

CITY OF DANVILLE
Danville, Illinois

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**
April 30, 2014



CliftonLarsonAllen

TABLE OF CONTENTS

	PAGE
FINANCIAL SECTION	
INDEPENDENT AUDITORS' REPORT	i
MANAGEMENT'S DISCUSSION AND ANALYSIS	iv
BASIC FINANCIAL STATEMENTS	
Government-Wide Financial Statements:	
Statement of Net Position	1
Statement of Activities	2
Fund Financial Statements:	
Balance Sheet – Governmental Funds	4
Reconciliation of the Balance Sheet of Governmental Funds to the Net Position of Governmental Activities	5
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	6
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	8
Statement of Net Position – Proprietary Funds	9
Statement of Revenues, Expenses, and Changes in Net Position – Proprietary Funds	10
Statement of Cash Flows – Proprietary Fund Types	11
Statement of Fiduciary Net Position – Fiduciary Funds	13
Statement of Changes in Fiduciary Net Position – Pension Trust Funds	14
Notes to Financial Statements	15

TABLE OF CONTENTS

	PAGE
REQUIRED SUPPLEMENTARY INFORMATION	51
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual (Budgetary Basis) – General Fund.....	52
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – (Budgetary Basis) Major Fund - Motor Fuel Tax	54
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – (Budgetary Basis) Major Fund – Danville Mass Transit	55
Schedules of Funding Progress	56
Schedules of Employer Contributions	59
Notes to Required Supplementary Information.....	61
 OTHER SUPPLEMENTARY INFORMATION	 62
Combining Balance Sheet – General Fund By Account	63
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance – General Fund.....	64
Combining Balance Sheet – Nonmajor Governmental Funds.....	65
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance – Nonmajor Governmental Funds.....	68
Combining Statement of Fiduciary Net Position – Agency Funds	71

TABLE OF CONTENTS

	PAGE
STATISTICAL DATA	72
General Property Tax Information.....	73
SINGLE AUDIT SECTION	74
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	75
INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133	77
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	79
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	80
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	81
SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS	84

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 unit, each major fund, and the aggregate remaining fund information of the City of Danville, Illinois (City), as of and for the year ended April 30, 2014, and the related notes to the financial statements, which collectively comprise the entity's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express 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 *Government 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 unit, each major fund, and the aggregate remaining fund information of the City of Danville, Illinois as of April 30, 2014, 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 and employer contributions, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. 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' basic financial statements. The combining financial statements, 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 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 data listed in the table of contents has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we 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 October 15, 2014 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.

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

CliftonLarsonAllen LLP

Danville, Illinois
October 15, 2014

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, 2014. 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, liabilities, and deferred inflows using the accrual basis of accounting, which is similar with the accounting used by most private-sector companies.

In this report you will see the City's net position and changes within them. You can think of the City's net position as the difference between total assets, total liabilities, and deferred inflows 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, 2014, the City's total net position was \$71,461,629, an increase of \$7,438,385 or 11.61% over the City's total net position for 2013 of \$64,023,244. The government total net position showed an increase of \$7,303,039 or 13.38% while the business-type total net position showed an increase of \$135,346 or 1.43%.
- The governmental activities total net position increase of \$7,303,039 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 \$17,399,421 which is an increase of 93.66% over last year's total of \$9.0 million due primarily to the 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 \$18,487,633; representing a 19.89% decrease over last fiscal year's total of \$23,078,357.
- The business-type activities total current assets reported at year end are \$3,423,743, whereas last fiscal year the total was \$2,450,773.
- The City has \$9,680,380 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 \$1,498,187 or 13.40% 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 \$876,649 or 3.953%, while this year, revenues exceeded

- expenditures by \$1,170,514 or 5.31%. The 2013 Fund balance for the General fund was \$6,173,494, compared to this year's total of \$6,477,457, representing an increase of \$303,963 or 4.92% (actual data for 2014 found on page 6 and 7 of the financials)
- Once again, none of the Property Taxes collected finance General Fund services. The funds collected through property taxes fund the 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 and urban and engineering service). 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 and schedules of funding progress and employer contributions.

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 2014 numbers found on page 1)

	Governmental Activities		Business-type Activities		Total		Net change	% change
	2014	2013	2014	2013	2014	2013		
Current and other assets	\$ 18.5	\$ 23.1	\$ 3.4	\$ 2.4	\$ 21.9	\$ 25.5	\$ (3.6)	-14.1%
Noncurrent /Capital assets	57.6	48.4	6.6	7.5	64.2	55.9	8.3	14.8%
Total assets	76.1	71.5	10.0	9.9	86.1	81.4	4.7	5.8%
Current liabilities	\$ 3.6	\$ 5.7	\$ 0.3	\$ 0.4	\$ 3.9	\$ 6.1	\$ (2.2)	-36.1%
Noncurrent liabilities	9.7	11.2	0.1	0.1	9.8	11.3	(1.5)	-13.3%
Total liabilities	\$ 13.3	\$ 16.9	\$ 0.4	\$ 0.5	\$ 13.7	\$ 17.4	\$ (3.7)	-21.3%
DEFERRED INFLOWS OF RESOURCES								
Subsequent year's property taxes	\$ 0.9	\$ -	\$ -	\$ -	\$ 0.9	\$ -	\$ 0.9	100.0%
Net assets:								
Net investment in								
capital assets	\$ 51.0	\$ 40.6	\$ 6.5	\$ 7.3	\$ 57.5	\$ 47.9	\$ 9.6	20.0%
Restricted	7.0	11.2	-	-	7.0	11.2	(4.2)	-37.5%
Unrestricted	3.9	2.8	3.1	2.1	7.0	4.9	2.1	42.9%
Total net position	\$ 61.9	\$ 54.6	\$ 9.6	\$ 9.4	\$ 71.5	\$ 64.0	\$ 7.5	11.7%

Total assets of the City increased from \$81.4 million as of April 30, 2013 to \$86.1 million as of April 30, 2014. This represents a \$4.7 million increase over last year or 5.8%. As you can see from the chart above, there was an increase in Current assets and noncurrent assets. This drastic increase in Noncurrent/Capital Assets is due to the nearly-completed Fairchild Subway project.

Total liabilities of the City as of April 30, 2014, are down \$3.7 million from last year's \$17.4 million. Of this amount, approximately \$7.4 million represents debt from bond issuances that will be paid over the next 14 years. The City's net position totaled \$71.5 million, of which \$57.5 million represent the amount that is invested in capital assets, net of related debt.

The largest portion of the City's net position, \$57.5 million, reflects its investment in capital assets (e.g. land, buildings, machinery, and equipment), less any related debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. The unreserved net assets increased from \$4.9 million to \$7.0 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	% change
	2014	2013	2014	2013	2014	2013		
Revenues:								
Program Revenues								
Charges for services	\$ 2.0	\$ 2.0	\$ 6.1	\$ 5.7	\$ 8.1	\$ 7.7	\$ 0.4	5.2%
Operating grants and contributions	1.5	2.0			1.5	2.0	(0.5)	-25.0%
Capital grants and contributions	11.0	10.7			11.0	10.7	0.3	2.8%
General revenues:							-	0.0%
Property Taxes	5.1	5.5			5.1	5.5	(0.4)	-7.8%
Other Taxes	22.4	21.4			22.4	21.4	1.0	4.7%
Other	5.0	7.7	0.2	0.2	5.2	7.9	(2.7)	0.0%
Transfers	0.2	0.2	(0.2)	(0.2)	-	-	-	0.0%
Total revenues	\$ 47.2	\$ 49.5	\$ 6.1	\$ 5.7	\$ 53.3	\$ 55.2	\$ (1.9)	-3.5%
Expenses:								
General government	\$ 4.8	\$ 5.4			\$ 4.8	\$ 5.4	\$ (0.6)	-11.1%
Public Safety	16.7	15.6			16.7	15.6	\$1.1	7.3%
Community development	4.2	4.0			4.2	4.0	\$0.2	5.1%
Public Health and education	0.0	0.0			0.0	0.0	(\$0.0)	0.0%
Transportation	3.0	2.8			3.0	2.8	\$0.2	8.0%
Streets	8.9	4.5			8.9	4.5	\$4.4	98.3%
Culture and recreation	1.8	1.9			1.8	1.9	(\$0.1)	-5.2%
Interest on long-term debt	0.4	0.5			0.4	0.5	(\$0.1)	-18.8%
Sanitary Sewer Department			2.9	2.6	2.9	2.6	\$0.3	11.5%
Harrison Park			0.4	0.5	0.4	0.5	(\$0.1)	-20.0%
Solid Waste Management			2.7	2.5	2.7	2.5	\$0.2	8.0%
Total expenses	\$ 39.9	\$ 34.7	\$ 6.0	\$ 5.6	\$ 45.9	\$ 40.3	\$ 5.6	13.9%
Change in net position	\$ 7.3	\$ 14.8	\$ 0.1	\$ 0.1	\$ 7.4	\$ 14.9	\$ 3.7	-50.5%

Total Revenue for Governmental Activities for 2014 is \$53.3 million, down slightly \$1.9 million or 3.5% from last year's total of \$55.2 million. Other Taxes are up \$1.0 or 4.5%, due to the State of Illinois catching up the City's share last year and now paying on a timely basis. Revenue for total Business-type activities for 2014 showed an increase of \$400,000 from last year, while total expenses for Business-type activities also increased \$400,000.

The total Governmental Activities Program expenses show an increase from \$34.7 million for 2013 to \$39.9 million for 2014 or 14.9%. This year Streets had the largest increase in Governmental Activities representing a 98.3% increase over last year, which is attributed to the Fairchild Subway project. A lot of time and effort was put into the completion of the Fairchild Subway with an anticipating opening date of June 2014. Public Safety showed the second largest increase of 7.3% due to the settlement of the Fire Union Contract. Community Development and Transportation each showed a slight increase in expenses. General government, Culture and recreation, and Interest on long-term debt each show slight decreases.

Governmental program expenses consist of \$16.7 million for Public Safety, \$4.8 million for General Government Activities, \$8.9 million for Streets, \$ 1.8 million for Culture and Recreation, \$3.0 million for Transportation, \$4.2 million for Community Development, and \$ 0.4 million for Interest on long-term debt. In 2014, Public Health and education (representing work done at the Landfill) had a decrease in expenditures from 2013 to 2014 of \$7,810. Business-type program expenses consist of \$2.9 million for Sanitary Sewer, \$ 0.4 million for Harrison Park and \$2.6 million for Solid Waste funds as shown in the chart above.

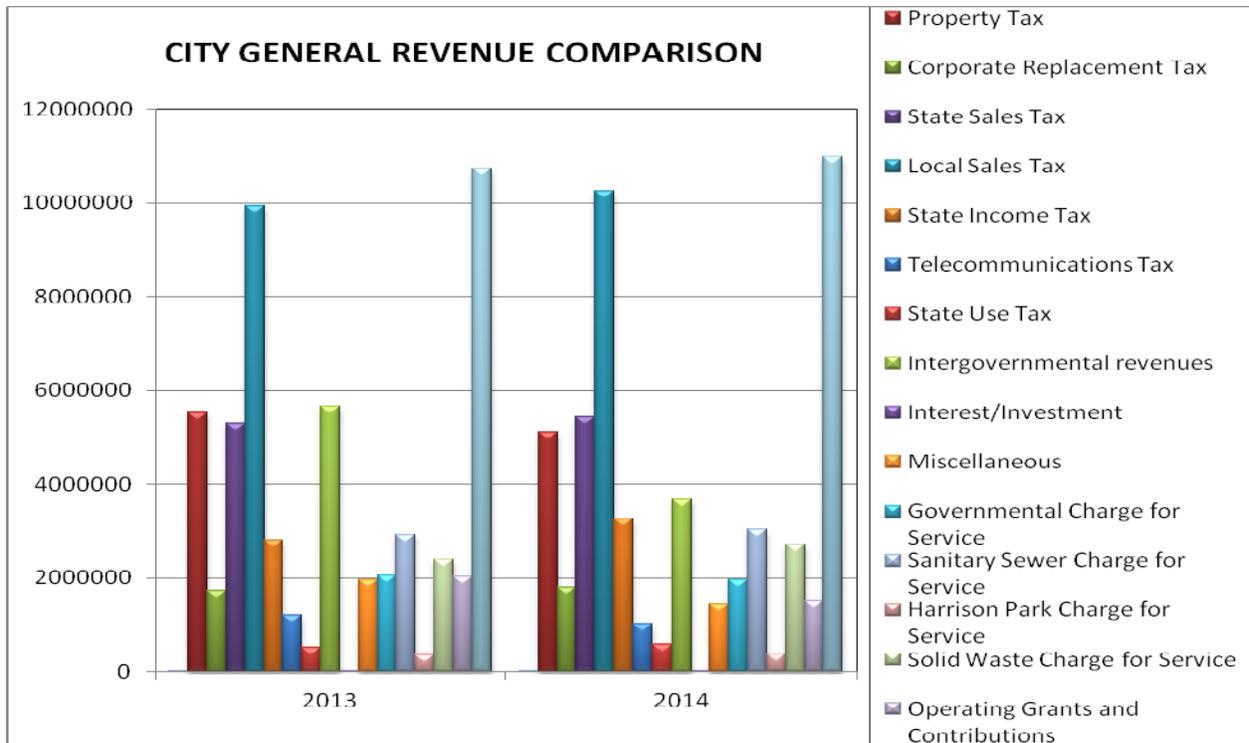
In 2014, the Sanitary Sewer had operating revenues in excess of operating expenditures of \$133,150 with operating revenues totaling \$3.1 million and operating expenditures totaling \$3 million. Last year the Sanitary Sewer fund had Total operating revenues for 2013 of \$3 million compared to \$3.1 million in 2014. Total operating expenses of \$2.6 million for 2013 were down approximately \$300,000 from the total in 2014 of \$3.0 million. The Total Net Position for Sanitary Sewer for 2014 is \$7.8 compared to 2013 total of \$7.8, down slightly \$1,570 or 1%, (actual amounts for 2014 are on page 10).

In 2014, the Solid Waste fund had operating revenue in excess of operating expenditures totaling approximately \$135,820 with total Solid Waste operating revenues at \$2.7 and operating expenditures equaled \$2.6. Total operating revenues for the Solid Waste fund for 2013 was \$2.4 million and in 2014 the total was \$2.7, an increase of approximately \$302,893. Total operating expenditure increased approximately \$158,709 from \$2.5 million in 2013 to \$2.6 million in 2014. Total Net Position for the Solid Waste fund for 2014 is \$1.5 million, up \$80,102 over the 2013 total of \$1.4 million or 9.8%, (actual amounts for 2014 are on page 10).

In 2014, Harrison Park fund had operating revenue in excess of operating expenditures by \$62,125. In 2013, operating expenditures were in excess of operating revenue by \$32,950. Total operating revenue for Harrison Park was \$469,890 while operating expenditures were \$407,765. Revenues in 2014 show a slight increase and expenditures show a decrease of \$91,900. Total net positions for Harrison Park fund for 2014 is \$191,071 up compared to 2013 totals of \$134,257 or 42.3%, (actual amounts for 2014 are on page 10).

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

The chart on the next page shows a comparison of the revenues received ending April 30, 2013 and April 30, 2014, (actual amounts for 2014 are on page 3).



CITY GENERAL REVENUE DATA				
City Revenues	2013	2014	Increase (Decrease)	Percent Change
Property Tax	5,531,635.00	5,117,639.00	(413,996.00)	-7.48%
Corporate Replacement Tax	1,723,476.00	1,796,724.00	73,248.00	4.25%
State Sales Tax	5,295,030.00	5,425,536.00	130,506.00	2.46%
Local Sales Tax	9,921,928.00	10,259,126.00	337,198.00	3.40%
State Income Tax	2,806,340.00	3,273,432.00	467,092.00	16.64%
Telecommunications Tax	1,198,725.00	1,018,134.00	(180,591.00)	-15.07%
State Use Tax	521,729.00	585,244.00	63,515.00	12.17%
Intergovernmental revenues	5,672,537.00	3,669,160.00	(2,003,377.00)	-35.32%
Interest/Investment	34,858.00	35,042.00	184.00	0.53%
Miscellaneous	2,085,250.00	1,579,126.00	(506,124.00)	-24.27%
Governmental Charge for Service	2,041,623.00	1,970,252.00	(71,371.00)	-3.50%
Sanitary Sewer Charge for Service	2,923,405.00	3,027,233.00	103,828.00	3.55%
Harrison Park Charge for Service	373,723.00	381,696.00	7,973.00	2.13%
Solid Waste Charge for Service	2,403,216.00	2,708,618.00	305,402.00	12.71%
Operating Grants and Contributions	2,026,823.00	1,513,682.00	(513,141.00)	-25.32%
Capital Grants and Contributions	10,735,625.00	10,981,924.00	246,299.00	2.29%
Total General Revenue	55,295,923.00	53,342,568.00	-1,953,355.00	-3.53%

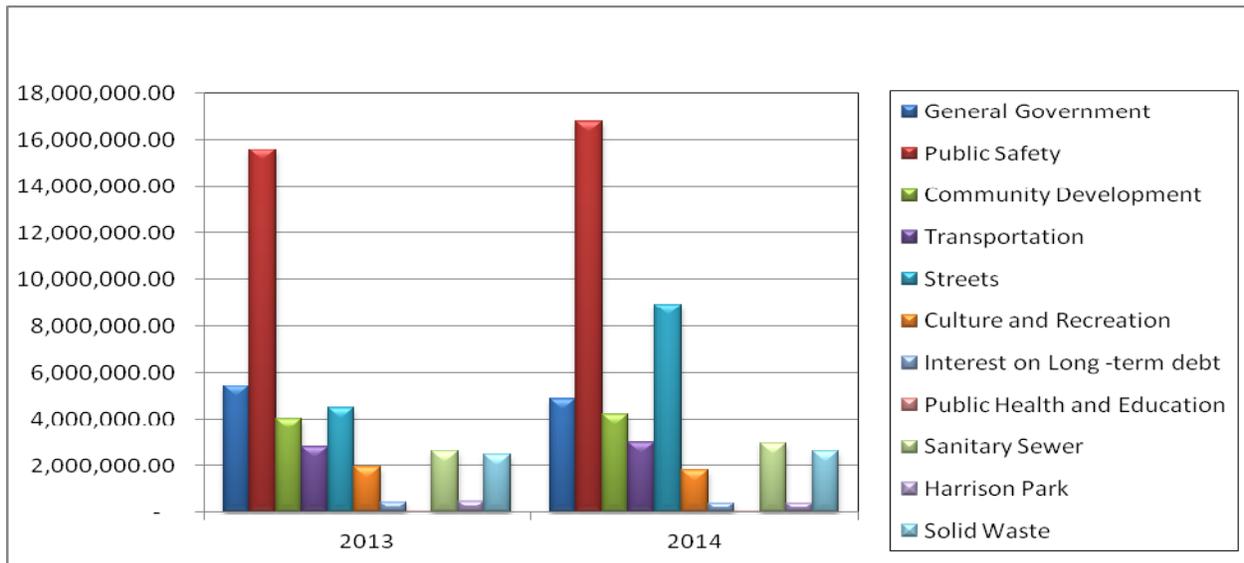
As with all municipalities, the City of Danville is supported by tax revenues from various sources. Total General Revenues, which include revenues from sales tax, income tax, property tax, charges for service, grants as well as other income generators, totaled \$53.3 million for the year ending April 30, 2014, without the transfer total. This total represents a 3.53% decrease in General revenue over last year's total \$55.3, with the largest decrease falling under Intergovernmental Revenues. Local Sales Tax shows an increase of \$337,198, from last year representing a 3.40% increase. State Sales Tax shows a 2.46% increase over last year, while Corporation Replacement Tax shows a 4.25% increase, Telecommunication Tax shows a 15.07% decrease, and State Use tax shows an increase of 12.17% 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 2013 State and Local Sales Tax totaling \$15.2 million, compared to this year's total of \$15.7 million. This represents a 3.1% increase over last year.

The State of Illinois made a concerted 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 one month of Income Tax payments.

In reviewing expenditures for 2014 from 2013, you will notice that the expenditures have increased by \$5.6 million (or 13.8%) from last year. As stated earlier, that increase is due primarily to the Fairchild Subway project and the settlement of the Fire Union Contract.

The following graph is a comparison of Program Expenses from fiscal year 2013 to fiscal year 2014 (actual dollar amounts found on page 2:



CITY PROGRAM EXPENSE YEARLY COMPARISON DATA				
	<u>2013</u>	<u>2014</u>	<u>Increase (Decrease)</u>	<u>Percent Change</u>
General Government	5,413,835.00	4,799,935.00	(613,900.00)	-11.34%
Public Safety	15,575,493.00	16,743,238.00	1,167,745.00	7.50%
Community Development	4,011,701.00	4,204,154.00	192,453.00	4.80%
Transportation	2,833,398.00	3,024,547.00	191,149.00	6.75%
Streets	4,496,933.00	8,924,042.00	4,427,109.00	98.45%
Culture and Recreation	1,922,856.00	1,801,363.00	(121,493.00)	-6.32%
Interest on Long -term debt	451,315.00	406,169.00	(45,146.00)	-10.00%
Public Health and Education	20,210.00	12,400.00	(7,810.00)	-38.64%
Sanitary Sewer	2,610,486.00	2,934,087.00	323,601.00	12.40%
Harrison Park	510,716.00	413,153.00	(97,563.00)	-19.10%
Solid Waste	2,475,145.00	2,633,854.00	158,709.00	6.41%
Total City Program Expenses	40,322,088.00	45,896,942.00	5,574,854.00	13.83%

On a modified accrual basis, this year revenue exceeded expenditures in the General fund by \$1,170,514 compared to last year's \$876,649. 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 and overall there was a 13.83% increase in expenditures over last year.

On a modified accrual basis, the General fund balance at the end of the fiscal year 2014 was \$6.5 million, up \$303,963 from last year's Fund Balance of \$6.2 million 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 Intergovernmental Revenue.

This year in the Motor Fuel Tax fund (MFT), expenditures exceeded revenue by \$3.2 million. Total MFT revenues for 2014 were \$5.9 million, while expenditures in MFT were \$9.1 million. In 2014, revenues decreased from \$12.1 million to \$5.9 million due to the timing of funds received for the Fairchild Subway Reconstruction and expenditures decreased from \$271,665 to \$9.1 million (pages 6 and 7). The MFT fund balance at year end of 2014 decreased from \$5.3 million to \$2.0 million. The large increases in revenues, expenditures and fund balance are due to the Fairchild Subway Reconstruction Project.

General Fund Budgetary Highlights

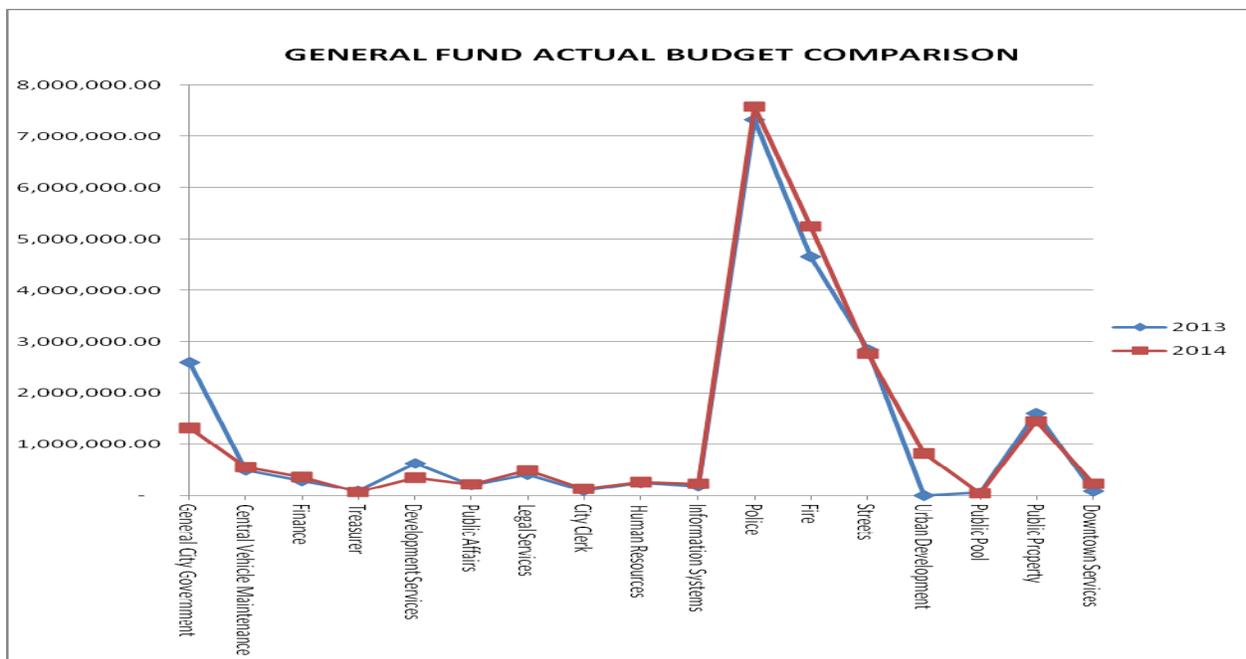
Over the course of the year, the City Council revised the City Budget numerous times. These budget amendments fall into three categories:

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 2013-2014 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 and several Council meetings after the end 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, 2013 and April 30, 2014, for each division (actual dollar amounts for 2014 are located on page 52):



General Fund Actual Per Budget Comparison

	<u>2013</u>	<u>2014</u>	<u>Increase</u> <u>(Decrease)</u>	<u>Percent</u> <u>Change</u>
General City Government	2,590,435.00	1,319,283.00	(1,271,152.00)	-49.071%
Central Vehicle Maintenance	498,703.00	558,367.00	59,664.00	11.964%
Finance	288,815.00	362,052.00	73,237.00	25.358%
Treasurer	94,263.00	75,598.00	(18,665.00)	-19.801%
Environmental Inspection	629,557.00	348,142.00	(281,415.00)	-44.700%
Public Affairs	209,621.00	218,759.00	9,138.00	4.359%
Legal Services	406,108.00	494,043.00	87,935.00	21.653%
City Clerk	95,214.00	137,603.00	42,389.00	44.520%
Human Resources	248,534.00	261,985.00	13,451.00	5.412%
Information Systems	179,333.00	225,979.00	46,646.00	26.011%
Police	7,326,998.00	7,571,754.00	244,756.00	3.340%
Fire	4,656,387.00	5,246,281.00	589,894.00	12.668%
Streets	2,850,442.00	2,765,360.00	(85,082.00)	-2.985%
Urban Development	-	822,444.00	822,444.00	100.000%
Public Pool	60,629.00	45,771.00	(14,858.00)	-24.506%
Public Property	1,599,857.00	1,451,743.00	(148,114.00)	-9.258%
Downtown Services	84,875.00	228,005.00	143,130.00	168.636%
Total Actual General Fund Budget	21,819,771.00	22,133,169.00	313,398.00	1.436%

The above charts and data show the difference in the actual per budget comparison for General Fund from the 2012-13 Fiscal Year and the 2013-14 Fiscal Year. Although the Mayor, members of the City Council, and Department Heads worked diligently to meet the FY 2013-2014 Budget as approved, it became difficult with the settlement of the Fire Union contract, legal fees associated with negotiations and litigations, overtime in the Fire, Police and Streets department, and materials needed for repairs to public buildings, and personnel expenditures exceeding our projections. The above chart shows a \$313,398 dollar increase in the General Fund Actual per budget for 2014 compared to 2013. Urban Development and Engineering Services was created from pulling Engineering from the Streets Department and Building, Construction and Zoning from Development Services. Development Services was renamed Environmental Code Enforcement and placed under the supervision of the Public Works Department. Downtown Services large increase was due to Downtown Services taking over maintenance and utilities for the Municipal Building and expanding the Downtown service area. The increase of 44.52% in City Clerk was due to the hiring of a full time Deputy Clerk to assist with the day to day operations and Freedom of Information Act requests. General City Government had a major decrease since last Fiscal year the City offered several Sales Tax Incentives to various new retail developments, and an additional payment to General Liability Insurance was made. The increase in the Fire Department was based primarily on the settlement of the union contract. In comparing the Police and Fire from 2013 to 2014, 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, 2014, the City had \$126.2 million invested in a broad range of Capital Assets (\$114.4 million-April 30, 2013), including police and fire equipment, buildings, park facilities, roads, bridges, public works equipment and sewer lines. After accumulated depreciation the total is \$63.9

million (\$58.9 million –April 30, 2013). 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, Reconstruction of Bowman Avenue from Crestview Avenue to Winter, Westwood Sewer project, Shorewood pump station improvements, Completion of Harrison Park Clubhouse Renovation, Carnegie Building Roof Phase I, and our biggest project, the Fairchild Street Reconstruction Project and shared use path, with an anticipated June 2014 completion date. The State of Illinois finished work on the East Main Street Expansion Project.

The City made numerous equipment purchases as follows: new lockers for the municipal pool, pavement router, Cummins power generator, 5 Chevrolet Impala police vehicles, playground equipment for Douglas Park, five Ford pickup trucks, hot-patch heated truck bed, 2014 CAT compact track loader, and other small equipment as needed. The Fire Department obtained a grant to purchase new helmets and 33 sets of bunker gear, and the Police Department received a grant to purchase 14 Tasers.

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 - \$8,414,939
Equipment - \$836,603
Infrastructure - \$2,565,687

Debt

At year's end of April 30, 2014, the City had \$11.6 million in capital leases, bonds, and notes payable including interest, while at the end of April 30, 2013, the City had \$13 million in capital leases, bonds, and notes payable with interest included. During April 30, 2014 no new bonds or notes payable were issued. With a population of 33,027 (2010 Census), total debt per capita for 2014 is \$ 349.52, down \$44.10 or 12.62% from 2013 total debt per capita of \$393.62. With the declining status of the State of Illinois bond rating, careful consideration will be given when determining the timing to issue bonds for the completion of the Danville High School project and for demolition of blighted areas.

The Long-Term Debt service extends out to the fiscal year 2029 as listed in Note 5 on page 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 fiscal year 2029, 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 various investment returns, number and age of all participants in the pension plan, rate of salary increases, and the unfunded portion of the pension fund. This year in addition to the Tax levy contributions, the City contributed \$78,000 to the Fire Pension Fund and \$62,000 to the Police Pension fund. The City's unfunded pension liabilities continue to put pressure on the City's financial condition.

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 another year of a significant 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, last year due to the decline in the EAV, the General Fund absorbed the monthly 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 done in 2012-2013 aided 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 2014-2015 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 the trends of expenditures and revenue sources. 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 the negotiations of five of our six union contracts including Firefighters, Police officers, Police Command, Local 729 and Danville Mass Transit. With the negotiation of multiple union contracts, salaries, and benefits, employee costs remain estimated for a majority of our staff, and any increases to such have not totally been included in the current budget. Once again this year, emphasis has been placed on making the City budget sustainable. During the budget process the administration and the City Council held many discussions on the number of Firefighters needed. After much debate, a Fire Safety Fee with a base rate of \$2.00 was put into place on all households in the City of Danville, with a sunset clause for April 2015. Once again this year we are excited about the opening of Meijer's, TJ Maxx, McDonalds (Bowman & Main), Jimmy John's and Burlington. We are also excited about all of the development in the City, and are looking forward to the opening of the Fairchild Street Overpass in June, 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, 2014

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Danville Public Library
CURRENT ASSETS				
Cash	\$ 2,770,653	\$ 129,144	\$ 2,899,797	\$ 802,220
Temporary investments	6,474,000	2,335,000	8,809,000	557,845
Receivables	583,762	814,877	1,398,639	327
Taxes receivable	889,362	-	889,362	1,601,327
Prepaid items	1,540,526	144,722	1,685,248	12,002
Due from other governments	6,229,330	-	6,229,330	-
Total current assets	<u>18,487,633</u>	<u>3,423,743</u>	<u>21,911,376</u>	<u>2,973,721</u>
NONCURRENT ASSETS				
Receivables	263,107	-	263,107	-
Capital assets not being depreciated:				
Land	6,134,573	281,010	6,415,583	-
Construction in progress	17,399,421	-	17,399,421	-
Capital assets being depreciated:				
Buildings and improvements	18,309,067	16,926,262	35,235,329	-
Equipment	21,771,901	4,742,119	26,514,020	2,866,645
Infrastructure	40,606,678	-	40,606,678	-
Less accumulated depreciation	<u>46,915,062</u>	<u>15,348,197</u>	<u>62,263,259</u>	<u>2,529,595</u>
Total noncurrent assets	<u>57,569,685</u>	<u>6,601,194</u>	<u>64,170,879</u>	<u>337,050</u>
TOTAL ASSETS	<u>76,057,318</u>	<u>10,024,937</u>	<u>86,082,255</u>	<u>3,310,771</u>
CURRENT LIABILITIES				
Accounts payable	1,132,826	876	1,133,702	5,877
Accrued expenses	504,624	150,012	654,636	59,618
Due to other governments	14,400	-	14,400	-
Unearned revenue	104,681	-	104,681	-
Advance payments	-	44,733	44,733	-
Unearned compensation liability	-	-	-	436,187
Accumulated vacation and sick days	358,176	146,164	504,340	-
Current portion of long-term notes and bonds	<u>1,486,486</u>	<u>52,611</u>	<u>1,539,097</u>	<u>-</u>
Total current liabilities	<u>3,601,193</u>	<u>394,396</u>	<u>3,995,589</u>	<u>501,682</u>
NONCURRENT LIABILITIES				
Noncurrent portion of pension obligation	417,714	-	417,714	-
Noncurrent portion of accumulated vacation and sick days	1,432,703	-	1,432,703	-
Noncurrent portion of other post-employment benefits	388,698	-	388,698	-
Noncurrent portion of long-term notes and bonds	<u>7,441,265</u>	<u>55,295</u>	<u>7,496,560</u>	<u>-</u>
Total noncurrent liabilities	<u>9,680,380</u>	<u>55,295</u>	<u>9,735,675</u>	<u>-</u>
Total liabilities	<u>13,281,573</u>	<u>449,691</u>	<u>13,731,264</u>	<u>501,682</u>
DEFERRED INFLOWS OF RESOURCES				
Subsequent year's property taxes	<u>889,362</u>	<u>-</u>	<u>889,362</u>	<u>1,606,433</u>
NET POSITION				
Net investment in capital assets	50,976,118	6,493,288	57,469,406	337,050
Restricted for capital projects	2,406,250	-	2,406,250	-
Restricted for streets and transportation	2,337,871	-	2,337,871	-
Restricted for debt service	612,760	-	612,760	-
Restricted for community development	833,986	-	833,986	-
Restricted for revolving loan fund	621,939	-	621,939	-
Restricted for tax increment financing projects	193,914	-	193,914	-
Unreserved	<u>3,903,545</u>	<u>3,081,958</u>	<u>6,985,503</u>	<u>865,606</u>
TOTAL NET POSITION	<u>\$ 61,886,383</u>	<u>\$ 9,575,246</u>	<u>\$ 71,461,629</u>	<u>\$ 1,202,656</u>

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

CITY OF DANVILLE, ILLINOIS
STATEMENT OF ACTIVITIES
Year Ended April 30, 2014

	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	\$ 4,799,935	\$ 876,655	\$ 185,754	\$ -	\$ (3,737,526)	\$ -	\$ (3,737,526)	\$ -
Public safety	16,743,238	560,503	106,330	-	(16,076,405)	-	(16,076,405)	-
Community development	4,204,154	-	881,592	-	(3,322,562)	-	(3,322,562)	-
Public health and education	12,400	-	-	-	(12,400)	-	(12,400)	-
Transportation	3,024,547	351,553	340,006	6,121,615	3,788,627	-	3,788,627	-
Streets	8,924,042	-	-	4,860,309	(4,063,733)	-	(4,063,733)	-
Culture and recreation	1,801,363	181,541	-	-	(1,619,822)	-	(1,619,822)	-
Interest on long-term debt	406,169	-	-	-	(406,169)	-	(406,169)	-
Total governmental activities	<u>39,915,848</u>	<u>1,970,252</u>	<u>1,513,682</u>	<u>10,981,924</u>	<u>(25,449,990)</u>	<u>-</u>	<u>(25,449,990)</u>	<u>-</u>
Business-type activities:								
Sanitary Sewer Department	2,934,087	3,027,233	-	-	-	93,146	93,146	-
Harrison Park	413,153	381,696	-	-	-	(31,457)	(31,457)	-
Solid Waste Management	2,633,854	2,708,618	-	-	-	74,764	74,764	-
Total business-type activities	<u>5,981,094</u>	<u>6,117,547</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>136,453</u>	<u>136,453</u>	<u>-</u>
Component Unit:								
Danville Public Library	<u>1,648,870</u>	<u>27,663</u>	<u>-</u>	<u>86,431</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,534,776)</u>
TOTAL	<u>\$ 47,545,812</u>	<u>\$ 8,115,462</u>	<u>\$ 1,513,682</u>	<u>\$ 11,068,355</u>	<u>(25,449,990)</u>	<u>136,453</u>	<u>(25,313,537)</u>	<u>(1,534,776)</u>

General Revenues:

Property taxes	\$ 5,117,639	\$ -	\$ 5,117,639	\$ 1,513,935
Corporate personal property replacement taxes	1,796,724	-	1,796,724	-
State sales taxes	5,425,536	-	5,425,536	-
Local sales tax	10,259,126	-	10,259,126	-
State income tax allocation	3,273,432	-	3,273,432	-
Telecommunication tax	1,018,134	-	1,018,134	-
State use tax	585,244	-	585,244	-
Intergovernmental revenues	3,669,160	-	3,669,160	-
Interest/investment income	28,347	6,695	35,042	2,189
Miscellaneous	1,389,872	189,254	1,579,126	16,672
Transfers	197,056	(197,056)	-	-
Loss on disposal of assets	(7,241)	-	(7,241)	(210)
	<u>32,753,029</u>	<u>(1,107)</u>	<u>32,751,922</u>	<u>1,532,586</u>
Total general revenues and transfers				
Change in net position	7,303,039	135,346	7,438,385	(2,190)
NET POSITION - BEGINNING OF YEAR	<u>54,583,344</u>	<u>9,439,900</u>	<u>64,023,244</u>	<u>1,204,846</u>
NET POSITION - END OF YEAR	<u>\$ 61,886,383</u>	<u>\$ 9,575,246</u>	<u>\$ 71,461,629</u>	<u>\$ 1,202,656</u>

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

CITY OF DANVILLE, ILLINOIS
BALANCE SHEET
GOVERNMENTAL FUNDS
April 30, 2014

	<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	\$ 833,068	\$ 655,092	\$ 161,929	\$ 39,016	\$ 867,137	\$ 2,556,242
Temporary investments	913,000	1,350,500	-	13,000	3,722,500	5,999,000
Receivables:						
Taxes, net of allowance for estimated uncollectibles	246,979	-	-	402,260	240,123	889,362
Other - current	290,246	24,564	-	-	256,715	571,525
Other - noncurrent	-	-	-	-	263,107	263,107
Prepaid items	1,423,563	-	104,268	-	12,695	1,540,526
Due from other funds	229,487	-	-	-	-	229,487
Due from other governments	4,717,175	1,216,707	-	-	295,448	6,229,330
TOTAL ASSETS	\$ 8,653,518	\$ 3,246,863	\$ 266,197	\$ 454,276	\$ 5,657,725	\$ 18,278,579
LIABILITIES						
Accounts payable	\$ -	\$ 1,126,170	\$ -	\$ -	\$ 6,656	\$ 1,132,826
Accrued expenses	461,400	-	28,503	-	14,721	504,624
Unearned revenue	-	-	104,681	-	-	104,681
Due to other funds	-	78,000	121,295	-	29,561	228,856
Due to other governments	2,682	-	11,718	-	-	14,400
Total liabilities	464,082	1,204,170	266,197	-	50,938	1,985,387
DEFERRED INFLOWS OF RESOURCES						
Unavailable revenues	1,465,000	-	-	-	85,000	1,550,000
Subsequent year's property taxes	246,979	-	-	402,260	240,123	889,362
Total deferred inflows of resources	1,711,979	-	-	402,260	325,123	2,439,362
FUND BALANCE						
Nonspendable:						
Prepays	1,423,563	-	104,268	-	12,695	1,540,526
Noncurrent receivables	-	-	-	-	263,107	263,107
Restricted:						
Retirement	-	-	-	-	-	-
Public health and education	-	-	-	-	915,500	915,500
Public safety	-	-	-	-	79,387	79,387
Community development	-	-	-	-	558,184	558,184
Transportation	-	-	-	-	34,795	34,795
Streets	-	2,042,693	-	-	260,383	2,303,076
Debt service	-	-	-	52,016	560,744	612,760
Committed:						
Community development	-	-	-	-	206,103	206,103
Capital projects	-	-	-	-	1,556,211	1,556,211
Assigned:						
General and administrative	110,625	-	-	-	-	110,625
Capital projects	-	-	-	-	850,039	850,039
Unassigned	4,943,269	-	(104,268)	-	(15,484)	4,823,517
Total fund balance	6,477,457	2,042,693	-	52,016	5,281,664	13,853,830
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	\$ 8,653,518	\$ 3,246,863	\$ 266,197	\$ 454,276	\$ 5,657,725	\$ 18,278,579

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, 2014

FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$	13,853,830
 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.		57,306,578
Certain property tax collections and other tax revenues are not available to pay for current-period expenditures and therefore are reported as deferred inflows of resources in the funds.		1,550,000
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.		701,017
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.		<u>(11,525,042)</u>
Net position of governmental activities	\$	<u>61,886,383</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, 2014

	<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	\$ 1,156,392	\$ -	\$ -	\$ 563,349	\$ 5,298,162	\$ 7,017,903
Intergovernmental	20,057,090	5,492,517	2,490,582	-	2,435,894	30,476,083
Licenses and permits	762,497	-	-	-	-	762,497
Charges for services	337,446	-	351,553	-	17,075	706,074
Fines and forfeits	501,681	-	-	-	-	501,681
Miscellaneous	358,509	402,182	56,707	652	600,169	1,418,219
Total revenues	<u>23,173,615</u>	<u>5,894,699</u>	<u>2,898,842</u>	<u>564,001</u>	<u>8,351,300</u>	<u>40,882,457</u>
EXPENDITURES						
Current:						
General government	4,596,081	-	-	-	-	4,596,081
Public safety	12,754,225	-	-	-	3,734,634	16,488,859
Community development	-	-	-	-	4,204,273	4,204,273
Public health and education	-	-	-	-	12,400	12,400
Transportation	-	-	2,818,591	-	-	2,818,591
Streets	2,506,348	4,748,658	-	-	-	7,255,006
Culture and recreation	1,569,281	-	-	-	-	1,569,281
Capital outlay	577,166	4,410,301	322,314	-	466,846	5,776,627
Debt service:						
Principal	-	-	-	740,000	694,186	1,434,186
Interest	-	-	-	88,332	317,837	406,169
Total expenditures	<u>22,003,101</u>	<u>9,158,959</u>	<u>3,140,905</u>	<u>828,332</u>	<u>9,430,176</u>	<u>44,561,473</u>
Excess (deficiency) of revenues over expenditures	<u>1,170,514</u>	<u>(3,264,260)</u>	<u>(242,063)</u>	<u>(264,331)</u>	<u>(1,078,876)</u>	<u>(3,679,016)</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)						
Transfers in	\$ 409,829	\$ -	\$ 242,063	\$ 241,614	\$ 1,150,542	\$ 2,044,048
Transfers out	<u>(1,276,380)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(570,612)</u>	<u>(1,846,992)</u>
 Total other financing sources (uses)	<u>(866,551)</u>	<u>-</u>	<u>242,063</u>	<u>241,614</u>	<u>579,930</u>	<u>197,056</u>
 Net change in fund balance	303,963	(3,264,260)	-	(22,717)	(498,946)	(3,481,960)
 FUND BALANCE, BEGINNING 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>
 FUND BALANCE, END OF YEAR	<u>\$ 6,477,457</u>	<u>\$ 2,042,693</u>	<u>\$ -</u>	<u>\$ 52,016</u>	<u>\$ 5,281,664</u>	<u>\$ 13,853,830</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, 2014**

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS \$ (3,481,960)

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. 25,000

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, includes capital contributions of \$6,121,615	\$ 11,898,242	
Depreciation expense	<u>(2,941,708)</u>	8,956,534

Loss on disposal of capital assets		(7,241)
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Note payable proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Principal repayments	1,434,305	
Net change in compensated absences	107,665	
Net change in pension obligations	<u>(74,550)</u>	1,467,420

Internal service funds are used by management to charge the costs of insurance to individual funds. The net expenditure of internal service funds is reported with governmental activities		<u>343,286</u>
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CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES		<u><u>\$ 7,303,039</u></u>
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The accompanying notes are an integral part of the financial statements.

CITY OF DANVILLE, ILLINOIS
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
April 30, 2014

	Business-Type Activities Enterprise Funds			Total	Governmental Activities - Internal Service
	Sanitary Sewer Department	Harrison Park	Solid Waste Management		Health Insurance Fund
CURRENT ASSETS					
Cash	\$ 40,544	\$ 39,225	\$ 49,375	\$ 129,144	\$ 214,411
Temporary investments	1,456,000	-	879,000	2,335,000	475,000
Receivables, net	422,566	563	391,748	814,877	12,237
Prepaid items	59,517	7,945	77,260	144,722	-
Total current assets	<u>1,978,627</u>	<u>47,733</u>	<u>1,397,383</u>	<u>3,423,743</u>	<u>701,648</u>
NONCURRENT ASSETS					
Land	10,200	196,665	74,145	281,010	-
Buildings and improvements	16,103,807	822,455	-	16,926,262	-
Equipment	1,977,629	499,524	2,264,966	4,742,119	-
Total, at cost	18,091,636	1,518,644	2,339,111	21,949,391	-
Less accumulated depreciation	12,048,614	1,194,101	2,105,482	15,348,197	-
Total noncurrent assets	<u>6,043,022</u>	<u>324,543</u>	<u>233,629</u>	<u>6,601,194</u>	<u>-</u>
TOTAL ASSETS	<u>8,021,649</u>	<u>372,276</u>	<u>1,631,012</u>	<u>10,024,937</u>	<u>701,648</u>
CURRENT LIABILITIES					
Accounts payable	383	387	106	876	-
Accrued payroll and other expenses	119,357	9,681	20,974	150,012	-
Accumulated vacation and sick days	66,019	18,498	61,647	146,164	-
Due to other funds	-	-	-	-	631
Advance payments	-	44,733	-	44,733	-
Notes payable, current portion	-	52,611	-	52,611	-
Total current liabilities	<u>185,759</u>	<u>125,910</u>	<u>82,727</u>	<u>394,396</u>	<u>631</u>
LONG-TERM LIABILITIES					
Notes payable, less current portion	-	55,295	-	55,295	-
TOTAL LIABILITIES	<u>185,759</u>	<u>181,205</u>	<u>82,727</u>	<u>449,691</u>	<u>631</u>
NET POSITION					
Net investment in capital assets	6,043,022	216,637	233,629	6,493,288	-
Unrestricted	1,792,868	(25,566)	1,314,656	3,081,958	701,017
Total net position	<u>\$ 7,835,890</u>	<u>\$ 191,071</u>	<u>\$ 1,548,285</u>	<u>\$ 9,575,246</u>	<u>\$ 701,017</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, 2014

	Business-Type Activities			Total	Governmental
	Enterprise Funds				Activities -
	Sanitary	Harrison	Solid Waste		Internal Service
	Sewer Department	Park	Management		Health Insurance
					Fund
OPERATING REVENUES					
Charges for services	\$ 3,027,233	\$ 381,696	\$ 2,708,618	\$ 6,117,547	\$ 5,036,110
Miscellaneous	40,004	88,194	61,056	189,254	-
Total operating revenues	<u>3,067,237</u>	<u>469,890</u>	<u>2,769,674</u>	<u>6,306,801</u>	<u>5,036,110</u>
OPERATING EXPENSES					
Personnel services	1,272,827	242,293	1,339,051	2,854,171	4,693,892
Supplies and materials	180,598	59,681	235,317	475,596	-
Other services and charges	398,703	9,765	28,830	437,298	-
Contractual services	331,977	38,442	868,526	1,238,945	-
Capital outlay	50,806	-	-	50,806	-
Depreciation	699,176	57,584	162,130	918,890	-
Total operating expenses	<u>2,934,087</u>	<u>407,765</u>	<u>2,633,854</u>	<u>5,975,706</u>	<u>4,693,892</u>
Operating income	<u>133,150</u>	<u>62,125</u>	<u>135,820</u>	<u>331,095</u>	<u>342,218</u>
NON-OPERATING REVENUES (EXPENSES)					
Interest income	3,382	77	3,236	6,695	1,068
Interest expense	-	(5,388)	-	(5,388)	-
Total non-operating revenues (expenses)	<u>3,382</u>	<u>(5,311)</u>	<u>3,236</u>	<u>1,307</u>	<u>1,068</u>
Income before transfers	<u>136,532</u>	<u>56,814</u>	<u>139,056</u>	<u>332,402</u>	<u>343,286</u>
TRANSFERS					
Transfers out	(138,102)	-	(58,954)	(197,056)	-
CHANGE IN NET POSITION	(1,570)	56,814	80,102	135,346	343,286
TOTAL NET POSITION, BEGINNING 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>
TOTAL NET POSITION, END OF YEAR	<u>\$ 7,835,890</u>	<u>\$ 191,071</u>	<u>\$ 1,548,285</u>	<u>\$ 9,575,246</u>	<u>\$ 701,017</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, 2014**

	<u>Sanitary Sewer Department</u>	<u>Harrison Park</u>	<u>Solid Waste Management</u>	<u>Total</u>	<u>Governmental Activities - Internal Service Health Insurance Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash received from customers including cash deposits	\$ 2,939,503	\$ 459,039	\$ 2,717,539	\$ 6,116,081	\$ 5,035,726
Cash paid to suppliers and for claims	(918,644)	(102,792)	(1,180,478)	(2,201,914)	(4,693,892)
Cash paid to employees	<u>(1,285,743)</u>	<u>(244,015)</u>	<u>(1,334,501)</u>	<u>(2,864,259)</u>	<u>-</u>
Net cash provided by operating activities	<u>735,116</u>	<u>112,232</u>	<u>202,560</u>	<u>1,049,908</u>	<u>342,465</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Cash transfers to other funds	<u>(138,102)</u>	<u>-</u>	<u>(58,954)</u>	<u>(197,056)</u>	<u>-</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Principal payments on notes payable	-	(60,696)	-	(60,696)	-
Interest paid on notes payable	-	(5,388)	-	(5,388)	-
Purchase of property and equipment	<u>(8,875)</u>	<u>(7,000)</u>	<u>(20,064)</u>	<u>(35,939)</u>	<u>-</u>
Net cash used in capital and related financing activities	<u>(8,875)</u>	<u>(73,084)</u>	<u>(20,064)</u>	<u>(102,023)</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchases of investments	(1,456,000)	-	(879,000)	(2,335,000)	(475,000)
Interest received	3,382	77	3,236	6,695	1,068
Proceeds from sale of investments	<u>884,000</u>	<u>-</u>	<u>786,500</u>	<u>1,670,500</u>	<u>-</u>
Net cash provided by (used in) investing activities	<u>(568,618)</u>	<u>77</u>	<u>(89,264)</u>	<u>(657,805)</u>	<u>(473,932)</u>
NET INCREASE (DECREASE) IN CASH	19,521	39,225	34,278	93,024	(131,467)
CASH, BEGINNING OF YEAR	<u>21,023</u>	<u>-</u>	<u>15,097</u>	<u>36,120</u>	<u>345,878</u>
CASH, END OF YEAR	<u>\$ 40,544</u>	<u>\$ 39,225</u>	<u>\$ 49,375</u>	<u>\$ 129,144</u>	<u>\$ 214,411</u>

	<u>Sanitary Sewer Department</u>	<u>Harrison Park</u>	<u>Solid Waste Management</u>	<u>Total</u>	<u>Governmental Activities - Internal Service Health Insurance Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES					
Operating income	\$ 133,150	\$ 62,125	\$ 135,820	\$ 331,095	\$ 342,218
Adjustments to reconcile operating income to net cash provided by operating activities:					
Depreciation	699,176	57,584	162,130	918,890	-
Effects of changes in operating assets and liabilities:					
Receivables	(41,752)	(563)	(52,135)	(94,450)	(384)
Due from other funds	-	-	-	-	-
Prepaid	(44,978)	(5,096)	(60,474)	(110,548)	-
Inventory	-	-	-	-	-
Accounts payable and accrued payroll	2,436	5,019	12,669	20,124	-
Other current liabilities	(12,916)	(1,722.00)	4,550	(10,088)	-
Deferred revenue	-	5,333	-	5,333	-
Due to other funds	-	(10,448)	-	(10,448)	631
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 735,116</u>	<u>\$ 112,232</u>	<u>\$ 202,560</u>	<u>\$ 1,049,908</u>	<u>\$ 342,465</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, 2014

	<u>Pension Trust Funds</u>	<u>Agency Funds</u>	<u>Total</u>
ASSETS			
Cash	\$ 3,035,687	\$ 55,105	\$ 3,090,792
Investments:			
Certificates of deposit	-	191,000	191,000
Treasury notes	3,439,887	-	3,439,887
US government agencies	2,867,879	-	2,867,879
Bonds	4,344,997	-	4,344,997
Mutual funds	14,453,367	-	14,453,367
Receivables:			
Accounts	-	62,224	62,224
Accrued interest	62,881	-	62,881
Other	3,662,262	-	3,662,262
TOTAL ASSETS	<u>31,866,960</u>	<u>308,329</u>	<u>32,175,289</u>
LIABILITIES			
Accounts payable	-	107,567	107,567
Due to others	-	200,762	200,762
Total liabilities	<u>-</u>	<u>308,329</u>	<u>308,329</u>
NET POSITION			
Held in trust for pension benefits	<u>\$ 31,866,960</u>	<u>\$ -</u>	<u>\$ 31,866,960</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, 2014

ADDITIONS

Contributions

Employer	\$ 3,631,865
Plan members	<u>709,217</u>
Total contributions	<u>4,341,082</u>

Investment income

Net appreciation in fair value of investments	1,752,662
Interest and dividends	<u>492,676</u>
Total investment income	2,245,338
Less investment expense	<u>111,695</u>
Net investment income	<u>2,133,643</u>
 Total additions	 <u>6,474,725</u>

DEDUCTIONS

Benefits	5,671,602
Administrative expense	<u>118,257</u>
Total deductions	<u>5,789,859</u>

CHANGE IN NET POSITION

684,866

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

31,182,094

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

\$ 31,866,960

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

CITY OF DANVILLE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2014

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, 2014

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, 2014

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, deferred inflows of resources 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, 2014

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, 2014

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, liabilities, and deferred inflows 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, 2014

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 represent costs applicable to future fiscal periods and is recorded as expenditures/expenses when consumed rather than when purchased.

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, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, 2014.

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, 2014

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

DEFERRED OUTFLOWS OF RESOURCES

The City would report decreases in net position or fund equity that relate to future periods as deferred outflows of resources in a separate section of its government-wide and proprietary funds statement of net position or governmental fund balance sheet. No deferred outflows of resources are reported in these financial statements in the current year.

DEFERRED INFLOWS OF RESOURCES

The City’s governmental activities and governmental fund financial statements report a separate section for deferred inflows of resources. This separate financial statement element reflects an increase in net position of fund equity that applies to a future period. The City will not recognize the related revenue until a future event occurs. The City has two types of items which occur related to revenue recognition. The first occurs because property tax receivables are recorded in the current year, but the revenue will be recorded in the subsequent year. The second type of deferred inflow of resources occurs because governmental fund revenues are not recognized until available (collected not later than 60 days after the end of the City’s year) under the modified accrual basis of accounting.

FUND BALANCE AND EQUITY 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:

CITY OF DANVILLE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

FUND BALANCE AND EQUITY CLASSIFICATION (Continued)

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

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

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

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

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

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

Net Position: Net position represents the difference between assets, liabilities and deferred inflows of resources. Net position, investment 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.

CITY OF DANVILLE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

PROPERTY TAXES

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on the second Tuesday of December and are intended to finance the City's new fiscal year beginning May 1. The City is a "Home Rule" municipality as described in Art. 7 Sec. b of the Illinois Constitution. The City, therefore, does not have a limit on the rate of tax, which may be imposed for government services. The combined tax rate of the City for the year ended April 30, 2014 was \$2.066 per \$100 assessed valuation. For budgetary purposes, taxes are recognized as revenue in the period in which they are intended to finance.

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

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

Based on collection histories, the City has provided at April 30, 2014 an allowance for uncollectible real property taxes equivalent to 1 percent of the current year's levy. The billings are considered delinquent if not paid within 30 days of their due date, at which time 1 ½% interest will be charged to the delinquent amount per month.

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, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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. The legal level of budgetary control is within each fund.
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. The budget revisions for fiscal year 2014 totaled \$1,161,160 and \$362,049 for the General Fund and the Mass Transit District Fund, respectively.
5. Legally adopted budgets 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.

CITY OF DANVILLE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2014

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, 2014, the carrying amount of the City's (primary government) bank deposits including certificates of deposit was \$11,952,842 and the bank balance was \$13,234,056. Included in the carrying amounts are certificates of deposit totaling \$5,500,000 and money market deposits of \$3,500,000. The component unit, Danville Public Library, had a carrying amount of deposits of \$1,238,408 and the bank balance was \$832,422. The Police and Fire Funds had a carrying amount of deposits of \$3,035,687 and the bank balance was \$3,070,075.

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, 2014 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 AAAM rating.

CITY OF DANVILLE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2014

NOTE 2 - CASH AND INVESTMENTS (CONTINUED)

The time deposits are collateralized 110% over the FDIC \$250,000 insurance limit 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 \$2,060 for the primary government and \$121,657 for the component unit at April 30, 2014.

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.

Pension Funds

The pension investment policy requires the investment strategy to be in full compliance with statutes of the State of Illinois and applicable rules and regulations governing the investment of pension funds.

Interest Rate Risk - The City minimizes the risk the fair value of fixed income securities in the portfolio will fall due to changes in the general interest rates by structuring the investment portfolio so that fixed income securities mature to meet cash requirements for on-going operations and by investing operating funds primarily in shorter-term fixed income securities.

As of April 30, 2014, the Pension Funds had the following investments:

Investment Type	Fair Value	Less Than 1	1 - 5	6 - 10	More Than 10
Treasury notes	\$ 3,439,887	\$ -	\$ 2,947,330	\$ 492,557	\$ -
U.S. government agencies	2,867,879	-	558,061	432,130	1,877,688
Mutual funds	14,453,367	14,453,367	-	-	-
Bonds	<u>4,344,997</u>	<u>160,592</u>	<u>2,838,927</u>	<u>1,345,478</u>	<u>-</u>
Total	<u>\$ 25,106,130</u>	<u>\$ 14,613,959</u>	<u>\$ 6,344,318</u>	<u>\$ 2,270,165</u>	<u>\$ 1,877,688</u>

Credit Risk and Concentration of Credit Risk - The funds' policy limits investments to those authorized by state statutes and applicable rules and regulations governing the investment of pension funds. It is the policy of the Boards to minimize the risk of large loss through diversification by maturity, type within Illinois Pension Code guidelines, and institution. The funds avoids a concentration of credit risk by diversifying its investments by security type and institution. As of April 30, 2014, the Boards did not invest over 5 percent of its assets in any one issuer. Treasury notes and U.S. Government agencies were rated Aaa, and bonds were rated Aa1 to Baa.

CITY OF DANVILLE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2014

NOTE 3 - INTERFUND ACCOUNTS

Individual fund interfund receivables and payables (due to/due from other funds) at April 30, 2014 were as follows:

	<u>Receivable</u>	<u>Payable</u>
Primary Government:		
General Fund	\$ 229,487	\$ -
Motor Fuel Tax	-	78,000
Danville Mass Transit	-	121,295
Non-Major Governmental Funds		
CDBG	-	14,924
DATS Program	-	14,552
Capital Fund	-	85
Total Non-Major Governmental Funds	-	29,561
Internal Service Funds		
Health Insurance Department	-	631
Total	<u>\$ 229,487</u>	<u>\$ 229,487</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, 2014 consisted of the following:

Transfer to General Fund from:	
Non-major Governmental Funds	<u>\$ 409,829</u>
Transfer to Bond and Interest Fund from:	
Sanitary Sewer Fund	<u>\$ 88,974</u>
Transfer to Bond and Interest Fund from:	
General Fund	<u>\$ 152,640</u>
Transfer to Non-major Governmental Fund from:	
Non-major Governmental Funds	<u>\$ 160,783</u>
Transfer to Danville Mass Transit Fund from:	
General Fund	<u>\$ 242,063</u>
Transfer to Non-major Governmental Funds from:	
General Fund	<u>\$ 881,677</u>
Transfer to Non-major Governmental Funds from:	
Sanitary Sewer Fund	<u>\$ 49,128</u>
Transfer to Non-major Governmental Funds from:	
Solid Waste Management Fund	<u>\$ 58,954</u>

CITY OF DANVILLE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2014

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, 2014 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>8,984,482</u>	<u>8,414,939</u>	<u>-</u>	<u>17,399,421</u>
	<u>15,119,055</u>	<u>8,414,939</u>	<u>-</u>	<u>23,533,994</u>
Capital assets being depreciated:				
Buildings	18,309,067	-	-	18,309,067
Equipment	20,964,533	917,616	110,248	21,771,901
Infrastructure	<u>38,040,991</u>	<u>2,565,687</u>	<u>-</u>	<u>40,606,678</u>
	77,314,591	3,483,303	110,248	80,687,646
Less accumulated depreciation	<u>44,076,361</u>	<u>2,941,708</u>	<u>103,007</u>	<u>46,915,062</u>
	<u>33,238,230</u>	<u>541,595</u>	<u>7,241</u>	<u>33,772,584</u>
Total	<u>\$48,357,285</u>	<u>\$ 8,956,534</u>	<u>\$ 7,241</u>	<u>\$57,306,578</u>

CITY OF DANVILLE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2014

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	16,103,807	-	-	16,103,807
Equipment	<u>1,968,754</u>	<u>8,875</u>	<u>-</u>	<u>1,977,629</u>
	18,072,561	8,875	-	18,081,436
Less accumulated depreciation	<u>11,349,438</u>	<u>699,176</u>	<u>-</u>	<u>12,048,614</u>
	<u>6,723,123</u>	<u>(690,301)</u>	<u>-</u>	<u>6,032,822</u>
Total	<u>6,733,323</u>	<u>(690,301)</u>	<u>-</u>	<u>6,043,022</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>7,000</u>	<u>6,704</u>	<u>499,524</u>
	1,321,683	7,000	6,704	1,321,979
Less accumulated depreciation	<u>1,143,221</u>	<u>57,584</u>	<u>(6,704)</u>	<u>1,194,101</u>
	<u>178,462</u>	<u>(50,584)</u>	<u>-</u>	<u>127,878</u>
Total	<u>375,127</u>	<u>(50,584)</u>	<u>-</u>	<u>324,543</u>

CITY OF DANVILLE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2014

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	20,064	-	2,264,966
Less accumulated depreciation	<u>1,943,352</u>	<u>162,130</u>	<u>-</u>	<u>2,105,482</u>
	<u>301,550</u>	<u>(142,066)</u>	<u>-</u>	<u>159,484</u>
Total	<u>375,695</u>	<u>(142,066)</u>	<u>-</u>	<u>233,629</u>
Total Business- Type Activities	<u>\$ 7,484,145</u>	<u>\$ (882,951)</u>	<u>\$ -</u>	<u>\$ 6,601,194</u>

Component Unit – Danville Public Library

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Library	\$ 2,998,153	\$ 44,159	\$ (175,667)	\$ 2,866,645
Less accumulated depreciation	<u>2,663,269</u>	<u>41,783</u>	<u>(175,457)</u>	<u>2,529,595</u>
Total	<u>\$ 334,884</u>	<u>\$ 2,376</u>	<u>\$ (210)</u>	<u>\$ 337,050</u>

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

Governmental activities:	
General government	\$ 580,255
Public safety	254,379
Transportation	205,956
Streets	1,669,036
Culture and recreation	<u>232,082</u>
Total depreciation – governmental activities	<u>\$ 2,941,708</u>
Business-type activities:	
Sanitary Sewer	\$ 699,176
Harrison Park	57,584
Solid Waste Management	<u>162,130</u>
Total depreciation – business-type activities	<u>\$ 918,890</u>

CITY OF DANVILLE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2014

NOTE 5 - LONG-TERM DEBT

Governmental Activities

Bonds payable at April 30, 2014 are comprised of the following:

\$ 4,330,000	General Obligation Bond: \$4,750,000 issued February 1, 2009. Interest is payable semi-annually at variable 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).
1,645,000	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.
2,435,000	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>\$ 8,410,000</u>	
<u>517,751</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 (principal and interest is to be serviced <u>\$</u> by the Infrastructure Development Fund).

CITY OF DANVILLE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2014

NOTE 5 – LONG-TERM DEBT (CONTINUED)

Business Type Activities

\$ 107,906 Central Illinois Bank. Annual payments of \$58,135, including interest at 4.99%. Note matures October, 2015.

The above notes payable are unsecured.

The annual requirements to amortize all bonds and notes payable outstanding as of April 30, 2014 are as follows:

Year Ending April 30	Notes Payable		General Obligation Bonds		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2015	\$ 299,097	\$ 17,854	\$ 1,240,000	\$ 333,931	\$ 1,539,097	\$ 351,785
2016	326,560	7,645	920,000	283,793	1,246,560	291,438
2017	-	-	975,000	252,231	975,000	252,231
2018	-	-	545,000	209,793	545,000	209,793
2019	-	-	565,000	188,293	565,000	188,293
2020-2024	-	-	2,435,000	610,722	2,435,000	610,722
2025-2029	-	-	1,730,000	223,148	1,730,000	223,148
Total	<u>\$ 625,657</u>	<u>\$ 25,499</u>	<u>\$ 8,410,000</u>	<u>\$ 2,101,911</u>	<u>\$ 9,035,657</u>	<u>\$ 2,127,410</u>

CITY OF DANVILLE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2014

NOTE 5 – LONG-TERM DEBT (CONTINUED)

Long-term debt activity for the year ending April 30, 2014 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	\$ 9,605,000	\$ -	\$ 1,195,000	\$ 8,410,000	\$ 1,240,000
Notes payable	757,056	-	239,305	517,751	246,486
Net police and fire pension obligation	938	63,238	-	64,176	-
Net IMRF pension obligation	342,226	11,312	-	353,538	-
Other post-employment benefits	388,698	-	-	388,698	-
Accumulated vacation and sick days	<u>1,898,544</u>	<u>-</u>	<u>107,665</u>	<u>1,790,879</u>	<u>358,176</u>
Total	<u>\$ 12,992,462</u>	<u>\$ 74,550</u>	<u>\$ 1,541,970</u>	<u>\$ 11,525,042</u>	<u>\$ 1,844,662</u>
Business-Type activities:					
Notes payable	\$ 168,602	\$ -	\$ 60,696	\$ 107,906	\$ 52,611
Accumulated vacation and sick days	<u>124,609</u>	<u>21,555</u>	<u>-</u>	<u>146,164</u>	<u>146,164</u>
Total	<u>\$ 293,211</u>	<u>\$ 21,555</u>	<u>\$ 60,696</u>	<u>\$ 254,070</u>	<u>\$ 198,775</u>

CITY OF DANVILLE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2014

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 2013 was 12.30 percent of annual covered payroll. The City’s annual required contribution rate for calendar year 2013 was 12.45 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, 2013, the City of Danville’s annual pension cost was \$927,579. Its required contribution for calendar year 2013 was \$938,891.

	<u>2014</u>
Annual required contribution	\$ 938,891
Contributions made by the City	<u>927,579</u>
Increase in net pension obligation	11,312
Net pension obligation, beginning of year	<u>342,226</u>
Net pension obligation, end of year	<u>\$ 353,538</u>

CITY OF DANVILLE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2014

NOTE 6 – PENSION PLANS (CONTINUED)

Illinois Municipal Retirement Fund (Continued)

The required contribution for 2013 was determined as part of the December 31, 2011, actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions at December 31, 2011, included (a) 7.5 percent investment rate of return (net of administrative and direct investment expenses), (b) projected salary increases of 4.00% 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, 2011 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, 2013, the most recent actuarial valuation date, the Regular plan was 79.94 percent funded. The actuarial accrued liability for benefits was \$21,382,819 and the actuarial value of assets was \$17,092,414, resulting in an underfunded actuarial accrued liability (UAAL) of \$4,290,405. The covered payroll for calendar year 2013 (annual payroll of active employees covered by the plan) was \$7,541,290 and the ratio of the UAAL to the covered payroll was 57 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, 2014 was \$3,873,068 out of a total payroll of \$15,685,219. At April 30, 2014 the Police Pension Plan membership consisted of:

Retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them	70
Active vested plan members	40
Active non-vested plan members	<u>22</u>
Total	<u><u>132</u></u>

CITY OF DANVILLE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2014

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.

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, 2014 was \$3,123,510 out of a total payroll of \$15,685,219. At April 30, 2014 the Firefighter Pension Plan membership consisted of:

CITY OF DANVILLE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2014

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	78
Active vested plan members	37
Active non-vested plan members	15
Total	130

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.

CITY OF DANVILLE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2014

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, 2014 were as follows:

	<u>Police Pension</u>	<u>Firefighter Pension</u>	<u>Total</u>
Annual required contribution	\$ 1,546,871	\$ 1,951,874	\$ 3,498,745
Interest on net pension obligation	54	18	72
Adjustments to annual required contribution	<u>(37)</u>	<u>(12)</u>	<u>(49)</u>
Annual pension cost	1,546,888	1,951,880	3,498,768
Contributions made	<u>1,525,347</u>	<u>1,910,183</u>	<u>3,435,530</u>
Decrease in net pension obligation	21,541	41,697	63,238
Net pension obligation beginning of year	<u>702</u>	<u>236</u>	<u>938</u>
Net pension obligation end of year	<u>\$ 22,243</u>	<u>\$ 41,933</u>	<u>\$ 64,176</u>

During fiscal year 2014, an additional contribution was made by the City into the Police Pension in the amount of \$62,000 and into the Firefighter Pension in the amount of \$78,000. These contributions were in addition to the annual required contribution for fiscal year 2014.

CITY OF DANVILLE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2014

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.

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	39.38%	61.155%
Plan members	9.91%	9.455%

CITY OF DANVILLE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2014

NOTE 6 - PENSION PLANS (CONTINUED)

TREND INFORMATION

Actuarial Valuation Date	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
Police Pension Fund			
4/30/13	\$ 1,546,888	98.6%	\$ 22,243
4/30/12	1,450,182	102.0%	702
4/30/11	1,643,458	107.8%	29,378
Firefighter Pension Fund			
4/30/13	\$ 1,951,880	97.9%	\$ 41,933
4/30/12	1,914,837	101.8%	236
4/30/11	2,109,936	104.2%	35,179

STATEMENT OF FIDUCIARY NET POSITION

	Police Pension	Fire Pension	Total
ASSETS			
Cash	<u>\$ 1,676,392</u>	<u>\$ 1,359,295</u>	<u>\$ 3,035,687</u>
Investments:			
Treasury notes	2,181,474	1,258,413	3,439,887
U.S. government agencies	1,812,276	1,055,603	2,867,879
Bonds	2,734,575	1,610,422	4,344,997
Mutual funds	<u>9,270,893</u>	<u>5,182,474</u>	<u>14,453,367</u>
Total investments	<u>15,999,218</u>	<u>9,106,912</u>	<u>25,106,130</u>
Receivables:			
Accrued interest	39,554	23,327	62,881
Other	<u>1,612,048</u>	<u>2,050,214</u>	<u>3,662,262</u>
Total receivables	<u>1,651,602</u>	<u>2,073,541</u>	<u>3,725,143</u>
Net position, held in trust for pension benefits	<u><u>\$ 19,327,212</u></u>	<u><u>\$ 12,539,748</u></u>	<u><u>\$ 31,866,960</u></u>

CITY OF DANVILLE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2014

NOTE 6 - PENSION PLANS (CONTINUED)

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

	<u>Police Pension</u>	<u>Fire Pension</u>	<u>Total</u>
Additions			
Contributions - employer	\$ 1,586,745	\$ 2,045,120	\$ 3,631,865
Contributions - Plan members	<u>378,366</u>	<u>330,851</u>	<u>709,217</u>
Total contributions	<u>1,965,111</u>	<u>2,375,971</u>	<u>4,341,082</u>
Investment income			
Net appreciation in fair value of investments	1,110,048	642,614	1,752,662
Interest and dividends	<u>299,925</u>	<u>192,751</u>	<u>492,676</u>
Total investment income	1,409,973	835,365	2,245,338
Less investment expense	<u>68,888</u>	<u>42,807</u>	<u>111,695</u>
Net investment income	<u>1,341,085</u>	<u>792,558</u>	<u>2,133,643</u>
Total additions	<u>3,306,196</u>	<u>3,168,529</u>	<u>6,474,725</u>
Deductions			
Pension benefits	2,598,951	3,072,651	5,671,602
Administrative expenses	<u>59,308</u>	<u>58,949</u>	<u>118,257</u>
Total deductions	<u>2,658,259</u>	<u>3,131,600</u>	<u>5,789,859</u>
Changes in net position	647,937	36,929	684,866
Net position held in trust for benefits, beginning of year	<u>18,679,275</u>	<u>12,502,819</u>	<u>31,182,094</u>
Net position held in trust for benefits, end of year	<u>\$ 19,327,212</u>	<u>\$ 12,539,748</u>	<u>\$ 31,866,960</u>

NOTE 7 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

The following funds incurred expenditures in excess of their appropriations:

Motor Fuel Tax \$ 12,167,136

Appropriations for the Motor Fuel Tax Fund are governed by the Illinois Department of Transportation (IDOT) and expenses can vary based on the timing of projects.

CITY OF DANVILLE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2014

NOTE 7 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (CONTINUED)

The following funds had a deficit fund balance as of April 30, 2014:

Community Development Block Grant	\$	6,195
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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 expires on October 31, 2016. Expense under this lease for the year ended April 30, 2014 was \$1,124,227. Minimum lease commitments are as follows:

Year Ending April 30

2015	\$	1,135,470
2016		<u>1,146,824</u>
Total	\$	<u><u>2,282,294</u></u>

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, 2014 was \$4,479.

Minimum lease commitments are as follows:

Year Ending April 30

2015	\$	4,188
2016		<u>698</u>
Total	\$	<u><u>4,886</u></u>

CITY OF DANVILLE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2014

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, 2014, 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, 2014</u>
Heartland Center	Monthly payments of \$833 no interest	\$ 77,928
Peter Blackmon	Monthly payments vary based on interest rates. Current rate is 1.83%.	8,619
Danville Renaissance Enterprises, LLC	Monthly payments of \$573 including interest of 2%	31,042
Sharon Joyner	Monthly payments of \$125 no interest	4,125
Rich's Deluxe Family Restaurant	Monthly payments of \$575 including interest of 2%	36,026
Shirley Smith	Monthly payments of \$50 no interest	995
This Is It Furniture	Monthly payments of \$595 no interest	19,634

CITY OF DANVILLE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2014

NOTE 10 - OTHER RECEIVABLES (CONTINUED)

<u>Payee</u>	<u>Terms</u>	<u>Balance</u> <u>April 30, 2014</u>
Daniel Duncheon	Monthly payments of \$216 including interest of 2%	\$ 21,104
S&N Enterprises LLC	Monthly payments of \$345 including interest of 2%	22,350
Donna Anderson	Monthly payments of \$73 no interest	2,678
Kea Sanford	Monthly payments of \$117 no interest	477
Terry Moreman	Monthly payments of \$168 no interest	4,208
Delphina Robertson	Monthly payment of \$61 no interest	423
Newton Cleaning	Monthly payments of \$453 including interest of 3.25%	13,000
Myra Hardimon	Monthly payments of \$103 no interest	5,891
A.D. Patton	Monthly payments of \$79 no interest	2,750
Townway Place	Monthly payments of \$270 including interest of 2%	65,000
Erma Williams	Monthly payments of \$85 no interest	<u>640</u>
Total		<u>\$ 316,890</u>

CITY OF DANVILLE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2014

NOTE 10 - OTHER RECEIVABLES (CONTINUED)

The due dates for the other receivables above, range from 2014 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	\$ 229,702	\$ 41,837
Housing Loan Fund	<u>87,188</u>	<u>11,946</u>
Total	<u>\$ 316,890</u>	<u>\$ 53,783</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, 2014, only loss year 1999 remains open with a potential liability of approximately \$102,000.

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, 2014

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 \$5,388 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 activities.

CITY OF DANVILLE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2014

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, 2014, 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, 2009 to determine the funded status of the plan as of that date as well as the employer's annual required contribution (ARC) for the fiscal year ended April 30, 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 2014 was as follows:

CITY OF DANVILLE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2014

NOTE 16 - OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

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

Actuarial Valuation Date	Annual OPEB Cost	Employer Contributions	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
April 30, 2013	\$ 349,637	\$ 237,864	67.7%	\$ 388,698
April 30, 2011	200,340	121,130	60.5%	160,778
April 30, 2009	202,740	-	59.7%	81,610

The net OPEB obligation as of April 30, 2013 (date of most recent actuarial valuation), 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, 2014

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 and administrative	\$ 110,625
Streets	4,515,125
Community development	218,900

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, 2016 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 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. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date – an Amendment of GASB Statement No. 68, issued November 2013. The objective of this statement is to address an issue regarding application of the transition provisions of Statement No. 68, *Accounting and Financial Reporting for Pensions*. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability.

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, 2014

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
REVENUES				
Taxes	\$ 1,057,700	\$ 1,057,700	\$ 1,139,095	\$ 81,395
Intergovernmental	19,325,500	19,337,900	19,921,443	583,543
Licenses and permits	714,300	714,300	762,497	48,197
Charges for services	344,200	344,200	337,446	(6,754)
Fines and forfeits	542,900	542,900	507,818	(35,082)
Miscellaneous	536,864	573,325	403,759	(169,566)
	<u>22,521,464</u>	<u>22,570,325</u>	<u>23,072,058</u>	<u>501,733</u>
Total revenues				
EXPENDITURES				
Current:				
General Government				
General City government	1,664,732	1,664,732	1,319,283	345,449
Central vehicle maintenance	573,893	584,893	558,367	26,526
Finance	369,391	369,391	362,052	7,339
Treasurer	100,558	101,758	75,598	26,160
Development services	371,066	439,566	348,142	91,424
Public affairs	213,674	220,934	218,759	2,175
Legal services	435,218	494,218	494,043	175
City Clerk	99,894	139,394	137,603	1,791
Human resources	245,296	265,096	261,985	3,111
Information systems	182,229	233,229	225,979	7,250
	<u>4,255,951</u>	<u>4,513,211</u>	<u>4,001,811</u>	<u>511,400</u>
Total General Government				
Public Safety				
Police	7,663,002	7,745,902	7,571,754	174,148
Fire	4,733,488	5,324,488	5,246,281	78,207
	<u>12,396,490</u>	<u>13,070,390</u>	<u>12,818,035</u>	<u>252,355</u>
Total Public Safety				
Streets				
	<u>2,529,980</u>	<u>2,759,980</u>	<u>2,765,360</u>	<u>(5,380)</u>
Urban Development				
	<u>851,875</u>	<u>851,875</u>	<u>822,444</u>	<u>29,431</u>
Culture and Recreation				
Public pool	63,928	63,928	45,771	18,157
Public property	1,466,085	1,466,085	1,451,743	14,342
Downtown services	295,731	295,731	228,005	67,726
	<u>1,825,744</u>	<u>1,825,744</u>	<u>1,725,519</u>	<u>100,225</u>
Total Culture and Recreation				
Total expenditures	<u>21,860,040</u>	<u>23,021,200</u>	<u>22,133,169</u>	<u>888,031</u>
Excess (deficiency) of revenues over expenditures	<u>661,424</u>	<u>(450,875)</u>	<u>938,889</u>	<u>1,389,764</u>

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 389,769	\$ 391,379	\$ 409,829	\$ 18,450
Transfers out	<u>(1,065,699)</u>	<u>(1,065,415)</u>	<u>(1,056,619)</u>	<u>8,796</u>
Total other financing sources (uses)	<u>(675,930)</u>	<u>(674,036)</u>	<u>(646,790)</u>	<u>27,246</u>
Net change in fund balance (Budgetary basis)	<u>\$ (14,506)</u>	<u>\$ (1,124,911)</u>	<u>292,099</u>	<u>\$ 1,417,010</u>
RECONCILIATION TO MODIFIED ACCRUAL BASIS (GAAP BASIS)				
Revenue accrual adjustments			364,593	
Expense accrual adjustments			(132,968)	
Transfers out adjustment			<u>(219,761)</u>	
Net reconciliation to modified accrual basis (GAAP basis)			<u>11,864</u>	
Net change in fund balance (GAAP basis)			303,963	
FUND BALANCE, BEGINNING OF YEAR			<u>6,173,494</u>	
FUND BALANCE, END OF YEAR			<u>\$ 6,477,457</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, 2014

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
REVENUES				
Intergovernmental	\$ 800,000	\$ 800,000	\$ 8,504,534	\$ 7,704,534
Miscellaneous	<u>3,000</u>	<u>3,000</u>	<u>8,439</u>	<u>5,439</u>
Total revenues	<u>803,000</u>	<u>803,000</u>	<u>8,512,973</u>	<u>7,709,973</u>
EXPENDITURES				
Current:				
Streets	<u>803,000</u>	<u>803,000</u>	<u>12,970,136</u>	<u>(12,167,136)</u>
Net change in fund balance (Budgetary basis)	<u>\$ -</u>	<u>\$ -</u>	<u>(4,457,163)</u>	<u>\$ (4,457,163)</u>
RECONCILIATION TO MODIFIED ACCRUAL BASIS (GAAP BASIS)				
Revenue accrual adjustments			4,927,751	
Expense accrual adjustments			<u>(3,734,848)</u>	
Net reconciliation to modified accrual basis (GAAP basis)			<u>1,192,903</u>	
Net change in fund balance (GAAP basis)			(3,264,260)	
FUND BALANCE, BEGINNING OF YEAR			<u>5,306,953</u>	
FUND BALANCE, END OF YEAR			<u>\$ 2,042,693</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, 2014

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
REVENUES				
Intergovernmental	\$ 2,913,300	\$ 2,913,300	\$ 2,799,420	\$ (113,880)
Charges for services	316,882	316,882	351,553	34,671
Miscellaneous	<u>56,707</u>	<u>39,043</u>	<u>56,707</u>	<u>17,664</u>
Total revenues	<u>3,286,889</u>	<u>3,269,225</u>	<u>3,207,680</u>	<u>(61,545)</u>
EXPENDITURES				
Current:				
Transportation	<u>3,753,198</u>	<u>4,115,247</u>	<u>3,161,400</u>	<u>953,847</u>
Net change in fund balance before transfers	(466,309)	(846,022)	46,280	892,302
OTHER FINANCING SOURCES				
Transfers in	<u>22,302</u>	<u>22,302</u>	<u>22,302</u>	<u>-</u>
Net change in fund balance (Budgetary basis)	<u>\$ (444,007)</u>	<u>\$ (823,720)</u>	<u>68,582</u>	<u>\$ 892,302</u>
RECONCILIATION TO MODIFIED ACCRUAL BASIS (GAAP BASIS)				
Revenue accrual adjustments			(308,838)	
Expense accrual adjustments			20,495	
Transfers in adjustment			<u>219,761</u>	
Net reconciliation to modified accrual basis (GAAP basis)			(68,582)	
Net change in fund balance (GAAP basis)			-	
FUND BALANCE, BEGINNING OF YEAR			<u>-</u>	
FUND BALANCE, END OF YEAR			<u>\$ -</u>	

**CITY OF DANVILLE, ILLINOIS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULES OF FUNDING PROGRESS
Year Ended April 30, 2014**

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)
12/31/13	\$ 17,092,414	\$ 21,382,819	\$ 4,290,405	79.94%	\$ 7,541,290	56.89%
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%

On a market value basis, the actuarial value of assets as of December 31, 2013 is \$20,931,411. On a market value basis, the funded ratio would be 97.89%. the actuarial value of assets and accrued liability covers active and inactive members who have service credit with the City of Danville. They do not include amounts for retirees. The actuarial accrued liability for retirees is 100% funded.

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)
4/30/13	\$18,674,433	\$ 44,749,452	\$ 26,075,019	41.73%	\$3,873,068	673.24%
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	43.38%	3,780,656	619.44%
4/30/10	16,823,824	39,846,670	23,022,846	42.22%	3,578,540	643.46%
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	540.64%

**CITY OF DANVILLE, ILLINOIS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULES OF FUNDING PROGRESS
Year Ended April 30, 2014**

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>
4/30/13	\$ 12,502,819	\$ 45,717,737	\$33,214,918	27.35%	\$ 3,123,510	1063.48%
4/30/12	12,473,244	44,327,918	31,854,674	28.14%	3,196,750	996.57%
4/30/11	12,644,553	43,442,964	30,798,411	29.11%	3,222,322	955.88%
4/30/10	11,969,189	41,111,600	29,142,411	29.11%	3,228,025	902.79%
4/30/09	10,969,225	39,869,423	28,900,198	27.51%	3,120,471	926.15%
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%

**CITY OF DANVILLE, ILLINOIS
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULES OF FUNDING PROGRESS
 Year Ended April 30, 2014**

OTHER POST-EMPLOYMENT BENEFITS

Trend information for the year ended April 30, 2014 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%	\$ 14,853,649	63.61%
4/30/11	-	6,332,400	6,332,400	0.00%	14,588,209	43.41%
4/30/09	-	3,434,307	3,434,307	0.00%	14,871,231	23.09%

*A full actuarial valuation is not required annually.

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, 2014**

POLICE PENSION FUND

Year <u>April 30</u>	Annual Pension Cost/OPEB <u>Cost (APC)</u>	Percentage <u>Contributed</u>
2013	\$ 1,628,363	93.70%
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%

FIREFIGHTERS' PENSION FUND

2013	\$ 1,951,880	97.90%
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%

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 on next page.

**CITY OF DANVILLE, ILLINOIS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULES OF EMPLOYER CONTRIBUTIONS
Year Ended April 30, 2014**

	Illinois Municipal Retirement Fund	Police Pension	Firefighter Pension	Other Post- Employment Benefits
Annual pension/OPEB cost	\$ 938,891	\$ 1,628,363	\$ 1,951,880	\$ 351,471
Contributions made	(927,579)	(1,525,347)	(1,910,183)	(237,864)
Actuarial valuation date	12/31/13	4/30/13	4/30/13	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	28 years	28 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, 2014

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. The legal level of budgetary control is within each fund.
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. The budget revisions for fiscal year 2014 totaled \$1,161,160 and \$362,049 for the General Fund and the Mass Transit District Fund, respectively.
5. Legally adopted budgets 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	\$ 12,167,136
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Appropriations for the Motor Fuel Tax Fund are governed by the Illinois Department of Transportation (IDOT) and expenses can vary based on the timing of projects.

OTHER SUPPLEMENTARY INFORMATION

**CITY OF DANVILLE, ILLINOIS
COMBINING BALANCE SHEET
GENERAL FUND BY ACCOUNT
April 30, 2014**

	<u>General Account</u>	<u>Flex Spending</u>	<u>Land Acquisition</u>	<u>Working Cash</u>	<u>Total General Fund</u>
ASSETS					
Cash	\$ 799,738	\$ 15,116	\$ 10,218	\$ 7,996	\$ 833,068
Temporary investments	700,000	-	13,000	200,000	913,000
Receivables:					
Taxes, net of allowance for estimated uncollectibles	246,979	-	-	-	246,979
Other	289,796	-	450	-	290,246
Prepaid items	1,423,563	-	-	-	1,423,563
Due from other funds	229,487	-	-	-	229,487
Due from other governments	4,717,175	-	-	-	4,717,175
TOTAL ASSETS	<u>\$ 8,406,738</u>	<u>\$ 15,116</u>	<u>\$ 23,668</u>	<u>\$ 207,996</u>	<u>\$ 8,653,518</u>
LIABILITIES					
Accrued expenses	461,400	-	-	-	461,400
Due to other governments	2,682	-	-	-	2,682
Total liabilities	<u>464,082</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>464,082</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenues	1,465,000	-	-	-	1,465,000
Subsequent year's property taxes	246,979	-	-	-	246,979
Total deferred inflows of resources	<u>1,711,979</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,711,979</u>
FUND BALANCE					
Nonspendable:					
Prepays	1,423,563	-	-	-	1,423,563
Assigned:					
General and administrative	110,625	-	-	-	110,625
Unassigned	<u>4,696,489</u>	<u>15,116</u>	<u>23,668</u>	<u>207,996</u>	<u>4,943,269</u>
Total fund balance	<u>6,230,677</u>	<u>15,116</u>	<u>23,668</u>	<u>207,996</u>	<u>6,477,457</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE	<u>\$ 8,406,738</u>	<u>\$ 15,116</u>	<u>\$ 23,668</u>	<u>\$ 207,996</u>	<u>\$ 8,653,518</u>

CITY OF DANVILLE, ILLINOIS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
GENERAL FUND BY ACCOUNT
Year Ended April 30, 2014

	<u>General Account</u>	<u>Flex Spending</u>	<u>Land Acquisition</u>	<u>Working Cash</u>	<u>Total General Fund</u>
REVENUES					
Taxes	\$ 1,156,392	\$ -	\$ -	\$ -	\$ 1,156,392
Intergovernmental	20,057,090	-	-	-	20,057,090
Licenses and permits	762,497	-	-	-	762,497
Charges for services	295,699	41,747	-	-	337,446
Fines and forfeits	501,681	-	-	-	501,681
Miscellaneous	340,430	-	17,506	573	358,509
	<u>23,113,789</u>	<u>41,747</u>	<u>17,506</u>	<u>573</u>	<u>23,173,615</u>
Total revenues					
EXPENDITURES					
Current:					
General government	4,558,661	34,520	-	2,900	4,596,081
Public safety	12,754,225	-	-	-	12,754,225
Streets	2,506,348	-	-	-	2,506,348
Culture and recreation	1,569,281	-	-	-	1,569,281
Capital outlay	577,166	-	-	-	577,166
	<u>21,965,681</u>	<u>34,520</u>	<u>-</u>	<u>2,900</u>	<u>22,003,101</u>
Total expenditures					
Excess (deficiency) of revenues over expenditures	1,148,108	7,227	17,506	(2,327)	1,170,514
OTHER FINANCING SOURCES (USES)					
Transfers in	409,829	-	-	-	409,829
Transfers out	(1,276,380)	-	-	-	(1,276,380)
	<u>(866,551)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(866,551)</u>
Total other financing sources (uses)					
Net change in fund balance	281,557	7,227	17,506	(2,327)	303,963
FUND BALANCE, BEGINNING OF YEAR	<u>5,949,120</u>	<u>7,889</u>	<u>6,162</u>	<u>210,323</u>	<u>6,173,494</u>
FUND BALANCE, END OF YEAR	<u>\$ 6,230,677</u>	<u>\$ 15,116</u>	<u>\$ 23,668</u>	<u>\$ 207,996</u>	<u>\$ 6,477,457</u>

CITY OF DANVILLE, ILLINOIS
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 April 30, 2014

	Illinois Municipal Retirement	Social Security	State Narcotic Forfeiture	Federal Narcotic Forfeiture	Community Development Block Grant	Towne Centre	Storm Water Drainage	Small Business Loan	DATS Program	TIF Midtown
Cash	\$ -	\$ -	\$ 39,158	\$ 917	\$ -	\$ 6,103	\$ 58,716	\$ 230,429	\$ 29,242	\$ 58,435
Temporary investments	-	-	-	-	-	200,000	200,000	-	-	100,000
Receivables:										
Taxes, net of allowance for estimated uncollectibles	-	-	-	-	-	-	-	-	-	-
Other - current	-	-	-	-	-	-	1,667	41,837	-	-
Other - noncurrent	-	-	-	-	-	-	-	187,865	-	-
Prepaid items	-	-	-	-	12,695	-	-	-	-	-
Due from other governments	-	-	-	-	6,943	-	-	-	22,811	-
TOTAL ASSETS	\$ -	\$ -	\$ 39,158	\$ 917	\$ 19,638	\$ 206,103	\$ 260,383	\$ 460,131	\$ 52,053	\$ 158,435
LIABILITIES										
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ 6,656	\$ -	\$ -	\$ -	\$ -	\$ -
Accrued expenses	-	-	-	870	4,253	-	-	-	2,706	-
Due to other funds	-	-	-	-	14,924	-	-	-	14,552	-
Total liabilities	-	-	-	870	25,833	-	-	-	17,258	-
DEFERRED INFLOWS OF RESOURCES										
Unavailable revenue	-	-	-	-	-	-	-	-	-	-
Subsequent year's property taxes	-	-	-	-	-	-	-	-	-	-
Total deferred inflows of resources	-	-	-	# -	-	-	-	-	-	-
FUND BALANCE										
Nonspendable:										
Prepays	-	-	-	-	12,695	-	-	-	-	-
Noncurrent receivables	-	-	-	-	-	-	-	187,865	-	-
Restricted:										
Retirement	-	-	-	-	-	-	-	-	-	-
Public health and education	-	-	-	-	-	-	-	-	-	-
Public safety	-	-	39,158	47	-	-	-	-	-	-
Community development	-	-	-	-	-	-	-	272,266	-	158,435
Transportation	-	-	-	-	-	-	-	-	34,795	-
Streets	-	-	-	-	-	-	260,383	-	-	-
Debt service	-	-	-	-	-	-	-	-	-	-
Committed:										
Community development	-	-	-	-	-	206,103	-	-	-	-
Capital projects	-	-	-	-	-	-	-	-	-	-
Assigned:										
Capital projects	-	-	-	-	-	-	-	-	-	-
Unassigned										
Capital projects	-	-	-	-	(18,890)	-	-	-	-	-
Total fund balance (deficit)	-	-	39,158	47	(6,195)	206,103	260,383	460,131	34,795	158,435
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	\$ -	\$ -	\$ 39,158	# \$ 917	\$ 19,638	\$ 206,103	\$ 260,383	\$ 460,131	\$ 52,053	\$ 158,435

CITY OF DANVILLE, ILLINOIS
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 April 30, 2014

	TIF Westgate	TIF Campus	TIF East Voorhees	Housing Loan	Law Enforcement Grant	Landfill Remediation	Special Sewer Projects	Police ARRA	Brownfield Grant
Cash	\$ 32,464	\$ 3,015	\$ 5,438	\$ 4,720	\$ 3,406	\$ -	\$ 37,932	\$ 47,074	\$ -
Temporary investments	-	-	-	69,900	-	915,500	130,200	-	-
Receivables:									
Taxes, net of allowance for estimated uncollectibles	-	-	-	-	-	-	-	-	-
Other - current	-	-	-	11,946	-	-	-	-	-
Other - noncurrent	-	-	-	75,242	-	-	-	-	-
Prepaid items	-	-	-	-	-	-	-	-	-
Due from other governments	-	-	-	-	-	-	-	-	-
TOTAL ASSETS	\$ 32,464	\$ 3,015	\$ 5,438	\$ 161,808	\$ 3,406	\$ 915,500	\$ 168,132	\$ 47,074	\$ -
LIABILITIES									
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Accrued expenses	-	-	-	-	-	-	-	6,892	-
Due to other funds	-	-	-	-	-	-	-	-	-
Total liabilities	-	-	-	-	-	-	-	6,892	-
DEFERRED INFLOWS OF RESOURCES									
Unavailable revenue	-	-	-	-	-	-	-	-	-
Subsequent year's property taxes	-	-	-	-	-	-	-	-	-
Total deferred inflows of resources	-	-	-	-	-	-	-	-	-
FUND BALANCE									
Nonspendable:									
Prepays	-	-	-	-	-	-	-	-	-
Noncurrent receivables	-	-	-	75,242	-	-	-	-	-
Restricted:									
Retirement	-	-	-	-	-	-	-	-	-
Public health and education	-	-	-	-	-	915,500	-	-	-
Public safety	-	-	-	-	-	-	-	40,182	-
Community development	32,464	3,015	5,438	86,566	-	-	-	-	-
Transportation	-	-	-	-	-	-	-	-	-
Streets	-	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-	-
Committed:									
Community development	-	-	-	-	-	-	-	-	-
Capital projects	-	-	-	-	-	-	168,132	-	-
Assigned:									
Capital projects	-	-	-	-	-	-	-	-	-
Unassigned									
Unassigned	-	-	-	-	3,406	-	-	-	-
Total fund balance (deficit)	32,464	3,015	5,438	161,808	3,406	915,500	168,132	40,182	-
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	\$ 32,464	\$ 3,015	\$ 5,438	\$ 161,808	\$ 3,406	\$ 915,500	\$ 168,132	\$ 47,074	\$ -

CITY OF DANVILLE, ILLINOIS
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 April 30, 2014

	Capital Projects Funds				Debt Service Funds		Total
	Firefighter Pension	Police Pension	Capital Improvements	Infrastructure Development	2007 Debt Service	2009 Debt Service	
Cash	\$ -	\$ -	\$ 56,580	\$ 188,764	\$ 51,794	\$ 12,950	\$ 867,137
Temporary investments	-	-	525,000	1,085,900	421,000	75,000	3,722,500
Receivables:							
Taxes, net of allowance for estimated uncollectibles	-	-	-	-	47,472	192,651	240,123
Other - current	-	-	87,850	113,415	-	-	256,715
Other - noncurrent	-	-	-	-	-	-	263,107
Prepaid items	-	-	-	-	-	-	12,695
Due from other governments	-	-	265,694	-	-	-	295,448
TOTAL ASSETS	\$ -	\$ -	\$ 935,124	\$ 1,388,079	\$ 520,266	\$ 280,601	\$ 5,657,725
LIABILITIES							
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6,656
Accrued expenses	-	-	-	-	-	-	14,721
Due to other funds	-	-	85	-	-	-	29,561
Total liabilities	-	-	85	-	-	-	50,938
DEFERRED INFLOWS OF RESOURCES							
Unavailable revenue	-	-	85,000	-	-	-	85,000
Subsequent year's property taxes	-	-	-	-	47,472	192,651	240,123
Total deferred inflows of resources	-	-	85,000	-	47,472	192,651	325,123
FUND BALANCE							
Nonspendable:							
Prepays	-	-	-	-	-	-	12,695
Noncurrent receivables	-	-	-	-	-	-	263,107
Restricted:							
Retirement	-	-	-	-	-	-	-
Public health and education	-	-	-	-	-	-	915,500
Public safety	-	-	-	-	-	-	79,387
Community development	-	-	-	-	-	-	558,184
Transportation	-	-	-	-	-	-	34,795
Streets	-	-	-	-	-	-	260,383
Debt service	-	-	-	-	472,794	87,950	560,744
Committed:							
Community development	-	-	-	-	-	-	206,103
Capital projects	-	-	-	1,388,079	-	-	1,556,211
Assigned:							
Capital projects	-	-	850,039	-	-	-	850,039
Unassigned	-	-	-	-	-	-	(15,484)
Total fund balance (deficit)	-	-	850,039	1,388,079	472,794	87,950	5,281,664
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	\$ -	\$ -	\$ 935,124	\$ 1,388,079	\$ 520,266	\$ 280,601	\$ 5,657,725

CITY OF DANVILLE, ILLINOIS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCE
 NONMAJOR GOVERNMENTAL FUNDS
 Year Ended April 30, 2014

	Illinois Municipal Retirement	Social Security	State Narcotic Forfeiture	Federal Narcotic Forfeiture	Community Development Block Grant	Towne Centre	Storm Water Drainage	Small Business Loan	DATS Program
REVENUES									
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 28,126	\$ -	\$ -
Intergovernmental	-	-	-	-	881,592	-	-	-	169,551
Charges for services	-	-	11,215	-	-	-	-	-	-
Miscellaneous	160	179	1,845	-	5,334	504,812	783	10,472	-
Total revenues	<u>160</u>	<u>179</u>	<u>13,060</u>	<u>-</u>	<u>886,926</u>	<u>504,812</u>	<u>28,909</u>	<u>10,472</u>	<u>169,551</u>
EXPENDITURES									
Public safety	-	-	15,502	-	-	-	-	-	-
Community development	-	-	-	-	974,323	309,401	340	-	155,515
Public health and education	-	-	-	-	-	-	-	-	-
Capital projects	-	-	-	-	-	-	-	-	18,136
Debt service:									
Principal	-	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>15,502</u>	<u>-</u>	<u>974,323</u>	<u>309,401</u>	<u>340</u>	<u>-</u>	<u>173,651</u>
Excess (deficiency) of revenues over expenditures	<u>160</u>	<u>179</u>	<u>(2,442)</u>	<u>-</u>	<u>(87,397)</u>	<u>195,411</u>	<u>28,569</u>	<u>10,472</u>	<u>(4,100)</u>
OTHER FINANCING SOURCES (USES)									
Transfers in	-	-	-	-	73,885	-	-	-	9,972
Transfers out	(201,884)	(167,945)	-	-	-	-	-	-	-
Total other financing sources (uses)	<u>(201,884)</u>	<u>(167,945)</u>	<u>-</u>	<u>-</u>	<u>73,885</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,972</u>
Net change in fund balance	(201,724)	(167,766)	(2,442)	-	(13,512)	195,411	28,569	10,472	5,872
FUND BALANCE (DEFICIT), BEGINNING 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>	<u>231,814</u>	<u>449,659</u>	<u>28,923</u>
FUND BALANCE (DEFICIT), END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 39,158</u>	<u>\$ 47</u>	<u>\$ (6,195)</u>	<u>\$ 206,103</u>	<u>\$ 260,383</u>	<u>\$ 460,131</u>	<u>\$ 34,795</u>

CITY OF DANVILLE, ILLINOIS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCE
 NONMAJOR GOVERNMENTAL FUNDS
 Year Ended April 30, 2014

	TIF Midtown	TIF Westgate	TIF Campus	TIF East Voorhees	Housing Loan	Law Enforcement Grant	Landfill Remediation	Special Sewer Projects	Police ARRA
REVENUES									
Taxes	\$ 371,611	\$ 20,599	\$ 303	\$ 5,435	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	-	-	-	44,718	-	-	56,036
Charges for services	-	-	-	-	-	-	-	2,500	3,360
Miscellaneous	855	51	5	3	36,505	-	3,821	607	-
Total revenues	<u>372,466</u>	<u>20,650</u>	<u>308</u>	<u>5,438</u>	<u>36,505</u>	<u>44,718</u>	<u>3,821</u>	<u>3,107</u>	<u>59,396</u>
EXPENDITURES									
Public safety	-	-	-	-	-	39,240	-	-	-
Community development	697,453	-	-	-	9,679	-	-	-	270,088
Public health and education	-	-	-	-	-	-	12,400	-	-
Capital projects	-	-	-	-	-	-	-	-	-
Debt service:									
Principal	-	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-	-	-
Total expenditures	<u>697,453</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,679</u>	<u>39,240</u>	<u>12,400</u>	<u>-</u>	<u>270,088</u>
Excess (deficiency) of revenues over expenditures	<u>(324,987)</u>	<u>20,650</u>	<u>308</u>	<u>5,438</u>	<u>26,826</u>	<u>5,478</u>	<u>(8,579)</u>	<u>3,107</u>	<u>(210,692)</u>
OTHER FINANCING SOURCES (USES)									
Transfers in	-	-	-	-	-	-	-	-	217,500
Transfers out	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>217,500</u>
Net change in fund balance	<u>(324,987)</u>	<u>20,650</u>	<u>308</u>	<u>5,438</u>	<u>26,826</u>	<u>5,478</u>	<u>(8,579)</u>	<u>3,107</u>	<u>6,808</u>
FUND BALANCE (DEFICIT), BEGINNING OF YEAR	<u>483,422</u>	<u>11,814</u>	<u>2,707</u>	<u>-</u>	<u>134,982</u>	<u>(2,072)</u>	<u>924,079</u>	<u>165,025</u>	<u>33,374</u>
FUND BALANCE (DEFICIT), END OF YEAR	<u>\$ 158,435</u>	<u>\$ 32,464</u>	<u>\$ 3,015</u>	<u>\$ 5,438</u>	<u>\$ 161,808</u>	<u>\$ 3,406</u>	<u>\$ 915,500</u>	<u>\$ 168,132</u>	<u>\$ 40,182</u>

CITY OF DANVILLE, ILLINOIS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCE
 NONMAJOR GOVERNMENTAL FUNDS
 Year Ended April 30, 2014

	<u>Capital Projects Funds</u>				<u>Debt Service Funds</u>		<u>Total</u>	
	<u>Brownfield Grant</u>	<u>Firefighter Pension</u>	<u>Police Pension</u>	<u>Capital Improvements</u>	<u>Infrastructure Development</u>	<u>2007 Debt Service</u>		<u>2009 Debt Service</u>
REVENUES								
Taxes	\$ -	\$ 1,874,344	\$ 1,485,404	\$ -	\$ 1,176,120	\$ 66,437	\$ 269,783	\$ 5,298,162
Intergovernmental	180,144	-	-	1,103,853	-	-	-	2,435,894
Charges for services	-	-	-	-	-	-	-	17,075
Miscellaneous	-	-	-	2,127	30,191	2,153	266	600,169
Total revenues	<u>180,144</u>	<u>1,874,344</u>	<u>1,485,404</u>	<u>1,105,980</u>	<u>1,206,311</u>	<u>68,590</u>	<u>270,049</u>	<u>8,351,300</u>
EXPENDITURES								
Public safety	180,144	1,952,344	1,547,404	-	-	-	-	3,734,634
Community development	-	-	-	819,031	968,443	-	-	4,204,273
Public health and education	-	-	-	-	-	-	-	12,400
Capital projects	-	-	-	-	448,710	-	-	466,846
Debt service:								
Principal	-	-	-	-	239,186	250,000	205,000	694,186
Interest	-	-	-	-	19,630	113,927	184,280	317,837
Total expenditures	<u>180,144</u>	<u>1,952,344</u>	<u>1,547,404</u>	<u>819,031</u>	<u>1,675,969</u>	<u>363,927</u>	<u>389,280</u>	<u>9,430,176</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>(78,000)</u>	<u>(62,000)</u>	<u>286,949</u>	<u>(469,658)</u>	<u>(295,337)</u>	<u>(119,231)</u>	<u>(1,078,876)</u>
OTHER FINANCING SOURCES (USES)								
Transfers in	-	78,000	62,000	-	333,013	268,865	107,307	1,150,542
Transfers out	-	-	-	(200,783)	-	-	-	(570,612)
Total other financing sources (uses)	<u>-</u>	<u>78,000</u>	<u>62,000</u>	<u>(200,783)</u>	<u>333,013</u>	<u>268,865</u>	<u>107,307</u>	<u>579,930</u>
Net change in fund balance	-	-	-	86,166	(136,645)	(26,472)	(11,924)	(498,946)
FUND BALANCE (DEFICIT), BEGINNING OF YEAR	<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>
FUND BALANCE (DEFICIT), END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 850,039</u>	<u>\$ 1,388,079</u>	<u>\$ 472,794</u>	<u>\$ 87,950</u>	<u>\$ 5,281,664</u>

CITY OF DANVILLE, ILLINOIS
COMBINING STATEMENT OF FIDUCIARY NET POSITION
AGENCY FUNDS
April 30, 2014

ASSETS

	<u>Dependent Life Insurance</u>	<u>Civic Center</u>	<u>Evidence Holding</u>	<u>Total</u>
Cash	\$ 12,632	\$ 21,877	\$ 20,596	\$ 55,105
Certificates of deposit	-	83,000	108,000	191,000
Accounts receivable	<u>-</u>	<u>62,224</u>	<u>-</u>	<u>62,224</u>
TOTAL ASSETS	<u>\$ 12,632</u>	<u>\$ 167,101</u>	<u>\$ 128,596</u>	<u>\$ 308,329</u>

LIABILITIES

Accounts payable	\$ -	\$ -	\$ 107,567	\$ 107,567
Due to others	<u>12,632</u>	<u>167,101</u>	<u>21,029</u>	<u>200,762</u>
TOTAL LIABILITIES	<u>\$ 12,632</u>	<u>\$ 167,101</u>	<u>\$ 128,596</u>	<u>\$ 308,329</u>

STATISTICAL DATA

CITY OF DANVILLE, ILLINOIS
GENERAL PROPERTY TAX INFORMATION
April 30, 2014

VALUATION AND TAX RATES

A three-year comparison of assessed valuation and tax rates for 2013, 2012, and 2011 follows:

	<u>2013</u>	<u>2012</u>	<u>2011</u>
ASSESSED VALUATIONS	\$ <u>288,747,085</u>	\$ <u>299,497,169</u>	\$ <u>321,742,434</u>
TAX RATES			
Social Security	0.0000	0.0000	0.1275
Illinois Municipal Retirement Fund	0.0000	0.0000	0.1244
Police Pension	0.5639	0.5165	0.4505
Firemen's Pension	0.7172	0.6518	0.5949
Library	0.5602	0.5178	0.4624
General Obligations Debt	<u>0.2247</u>	<u>0.3128</u>	<u>0.2198</u>
TOTAL	<u><u>2.0660</u></u>	<u><u>1.9989</u></u>	<u><u>1.9795</u></u>

SINGLE AUDIT SECTION

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 discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Danville, Illinois, as of and for the year ended April 30, 2014, 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 October 15, 2014.

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 certain deficiencies in internal control that we consider to be a material weaknesses..

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 deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses (Findings 2014-001 and 2014-002).

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' Responses to Findings

The City of Danville, Illinois' responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The City of Danville, Illinois' responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

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 "CliftonLarsonAllen LLP". The signature is written in a cursive, flowing style.**CliftonLarsonAllen LLP**

Danville, Illinois
October 15, 2014

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR
FEDERAL PROGRAM AND 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, 2014. 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, 2014.

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.



CliftonLarsonAllen LLP

Danville, Illinois
October 15, 2014

CITY OF DANVILLE, ILLINOIS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended April 30, 2014

<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	\$ 18,681	\$ -
Edward Byrne Memorial Grant	16.738	2011 DJBX-2864	18,075	-
Edward Byrne Memorial Grant	16.738	2013 DJBX-0316	<u>16,640</u>	<u>16,640</u>
Subtotal			<u>53,396</u>	<u>16,640</u>
ARRA - COPS Hire Grant	16.710	2009 RKWX-0335	<u>56,206</u>	<u>-</u>
Total Department of Justice			<u>109,602</u>	<u>16,640</u>
Department of Housing and Urban Development				
Community Development Block Grants-Entitlement	*	14.218	B-09-MC-17-0038	18,955
Community Development Block Grants-Entitlement	*	14.218	B-11-MC-17-0038	219,309
Community Development Block Grants-Entitlement	*	14.218	B-12-MC-17-0038	328,409
Community Development Block Grants-Entitlement	*	14.218	B-13-MC-17-0038	297,741
EDI (Durbin)	*	14.218	B-10-SP-IL-0084	<u>71,594</u>
Total Department of Housing and Urban Development			<u>936,008</u>	<u>-</u>
Department of Transportation				
Federal Transit Formula Grant	20.507	IL-90-X629-00	16,768	-
Federal Transit Formula Grant	20.507	IL-90-X658-00	200,621	-
Federal Transit Formula Grant	20.507	IL-90-X699-00	74,247	-
Federal Transit Formula Grant	20.507	IL-90-X707-00	46,932	-
Federal Transit Formula Grant	20.507	IL-90-X711-00	112,313	-
Federal Transit Formula Grant	20.507	IL-90-X718-00	<u>58,421</u>	<u>-</u>
Subtotal of Federal Transit Cluster			<u>509,302</u>	<u>-</u>
Passed through Illinois Department of Transportation (IDOT)				
Highway Planning and Construction	20.205	OP21395093	12,457	-
Highway Planning and Construction	20.205	AL13160	10,499	-
Highway Planning and Construction	20.205	AL11312	43,545	-
Highway Planning and Construction	20.205	AL11312	26,243	-
Highway Planning and Construction	20.205	400013T0002	102,756	-
Highway Planning and Construction	20.205	400014T0005	<u>66,138</u>	<u>-</u>
Total passed through IDOT			<u>261,638</u>	<u>-</u>
Total Department of Transportation			<u>770,940</u>	<u>-</u>
Department of Homeland Security				
Assistance to Firefighters Grant	97.044	None	<u>84,883</u>	<u>-</u>
Total Department of Home and Security			<u>84,883</u>	<u>-</u>
Environmental Protection Agency				
Brownfield Grant	66.818	None	<u>180,144</u>	<u>-</u>
Total Environmental Protection Agency			<u>180,144</u>	<u>-</u>
Department of Commerce				
Community Trade Adjustment Assistance/ Economic Adjustment Program	*	11.010	06-46-05640	<u>1,247,533</u>
Total Department of Commerce			<u>1,247,533</u>	<u>-</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 3,329,110</u>	<u>\$ 16,640</u>

* Denotes major program

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, 2014

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, 2014**

Section I – Summary of Auditor’s Results

Financial Statements

Type of auditors’ 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 auditors’ 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

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, 2014**

Section II – Financial Statement Findings

FINDING NO. 2014-001 – 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.

**CITY OF DANVILLE, ILLINOIS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended April 30, 2014**

Section II – Financial Statement Findings (Continued)

FINDING NO. 2014-002 – DANVILLE PUBLIC LIBRARY – COMPONENT UNIT

Criteria or Specific Requirement: Internal control is the process, affected by management and other personnel, designed to provide reasonable assurance that transactions are properly recorded and accounted for and that transactions are executed in compliance with laws and regulations.

Condition: We noted the following items related to the Danville Public Library, a separate entity on a separate accounting system from the City, during the audit process:

1. Lack of adequate segregation of duties over processing and recording financial transactions
2. Cash to accrual adjustments were necessary

Context: The Danville Public Library's Board and management share the ultimate responsibility for the Library'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: The Library's inadequate segregation of duties is due to the limited number of individuals involved in the accounting function. Currently the Library's personnel do not have sufficient resources and accounting knowledge to perform 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: Additional assistance with accounting functions and reviews need considered by the Board. The Board's close supervision and review of accounting information by a qualified individual, including signature or initials to document approval, is the best means of preventing and detecting errors and irregularities.

Views of Responsible Officials and Planned Corrective Action: The Library's management is aware of the need for additional review and supervision by the Board and the need for the proper resources to complete the necessary cash to accrual adjustments.

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, 2014

FINDING NO. 13-01 – 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, see finding 2014-001.