>	<u>105,954</u>
Streets				
	<u>2,859,540</u>	<u>2,937,540</u>	<u>2,850,442</u>	<u>87,098</u>
Culture and Recreation				
Public pool	63,928	63,928	60,629	3,299
Public property	1,707,085	1,707,086	1,599,857	107,229
Downtown services	<u>104,985</u>	<u>106,485</u>	<u>84,875</u>	<u>21,610</u>
Total Culture and Recreation	<u>1,875,998</u>	<u>1,877,499</u>	<u>1,745,361</u>	<u>132,138</u>
Total expenditures	<u>21,315,479</u>	<u>22,396,921</u>	<u>21,819,771</u>	<u>577,150</u>
Excess (deficiency) of revenues over expenditures	<u>(61,165)</u>	<u>(357,487)</u>	<u>980,886</u>	<u>1,338,373</u>

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
OTHER FINANCING SOURCES (USES)				
Operating transfers in	\$ 790,625	\$ 815,597	\$ 866,329	\$ 50,732
Operating transfers out	<u>(850,514)</u>	<u>(1,080,594)</u>	<u>(1,656,768)</u>	<u>(576,174)</u>
Total other financing sources (uses)	<u>(59,889)</u>	<u>(264,997)</u>	<u>(790,439)</u>	<u>(525,442)</u>
Excess (deficiency) of revenues over expenditures and other financing sources (uses) (Budgetary basis)	<u>\$ (121,054)</u>	<u>\$ (622,484)</u>	190,447	<u>\$ 812,931</u>
RECONCILIATION TO MODIFIED ACCRUAL BASIS (GAAP BASIS)			<u>201,376</u>	
Excess of revenues over expenditures (GAAP basis)			391,823	
FUND BALANCE, BEGINNING OF YEAR			<u>5,781,671</u>	
FUND BALANCE, END OF YEAR			<u>\$ 6,173,494</u>	

CITY OF DANVILLE, ILLINOIS
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (BUDGETARY BASIS)
MAJOR FUND - MOTOR FUEL TAX
Year Ended April 30, 2013

	Original Budget	Final Budget	Actual	Variance with Final Budget Favorable (Unfavorable)
REVENUES				
Intergovernmental	\$ 800,000	\$ 800,000	\$ 8,487,037	\$ 7,687,037
Miscellaneous	<u>3,000</u>	<u>3,000</u>	<u>15,921</u>	<u>12,921</u>
Total revenues	<u>803,000</u>	<u>803,000</u>	<u>8,502,958</u>	<u>7,699,958</u>
EXPENDITURES				
Current:				
Streets	<u>803,000</u>	<u>803,000</u>	<u>4,542,367</u>	<u>(3,739,367)</u>
Excess of revenues over expenditures (Budgetary basis)	<u>\$ -</u>	<u>\$ -</u>	<u>3,960,591</u>	<u>\$ 3,960,591</u>
RECONCILIATION TO MODIFIED ACCRUAL BASIS (GAAP BASIS)			<u>(1,244,378)</u>	
Excess of revenues over expenditures (GAAP basis)			2,716,213	
FUND BALANCE, BEGINNING OF YEAR			<u>2,590,740</u>	
FUND BALANCE, END OF YEAR			<u>\$ 5,306,953</u>	

CITY OF DANVILLE, ILLINOIS
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (BUDGETARY BASIS)
MAJOR FUND - DANVILLE MASS TRANSIT
Year Ended April 30, 2013

	Original Budget	Final Budget	Actual	Variance with Final Budget Favorable (Unfavorable)
REVENUES				
Intergovernmental	\$ 2,580,455	\$ 2,580,455	\$ 2,245,350	\$ (335,105)
Charges for services	467,759	467,759	350,025	(117,734)
Miscellaneous	62,088	50,458	62,088	11,630
Total revenues	3,110,302	3,098,672	2,657,463	(441,209)
EXPENDITURES				
Current:				
Transportation	2,888,970	3,434,490	2,681,546	752,944
Excess (deficiency) of revenues over expenditures	221,332	(335,818)	(24,083)	311,735
OTHER FINANCING SOURCES				
Operating transfers in	22,302	22,302	22,302	-
Excess (deficiency) of revenues over expenditures and other financing sources (Budgetary basis)	\$ 243,634	\$ (313,516)	(1,781)	\$ 311,735
RECONCILIATION TO MODIFIED ACCRUAL BASIS (GAAP BASIS)			1,781	
Excess of revenues over expenditures (GAAP basis)			-	
FUND BALANCE, BEGINNING OF YEAR			-	
FUND BALANCE, END OF YEAR			\$ -	

**CITY OF DANVILLE, ILLINOIS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULES OF FUNDING PROGRESS
Year Ended April 30, 2013**

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)
12/31/12	\$ 16,860,285	\$ 21,877,635	\$ 5,017,350	77.07%	\$ 7,448,447	67.36%
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%

On a market value basis, the actuarial value of assets as of December 31, 2012 is \$17,515,547. On a market value basis, the funded ratio would be 80.06%.

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)
4/30/12	\$18,017,044	\$ 43,288,059	\$ 25,271,015	41.62%	\$3,902,913	647.50%
4/30/11	17,943,481	41,362,442	23,418,961	43.48%	3,780,656	619.44%
4/30/10	16,823,824	39,846,670	23,022,846	42.22%	3,578,540	643.44%
4/30/09	15,211,921	38,221,858	23,009,937	39.80%	3,535,625	650.80%
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%

**CITY OF DANVILLE, ILLINOIS
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULES OF FUNDING PROGRESS
 Year Ended April 30, 2013**

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>
4/30/12	\$ 12,473,244	\$ 44,327,918	\$31,854,674	28.14%	\$ 3,196,750	996.50%
4/30/11	12,644,553	43,442,964	30,798,411	29.11%	3,222,322	955.80%
4/30/10	11,969,189	41,111,600	29,142,411	29.11%	3,228,025	902.80%
4/30/09	10,969,225	39,869,423	28,900,198	27.51%	3,120,471	926.14%
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%

**CITY OF DANVILLE, ILLINOIS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULES OF FUNDING PROGRESS
Year Ended April 30, 2013**

OTHER POST-EMPLOYMENT BENEFITS

Trend information for the year ended April 30, 2013 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)
4/30/13	\$ -	\$ 9,448,191	\$ 9,448,191	0.00%	\$ -	
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, 2013**

POLICE PENSION FUND

Year Year <u>April 30</u>	Annual Pension Cost/OPEB Cost (APC)	Percentage Contributed
2012	\$ 1,450,182	102.00%
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%

FIREFIGHTERS' PENSION FUND

2012	\$ 1,914,837	101.80%
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%

ILLINOIS MUNICIPAL RETIREMENT FUND

Actuarial Valuation Date	Annual Pension/ OPEB Cost (APC)	Percentage of APC Contributed
12/31/12	\$ 891,579	93%
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, 2013**

OTHER POST-EMPLOYMENT BENEFITS

Actuarial Valuation Date	Annual Pension/ OPEB Cost (APC)	Percentage of APC Contributed
4/30/13	\$ 351,471	67.7%
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, 2013**

	Illinois Municipal Retirement Fund	Police Pension	Firefighter Pension	Other Post- Employment Benefits
Annual pension/OPEB cost	\$ 891,579	\$ 1,450,182	\$ 1,914,837	\$ 351,471
Contributions made	(832,736)	(1,478,858)	(1,949,780)	(237,864)
Actuarial valuation date	12/31/12	4/30/12	4/30/12	4/30/13
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	29 years	29 years	30 years
Asset valuation method	Market	Market	Market	Market
Actuarial assumptions:				
Investment rate of return*	7.5%	7.75%	7.75%	4.00%
Projected salary increases*	0.4% - 10%	4.50%	4.50%	4.00%
*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, 2013

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:

Motor Fuel Tax	\$ 3,739,367
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OTHER SUPPLEMENTARY INFORMATION

CITY OF DANVILLE, ILLINOIS
COMBINING BALANCE SHEET
GENERAL FUND
April 30, 2013

	General Account	Flex Spending	Land Acquisition	Working Cash	Total General Fund
ASSETS					
Cash	\$ 167,844	\$ 7,889	\$ 662	\$ 161,878	\$ 338,273
Temporary investments	1,275,000	-	5,500	-	1,280,500
Receivables:					
Taxes, net of allowance for estimated uncollectibles	262,838	-	-	-	262,838
Other	186,361	-	-	-	186,361
Prepaid items	1,357,597	-	-	-	1,357,597
Due from other funds	459,065	-	-	48,445	507,510
Due from other governments	4,538,198	-	-	-	4,538,198
TOTAL ASSETS	\$ 8,246,903	\$ 7,889	\$ 6,162	\$ 210,323	\$ 8,471,277
LIABILITIES					
Accounts payable	\$ 201,139	\$ -	\$ -	\$ -	\$ 201,139
Accrued expenses	397,619	-	-	-	397,619
Due to other governments	1,187	-	-	-	1,187
Deferred revenue	1,697,838	-	-	-	1,697,838
Total liabilities	2,297,783	-	-	-	2,297,783
FUND BALANCE					
Nonspendable:					
Prepays	1,357,597	-	-	-	1,357,597
Assigned:					
General and administrative	152,379	-	-	-	152,379
Unassigned	4,439,144	7,889	6,162	210,323	4,663,518
Total fund balance	5,949,120	7,889	6,162	210,323	6,173,494
TOTAL LIABILITIES AND FUND BALANCE	\$ 8,246,903	\$ 7,889	\$ 6,162	\$ 210,323	\$ 8,471,277

CITY OF DANVILLE, ILLINOIS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
GENERAL FUND
Year Ended April 30, 2013

	<u>General Account</u>	<u>Flex Spending</u>	<u>Land Acquisition</u>	<u>Working Cash</u>	<u>Total General Fund</u>
REVENUES					
Taxes	\$ 1,116,050	\$ -	\$ -	\$ -	\$ 1,116,050
Intergovernmental	18,989,922	-	-	-	18,989,922
Licenses and permits	807,754	-	-	-	807,754
Charges for services	294,776	47,534	-	-	342,310
Fines and forfeits	528,457	-	-	-	528,457
Miscellaneous	405,083	-	5,050	453	410,586
	<u>22,142,042</u>	<u>47,534</u>	<u>5,050</u>	<u>453</u>	<u>22,195,079</u>
Total revenues					
EXPENDITURES					
Current:					
General government	4,738,667	52,095	80,366	-	4,871,128
Public safety	11,812,445	-	-	-	11,812,445
Streets	2,537,968	-	-	-	2,537,968
Culture and recreation	1,701,944	-	-	-	1,701,944
Capital outlay	394,945	-	-	-	394,945
	<u>21,185,969</u>	<u>52,095</u>	<u>80,366</u>	<u>-</u>	<u>21,318,430</u>
Total expenditures					
Excess (deficiency) of revenues over expenditures	956,073	(4,561)	(75,316)	453	876,649
OTHER FINANCING SOURCES (USES)					
Operating transfers in	1,149,640	-	-	-	1,149,640
Operating transfers out	(1,634,466)	-	-	-	(1,634,466)
	<u>(484,826)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(484,826)</u>
Total other financing sources (uses)					
Excess (deficiency) of revenues over expenditures and other financing sources (uses)	471,247	(4,561)	(75,316)	453	391,823
FUND BALANCE, BEGINNING OF YEAR	<u>5,477,873</u>	<u>12,450</u>	<u>81,478</u>	<u>209,870</u>	<u>5,781,671</u>
FUND BALANCE, END OF YEAR	<u>\$ 5,949,120</u>	<u>\$ 7,889</u>	<u>\$ 6,162</u>	<u>\$ 210,323</u>	<u>\$ 6,173,494</u>

CITY OF DANVILLE, ILLINOIS
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 April 30, 2013

	Illinois Municipal Retirement	Social Security	State Narcotic Forfeiture	Federal Narcotic Forfeiture	Community Development Block Grant	Towne Centre	Storm Water Drainage	Small Business Loan
Cash	\$ 18,224	\$ 22,766	\$ 600	\$ 917	\$ 728	\$ 692	\$ 1,145	\$ 178,432
Temporary investments	183,500	145,000	41,000	-	-	10,000	229,500	-
Receivables:								
Taxes, net of allowance for estimated uncollectibles	-	-	-	-	-	-	-	-
Other - current	-	-	-	-	-	-	1,169	215,125
Other - noncurrent	-	-	-	-	-	-	-	56,102
Due from other governments	-	-	-	-	76,377	-	-	-
TOTAL ASSETS	<u>\$ 201,724</u>	<u>\$ 167,766</u>	<u>\$ 41,600</u>	<u>\$ 917</u>	<u>\$ 77,105</u>	<u>\$ 10,692</u>	<u>\$ 231,814</u>	<u>\$ 449,659</u>
LIABILITIES								
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ 20,915	\$ -	\$ -	\$ -
Accrued expenses	-	-	-	870	4,253	-	-	-
Due to other funds	-	-	-	-	44,620	-	-	-
Deferred revenue	-	-	-	-	-	-	-	-
Total liabilities	-	-	-	870	69,788	-	-	-
FUND BALANCE								
Nonspendable:								
Noncurrent receivables	-	-	-	-	-	-	-	56,102
Restricted:								
Retirement	201,724	167,766	-	-	-	-	-	-
Public health and education	-	-	-	-	-	-	-	-
Public safety	-	-	41,600	47	-	-	-	-
Community development	-	-	-	-	7,317	-	-	393,557
Transportation	-	-	-	-	-	-	-	-
Streets	-	-	-	-	-	-	231,814	-
Debt service	-	-	-	-	-	-	-	-
Committed:								
Community development	-	-	-	-	-	10,692	-	-
Capital projects	-	-	-	-	-	-	-	-
Assigned:								
Capital projects	-	-	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-	-	-
Total fund balance (deficit)	<u>201,724</u>	<u>167,766</u>	<u>41,600</u>	<u>47</u>	<u>7,317</u>	<u>10,692</u>	<u>231,814</u>	<u>449,659</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 201,724</u>	<u>\$ 167,766</u>	<u>\$ 41,600</u>	<u>\$ 917</u>	<u>\$ 77,105</u>	<u>\$ 10,692</u>	<u>\$ 231,814</u>	<u>\$ 449,659</u>

CITY OF DANVILLE, ILLINOIS
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 April 30, 2013

	DATS Program	TIF Midtown	TIF Westgate	TIF Campus	Housing Loan	Law Enforcement Grant	Landfill Remediation	Special Sewer Projects	Police ARRA
Cash	\$ 23,168	\$ 422	\$ 1,314	\$ 2,707	\$ 13,996	\$ 298	\$ 3,579	\$ 4,525	\$ 28,018
Temporary investments	-	483,000	10,500	-	100,000	-	920,500	160,500	-
Receivables:									
Taxes, net of allowance for estimated uncollectibles	-	-	-	-	-	-	-	-	-
Other - current	-	-	-	-	8,769	-	-	-	12,248
Other - noncurrent	-	-	-	-	12,217	-	-	-	-
Due from other governments	23,013	-	-	-	-	16,379	-	-	-
TOTAL ASSETS	\$ 46,181	\$ 483,422	\$ 11,814	\$ 2,707	\$ 134,982	\$ 16,677	\$ 924,079	\$ 165,025	\$ 40,266
LIABILITIES									
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Accrued expenses	2,706	-	-	-	-	-	-	-	6,892
Due to other funds	14,552	-	-	-	-	18,749	-	-	-
Deferred revenue	-	-	-	-	-	-	-	-	-
Total liabilities	17,258	-	-	-	-	18,749	-	-	6,892
FUND BALANCE									
Nonspendable:									
Noncurrent receivables	-	-	-	-	12,217	-	-	-	-
Restricted:									
Retirement	-	-	-	-	-	-	-	-	-
Public health and education	-	-	-	-	-	-	924,079	-	-
Public safety	-	-	-	-	-	-	-	-	33,374
Community development	-	483,422	11,814	2,707	122,765	-	-	-	-
Transportation	28,923	-	-	-	-	-	-	-	-
Streets	-	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-	-
Committed:									
Community development	-	-	-	-	-	-	-	-	-
Capital projects	-	-	-	-	-	-	-	165,025	-
Assigned:									
Capital projects	-	-	-	-	-	-	-	-	-
Unassigned									
	-	-	-	-	-	(2,072)	-	-	-
Total fund balance (deficit)	28,923	483,422	11,814	2,707	134,982	(2,072)	924,079	165,025	33,374
TOTAL LIABILITIES AND FUND BALANCE	\$ 46,181	\$ 483,422	\$ 11,814	\$ 2,707	\$ 134,982	\$ 16,677	\$ 924,079	\$ 165,025	\$ 40,266

CITY OF DANVILLE, ILLINOIS
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 April 30, 2013

				Capital Projects Funds		Debt Service Funds		Total
	Brownfield Grant	Firefighter Pension	Police Pension	Capital Improvements	Infrastructure Development	2007 Debt Service	2009 Debt Service	
Cash	\$ -	\$ -	\$ -	\$ 1,359	\$ 606,611	\$ 39,266	\$ 99,874	\$ 1,048,641
Temporary investments	-	-	-	526,500	840,500	460,000	-	4,110,500
Receivables:								
Taxes, net of allowance for estimated uncollectibles	-	-	-	-	-	111,481	367,923	479,404
Other - current	-	-	-	87,850	77,613	-	-	402,774
Other - noncurrent	-	-	-	-	-	-	-	68,319
Due from other governments	-	-	-	267,701	-	-	-	383,470
TOTAL ASSETS	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 883,410</u>	<u>\$ 1,524,724</u>	<u>\$ 610,747</u>	<u>\$ 467,797</u>	<u>\$ 6,493,108</u>
LIABILITIES								
Accounts payable	\$ -	\$ -	\$ -	\$ 29,452	\$ -	\$ -	\$ -	\$ 50,367
Accrued expenses	-	-	-	-	-	-	-	14,721
Due to other funds	-	-	-	85	-	-	-	78,006
Deferred revenue	-	-	-	90,000	-	111,481	367,923	569,404
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>119,537</u>	<u>-</u>	<u>111,481</u>	<u>367,923</u>	<u>712,498</u>
FUND BALANCE								
Nonspendable:								
Noncurrent receivables	-	-	-	-	-	-	-	68,319
Restricted:								
Retirement	-	-	-	-	-	-	-	369,490
Public health and education	-	-	-	-	-	-	-	924,079
Public safety	-	-	-	-	-	-	-	75,021
Community development	-	-	-	-	-	-	-	1,021,582
Transportation	-	-	-	-	-	-	-	28,923
Streets	-	-	-	-	-	-	-	231,814
Debt service	-	-	-	-	-	499,266	99,874	599,140
Committed:								
Community development	-	-	-	-	-	-	-	10,692
Capital projects	-	-	-	-	1,524,724	-	-	1,689,749
Assigned:								
Capital projects	-	-	-	763,873	-	-	-	763,873
Unassigned	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,072)</u>
Total fund balance (deficit)	<u>-</u>	<u>-</u>	<u>-</u>	<u>763,873</u>	<u>1,524,724</u>	<u>499,266</u>	<u>99,874</u>	<u>5,780,610</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 883,410</u>	<u>\$ 1,524,724</u>	<u>\$ 610,747</u>	<u>\$ 467,797</u>	<u>\$ 6,493,108</u>

CITY OF DANVILLE, ILLINOIS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
Year Ended April 30, 2013

	<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	\$ 387,727	\$ 397,389	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	-	-	928,835	-
Charges for services	-	-	5,577	-	-	1,000
Miscellaneous	<u>894</u>	<u>578</u>	<u>190</u>	<u>3</u>	<u>3,577</u>	<u>20</u>
Total revenues	<u>388,621</u>	<u>397,967</u>	<u>5,767</u>	<u>3</u>	<u>932,412</u>	<u>1,020</u>
EXPENDITURES						
Public safety	-	-	18,898	1,876	-	-
Community development	-	-	-	-	946,218	-
Public health and education	-	-	-	-	-	-
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>18,898</u>	<u>1,876</u>	<u>946,218</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>388,621</u>	<u>397,967</u>	<u>(13,131)</u>	<u>(1,873)</u>	<u>(13,806)</u>	<u>1,020</u>
OTHER FINANCING SOURCES (USES)						
Operating transfers in	-	-	-	-	40,300	-
Operating transfers out	<u>(429,392)</u>	<u>(396,945)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>(429,392)</u>	<u>(396,945)</u>	<u>-</u>	<u>-</u>	<u>40,300</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures and other financing sources (uses)	<u>(40,771)</u>	<u>1,022</u>	<u>(13,131)</u>	<u>(1,873)</u>	<u>26,494</u>	<u>1,020</u>
FUND BALANCE (DEFICIT), BEGINNING 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>
FUND BALANCE (DEFICIT), END OF YEAR	<u>\$ 201,724</u>	<u>\$ 167,766</u>	<u>\$ 41,600</u>	<u>\$ 47</u>	<u>\$ 7,317</u>	<u>\$ 10,692</u>

CITY OF DANVILLE, ILLINOIS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCE
 NONMAJOR GOVERNMENTAL FUNDS
 Year Ended April 30, 2013

	<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	\$ 28,126	\$ -	\$ -	\$ 407,575	\$ 30,454	\$ 388	\$ -
Intergovernmental	-	-	162,935	-	-	-	-
Charges for services	-	-	-	-	-	-	-
Miscellaneous	<u>706</u>	<u>10,745</u>	<u>-</u>	<u>1,300</u>	<u>633</u>	<u>5</u>	<u>298</u>
Total revenues	<u>28,832</u>	<u>10,745</u>	<u>162,935</u>	<u>408,875</u>	<u>31,087</u>	<u>393</u>	<u>298</u>
EXPENDITURES							
Public safety	-	-	-	-	-	-	-
Community development	-	57,379	145,853	260,792	203,184	-	2,469
Public health and education	-	-	-	-	-	-	-
Capital projects	-	-	20,110	-	-	-	-
Debt service:							
Principal	-	-	-	-	-	-	-
Interest	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>-</u>	<u>57,379</u>	<u>165,963</u>	<u>260,792</u>	<u>203,184</u>	<u>-</u>	<u>2,469</u>
Excess (deficiency) of revenues over expenditures	<u>28,832</u>	<u>(46,634)</u>	<u>(3,028)</u>	<u>148,083</u>	<u>(172,097)</u>	<u>393</u>	<u>(2,171)</u>
OTHER FINANCING SOURCES (USES)							
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)	28,832	(46,634)	(3,028)	148,083	(172,097)	393	(2,171)
FUND BALANCE (DEFICIT), BEGINNING 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>
FUND BALANCE (DEFICIT), END OF YEAR	<u>\$ 231,814</u>	<u>\$ 449,659</u>	<u>\$ 28,923</u>	<u>\$ 483,422</u>	<u>\$ 11,814</u>	<u>\$ 2,707</u>	<u>\$ 134,982</u>

CITY OF DANVILLE, ILLINOIS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
Year Ended April 30, 2013

	<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	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,854,169	\$ 1,404,107
Intergovernmental	53,666	-	-	213,259	76,711	-	-
Charges for services	-	-	3,000	3,500	-	-	-
Miscellaneous	<u>30</u>	<u>3,071</u>	<u>455</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total revenues	<u>53,696</u>	<u>3,071</u>	<u>3,455</u>	<u>216,759</u>	<u>76,711</u>	<u>1,854,169</u>	<u>1,404,107</u>
EXPENDITURES							
Public safety	55,775	-	2,080	-	76,711	1,913,932	1,449,425
Community development	-	-	-	254,256	-	-	-
Public health and education	-	20,210	-	-	-	-	-
Capital projects	-	15,159	-	-	-	-	-
Debt service:							
Principal	-	-	-	-	-	-	-
Interest	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>55,775</u>	<u>35,369</u>	<u>2,080</u>	<u>254,256</u>	<u>76,711</u>	<u>1,913,932</u>	<u>1,449,425</u>
Excess (deficiency) of revenues over expenditures	<u>(2,079)</u>	<u>(32,298)</u>	<u>1,375</u>	<u>(37,497)</u>	<u>-</u>	<u>(59,763)</u>	<u>(45,318)</u>
OTHER FINANCING SOURCES (USES)							
Operating transfers in	-	22,545	-	65,515	-	59,763	45,318
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>22,545</u>	<u>-</u>	<u>65,515</u>	<u>-</u>	<u>59,763</u>	<u>45,318</u>
Excess (deficiency) of revenues over expenditures and other financing sources (uses)	<u>(2,079)</u>	<u>(9,753)</u>	<u>1,375</u>	<u>28,018</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE (DEFICIT), BEGINNING OF YEAR	<u>7</u>	<u>933,832</u>	<u>163,650</u>	<u>5,356</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE (DEFICIT), END OF YEAR	<u>\$ (2,072)</u>	<u>\$ 924,079</u>	<u>\$ 165,025</u>	<u>\$ 33,374</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, 2013

	<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	\$ -	\$ 940,195	\$ 82,341	\$ 271,765	\$ 5,804,236
Intergovernmental	1,294,030	-	-	-	2,729,436
Charges for services	-	-	-	-	13,077
Miscellaneous	<u>25,809</u>	<u>2,253</u>	<u>1,044</u>	<u>151</u>	<u>51,762</u>
Total revenues	<u>1,319,839</u>	<u>942,448</u>	<u>83,385</u>	<u>271,916</u>	<u>8,598,511</u>
EXPENDITURES					
Public safety	-	-	-	-	3,518,697
Community development	916,021	1,226,459	-	-	4,012,631
Public health and education	-	-	-	-	20,210
Capital projects	-	-	-	-	35,269
Debt service:					
Principal	1,194	232,103	240,000	200,000	673,297
Interest	<u>15</u>	<u>26,713</u>	<u>123,027</u>	<u>192,279</u>	<u>342,034</u>
Total expenditures	<u>917,230</u>	<u>1,485,275</u>	<u>363,027</u>	<u>392,279</u>	<u>8,602,138</u>
Excess (deficiency) of revenues over expenditures	<u>402,609</u>	<u>(542,827)</u>	<u>(279,642)</u>	<u>(120,363)</u>	<u>(3,627)</u>
OTHER FINANCING SOURCES (USES)					
Operating transfers in	-	929,873	276,323	120,632	1,560,269
Operating transfers out	<u>(201,323)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,027,660)</u>
Total other financing sources (uses)	<u>(201,323)</u>	<u>929,873</u>	<u>276,323</u>	<u>120,632</u>	<u>532,609</u>
Excess (deficiency) of revenues over expenditures and other financing sources (uses)	201,286	387,046	(3,319)	269	528,982
FUND BALANCE (DEFICIT), BEGINNING OF YEAR	<u>562,587</u>	<u>1,137,678</u>	<u>502,585</u>	<u>99,605</u>	<u>5,251,628</u>
FUND BALANCE (DEFICIT), END OF YEAR	<u>\$ 763,873</u>	<u>\$ 1,524,724</u>	<u>\$ 499,266</u>	<u>\$ 99,874</u>	<u>\$ 5,780,610</u>

**CITY OF DANVILLE, ILLINOIS
 COMBINING STATEMENT OF NET POSITION
 INTERNAL SERVICE FUNDS
 Year Ended April 30, 2013**

	Health Insurance	General Liability Insurance	Total
CURRENT ASSETS			
Cash	\$ 345,878	\$ -	\$ 345,878
Accounts receivable	11,853	-	11,853
TOTAL ASSETS	\$ 357,731	\$ -	\$ 357,731
 NET POSITION			
Unrestricted	\$ 357,731	\$ -	\$ 357,731

CITY OF DANVILLE, ILLINOIS
COMBINING STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN NET POSITION
INTERNAL SERVICE FUNDS
Year Ended April 30, 2013

	Health Insurance	General Liability Insurance	Total
OPERATING REVENUES			
Charges for services	\$ 4,441,877	\$ -	\$ 4,441,877
OPERATING EXPENSES			
Personnel services	4,266,888	-	4,266,888
Net income from operating activities	174,989	-	174,989
NON-OPERATING REVENUES			
Interest income	117	64	181
OPERATING TRANSFERS			
Operating transfers out	-	(37,330)	(37,330)
CHANGE IN NET POSITION	175,106	(37,266)	137,840
TOTAL NET POSITION, BEGINNING OF YEAR	182,625	37,266	219,891
TOTAL NET POSITION, END OF YEAR	\$ 357,731	\$ -	\$ 357,731

CITY OF DANVILLE, ILLINOIS
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
Year Ended April 30, 2013

	Health Insurance	General Liability Insurance	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers			
including cash deposits	\$ 4,442,108	\$ -	\$ 4,442,108
Cash paid to suppliers and for claims	(4,266,888)	-	(4,266,888)
Net cash provided by operating activities	175,220	-	175,220
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Cash transfers to other funds	-	(37,330)	(37,330)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received	117	64	181
Proceeds from sale of investments	-	36,500	36,500
Net cash provided by investing activities	117	36,564	36,681
NET INCREASE (DECREASE) IN CASH	175,337	(766)	174,571
CASH, BEGINNING OF YEAR	170,541	766	171,307
CASH, END OF YEAR	\$ 345,878	\$ -	\$ 345,878
CASH FLOWS FROM OPERATING ACTIVITIES			
Operating income	\$ 174,989	\$ -	\$ 174,989
Adjustments to reconcile operating income to net cash provided by operating activities:			
Effects of changes in operating assets and liabilities:			
Receivables	231	-	231
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 175,220	\$ -	\$ 175,220

CITY OF DANVILLE, ILLINOIS
COMBINING STATEMENT OF FIDUCIARY NET POSITION
AGENCY FUNDS
April 30, 2013

ASSETS

	<u>Dependent Life Insurance</u>	<u>Civic Center</u>	<u>Evidence Holding</u>	<u>Total</u>
Cash	\$ 7,041	\$ 19,556	\$ 17,677	\$ 44,274
Certificates of deposit	-	130,000	98,000	228,000
Accounts receivable	-	81,645	-	81,645
	<hr/>	<hr/>	<hr/>	<hr/>
TOTAL ASSETS	<u>\$ 7,041</u>	<u>\$ 231,201</u>	<u>\$ 115,677</u>	<u>\$ 353,919</u>

LIABILITIES

Accounts payable	\$ -	\$ 30,804	\$ 95,116	\$ 125,920
Due to others	7,041	200,397	20,561	227,999
	<hr/>	<hr/>	<hr/>	<hr/>
TOTAL LIABILITIES	<u>\$ 7,041</u>	<u>\$ 231,201</u>	<u>\$ 115,677</u>	<u>\$ 353,919</u>

CITY OF DANVILLE, ILLINOIS
STATEMENT OF RECEIPTS AND DISBURSEMENTS
BUDGET COMPARED TO ACTUAL
GRANT # 02-121346
Year Ended April 30, 2013

	<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.

STATISTICAL DATA

CITY OF DANVILLE, ILLINOIS
GENERAL PROPERTY TAX INFORMATION
April 30, 2013

VALUATION AND TAX RATES

A three-year comparison of assessed valuation and tax rates for 2012, 2011, and 2010 follows:

	<u>2012</u>	<u>2011</u>	<u>2010</u>
ASSESSED VALUATIONS	\$ <u>299,497,169</u>	\$ <u>321,742,434</u>	\$ <u>342,128,757</u>
TAX RATES			
Social Security	0.0000	0.1275	0.1187
Illinois Municipal Retirement Fund	0.0000	0.1244	0.1096
Police Pension	0.5165	0.4505	0.4797
Firemen's Pension	0.6518	0.5949	0.6162
Library	0.5178	0.4624	0.4275
General Obligations Debt	<u>0.3128</u>	<u>0.2198</u>	<u>0.2232</u>
TOTAL	<u><u>1.9989</u></u>	<u><u>1.9795</u></u>	<u><u>1.9749</u></u>

**INDEPENDENT AUDITORS' REPORTS ON COMPLIANCE
AND INTERNAL CONTROL**

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

The Mayor and City Council
City of Danville, Illinois

We have audited, in accordance with the 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, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Danville, Illinois, as of and for the year ended April 30, 2013, and the related notes to the financial statements, which collectively comprise the City of Danville, Illinois' basic financial statements, and have issued our report thereon dated September 11, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Danville, Illinois' internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Danville, Illinois' internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Danville, Illinois' internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified a certain deficiency in internal control 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 entity's 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 (Finding 13-01).

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Danville, Illinois' financial statements are free from 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*.

City of Danville Illinois' Response to Finding

The City of Danville, Illinois' response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The City of Danville, Illinois' response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

Danville, Illinois
September 11, 2013

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR
FEDERAL PROGRAM, ON INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH OMB CIRCULAR A-133**

The Mayor and City Council
City of Danville, Illinois

Report on Compliance for Each Major Federal Program

We have audited the City of Danville, Illinois' compliance 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 the City of Danville Illinois' major federal programs for the year ended April 30, 2013. The City of Danville, Illinois' major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the City of Danville, Illinois' major federal programs based on our audit of the types of compliance requirements referred to above. 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 on compliance for each major federal program. However, our audit does not provide a legal determination of the City of Danville Illinois' compliance.

Opinion on Each Major Federal Program

In our opinion, the City of Danville, Illinois complied, in all material respects, with the types of compliance 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, 2013.

Report on Internal Control Over Compliance

Management of the City of Danville, Illinois is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City of Danville, Illinois' internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the result of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



Danville, Illinois
September 11, 2013

CITY OF DANVILLE, ILLINOIS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended April 30, 2013

<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				
Step Grant	16.738	None	\$ 26,283	\$ -
Edward Byrne Memorial Grant	16.738	2012 DJBX-0659	\$ 16,379	
Edward Byrne Memorial Grant	16.738	2011 DJBX-2864	16,616	16,616
Edward Byrne Memorial Grant	16.738	2010 DJBX-1413	<u>20,670</u>	<u>-</u>
Subtotal			<u>79,948</u>	<u>16,616</u>
ARRA - COPS Hire Grant	16.710	2009 RKWX-0335	<u>213,259</u>	<u>-</u>
Total Department of Justice			<u>293,207</u>	<u>16,616</u>
Department of Housing and Urban Development				
Community Development Block Grants-Entitlement	14.218	B-08-MC-17-0038	933	-
Community Development Block Grants-Entitlement	14.218	B-09-MC-17-0038	10,391	-
Community Development Block Grants-Entitlement	14.218	B-10-MC-17-0038	50,200	-
Community Development Block Grants-Entitlement	14.218	B-11-MC-17-0038	387,257	-
Community Development Block Grants-Entitlement	14.218	B-12-MC-17-0038	365,760	-
EDI (Durbín)	14.218	B-10-SP-IL-0084	<u>102,482</u>	<u>-</u>
Total Department of Housing and Urban Development			<u>917,023</u>	<u>-</u>
Department of Transportation				
Federal Transit Formula Grant	20.507	IL-90-X618-00	10,098	-
Federal Transit Formula Grant	20.507	IL-90-X635-00	16,466	-
Federal Transit Formula Grant	20.507	IL-90-X652-00	1,000	-
Federal Transit Formula Grant	20.507	IL-90-X699-00	350,753	-
Federal Transit Formula Grant	20.507	IL-90-X706-00	8,789	-
Federal Transit Formula Grant	20.507	IL-90-X629-00	21,412	-
Federal Transit Formula Grant	20.507	IL-90-X682-00	61,564	-
Federal Transit Formula Grant	20.507	IL-90-X658-00	140,123	-
Federal Transit Formula Grant	20.507	IL-90-X660-00	<u>11,565</u>	<u>-</u>
Subtotal of Federal Transit Cluster			<u>621,770</u>	<u>-</u>
Passed through Illinois Department of Transportation (IDOT)				
Highway Planning and Construction	20.205	None	<u>121,252</u>	<u>-</u>
Total passed through IDOT			<u>121,252</u>	<u>-</u>
Total Department of Transportation			<u>743,022</u>	<u>-</u>
Department of Homeland Security				
Assistance to Firefighters Grant	97.044	None	<u>93,305</u>	<u>-</u>
Total Department of Home and Security			<u>93,305</u>	<u>-</u>
Environmental Protection Agency				
Brownfield Grant	66.818	None	<u>76,711</u>	<u>-</u>
Total Environmental Protection Agency			<u>76,711</u>	<u>-</u>
Department of Commerce				
Community Trade Adjustment Assistance/ Economic Adjustment Program	11.010	06-46-05640	<u>1,190,008</u>	<u>-</u>
Total Department of Commerce			<u>1,190,008</u>	<u>-</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 3,313,276</u>	<u>\$ 16,616</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, 2013

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, federal loan or loan guarantees, or non-cash assistance.

This information is an integral part of the accompanying schedule.

**CITY OF DANVILLE, ILLINOIS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended April 30, 2013**

Section I – Summary of Auditor’s Results

Financial Statements

Type of auditor’s report issued: unmodified 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: unmodified 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>
11.010	Community Trade Adjustment Assistance/Economic Adjustment Program
14.218	Community Development Block Grants- Entitlement Grants
16.710	ARRA – COPS Hire Grant

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, 2013**

Section II – Financial Statement Findings

FINDING NO. 13-01 – 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. Furthermore, this function cannot be outsourced to CliftonLarsonAllen LLP, as independent auditors.

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, 2013

FINDING NO. 12-01 – FINANCIAL STATEMENT PREPARATION AND ADJUSTMENTS

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.

Condition still exists.