

CITY OF DANVILLE
Danville, Illinois

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEAR ENDED APRIL 30, 2017



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 | 62 |
| Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual (Budgetary Basis) – General Fund | 63 |
| Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – (Budgetary Basis) Major Fund - Motor Fuel Tax..... | 65 |
| Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – (Budgetary Basis) Major Fund – Danville Mass Transit..... | 66 |
| Schedule of Employer Contributions | 67 |
| Schedules of Funding Progress | 68 |
| Schedule in Changes in the Employer’s Net Pension Liability and Related Ratios – Pension Plans..... | 69 |
| Notes to Required Supplementary Information | 72 |
| | |
| OTHER SUPPLEMENTARY INFORMATION | 76 |
| Combining Balance Sheet – General Fund By Account | 77 |
| Combining Statement of Revenues, Expenditures, and Changes in Fund Balance – General Fund by Account | 78 |
| Combining Balance Sheet – Nonmajor Governmental Funds | 79 |
| Combining Statement of Revenues, Expenditures, and Changes in Fund Balance – Nonmajor Governmental Funds..... | 82 |
| Combining Statement of Fiduciary Net Position – Agency Funds..... | 85 |

TABLE OF CONTENTS

| | PAGE |
|--|-------------|
| STATISTICAL DATA | 86 |
| General Property Tax Information | 87 |
| | |
| SINGLE AUDIT SECTION | 88 |
| | |
| 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 <i>GOVERNMENT AUDITING STANDARDS</i> | 89 |
| | |
| INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE | 91 |
| | |
| SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS | 93 |
| | |
| NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS | 94 |
| | |
| SCHEDULE OF FINDINGS AND QUESTIONED COSTS | 95 |

INDEPENDENT AUDITORS' REPORT

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 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, 2017, 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 discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Danville, Illinois as of April 30, 2017, 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, schedules of employer contributions, schedule of funding progress, and schedule of changes in net pension liability and related ratios, 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 and the statistical data, 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 Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance), 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 November 20, 2017 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 solely 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 the effectiveness of the City of Danville’s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Danville’s internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Danville, Illinois
November 20, 2017

Management's Discussion and Analysis

As management of the City of Danville, Illinois (the City), 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, 2017. Please read in conjunction with the city's financial statements, which follow this section.

The Statement of Net Position 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 government-wide statements report assets, deferred outflows of resources, liabilities, and deferred inflows of resources using the accrual basis of accounting, which is similar with the accounting used by most private-sector companies.

The City's financial statements show the impact of the Governmental Accounting Standards Board (GASB) Statements No. 67, Financial Reporting for Pension Plans, and No 68, Accounting and Financial Reporting for Pensions, which were designed to improve the accounting and financial reporting of public employee pensions by state and local governments that apply U. S. Generally Accepted Accounting Principles (GAAP). These two standards changed how governments calculate and report the costs and obligations associated with pensions to provide for more transparency, consistency and comparability across state and local governments. In compliance with GASB No. 67 and GASB No. 68 our net pension liabilities are now reported on the City's government statement of net position, which will provide our citizens and other users of our financial reports a clearer picture of the size and nature of the financial obligations to current and former employees for past services. The impact to our net position will be discussed below under financial highlights.

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, deferred outflows of resources, total liabilities (including net pension liability), and deferred inflows of resources 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, 2017, the City's total net position was (\$21,603,371), a decrease of \$3,303,377 from the City's total net position in 2016 of (\$18,299,994) related primarily to the pension liability and related changes in the deferred outflows and inflows as they relate to the pension liability. The 2017 business-type total net position showed a decrease of \$359,383 from the net position total for 2016 of \$10,723,148, for a total of \$10,363,765. Total change in net pension liability and related deferred outflows and inflows was \$223,215 from 2016.
- The governmental activities total net position decrease of \$2,943,994 was primarily a result of the recording of related pension liability and related deferred outflows and inflows of resources and restricted funds.

- Total current assets reported at year end 2017 for governmental activities are \$25,254,068 representing a slight increase from last fiscal year's total of \$24,992,299 or 1%.
- The business-type activities total current assets reported at year end are \$5,507,745, whereas last fiscal year the total was \$5,252,412 representing a 4.86% increase over last year.
- The City has \$120,536,790 in noncurrent liabilities at year end, which includes accumulated vacation and sick days, post-employment benefits, net pension liability and long-term debt including all general obligation bonds and notes payable. This represents an increase of \$246,803 from last year's total noncurrent liabilities, primarily due to long-term notes and bonds.
- The Deferred Inflows of Resources total of \$7,125,550 for 2017, shows an increase of \$2,658,622 (60%) over last year's total of \$4,466,928.
- As previously stated, none of the property taxes collected finance General Fund services. The funds collected through property taxes fund the Police and Fire pension and Danville Public Library.

For purposes of this report we can divide the City's basic financial statements (presented 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, deferred outflows, liabilities, and deferred inflows 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 support this unit.
2. **Fund Financial Statements** – Focuses 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 (for example, the Capital Improvements Fund) or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money (such as, grants received from the U. S. Department of Housing and Urban Development). The City's three types of funds are - Governmental, Proprietary, and Fiduciary – and each utilizes a different accounting approach.
 - **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 public property, and municipal pool), 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 engineering and urban services (engineering and environmental code enforcement). 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 the modified accrual method of 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 to 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. 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 Funds** - There are two components to Fiduciary funds including the Pension Trust fund and Agency funds. The City of Danville sponsors two pension trust funds: the Danville Police Pension Fund, and Danville Firefighter Pension Fund (Further information can be found in Note 7-Pension Plans). 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 as well as required pension and other post-employment benefit information.

Other Supplementary Information includes combining statements for general and non-major governmental funds and agency funds.

Financial Analysis

Primary Government

Statement of Net Position

The following chart reflects the condensed statement of net position (in millions):
(Actual 2017 numbers found on page 1)

| Condensed Statement of Net Position * in 000 | | | | | | | | | |
|--|------------------|------------------|----------------|----------------|------------------|------------------|-----------------|--------|--------------|
| | Governmental | | Business-type | | Total | | Net | | % |
| | Activities | | Activities | | 2017 | 2016 | change | change | |
| | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | change | change | % |
| Current and other assets | \$ 25.2 | \$ 25.0 | \$ 5.5 | \$ 5.2 | \$ 30.7 | \$ 30.2 | \$ 0.5 | | 1.7% |
| Noncurrent /Capital assets | 60.5 | 56.3 | 6.2 | 6.2 | 66.7 | 62.5 | 4.2 | | 6.7% |
| Total assets | 85.7 | 81.3 | 11.7 | 11.4 | 97.4 | 92.7 | 4.7 | | 8.4% |
| Deferred outflows of resources | | | | | | | | | |
| Related to net pension liability | \$ 11.9 | \$ 15.4 | \$ 0.1 | \$ 0.4 | \$ 12.0 | \$ 15.8 | \$ (3.8) | | -24.1% |
| Current liabilities | \$ 2.8 | \$ 1.9 | \$ 0.5 | \$ 0.2 | \$ 3.3 | \$ 2.1 | \$ 1.2 | | 57.1% |
| Noncurrent liabilities | 119.8 | 119.4 | 0.7 | 0.9 | 120.5 | 120.3 | 0.2 | | 0.2% |
| Total liabilities | \$ 122.6 | \$ 121.3 | \$ 1.2 | \$ 1.1 | \$ 123.8 | \$ 122.4 | \$ 1.4 | | 57.3% |
| Deferred inflows of resources | | | | | | | | | |
| Related to net pension liability | \$ 2.6 | \$ - | \$ 0.2 | \$ - | \$ 2.8 | \$ - | \$ 2.8 | | 1.0% |
| Subsequent year's property taxes | 4.3 | 4.4 | - | - | 4.3 | 4.4 | (0.1) | | -2.3% |
| Total deferred inflows | \$ 6.9 | \$ 4.4 | \$ 0.2 | \$ - | \$ 7.1 | \$ 4.4 | \$ 2.7 | | -1.3% |
| Net Position: | | | | | | | | | |
| Net investment in capital assets | \$ 52.2 | \$ 49.6 | \$ 6.1 | \$ 6.1 | \$ 58.3 | \$ 55.7 | \$ 2.6 | | 4.7% |
| Restricted | 10.3 | 9.4 | - | - | 10.3 | 9.4 | 0.9 | | 9.6% |
| Unrestricted | (94.4) | (88.0) | 4.3 | 4.6 | (90.1) | (83.4) | (6.7) | | -8.0% |
| Total net position | \$ (31.9) | \$ (29.0) | \$ 10.4 | \$ 10.7 | \$ (21.5) | \$ (18.3) | \$ (3.2) | | 6.2% |

Total assets of the City increased from \$92.7 million as of April 30, 2016 to \$97.4 million as of April 30, 2017. This represents a \$4.7 million increase over last year or 8.4%. As illustrated in the chart above, there was an increase in Noncurrent/Capital assets and a slight increase in Current and other assets.

Total liabilities of the City as of April 30, 2017, increased \$1.4 million from last year's \$122.4 million. Of this amount, approximately \$111.5 million represents pension liability and \$6.4 million represents

debt from long-term notes and bond that will be paid over the next 11 years. The City's total net position for 2017 was (\$21.5) million; which is a further decrease in the net position of (\$3.2) or 6.2%.

The City's net position, (net investment in capital assets) was \$55.7 million as of April 30, 2016 and is \$58.3 million as of the April 30, 2017. This amount reflects the City's investment in capital assets (e.g. land, buildings, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens and consequently, these assets are not available for future spending. The unrestricted change in net position from (\$83.4) million as of April 30, 2016 to (\$90.1) million as of April 30, 2017 represents a further decrease of \$6.7 million.

Statement of Activities-Programs-Expenses

The following chart reflects the condensed statement of activities found on page 2 (in millions):

| | Condensed Statement of Activities * in 000 | | | | | | | |
|------------------------------------|--|-----------------|-----------------|---------------|-----------------|-----------------|---------------|---------------|
| | Governmental | | Business-type | | Total | | Net change | % change |
| | Activities 2017 | 2016 | Activities 2017 | 2016 | 2017 | 2016 | | |
| Revenues: | | | | | | | | |
| Program Revenues | | | | | | | | |
| Charges for services | \$ 2.7 | \$ 2.3 | \$ 6.5 | \$ 6.4 | \$ 9.2 | \$ 8.7 | \$ 0.5 | 5.7% |
| Operating grants and contributions | 4.4 | 2.6 | | | 4.4 | 2.6 | 1.8 | 69.2% |
| Capital grants and contributions | 4.6 | - | | | 4.6 | - | 4.6 | 0.0% |
| General revenues: | | | | | | | | |
| Property Taxes | 5.0 | 5.2 | | | 5.0 | 5.2 | (0.2) | -3.8% |
| Other Taxes | 25.9 | 26.0 | | | 25.9 | 26.0 | (0.1) | -0.4% |
| Other/Transfers | 0.1 | 0.9 | 0.1 | 0.1 | 0.2 | 1.0 | (0.8) | -80.0% |
| Total revenues | \$ 42.7 | \$ 37.0 | \$ 6.6 | \$ 6.5 | \$ 49.3 | \$ 43.5 | \$ 5.8 | 13.3% |
| Expenses: | | | | | | | | |
| General government | \$ 7.0 | \$ 6.4 | | | \$ 7.0 | \$ 6.4 | \$ 0.6 | 9.4% |
| Public safety | 24.7 | 23.5 | | | 24.7 | 23.5 | \$1.2 | 5.1% |
| Community development | 3.2 | 2.2 | | | 3.2 | 2.2 | \$1.0 | 45.5% |
| Public health and education | 0.1 | 0.0 | | | 0.1 | 0.0 | \$0.1 | 0.0% |
| Transportation | 2.7 | 3.0 | | | 2.7 | 3.0 | (\$0.3) | -10.0% |
| Streets | 5.4 | 5.4 | | | 5.4 | 5.4 | \$0.0 | 0.0% |
| Culture and recreation | 2.2 | 1.8 | | | 2.2 | 1.8 | \$0.4 | 22.2% |
| Interest on long-term debt | 0.3 | 0.3 | | | 0.3 | 0.3 | \$0.0 | 0.0% |
| Sanitary Sewer Department | | | 3.7 | 3.0 | 3.7 | 3.0 | \$0.7 | 23.3% |
| Harrison Park | | | 0.4 | 0.4 | 0.4 | 0.4 | \$0.0 | 0.0% |
| Solid Waste Management | | | 2.8 | 2.6 | 2.8 | 2.6 | \$0.2 | 7.7% |
| Total expenses | \$ 45.6 | \$ 42.6 | \$ 6.9 | \$ 6.0 | \$ 52.5 | \$ 48.6 | \$ 3.9 | 8.0% |
| Change in net position | \$ (2.9) | \$ (5.6) | \$ (0.3) | \$ 0.5 | \$ (3.2) | \$ (5.1) | \$ 1.9 | -37.4% |

Total revenue for Governmental Activities for 2017 is \$42.7 million, up \$5.8 million or 13.1% from last year's total of \$37.0 million. Other Taxes are down approximately \$1 million or 3.7%, due to the decline in State Sales Tax and Home Rule Tax. Revenue for total Business-type Activities for 2017 showed a small change from last year. The construction of the Richard D. Brazda Bus Terminal was the primary reason for the increase in Capital Grants and contributions of \$5.4 million over last year. A combination of State and Federal grant dollars were used to construct the new bus terminal.

The total Governmental Activities Program expenses show an increase from \$42.6 million for 2016 to \$45.6 million for 2017 or 7%. Community Development showed the largest increase from \$2.2 to \$3.2 or 45% in expenses. Public Safety showed the second largest increase from \$23.5 million in 2016 to \$24.7 million or 5.1% in 2017. A large portion of this increase is due to Fire Division overtime. Public Health, Streets and Interest on long-term debt showed very little change in expenses. General government, Transportation and Culture and Recreation show a more modest increase. Governmental program expenses consist of \$24.7 million for Public Safety, \$7.0 million for General Government Activities, \$5.4 million for Streets, \$2.2 million for Culture and Recreation, \$2.7 million for Transportation, \$3.2 million for Community Development, and \$ 0.3 million for Interest on long-term debt. In 2017, Public Health and education (representing work done at the Landfill) had an increase in expenditure from 2016 to 2017 of \$9,530. Business-type program expenses consist of \$3.7 million for Sanitary Sewer, \$ 0.4 million for Harrison Park and \$2.8 million for Solid Waste funds as shown in the chart above.

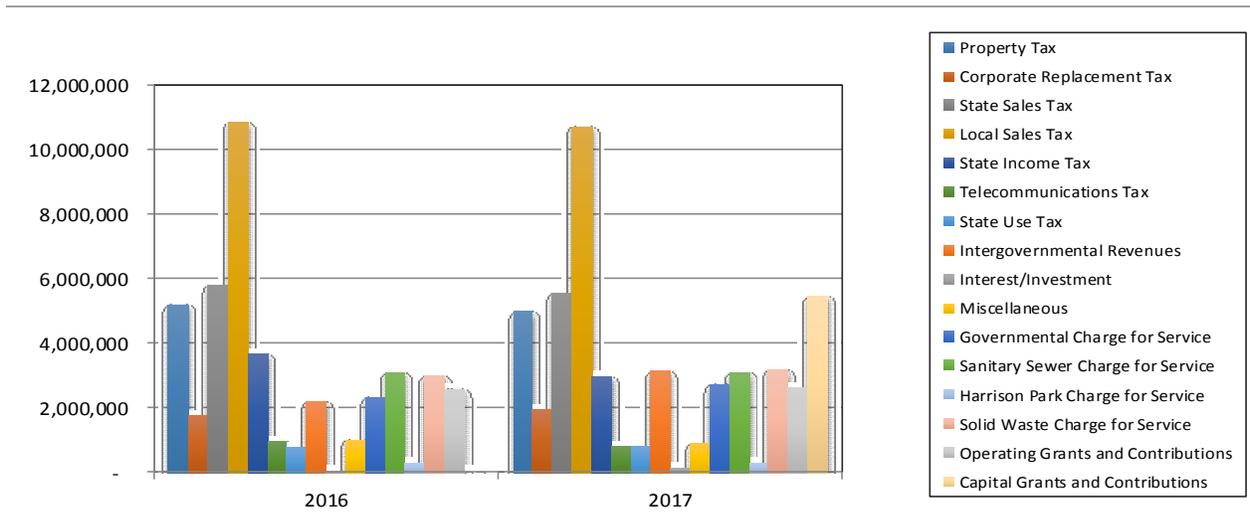
In 2017, the Sanitary Sewer had operating expenditures were in excess of operating revenue of approximately \$627,000 with operating revenues totaling \$3.1 million and operating expenditures totaling \$3.7 million. Last year the Sanitary Sewer fund had total operating revenues for 2016 of \$3.1 million compared to \$3.1 million in 2017. Total operating expenses of \$3.7 million for 2017 were up approximately \$700,000 from the total in 2016 of \$3.0 million. The Total Net Position for Sanitary Sewer for 2017 is \$7.8 million down \$703,000 or 78.3% from 2016 total of \$8.4 million, (actual amounts for 2017 are on pages 10).

In 2017, the Solid Waste fund had operating revenue in excess of operating expenditures totaling approximately \$429,000. The 2017 total Solid Waste operating revenues was \$3.2 million representing an increase of \$190,900 or 6% over last year's total of \$3 million. Total operating expenditures for 2017 was \$2.8 while in 2016 total operating expenses was \$2.6. This represents a decrease of approximately \$200,000 or 8%. Total Net Position for the Solid Waste fund for 2017 is \$2.5 million, up approximately \$383,000 over the 2016 total of \$2 million or 18.4%, (actual amounts for 2017 are on pages 10).

In 2017, Harrison Park fund had operating expenses in excess of operating revenue by \$32,932. In 2016, operating revenues were in excess of operating expenditures by \$95,367. Total operating revenue for Harrison Park was \$373,780 while operating expenditures were \$406,712. Revenues in 2017 show a decrease \$119,633. Total net position for Harrison Park fund for 2017 of \$182,732 is up down compared to 2016 totals of \$228,456 due primarily to the recording of the loan as stated above, (actual amounts for 2017 are on pages 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, 2016 and April 30, 2017, (actual amounts for 2017 are on page 3).

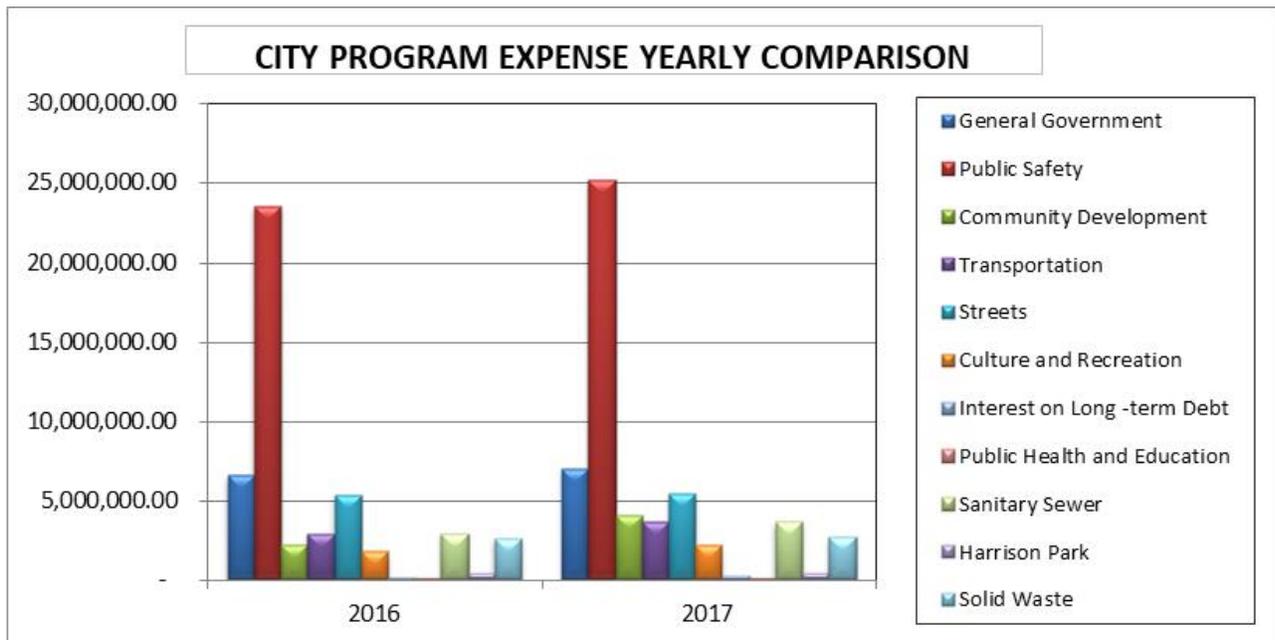


| CITY GENERAL AND PROGRAM REVENUE DATA | | | | |
|--|-------------------|-------------------|--------------------------------|---------------------------|
| City Revenues | 2016 | 2017 | Increase (Decrease) | Percent Change |
| Property Tax | 5,178,647 | 4,994,371 | (184,276) | -3.56% |
| Corporate Replacement Tax | 1,763,875 | 1,936,903 | 173,028 | 9.81% |
| State Sales Tax | 5,801,409 | 5,561,170 | (240,239) | -4.14% |
| Local Sales Tax | 10,828,938 | 10,725,958 | (102,980) | -0.95% |
| State Income Tax | 3,670,254 | 2,931,541 | (738,713) | -20.13% |
| Telecommunications Tax | 941,804 | 797,279 | (144,525) | -15.35% |
| State Use Tax | 777,395 | 807,766 | 30,371 | 3.91% |
| Intergovernmental Revenues | 2,178,870 | 3,142,046 | 963,176 | 44.21% |
| Interest/Investment | 16,461 | 152,178 | 135,717 | 824.48% |
| Miscellaneous | 981,716 | 917,833 | (63,883) | -6.51% |
| Governmental Charge for Service | 2,347,254 | 2,725,164 | 377,910 | 16.10% |
| Sanitary Sewer Charge for Service | 3,069,236 | 3,069,640 | 404 | 0.01% |
| Harrison Park Charge for Service | 307,901 | 268,216 | (39,685) | -12.89% |
| Solid Waste Charge for Service | 2,980,549 | 3,174,420 | 193,871 | 6.50% |
| Operating Grants and Contributions | 2,575,909 | 2,630,569 | 54,660 | 2.12% |
| Capital Grants and Contributions | - | 5,476,518 | 5,476,518 | 100.00% |
| Total City Revenues | 43,420,218 | 49,311,572 | 360,176 | 13.57% |

As with all municipalities, the City of Danville is supported by tax revenues from various sources. Total general and program revenues, which include revenues from state sales tax, corporate replacement tax, income tax, local taxes, property tax, charges for service, grants as well as other income generators, totaled \$49.3 million for the year ending April 30, 2017, without the transfer total. This total represents a 13.59% increase in general and program revenue over last year's total \$43.4, with the largest increase under Capital Grants and Contributions. Local Sales Tax shows a decrease of \$102,980, from last year representing a .95% decrease. State Sales Tax shows a decrease from last year of \$240,239 or -4.14% and Corporation Replacement Tax shows increase of \$173,028 or 9.81%, Telecommunication Tax shows decrease of \$144,525 or 15.35%, and State Use tax shows an increase of 3.91% 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 2016 State and Local Sales Tax totaling \$16.8 million, compared to this year's total of \$16.2 million. This represents a 5.04% decrease from last year. This fiscal year the Mayor, City Council and the Administration made a decision to increase the Home Rule Tax by .50%. The revenue derived from this tax is to be used for Community Reinvestment.

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

The following graph is a comparison of Program Expenses from fiscal year 2016 to fiscal year 2017 (actual dollar amounts found on page 2):



CITY EXPENSE YEARLY COMPARISON DATA

| | <u>2016</u> | <u>2017</u> | <u>Increase (Decrease)</u> | <u>Percent Change</u> |
|-----------------------------|-------------------|-------------------|--------------------------------|---------------------------|
| General Government | 6,576,149 | 7,055,290 | 479,141 | 7.29% |
| Public Safety | 23,565,730 | 24,728,813 | 1,163,083 | 4.94% |
| Community Development | 2,232,674 | 3,160,366 | 927,692 | 41.55% |
| Transportation | 2,934,175 | 2,750,380 | (183,795) | -6.26% |
| Streets | 5,334,116 | 5,482,242 | 148,126 | 2.78% |
| Culture and Recreation | 1,800,712 | 2,223,176 | 422,464 | 23.46% |
| Interest on Long -term Debt | 171,902 | 265,651 | 93,749 | 54.54% |
| Public Health and Education | 7,799 | 17,329 | 9,530 | 100.00% |
| Sanitary Sewer | 2,909,436 | 3,717,882 | 808,446 | 27.79% |
| Harrison Park | 409,756 | 419,743 | 9,987 | 2.44% |
| Solid Waste | 2,632,923 | 2,794,077 | 161,154 | 6.12% |
| Total City Expenses | 48,575,372 | 52,614,949 | 4,039,577 | 8.32% |

In comparing expenses for 2017 to 2016, you will notice that the expenses have increased by \$4 million (or 8.327%) from last year. This is primarily due to the fire department overtime, completion of the Richard D. Brazda Bus Terminal, sewer projects and Community Development projects.

As indicated in the chart above, Community Development had the highest significant change from \$2.2 million to \$3.2 million or a 41.55% increase over last year due primarily to Community Development projects done throughout the city. Interest on Long-term Debt has increased by 54.54% due to the insurance cost of new debt. The increase in Sanitary Sewer of 27.79% is due primarily to costs associated with the age of our sewer systems. The expenses for public safety show an increase from \$23.5 million to \$24.7 or 4.94% due primarily to Police and Fire Division overtime and recording of other post-employment benefits. General Government had increases in expenses of 7.29% over last year based primarily on personnel cost, legal services and increase in Public Building Committee lease. The other categories had smaller increases relating to personnel cost and operating needs. The Mayor, Department Heads, City Council, and Administration worked together to keep expenses down as much as the economy would allow.

On a modified accrual basis, the General Fund balance at end of fiscal year 2016 showed revenues, before other financing sources, exceeded expenditures by \$1,640,155 or 7.3%, this year revenues exceeded expenditures by only \$1,073,324 or 5.7%. The 2016 Fund balance for the General fund was \$6,923,086 compared to this year's total of \$6,906,025, representing a decrease of \$17,061 or .20% (actual data for 2017 found on page 6 and 7 of the financials).

This year in the Motor Fuel Tax fund (MFT), revenue exceeded expenditures by \$567,921. The total MFT operating revenues for 2017 were \$1,222,731 and expenditures in MFT were \$654,810 (actual numbers are on pages 6 and 7). The MFT fund balance at year end 2016 was \$6.4 million and in 2017 \$7.0 million, which represents a fund balance increase of \$567,921.

General Fund Budgetary Highlights

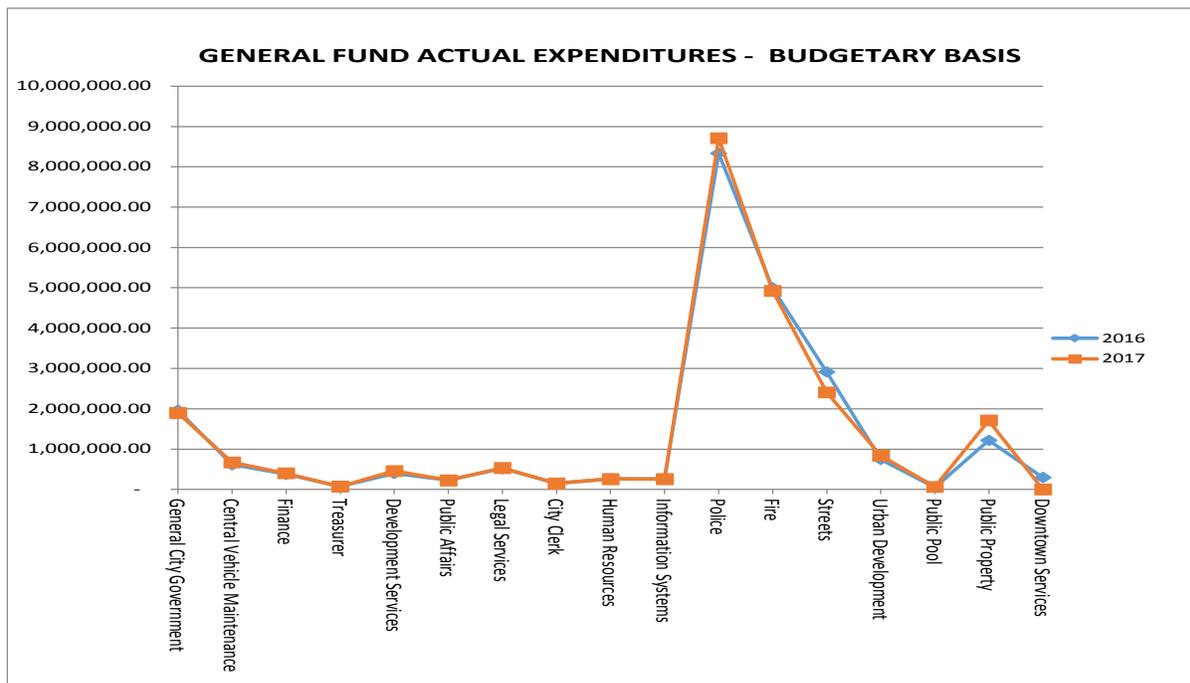
Over the course of the year, the City Council revised the City Budget numerous times, based primarily on the decline in revenues, emergency storm water repairs, fire department overtime and vehicle repairs. The budget was approved simultaneously with the Tax Levy in December. These budget amendments 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 subsequent to the FY 2016-2017 budget passage. 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 during Council meetings near the end 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 shows the General Fund actual expenditures – budgetary basis for the year ended April 30, 2016 and April 30, 2017, for each division (actual dollar amounts for 2017 are located on page 63-64):



| General Fund Actual Budget Comparison | | | | |
|--|----------------------|----------------------|--------------------------------------|---------------------------------|
| | <u>2016</u> | <u>2017</u> | <u>Increase</u> <u>(Decrease)</u> | <u>Percent</u> <u>Change</u> |
| General City Government | 1,960,190.00 | 1,893,372.00 | (66,818.00) | -3.409% |
| Central Vehicle Maintenance | 612,651.00 | 670,597.00 | 57,946.00 | 9.458% |
| Finance | 376,030.00 | 399,511.00 | 23,481.00 | 6.244% |
| Treasurer | 67,916.00 | 71,809.00 | 3,893.00 | 5.732% |
| Development Services | 395,701.00 | 460,406.00 | 64,705.00 | 16.352% |
| Public Affairs | 229,036.00 | 226,649.00 | (2,387.00) | -1.042% |
| Legal Services | 517,191.00 | 531,548.00 | 14,357.00 | 2.776% |
| City Clerk | 150,867.00 | 148,199.00 | (2,668.00) | -1.768% |
| Human Resources | 264,236.00 | 257,614.00 | (6,622.00) | -2.506% |
| Information Systems | 261,781.00 | 254,954.00 | (6,827.00) | -2.608% |
| Police | 8,333,761.00 | 8,709,865.00 | 376,104.00 | 4.513% |
| Fire | 4,997,245.00 | 4,926,169.00 | (71,076.00) | -1.422% |
| Streets | 2,910,922.00 | 2,407,301.00 | (503,621.00) | -17.301% |
| Urban Development | 744,626.00 | 838,316.00 | 93,690.00 | 12.582% |
| Public Pool | 52,722.00 | 61,016.00 | 8,294.00 | 15.732% |
| Public Property | 1,218,217.00 | 1,708,314.00 | 490,097.00 | 40.231% |
| Downtown Services | 295,351.00 | - | (295,351.00) | -100.000% |
| Total Actual General Fund Budget | 23,388,443.00 | 23,565,640.00 | 177,197.00 | 0.758% |

The above chart illustrates the difference in the actual expenditures – budgetary basis for General Fund from the 2015-16 and the 2016-17 Fiscal Year.

Although the Mayor, members of the City Council, and Administrative staff worked diligently to meet the FY 2016-2017 Budget as approved, it became difficult with the increase in overtime in the Fire and Police Division, legal fees associated with negotiations and litigations, materials needed for storm sewer repairs, emergency repairs needed for Fire apparatus and other personnel expenditures exceeding projections.

As shown in the chart above, there was an increase of only \$177,197 in the General Fund budgetary basis expenditures for 2017, as compared to 2016. The largest increase of 40.23% representing \$490,097 is in Public Property and was due to the decision at budget time to combine Parking and Central Services and Public Property. The second highest increase of \$376,104 or 4.5% is in Police and represents overtime costs and the increase in the Public Building Commission lease. The next highest increase in in Urban Development of \$93,690 or 12.582% which is due to consulting services for the Downtown TIF, License fee for the new software and other equipment needed for the implementation of the new software. The increase of \$64,705 or 16.35% in Development Services was due to the implementation of the new software, purchase of additional equipment and moving a supervisor from Public Works to Development Services. In Central Vehicle Maintenance there was an increase in expenditures of \$57,946 or 9.46% due to emergency repairs on fire apparatus and other vehicles. The following divisions had little changes in their budgets from last year: Treasurer, Finance, Legal and Public Pool.

Further, Downtown Services shows a 100% decrease as that division was combined with the Parks and Public Property to better serve the City. The Streets division shows the largest decrease of \$503,621 or -17.30%, due to two natural disasters in the prior fiscal year that caused major damage throughout the City, especially in the Storm Sewers. The City was fortunate in 2016-2017 to not have any major disasters, although there were still several storm sewer failures. The decrease of \$66,818 or 3.41% in General City was due primarily to the change made by the new insurance company that lowered the cost of the General Liability insurance. The other decreases were due to changes in personnel benefits or other contractual services.

The Financial policy requires the General Fund Reserve to be maintained at a minimum of \$1,200,000. This year we are still on target to meet that goal, but next year it will be a challenge with the settlement of the Fire Contract.

Capital Assets

Changes to the Capital Assets as stated in the Noncurrent Asset section of the Statement of Net Position shows net changes (additions and deletions) in the following categories (2017 actual numbers can be found on page 1 of the financials:

PRIMARY GOVERNMENT CAPITAL ASSETS - CAPITAL COMPARISON

| | <u>2016</u> | <u>2017</u> | <u>Increase (Decrease)</u> | <u>Percent Change</u> |
|--------------------------------------|--------------------|--------------------|--------------------------------|---------------------------|
| Land | 6,415,583 | 6,415,583 | 0.00 | 0.00% |
| Construction in Process | - | 3,176,437 | 3,176,437 | 100.00% |
| Buildings and improvements | 35,470,785 | 35,470,085 | (700) | 0.00% |
| Equipment Infrastructure | 27,453,387 | 29,488,123 | 2,034,736 | 7.41% |
| Infrastructure | 63,540,469 | 66,956,876 | 3,416,407 | 5.38% |
| Total, at cost | 132,880,224 | 141,507,104 | 8,626,880 | 6.49% |
| Less accumulated depreciation | 70,492,830 | 74,966,279 | 4,473,449 | 6.35% |
| Total non current assets | 62,387,394 | 66,540,825 | 4,153,431 | 6.66% |

At the end of April 30, 2017, the City had \$141.5 million invested in a broad range of Capital Assets (\$133.0 million-April 30, 2016), including police and fire equipment, buildings, park facilities, roads, bridges, public works equipment and sewer lines. After accumulated depreciation of \$75.0 million the total is \$66.5 million (\$62.5 million –April 30, 2016). These figures are derived from the Statement of Net Position on page 1 under Noncurrent Assets.

This fiscal year we had numerous projects underway: Richard D. Brazda Transfer Zone design which is paid for by State and Federal transportation dollars, engineering and several planning studies. The increase in the Construction in Process represents the amount needed to finish the Transfer Zone. We are still in design and development of multiple sewer projects that will require millions of dollars.

The City made the following vehicle and equipment purchases: 2-Ford F350 Super Cab, 2- Transit Buses (State/Federal dollars), 2-Toro Walk behind mowers, used Ford Van, 4-Porter Athletic Heavy Duty Recreation equipment, 3-2015 Ford Taurus, 2016 Ford F150 Super /Crew, Caterpillar Mini Excavator, Compressor, 2-SUVs, Seeder, Grapple Bucket, Spreader, Farebox, (State/Federal Dollars) Skidsteer, Tractor & Flex Wing Mower, 6-Mobile Lifts, Traffic Signal cabinet, Ford F-450 Truck, Ford F-250 Truck, Ford F-350, 2-Ford F-150, and 2016 Caterpillar 320 Excavator.

The City also purchased multiple buildings and dilapidated houses through the Vermilion County Tax Sale (a breakdown of capital assets by Governmental activities and Business-type Activities can be found in Note 5 pages 31-33).

Debt

At year's end on April 30, 2017, the City had \$7.8 million in bonds, and notes payable while at the end of April 30, 2016, the City had \$6.5 million in bonds and notes payable; an increase of \$.9 million or 10%. The increase from April 2016 to April 2017 was due to the issuance of several notes totaling \$2.39 million for the following: HVAC System for City Hall, 2016 Caterpillar 320 Excavator, 299 Skid Steer and the demolition of two large structures. Further, during the final stages of construction completion of the Richard D. Brazda Bus Terminal a cash flow loan was needed to ensure contractors were paid in a timely manner.

During the Fiscal Year 2017, no new bonds were issued and \$922,819 of the new notes will be paid within a year. With a population of 33,027 (2010 Census), total debt per capita for 2017 is \$399.85, up \$42.50 or 16.44% from the 2016 total debt per capita of \$257.35. With the declining status of the State of Illinois bond rating, careful consideration will be given when determining funding for the completion of the Danville High School campus project, Riverfront Development, East Main Street Improvements, West Main Street Development and for redevelopment of blighted areas.

The Long-Term Debt service extends out to the year 2028 as listed in Note 6 on page 35 of the financial statements. The City's debt service requirements from General Obligation bonds will decrease until all bonds are paid off in 2028, unless new bonds are sold.

The Police and Fire Pension funds continue to be under-funded (see Note 7 – pages 44-55), 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. The City's goal is to always contribute the amount per law to the pension funds to ensure their sustainability. The City's unfunded pension liabilities continue to put pressure on the City's financial condition. With new GASB standards in place, net pension liability year end 2017 is \$111,516,690, while last year's total was \$112,164,724. This small decrease indicates that the City is on the right track and needs to continue to find ways to decrease the net pension liability in order for the City to be sustainable again.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATE

Danville (population 33,027) is primarily a residential community located 3 miles from the Indiana state line, 130 miles southwest of Chicago, and located 30 miles east of 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, coupled with the financial condition of the State of Illinois and only a slight increase in the Equalized Assessed Valuation (EAV), the budget process was once again challenging. Each year we are challenged to propose a balanced budget and pass a Property Tax Levy with little to no increase in the projected Property Tax Rate, yet do so in light of rising Pension Fund obligations, increasing personnel costs, and material and commodity costs greater than in previous years. Due to the ever-growing reliance the Property Tax Levy and the Fiscal Year Budget have upon each other, once again we chose to approve the two simultaneously. With revenues projected to be lower than last year we had a challenging time balancing the budget to meet our short term goals. The Administration used the same philosophy as in years prior to budget according to the revenues received the prior year minus any one time revenues. The city administration looked at the number of personnel, health insurance cost, fuel cost, 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. One of the reductions was to no longer mow lots that were not owned by the City. This allowed for a reduction in the number of auxiliaries hired for mowing.

The City's elected and appointed officials considered many factors when setting the Fiscal Year 2016-2017 Budget, including cash flow, services, programs, tax rates, the economy as a whole, and fees that will be charged for business-type activities. Changes in Governmental Accounting Standards Board (GASB) will have a negative result on the financial position of the city again until a sustainable plan is put in place to pay the pension obligations. Although the City is directing more funds to the Pension than ever before, our Moody's Investor rating went down two levels from an A3 to a Baa2 with a negative outlook, due primarily to the Net Pension Liability.

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. Although, the Firefighters contract was settled in March the effect of the contract will not be felt until the 2017-18 budget. The retro pay will be paid out in 2017-18, and overtime will remain an issue. Other impacts in expenditures in this fiscal year include the negotiations with the Police officers, Police Command and Local 703 unions. With the negotiation of several 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. We are always looking to attract new business.

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, 2017

| | Primary Government | | | Component Unit |
|--|----------------------------|-----------------------------|------------------------|----------------------------|
| | Governmental Activities | Business-Type Activities | Total | Danville Public Library |
| CURRENT ASSETS | | | | |
| Cash | \$ 3,894,686 | \$ 2,232,174 | \$ 6,126,860 | \$ 1,019,755 |
| Temporary investments | 9,033,000 | 2,260,000 | 11,293,000 | 92,004 |
| Receivables | 874,866 | 993,444 | 1,868,310 | 327 |
| Taxes receivable | 4,347,814 | - | 4,347,814 | 1,782,901 |
| Prepaid items | 895,210 | 15,611 | 910,821 | 12,002 |
| Internal balances | (6,516) | 6,516 | - | - |
| Due from other governments | 6,215,008 | - | 6,215,008 | - |
| Total current assets | <u>25,254,068</u> | <u>5,507,745</u> | <u>30,761,813</u> | <u>2,906,989</u> |
| NONCURRENT ASSETS | | | | |
| Receivables | 146,154 | - | 146,154 | - |
| Capital assets not being depreciated: | | | | |
| Land | 6,134,573 | 281,010 | 6,415,583 | - |
| Construction in process | 3,176,437 | - | 3,176,437 | - |
| Capital assets being depreciated: | | | | |
| Buildings and improvements | 18,309,067 | 17,161,018 | 35,470,085 | - |
| Equipment | 23,462,175 | 6,025,948 | 29,488,123 | 3,066,203 |
| Infrastructure | 66,956,876 | - | 66,956,876 | - |
| Less accumulated depreciation | <u>57,706,518</u> | <u>17,259,761</u> | <u>74,966,279</u> | <u>2,701,327</u> |
| Total noncurrent assets | <u>60,478,764</u> | <u>6,208,215</u> | <u>66,686,979</u> | <u>364,876</u> |
| TOTAL ASSETS | <u>85,732,832</u> | <u>11,715,960</u> | <u>97,448,792</u> | <u>3,271,865</u> |
| DEFERRED OUTFLOWS OF RESOURCES | | | | |
| Related to pension liability | <u>11,433,613</u> | <u>76,766</u> | <u>11,510,379</u> | <u>35,829</u> |
| CURRENT LIABILITIES | | | | |
| Accounts payable | 582,809 | 308,741 | 891,550 | 9,230 |
| Accrued expenses | 386,204 | 119,563 | 505,767 | 79,513 |
| Due to other governments | 13,021 | - | 13,021 | - |
| Advance payments | - | 25,165 | 25,165 | - |
| Current portion accumulated vacation and sick days | 380,196 | 26,458 | 406,654 | - |
| Current portion of long-term notes and bonds | <u>1,467,819</u> | <u>14,513</u> | <u>1,482,332</u> | <u>-</u> |
| Total current liabilities | <u>2,830,049</u> | <u>494,440</u> | <u>3,324,489</u> | <u>88,743</u> |
| NONCURRENT LIABILITIES | | | | |
| Net pension liability | 111,031,136 | 485,554 | 111,516,690 | 221,489 |
| Other post-employment benefits | 879,157 | 126,744 | 1,005,901 | 45,096 |
| Noncurrent portion of accumulated vacation and sick days | 1,520,783 | 106,145 | 1,626,928 | - |
| Noncurrent portion of long-term notes and bonds | <u>6,341,952</u> | <u>45,319</u> | <u>6,387,271</u> | <u>-</u> |
| Total noncurrent liabilities | <u>119,773,028</u> | <u>763,762</u> | <u>120,536,790</u> | <u>266,585</u> |
| Total liabilities | <u>122,603,077</u> | <u>1,258,202</u> | <u>123,861,279</u> | <u>355,328</u> |
| DEFERRED INFLOWS OF RESOURCES | | | | |
| Related to pension liability | 2,182,690 | 170,759 | 2,353,449 | 77,116 |
| Subsequent year's property taxes | <u>4,347,814</u> | <u>-</u> | <u>4,347,814</u> | <u>1,782,901</u> |
| | <u>6,530,504</u> | <u>170,759</u> | <u>6,701,263</u> | <u>1,860,017</u> |
| NET POSITION | | | | |
| Net investment in capital assets | 52,223,427 | 6,148,383 | 58,371,810 | 364,876 |
| Restricted for streets and transportation | 7,340,352 | - | 7,340,352 | - |
| Restricted for retirement | 50,534 | - | 50,534 | - |
| Restricted for community development | 1,857,066 | - | 1,857,066 | - |
| Restricted for public health and education | 886,263 | - | 886,263 | - |
| Restricted for public safety | 67,796 | - | 67,796 | - |
| Restricted for debt | 61,043 | - | 61,043 | - |
| Restricted for library | - | - | - | 108,534 |
| Unrestricted | <u>(94,453,617)</u> | <u>4,215,382</u> | <u>(90,238,235)</u> | <u>618,939</u> |
| TOTAL NET POSITION | <u>\$ (31,967,136)</u> | <u>\$ 10,363,765</u> | <u>\$ (21,603,371)</u> | <u>\$ 1,092,349</u> |

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

CITY OF DANVILLE, ILLINOIS
STATEMENT OF ACTIVITIES
Year Ended April 30, 2017

| | <u>Program Revenues</u> | | | | <u>Net (Expense) Revenue and Changes in Net Position</u> | | | <u>Component</u> |
|----------------------------------|-------------------------|---------------------------------|---|---|--|--|---------------------|------------------------------------|
| | | | | | <u>Primary Government</u> | | | <u>Unit</u> |
| | <u>Expenses</u> | <u>Charges for Services</u> | <u>Operating Grants and Contributions</u> | <u>Capital Grants and Contributions</u> | <u>Governmental Activities</u> | <u>Business- Type Activities</u> | <u>Total</u> | <u>Danville Public Library</u> |
| PROGRAMS | | | | | | | | |
| Governmental activities: | | | | | | | | |
| General government | \$ 7,055,290 | \$ 1,838,033 | \$ 16,535 | \$ - | \$ (5,200,722) | \$ - | \$ (5,200,722) | \$ - |
| Public safety | 24,728,813 | 529,349 | - | - | (24,199,464) | - | (24,199,464) | - |
| Community development | 3,160,366 | - | 742,879 | - | (2,417,487) | - | (2,417,487) | - |
| Public health and education | 17,329 | - | - | - | (17,329) | - | (17,329) | - |
| Transportation | 2,750,380 | 333,495 | 1,871,155 | 5,476,518 | 4,930,788 | - | 4,930,788 | - |
| Streets | 5,482,242 | - | - | - | (5,482,242) | - | (5,482,242) | - |
| Culture and recreation | 2,223,176 | 24,287 | - | - | (2,198,889) | - | (2,198,889) | - |
| Interest on long-term debt | 265,651 | - | - | - | (265,651) | - | (265,651) | - |
| Total governmental activities | <u>45,683,247</u> | <u>2,725,164</u> | <u>2,630,569</u> | <u>5,476,518</u> | <u>(34,850,996)</u> | <u>-</u> | <u>(34,850,996)</u> | <u>-</u> |
| Business-type activities: | | | | | | | | |
| Sanitary Sewer Department | 3,717,882 | 3,069,640 | - | - | - | (648,242) | (648,242) | - |
| Harrison Park | 419,743 | 268,216 | - | - | - | (151,527) | (151,527) | - |
| Solid Waste Management | 2,794,077 | 3,174,420 | - | - | - | 380,343 | 380,343 | - |
| Total business-type activities | <u>6,931,702</u> | <u>6,512,276</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>(419,426)</u> | <u>(419,426)</u> | <u>-</u> |
| Component Unit: | | | | | | | | |
| Danville Public Library | 1,853,940 | 17,190 | 1,864 | 48,473 | - | - | - | (1,788,277) |
| TOTAL | <u>\$ 54,468,889</u> | <u>\$ 9,254,630</u> | <u>\$ 2,632,433</u> | <u>\$ 5,524,991</u> | <u>(34,850,996)</u> | <u>(419,426)</u> | <u>(35,270,422)</u> | <u>(1,788,277)</u> |

| | | | | |
|---|------------------------|----------------------|------------------------|---------------------|
| General Revenues: | | | | |
| Property taxes | \$ 4,994,371 | \$ - | \$ 4,994,371 | \$ 1,717,993 |
| Corporate personal property replacement taxes | 1,936,903 | - | 1,936,903 | - |
| State sales taxes | 5,561,170 | - | 5,561,170 | - |
| Local sales tax | 10,725,958 | - | 10,725,958 | - |
| State income tax allocation | 2,931,541 | - | 2,931,541 | - |
| Telecommunication tax | 797,279 | - | 797,279 | - |
| State use tax | 807,766 | - | 807,766 | - |
| Intergovernmental revenues | 3,142,046 | - | 3,142,046 | - |
| Interest/investment income | 115,433 | 36,745 | 152,178 | 2,148 |
| Miscellaneous | 736,519 | 181,314 | 917,833 | 18,615 |
| Transfers | 158,016 | (158,016) | - | - |
| | <u>31,907,002</u> | <u>60,043</u> | <u>31,967,045</u> | <u>1,738,756</u> |
| Total general revenues and transfers | | | | |
| Change in net position | (2,943,994) | (359,383) | (3,303,377) | (49,521) |
| NET POSITION - BEGINNING OF YEAR | <u>(29,023,142)</u> | <u>10,723,148</u> | <u>(18,299,994)</u> | <u>1,141,870</u> |
| NET POSITION - END OF YEAR | <u>\$ (31,967,136)</u> | <u>\$ 10,363,765</u> | <u>\$ (21,603,371)</u> | <u>\$ 1,092,349</u> |

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

CITY OF DANVILLE, ILLINOIS
BALANCE SHEET
GOVERNMENTAL FUNDS
April 30, 2017

| | <u>General Fund</u> | <u>Motor Fuel Tax</u> | <u>Danville Mass Transit</u> | <u>Bond and Interest</u> | <u>2009 Debt Service</u> | <u>Nonmajor Governmental Funds</u> | <u>Total Governmental Funds</u> |
|--|-------------------------|---------------------------|----------------------------------|------------------------------|------------------------------|--|---|
| ASSETS | | | | | | | |
| Cash | \$ 1,556,872 | \$ 69,670 | \$ 255,240 | \$ 36,251 | 63,745 | \$ 1,878,347 | \$ 3,860,125 |
| Temporary investments | 32,000 | 6,918,000 | - | - | - | 2,083,000 | 9,033,000 |
| Receivables: | | | | | | | |
| Taxes, net of allowance for estimated Uncollectibles | 235,552 | - | - | - | - | 4,112,262 | 4,347,814 |
| Other - current | 557,948 | 1,282 | - | - | - | 298,483 | 857,713 |
| Other - noncurrent | - | - | - | - | - | 146,154 | 146,154 |
| Prepaid items | 824,989 | - | 70,221 | - | - | - | 895,210 |
| Due from other funds | 45,000 | - | - | - | - | - | 45,000 |
| Advance from other funds | 735,734 | - | - | - | - | - | 735,734 |
| Due from other governments | 5,005,464 | 72,311 | 817,352 | - | - | 319,881 | 6,215,008 |
| TOTAL ASSETS | <u>\$ 8,993,559</u> | <u>\$ 7,061,263</u> | <u>\$ 1,142,813</u> | <u>\$ 36,251</u> | <u>\$ 63,745</u> | <u>\$ 8,838,127</u> | <u>\$ 26,135,758</u> |
| LIABILITIES | | | | | | | |
| Accounts payable | \$ 107,093 | \$ 22,162 | \$ 338,309 | \$ - | \$ - | \$ 115,245 | \$ 582,809 |
| Accrued expenses | 228,294 | - | 17,052 | - | - | 33,771 | 279,117 |
| Due to other funds | - | - | 40,000 | - | - | 5,000 | 45,000 |
| Advance to other funds | - | - | 735,734 | - | - | - | 735,734 |
| Due to other governments | 1,303 | - | 11,718 | - | - | - | 13,021 |
| Total liabilities | <u>336,690</u> | <u>22,162</u> | <u>1,142,813</u> | <u>-</u> | <u>-</u> | <u>154,016</u> | <u>1,655,681</u> |
| DEFERRED INFLOWS OF RESOURCES | | | | | | | |
| Unavailable revenue | 1,515,292 | - | - | - | - | 67,868 | 1,583,160 |
| Subsequent year's property taxes | 235,552 | - | - | - | - | 4,112,262 | 4,347,814 |
| Total deferred inflows of resources | <u>1,750,844</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>4,180,130</u> | <u>5,930,974</u> |
| FUND BALANCE | | | | | | | |
| Nonspendable: | | | | | | | |
| Prepays | 824,989 | - | 70,221 | - | - | - | 895,210 |
| Noncurrent receivables | 735,734 | - | - | - | - | - | 735,734 |
| Restricted: | | | | | | | |
| Retirement | - | - | - | - | - | 50,534 | 50,534 |
| Public health and education | - | - | - | - | - | 886,263 | 886,263 |
| Public safety | - | - | - | - | - | 67,796 | 67,796 |
| Community development | - | - | - | - | - | 1,857,066 | 1,857,066 |
| Transportation | - | - | - | - | - | 6,602 | 6,602 |
| Streets | - | 7,039,101 | - | - | - | 294,649 | 7,333,750 |
| Debt service | - | - | - | 36,251 | 63,745 | 68,134 | 168,130 |
| Committed: | | | | | | | |
| Community development | - | - | - | - | - | 38 | 38 |
| Capital projects | - | - | - | - | - | 879,886 | 879,886 |
| Assigned: | | | | | | | |
| General and administrative | 36,500 | - | - | - | - | - | 36,500 |
| Capital projects | - | - | - | - | - | 416,240 | 416,240 |
| Unassigned | <u>5,308,802</u> | <u>-</u> | <u>(70,221)</u> | <u>-</u> | <u>-</u> | <u>(23,227)</u> | <u>5,215,354</u> |
| Total fund balance | <u>6,906,025</u> | <u>7,039,101</u> | <u>-</u> | <u>36,251</u> | <u>63,745</u> | <u>4,503,981</u> | <u>18,549,103</u> |
| TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE | <u>\$ 8,993,559</u> | <u>\$ 7,061,263</u> | <u>\$ 1,142,813</u> | <u>\$ 36,251</u> | <u>\$ 63,745</u> | <u>\$ 8,838,127</u> | <u>\$ 26,135,758</u> |

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

CITY OF DANVILLE, ILLINOIS
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL
FUNDS TO THE NET POSITION OF GOVERNMENTAL ACTIVITIES
April 30, 2017

| | | |
|---|---------------|-------------------------------|
| FUND BALANCES - TOTAL GOVERNMENTAL FUNDS | | \$ 18,549,103 |
| 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. | | 60,332,610 |
| Deferred inflows of resources related to taxes receivable are not available until future periods; therefore, they are not reported in the funds. | | 1,583,160 |
| Net deferred outflows of resources related to pensions are applicable to future periods; therefore, they are not reported in the funds | | 9,250,923 |
| Internal service fund is used by management to charge the costs of health insurance to individual funds. A portion of the assets and liabilities of the internal service fund are included in governmental activities in the statement of net position. | | 45,198 |
| Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds. These liabilities consist of: | | |
| Compensated absences payable | (1,900,979) | |
| Net pension liabilities | (111,031,136) | |
| Post-employment benefits | (879,157) | |
| Bonds payable | (5,275,000) | |
| Accrued interest | (107,087) | |
| Notes payable | (2,534,771) | |
| Total long-term liabilities | (121,728,130) | (121,728,130) |
| Net position of governmental activities | | \$ <u>(31,967,136)</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, 2017

| | <u>General Fund</u> | <u>Motor Fuel Tax</u> | <u>Danville Mass Transit</u> | <u>Bond and Interest</u> | <u>2009 Debt Service</u> | <u>Nonmajor Governmental Funds</u> | <u>Total Governmental Funds</u> |
|--|-------------------------|---------------------------|----------------------------------|------------------------------|------------------------------|--|---|
| REVENUES | | | | | | | |
| Taxes | \$ 1,365,855 | \$ - | \$ - | \$ - | \$ 117,848 | \$ 6,004,047 | \$ 7,487,750 |
| Intergovernmental | 20,480,136 | 1,108,958 | 6,390,942 | - | - | 2,108,351 | 30,088,387 |
| Licenses and permits | 857,228 | - | - | - | - | - | 857,228 |
| Charges for services | 1,005,092 | - | 333,495 | - | - | 17,912 | 1,356,499 |
| Fines and forfeits | 511,437 | - | - | - | - | - | 511,437 |
| Miscellaneous | 589,109 | 113,773 | 15,528 | 280 | 484 | 132,778 | 851,952 |
| Total revenues | <u>24,808,857</u> | <u>1,222,731</u> | <u>6,739,965</u> | <u>280</u> | <u>118,332</u> | <u>8,263,088</u> | <u>41,153,253</u> |
| EXPENDITURES | | | | | | | |
| Current: | | | | | | | |
| General government | 5,849,310 | - | - | - | - | - | 5,849,310 |
| Public safety | 13,598,236 | - | - | - | - | 5,321,370 | 18,919,606 |
| Community development | - | - | - | - | - | 3,160,366 | 3,160,366 |
| Public health and education | - | - | - | - | - | 17,329 | 17,329 |
| Transportation | - | - | 2,342,409 | - | - | - | 2,342,409 |
| Streets | 2,170,913 | 461,752 | - | - | - | - | 2,632,665 |
| Culture and recreation | 1,717,702 | - | - | - | - | - | 1,717,702 |
| Capital outlay | 399,372 | 193,058 | 4,430,236 | - | - | 2,469,098 | 7,491,764 |
| Debt service: | | | | | | | |
| Principal | - | - | - | 455,000 | 235,000 | 362,275 | 1,052,275 |
| Interest | - | - | - | 19,196 | 156,827 | 87,637 | 263,660 |
| Total expenditures | <u>23,735,533</u> | <u>654,810</u> | <u>6,772,645</u> | <u>474,196</u> | <u>391,827</u> | <u>11,418,075</u> | <u>43,447,086</u> |
| Excess (deficiency) of revenues over expenditures | <u>1,073,324</u> | <u>567,921</u> | <u>(32,680)</u> | <u>(473,916)</u> | <u>(273,495)</u> | <u>(3,154,987)</u> | <u>(2,293,833)</u> |

| | <u>General Fund</u> | <u>Motor Fuel Tax</u> | <u>Danville Mass Transit</u> | <u>Bond and Interest</u> | <u>2009 Debt Service</u> | <u>Nonmajor Governmental Funds</u> | <u>Total Governmental Funds</u> |
|--|-------------------------|---------------------------|----------------------------------|------------------------------|------------------------------|--|---|
| OTHER FINANCING SOURCES (USES) | | | | | | | |
| Loan proceeds | - | - | 500,000 | - | - | 1,889,655 | 2,389,655 |
| Transfers in | 886,421 | - | - | 465,079 | 273,990 | 1,556,536 | 3,182,026 |
| Transfers out | <u>(1,976,806)</u> | <u>-</u> | <u>(467,320)</u> | <u>-</u> | <u>-</u> | <u>(579,884)</u> | <u>(3,024,010)</u> |
| | | | | | | | |
| Total other financing sources (uses) | <u>(1,090,385)</u> | <u>-</u> | <u>32,680</u> | <u>465,079</u> | <u>273,990</u> | <u>2,866,307</u> | <u>2,547,671</u> |
| | | | | | | | |
| Net change in fund balance | (17,061) | 567,921 | - | (8,837) | 495 | (288,680) | 253,838 |
| | | | | | | | |
| FUND BALANCE, BEGINNING OF YEAR | <u>6,923,086</u> | <u>6,471,180</u> | <u>-</u> | <u>45,088</u> | <u>63,250</u> | <u>4,792,661</u> | <u>18,295,265</u> |
| | | | | | | | |
| FUND BALANCE, END OF YEAR | <u>\$ 6,906,025</u> | <u>\$ 7,039,101</u> | <u>\$ -</u> | <u>\$ 36,251</u> | <u>\$ 63,745</u> | <u>\$ 4,503,981</u> | <u>\$ 18,549,103</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, 2017**

| | | |
|---|--------------------|---------------------------|
| NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS | \$ | 253,838 |
| 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. | | (247,326) |
| 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. | | |
| Capital outlay, includes contributed capital of \$1,974,822 | \$ 9,167,074 | |
| Depreciation expense | <u>(4,992,021)</u> | 4,175,053 |
| 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. | | |
| Debt proceeds | | (2,389,655) |
| Principal repayments | | 1,052,275 |
| Accrued interest | | (1,991) |
| Some expenditures reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported in the governmental funds | | |
| Change in compensated absences | | 98,457 |
| Change in OPEB liability | | 66,714 |
| Governmental funds report pension contributions as expenditures when made. However, in the Statement of Activities, pension expense is the cost of benefits earned, adjusted for member contributions, the recognition of changes in deferred outflows of resources related to pensions, and the investment experience. | | (5,736,861) |
| Internal service funds are used by management to charge the costs of insurance to individual funds. A portion of the net expenditure of internal service funds is reported with governmental activities | | <u>(214,498)</u> |
| CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES | \$ | <u>(2,943,994)</u> |

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

CITY OF DANVILLE, ILLINOIS
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
April 30, 2017

| | Business-Type Activities Enterprise Funds | | | | Governmental Activities - Internal Service |
|--|--|-------------------|---------------------|----------------------|--|
| | Sanitary | Harrison | Solid Waste | Total | Health Insurance |
| | Sewer Department | Park | Management | | Fund |
| CURRENT ASSETS | | | | | |
| Cash | \$ 1,492,500 | \$ 30,867 | \$ 708,807 | \$ 2,232,174 | \$ 34,561 |
| Temporary investments | 1,260,000 | - | 1,000,000 | 2,260,000 | - |
| Receivables, net | 495,901 | 718 | 496,825 | 993,444 | 17,153 |
| Prepaid items | 6,497 | 961 | 8,153 | 15,611 | - |
| Total current assets | <u>3,254,898</u> | <u>32,546</u> | <u>2,213,785</u> | <u>5,501,229</u> | <u>51,714</u> |
| NONCURRENT ASSETS | | | | | |
| Land | 10,200 | 196,665 | 74,145 | 281,010 | - |
| Buildings and improvements | 16,338,563 | 822,455 | - | 17,161,018 | - |
| Equipment | 2,305,917 | 650,849 | 3,069,182 | 6,025,948 | - |
| Total, at cost | 18,654,680 | 1,669,969 | 3,143,327 | 23,467,976 | - |
| Less accumulated depreciation | 13,427,078 | 1,351,576 | 2,481,107 | 17,259,761 | - |
| Total noncurrent assets | <u>5,227,602</u> | <u>318,393</u> | <u>662,220</u> | <u>6,208,215</u> | <u>-</u> |
| TOTAL ASSETS | <u>8,482,500</u> | <u>350,939</u> | <u>2,876,005</u> | <u>11,709,444</u> | <u>51,714</u> |
| DEFERRED OUTFLOWS OF RESOURCES | | | | | |
| Deferred amount related to pensions | 30,679 | 15,407 | 30,680 | 76,766 | - |
| CURRENT LIABILITIES | | | | | |
| Accounts payable | 273,536 | 16,565 | 18,640 | 308,741 | - |
| Accrued payroll and other expenses | 108,388 | 1,268 | 9,907 | 119,563 | - |
| Accumulated vacation and sick days | 13,082 | 2,447 | 10,929 | 26,458 | - |
| Advance payments | - | 25,165 | - | 25,165 | - |
| Notes payable, current portion | - | 14,513 | - | 14,513 | - |
| Total current liabilities | <u>395,006</u> | <u>59,958</u> | <u>39,476</u> | <u>494,440</u> | <u>-</u> |
| LONG-TERM LIABILITIES | | | | | |
| Net pension liability | 217,185 | 51,184 | 217,185 | 485,554 | - |
| Otherpost-employment benefits | 55,325 | 6,035 | 65,384 | 126,744 | - |
| Accumulated vacation and sick days | 52,330 | 10,101 | 43,714 | 106,145 | - |
| Notes payable, less current portion | - | 45,319 | - | 45,319 | - |
| Total long-term liabilities | <u>324,840</u> | <u>112,639</u> | <u>326,283</u> | <u>763,762</u> | <u>-</u> |
| TOTAL LIABILITIES | <u>719,846</u> | <u>172,597</u> | <u>365,759</u> | <u>1,258,202</u> | <u>-</u> |
| DEFERRED INFLOWS OF RESOURCES | | | | | |
| Deferred amount related to pensions | 79,871 | 11,017 | 79,871 | 170,759 | - |
| NET POSITION | | | | | |
| Net investment in capital assets | 5,227,602 | 258,561 | 662,220 | 6,148,383 | - |
| Unrestricted | 2,485,860 | (75,829) | 1,798,835 | 4,208,866 | 51,714 |
| Total net position | <u>\$ 7,713,462</u> | <u>\$ 182,732</u> | <u>\$ 2,461,055</u> | <u>10,357,249</u> | <u>\$ 51,714</u> |
| Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds. | | | | <u>6,516</u> | |
| Net position of business-type activities | | | | <u>\$ 10,363,765</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, 2017

| | Business-Type Activities Enterprise Funds | | | | Governmental Activities - Internal Service Health Insurance Fund |
|--|--|------------------|---------------------------|--------------|--|
| | Sanitary Sewer Department | Harrison Park | Solid Waste Management | Total | |
| | | | | | |
| OPERATING REVENUES | | | | | |
| Charges for services | \$ 3,069,640 | \$ 268,216 | \$ 3,174,420 | \$ 6,512,276 | \$ 4,358,221 |
| Miscellaneous | 23,189 | 105,564 | 52,561 | 181,314 | 471 |
| | 3,092,829 | 373,780 | 3,226,981 | 6,693,590 | 4,358,692 |
| OPERATING EXPENSES | | | | | |
| Personnel services | 1,376,524 | 213,208 | 1,567,140 | 3,156,872 | 4,566,699 |
| Supplies and materials | 214,258 | 91,431 | 251,337 | 557,026 | - |
| Other services and charges | 984,774 | 16,753 | 20,725 | 1,022,252 | - |
| Contractual services | 610,980 | 36,644 | 849,277 | 1,496,901 | - |
| Capital outlay | 60,819 | 3,500 | - | 64,319 | - |
| Depreciation | 473,371 | 45,176 | 108,960 | 627,507 | - |
| | 3,720,726 | 406,712 | 2,797,439 | 6,924,877 | 4,566,699 |
| Total operating expenses | | | | | |
| Operating income (loss) | (627,897) | (32,932) | 429,542 | (231,287) | (208,007) |
| NON-OPERATING REVENUES (EXPENSES) | | | | | |
| Interest income | 23,446 | 549 | 12,750 | 36,745 | 25 |
| Interest expense | - | (13,341) | - | (13,341) | - |
| | 23,446 | (12,792) | 12,750 | 23,404 | 25 |
| Total non-operating revenues (expenses) | | | | | |
| Income (loss) before transfers | (604,451) | (45,724) | 442,292 | (207,883) | (207,982) |
| TRANSFERS | | | | | |
| Transfers out | (99,062) | - | (58,954) | (158,016) | - |
| CHANGE IN NET POSITION | (703,513) | (45,724) | 383,338 | (365,899) | (207,982) |
| TOTAL NET POSITION, BEGINNING OF YEAR | 8,416,975 | 228,456 | 2,077,717 | | 259,696 |
| TOTAL NET POSITION, END OF YEAR | \$ 7,713,462 | \$ 182,732 | \$ 2,461,055 | | \$ 51,714 |
| | | | | 6,516 | |
| | | | | \$ (359,383) | |

Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds

Change in net position of business-type activities statement of activities

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, 2017**

| | <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 | \$ 3,155,395 | \$ 360,448 | \$ 3,162,363 | \$ 6,678,206 | \$ 4,355,385 |
| Cash paid to suppliers and for claims | (1,549,464) | (127,591) | (1,081,852) | (2,758,907) | (4,566,699) |
| Cash paid to employees | (1,277,750) | (198,694) | (1,456,586) | (2,933,030) | - |
| Cash paid to others | - | - | - | - | - |
| Net cash provided by (used in) operating activities | <u>328,181</u> | <u>34,163</u> | <u>623,925</u> | <u>986,269</u> | <u>(211,314)</u> |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | | | | | |
| Cash transfers to other funds | <u>(99,062)</u> | <u>-</u> | <u>(58,954)</u> | <u>(158,016)</u> | <u>-</u> |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | | | | |
| Principal payments on notes payable | - | (14,794) | - | (14,794) | - |
| Interest paid on notes payable | - | (13,341) | - | (13,341) | - |
| Purchase of property and equipment | <u>(225,040)</u> | <u>(4,100)</u> | <u>(376,864)</u> | <u>(606,004)</u> | <u>-</u> |
| Net cash used in capital and related financing activities | <u>(225,040)</u> | <u>(32,235)</u> | <u>(376,864)</u> | <u>(634,139)</u> | <u>-</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | | |
| Interest received | 23,446 | 549 | 12,750 | 36,745 | 25 |
| Proceeds from sale of investments | <u>2,320,000</u> | <u>-</u> | <u>1,389,000</u> | <u>3,709,000</u> | <u>-</u> |
| Net cash provided by investing activities | <u>2,343,446</u> | <u>549</u> | <u>1,401,750</u> | <u>3,745,745</u> | <u>25</u> |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | 2,347,525 | 2,477 | 1,589,857 | 3,939,859 | (211,289) |
| CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR | <u>404,975</u> | <u>28,390</u> | <u>118,950</u> | <u>552,315</u> | <u>245,850</u> |
| CASH AND CASH EQUIVALENTS, END OF YEAR | <u>\$ 2,752,500</u> | <u>\$ 30,867</u> | <u>\$ 1,708,807</u> | <u>\$ 4,492,174</u> | <u>\$ 34,561</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 (loss) | \$ (627,897) | \$ (32,932) | \$ 429,542 | \$ (231,287) | \$ (208,007) |
| Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities: | | | | | |
| Depreciation | 473,371 | 45,176 | 108,960 | 627,507 | - |
| Loss on disposal of capital assets | 119 | - | - | 119 | - |
| Effects of changes in operating assets and liabilities: | | | | | |
| Receivables | 38,964 | - | (64,618) | (25,654) | (2,836) |
| Prepaid expenses | 7,494 | 1,863 | 8,645 | 18,002 | - |
| Accounts payable and accrued payroll | 283,329 | 17,245 | (35,534) | 265,040 | - |
| Other current liabilities | (5,633) | 113 | 6,147 | 627 | - |
| Net pension liability | (124,823) | (17,217) | (124,823) | (266,863) | - |
| Deferred outflows of resources related to pension | 149,359 | 20,601 | 149,359 | 319,319 | - |
| Deferred inflows of resources related to pension | 79,871 | 11,017 | 79,871 | 170,759 | - |
| Advance payments | - | (7,738) | - | (7,738) | - |
| Other post-employment benefits | 55,325 | 6,035 | 65,384 | 126,744 | - |
| Due to other funds | (1,298.00) | (10,000) | 992.00 | (10,306) | (471) |
| NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES | <u>\$ 328,181</u> | <u>\$ 34,163</u> | <u>\$ 623,925</u> | <u>\$ 986,269</u> | <u>\$ (211,314)</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, 2017

| | <u>Pension Trust Funds</u> | <u>Agency Funds</u> | <u>Total</u> |
|------------------------------------|--------------------------------|-------------------------|----------------------|
| ASSETS | | | |
| Cash | \$ 1,159,968 | \$ 157,472 | \$ 1,317,440 |
| Investments: | | | |
| Money market funds | - | 160,000 | 160,000 |
| Treasury notes | 1,269,943 | - | 1,269,943 |
| US government agencies | 3,596,441 | - | 3,596,441 |
| Bonds | 6,122,024 | - | 6,122,024 |
| Mutual funds | 15,423,415 | - | 15,423,415 |
| Receivables: | | | |
| Accounts | - | 63,464 | 63,464 |
| Accrued interest | 72,442 | - | 72,442 |
| TOTAL ASSETS | <u>27,644,233</u> | <u>380,936</u> | <u>28,025,169</u> |
| LIABILITIES | | | |
| Accounts payable | - | 149,957 | 149,957 |
| Due to others | - | 230,979 | 230,979 |
| Total liabilities | <u>-</u> | <u>380,936</u> | <u>380,936</u> |
| NET POSITION | | | |
| Held in trust for pension benefits | <u>\$ 27,644,233</u> | <u>\$ -</u> | <u>\$ 27,644,233</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, 2017

ADDITIONS

Contributions

| | |
|---------------------|------------------|
| Employer | \$ 5,226,812 |
| Plan members | <u>705,456</u> |
| Total contributions | <u>5,932,268</u> |

Investment income

| | |
|---|------------------|
| Net appreciation in fair value of investments | 1,829,054 |
| Interest and dividends | <u>554,370</u> |
| Total investment income | 2,383,424 |
| Less investment expense | <u>110,774</u> |
| Net investment income | <u>2,272,650</u> |

| | |
|-----------------|------------------|
| Total additions | <u>8,204,918</u> |
|-----------------|------------------|

DEDUCTIONS

| | |
|------------------------|------------------|
| Benefits | 6,717,490 |
| Administrative expense | <u>95,020</u> |
| Total deductions | <u>6,812,510</u> |

| | |
|-------------------------------|------------------|
| CHANGE IN NET POSITION | 1,392,408 |
|-------------------------------|------------------|

| | |
|---|-------------------|
| NET POSITION HELD IN TRUST FOR PENSION BENEFITS, BEGINNING OF YEAR | <u>26,251,825</u> |
|---|-------------------|

| | |
|---|----------------------|
| NET POSITION HELD IN TRUST FOR PENSION BENEFITS, END OF YEAR | <u>\$ 27,644,233</u> |
|---|----------------------|

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

CITY OF DANVILLE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2017

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 the City would be considered a component unit of the entity.

Component Units

In conformity with accounting principles generally accepted in the United States of America, 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, 2017

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, 2017

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.

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, 2017

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 special revenue fund is used to collect and disburse state funds for City road projects.

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

Bond and Interest Fund – This debt service fund is used to account for accumulation of resources for, and the payment of, bond principal, interest, and related costs for the 2011 bond issue.

2009 Debt Service Fund – This debt service fund is used to account for accumulation of resources for, and the payment of, bond principal, interest, and related costs for the 2009 bond issue.

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, 2017

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 Fund – The Internal Service Fund is used to account for the health insurance services provided to other departments 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 accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities, and deferred inflows of resources and disclosure of contingent assets, deferred outflows of resources, liabilities, and deferred inflows of resources at the date of the financial statements and the reported amounts of revenues, expenditures/expenses, gains, losses, and other changes in fund equity during the reporting period. Actual results could differ from those 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, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

TEMPORARY INVESTMENTS

Temporary investments consist of money market funds. These investments are stated at cost which approximates fair value. The proprietary funds consider these investments as cash equivalents for cash flow purposes.

FIDUCIARY FUND INVESTMENTS

Mutual Funds are carried at fair value based on quoted market prices. Treasury Notes, U.S. Governmental Agencies and Bonds are carried at fair value based on significant or observable inputs.

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 two payments during the coverage year. Also, the City makes an annual lease payment in connection with the Public Safety Building – see Note 8 for additional information. 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, 2017

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:

| | <u>Years</u> |
|----------------------------|--------------|
| Buildings and improvements | 40 |
| Equipment | 3 to 7 |
| Infrastructure assets | 25 |

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, 2017.

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, 2017

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, but may accumulate sick pay. Any vacation and sick pay balances are paid out at termination. 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> |
|-----------------------|-----------------|---------------------------------|
| Policemen | 15 | No maximum |
| Firemen | 30 – 56 | 180 – 252 |
| Other union employees | 15 | 180 |
| Non-union employees | 12 | 120 |

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. The City has deferred outflows of resources related to the pension liability.

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. In addition, the City has deferred inflows of resources related to the pension liability.

PENSIONS

For purposes of measuring the net pension liability, deferred outflows of resources related to pensions, deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position and additions to/deductions from the fiduciary net position have been determined on the same basis as they are reported by the pension plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

CITY OF DANVILLE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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:

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 and noncurrent receivables 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.

CITY OF DANVILLE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

FUND BALANCE AND EQUITY CLASSIFICATION (Continued)

Net Position: Net position represents the difference between assets, deferred outflows of resources, 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.

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, 2017 was \$2.043 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, 2017 an allowance for uncollectible real property taxes equivalent to 1% 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.

CITY OF DANVILLE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

ENCUMBRANCES

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in the General Fund, Special Revenue Funds, and Capital Projects Funds. Encumbrances outstanding at year-end are reported as restricted, committed or assigned fund balances and do not constitute expenditures or liabilities because the commitments will be honored during the subsequent year. See Note 15 for further disclosures related to the encumbrances.

BUDGETS AND BUDGETARY ACCOUNTING

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

1. In October 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 first Tuesday in December to obtain taxpayer comments.
3. The budget is adopted the second City Council meeting in December, by majority vote.
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 2017 totaled \$267,635 and \$650,535 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 accounting principles generally accepted in the United States of America. 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-accounting principles generally accepted in the United States of America 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, 2017

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, 2017, the carrying amount of the City's (primary government) bank deposits was \$17,734,906 and the bank balance was \$18,470,597. Included in the carrying amounts are money market deposits of \$11,453,000. The component unit, Danville Public Library, had a carrying amount of deposits of \$1,019,755 and the bank balance was \$1,054,294. The Police and Fire Funds had a carrying amount of deposits of \$1,159,968 and the bank balance was \$1,167,652.

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, 2017 the City's deposits were fully insured or collateralized.

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

The monies invested by the individual participants are pooled together and invested in U.S. Treasury bills and notes backed by full faith and credit of the U.S. Treasury. In addition, monies are invested in fully collateralized time deposits in Illinois financial institutions, in collateralized repurchase agreements, and in treasury mutual funds that invest in U.S. Treasury obligations and collateralized repurchase agreements. The Pool maintains a Standard and Poor's AAA rating.

The time deposits are collateralized 110% over the FDIC \$250,000 insurance 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, valued at amortized cost, totaled \$2,426 for the primary government and \$92,004 for the component unit at April 30, 2017.

CITY OF DANVILLE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2017

NOTE 2 - CASH AND INVESTMENTS (CONTINUED)

All funds deposited in the Pool are classified as investments even though some could be withdrawn on a day's notice without restrictions. 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, 2017, the Pension Funds had the following investments, with maturities as noted:

| Investment Type | Fair Value | Less Than 1 Year | 1 – 5 Years | 6 – 10 Years | More Than 10 Years |
|-----------------------------|-----------------------------|---------------------------------|-----------------------------|----------------------------|-----------------------------------|
| Treasury notes | \$ 1,269,943 | \$ - | \$ - | \$ 1,269,943 | \$ - |
| U.S. government agencies | 3,596,441 | 301,329 | 241,622 | 2,142,929 | 910,561 |
| Mutual funds | 15,423,415 | - | 15,423,415 | - | - |
| Bonds | <u>6,122,024</u> | <u>-</u> | <u>4,527,561</u> | <u>1,594,463</u> | <u>-</u> |
| Total | <u>\$ 26,411,823</u> | <u>\$ 301,329</u> | <u>\$ 20,192,598</u> | <u>\$ 5,007,335</u> | <u>\$ 910,561</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 avoid a concentration of credit risk by diversifying its investments by security type and institution. As of April 30, 2017, the Boards did not invest over 5% of its assets in any one issuer. Treasury notes and U.S. Government agencies were rated Aaa (\$4,866,384), and bonds were rated Aa (\$4,212,136), A (\$1,411,694), and Baa (\$498,194).

CITY OF DANVILLE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2017

NOTE 2 - CASH AND INVESTMENTS (CONTINUED)

Fair Market Value - The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant and observable inputs; Level 3 inputs are significant unobservable inputs.

The City has the following recurring fair value measurements as of April 30, 2017:

- Mutual Funds of \$15,423,415 are quoted prices in active markets for identical assets (Level 1 inputs),
- Treasury Notes of \$1,269,943, U.S. Government Agencies of \$3,596,441 and Bonds of \$6,122,024 are significant and observable inputs (Level 2 inputs).

NOTE 3 - 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, 2017</u> |
|------------------------------------|--|---|
| Heartland Center | Monthly payments of \$833 no interest | \$ 52,706 |
| Peter Blackmon Façade Loan | Monthly payments of \$389 including interest of 4.750% | 46,260 |
| Sharon Joyner | Monthly payments of \$125 no interest | 1,900 |
| Rich's Deluxe Family Restaurant | Monthly payments of \$575 including interest of 2% | 17,858 |
| Shirley Smith | Monthly payments of \$50 no interest | 745 |
| Café 13 Carla Cahill | Monthly payments of \$192 including interest of 2% | 11,200 |
| This is it Furniture | Monthly payments of \$595 no interest | 17,848 |
| Mary Lewis | Monthly payments of \$396 Including interest of 4% | 14,503 |

CITY OF DANVILLE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2017

NOTE 3 - OTHER RECEIVABLES (CONTINUED)

| <u>Payee</u> | <u>Terms</u> | <u>Balance</u> <u>April 30, 2017</u> |
|----------------------------|--|---|
| Verdell Hutcherson | Monthly payments of \$58 no interest | \$ 3,480 |
| Daniel Duncheon | Monthly payments of \$216 including interest of 2% | 15,003 |
| S&N Enterprises LLC | Monthly payments of \$345 including interest of 2% | 9,251 |
| Donna Anderson | Monthly payments of \$73 no interest | 2,280 |
| Newton Cleaning | Monthly payments of \$453 including interest of 3.25% | 4,801 |
| Myra Hardimon | Monthly payments of \$103 no interest | 5,842 |
| A.D. Patton | Monthly payments of \$79 no interest | 2,473 |
| Erma Williams | Monthly payments of \$85 no interest | 540 |
| Juanita & Nathaniel Smalls | Monthly payments of \$75 no interest | <u>900</u> |
| Total | | <u>\$ 207,590</u> |

The due dates for the other receivables above, range from 2017 to 2021. Several notes listed above have passed their due dates, with no formal extension dates. However, payments are being received on a regular basis and, therefore, are expected to be fully collected.

CITY OF DANVILLE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2017

NOTE 3 - OTHER RECEIVABLES (CONTINUED)

These notes receivables are recorded in the following funds:

| | <u>Total</u> | <u>Due Within One Year</u> |
|--------------------------|--------------------------|---------------------------------------|
| Small Business Loan Fund | \$ 189,431 | \$ 54,147 |
| Housing Loan Fund | <u>18,159</u> | <u>7,289</u> |
| Total | <u>\$ 207,590</u> | <u>\$ 61,437</u> |

NOTE 4 - INTERFUND ACCOUNTS

Individual fund interfund receivables and payables (due to/due from other funds) at April 30, 2017 were as follows:

| | <u>Receivable</u> | <u>Payable</u> |
|--|--------------------------|--------------------------|
| Primary Government: | | |
| General Fund | \$ 45,000 | \$ - |
| General Fund – Advance | <u>735,734</u> | <u>-</u> |
| Danville Mass Transit – Advance | - | 735,734 |
| Danville Mass Transit | <u>-</u> | <u>40,000</u> |
| Non-Major Governmental Funds | | |
| DATS Program | <u>-</u> | <u>5,000</u> |
| Total | <u>\$ 780,734</u> | <u>\$ 780,734</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, 2017 consisted of the following:

| | |
|--|-------------------|
| Transfer to General Fund from: | |
| Non-major Governmental Funds | <u>\$ 419,101</u> |
| Transfer to Bond and Interest Fund from: | |
| Sanitary Sewer Fund | <u>\$ 50,916</u> |
| Transfer to Bond and Interest Fund from: | |
| General Fund | <u>\$ 414,163</u> |
| Transfer to Non-major Governmental Fund from: | |
| Non-major Governmental Funds | <u>\$ 160,783</u> |
| Transfer to General Fund from: | |
| Danville Mass Transit Fund | <u>\$ 467,320</u> |
| Transfer to Non-major Governmental Funds from: | |

CITY OF DANVILLE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2017

NOTE 4 - INTERFUND ACCOUNTS (CONTINUED)

| | |
|--|-------------------|
| Transfer to 2009 Debt Service Fund from: | |
| General Fund | <u>\$ 273,990</u> |
| Transfer to Non-major Governmental Funds from: | |
| Sanitary Sewer Fund | <u>\$ 48,146</u> |
| Transfer to Non-major Governmental Funds from: | |
| Solid Waste Management Fund | <u>\$ 58,954</u> |

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

NOTE 5 - CAPITAL ASSETS

Capital asset activity for the year ending April 30, 2017 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 Process | <u>-</u> | <u>3,176,437</u> | <u>-</u> | <u>3,176,437</u> |
| | 6,134,573 | 3,176,437 | | 9,311,010 |
| Capital assets being depreciated: | | | | |
| Buildings | 18,309,067 | - | - | 18,309,067 |
| Equipment | 22,020,688 | 2,574,230 | 1,132,743 | 23,462,175 |
| Infrastructure | <u>63,540,469</u> | <u>3,416,407</u> | <u>-</u> | <u>66,956,876</u> |
| | 103,870,224 | 5,990,637 | 1,132,743 | 108,728,118 |
| Less accumulated depreciation | <u>53,847,240</u> | <u>4,992,021</u> | <u>1,132,743</u> | <u>57,706,518</u> |
| | 50,022,984 | 998,616 | - | 51,021,600 |
| Total | <u>\$ 56,157,557</u> | <u>\$ 4,175,053</u> | <u>\$ -</u> | <u>\$ 60,332,610</u> |

CITY OF DANVILLE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2017

NOTE 5 - 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 | 16,339,263 | - | 700 | 16,338,563 |
| Equipment | <u>2,087,561</u> | <u>225,040</u> | <u>6,684</u> | <u>2,305,917</u> |
| | 18,426,824 | 225,040 | 7,384 | 18,644,480 |
| Less accumulated depreciation | <u>12,960,972</u> | <u>473,371</u> | <u>7,265</u> | <u>13,427,078</u> |
| | <u>5,465,852</u> | <u>(248,331)</u> | <u>119</u> | <u>5,217,640</u> |
| Total | <u>5,476,052</u> | <u>(248,331)</u> | <u>119</u> | <u>5,227,602</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>647,698</u> | <u>4,100</u> | <u>949</u> | <u>650,849</u> |
| | 1,470,153 | 4,100 | 949 | 1,473,304 |
| Less accumulated depreciation | <u>1,307,349</u> | <u>45,176</u> | <u>949</u> | <u>1,351,576</u> |
| | <u>162,804</u> | <u>(41,076)</u> | <u>-</u> | <u>121,728</u> |
| Total | <u>359,469</u> | <u>(41,076)</u> | <u>-</u> | <u>318,393</u> |

CITY OF DANVILLE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2017

NOTE 5 - 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 | 2,697,440 | 376,864 | 5,122 | 3,069,182 |
| Less accumulated depreciation | <u>2,377,269</u> | <u>108,960</u> | <u>5,122</u> | <u>2,481,107</u> |
| | <u>320,171</u> | <u>267,904</u> | <u>-</u> | <u>588,075</u> |
| Total | <u>394,316</u> | <u>267,904</u> | <u>-</u> | <u>662,220</u> |
| Total Business- Type Activities | <u>\$ 6,229,837</u> | <u>\$ (21,503)</u> | <u>\$ 119</u> | <u>\$ 6,208,215</u> |

Component Unit – Danville Public Library

| | <u>Beginning Balance</u> | <u>Additions</u> | <u>Deletions</u> | <u>Ending Balance</u> |
|----------------------------------|------------------------------|--------------------|------------------|---------------------------|
| Library | \$ 3,051,148 | \$ 15,055 | \$ - | \$ 3,066,203 |
| Less accumulated depreciation | <u>2,648,300</u> | <u>53,027</u> | <u>-</u> | <u>2,701,327</u> |
| Total | <u>\$ 402,848</u> | <u>\$ (37,972)</u> | <u>\$ -</u> | <u>\$ 364,876</u> |

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

| | |
|--|---------------------|
| Governmental activities: | |
| General government | \$ 1,084,648 |
| Public safety | 468,371 |
| Transportation | 271,162 |
| Streets | 2,748,771 |
| Culture and recreation | 419,069 |
| Total depreciation – governmental activities | <u>\$ 4,992,021</u> |
| Business-type activities: | |
| Sanitary Sewer | \$ 473,371 |
| Harrison Park | 45,176 |
| Solid Waste Management | 108,960 |
| Total depreciation – business-type activities | <u>\$ 627,507</u> |

CITY OF DANVILLE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2017

NOTE 6 - LONG-TERM DEBT

Governmental Activities

Bonds payable at April 30, 2017 are comprised of the following:

| | |
|---------------------|--|
| \$ 3,655,000 | 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). |
| - | 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 refunded Series 2001 general obligation bond which were used for various capital projects. This bond was paid in full during fiscal year 2017. |
| <u>1,620,000</u> | General Obligation Bond: \$3,985,000 issued February 5, 2007. Interest is payable semi-annually at rates of 3.90% to 5.0% per annum. Bond matures December, 2021 (principal and interest to be serviced by telecommunication tax revenue, general revenues, solid waste funds and sewer fund revenues of the City). |
| <u>\$ 5,275,000</u> | |

Notes payable at April 30, 2017 are comprised of the following:

| | |
|------------|---|
| \$ 145,116 | First Financial Bank. Quarterly payments of \$17,008, including interest of 4.25%. Note matures July 1, 2019 (principal and interest is to be serviced by the Infrastructure Development Fund). |
| 666,285 | First Financial Bank. Four monthly interest only payments, followed by four annual consecutive payments of \$141,888.32, including interest of 2.10%. Note matures August 26, 2021 (principal and interest is to be serviced by the Capital Improvement Fund). Note secured by equipment. |
| 423,370 | First Financial Bank. Annual payments of \$91,061, including interest of 2.44%. Note matures August 22, 2021 (principal and interest is to be serviced by the Capital Improvement Fund). |

CITY OF DANVILLE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2017

NOTE 6 - LONG-TERM DEBT (CONTINUED)

Governmental Activities (Continued)

| | | |
|----|---------|---|
| \$ | 800,000 | First Financial Bank. Annual payments of \$173,414, including interest of 2.72%. Note matures December 15, 2021 (principal and interest is to be serviced by the Community Reinvestment Fund). Note secured by equipment. |
| | 500,000 | First Financial Bank. Monthly interest only payments, followed by one principal payment, including interest of 2.43%. Note matures August 22, 2017 (Principal and interest to be serviced by the Danville Mass Transit Fund). |

\$ 2,534,771

Business Type Activities

| | | |
|----|---------------|---|
| \$ | <u>59,832</u> | First Financial Bank. Annual payments of \$15,745, including interest at 2.04%. Note matures December 2020. |
|----|---------------|---|

The above note payable is secured by equipment.

The annual requirements to amortize all bonds and notes payable outstanding as of April 30, 2017 are as follows:

Governmental Activities:

| Year Ending <u>April 30</u> | <u>Notes Payable</u> | | <u>General Obligation Bonds</u> | | <u>Total</u> | |
|-----------------------------------|----------------------|-------------------|---|---------------------|---------------------|---------------------|
| | <u>Principal</u> | <u>Interest</u> | <u>Principal</u> | <u>Interest</u> | <u>Principal</u> | <u>Interest</u> |
| 2018 | \$ 922,819 | \$ 59,676 | \$ 545,000 | \$ 209,793 | \$ 1,467,819 | \$ 269,469 |
| 2019 | 434,148 | 40,247 | 565,000 | 188,293 | 999,148 | 228,540 |
| 2020 | 394,509 | 28,861 | 590,000 | 165,848 | 984,509 | 194,709 |
| 2021 | 387,007 | 19,672 | 610,000 | 143,838 | 997,007 | 163,510 |
| 2022 | 396,288 | 9,795 | 635,000 | 120,400 | 1,031,288 | 130,195 |
| 2023- 2027 | - | - | 1,595,000 | 355,780 | 1,595,000 | 355,780 |
| Thereafter | - | - | <u>735,000</u> | <u>46,995</u> | <u>735,000</u> | <u>46,995</u> |
| Total | <u>\$ 2,534,771</u> | <u>\$ 158,251</u> | <u>\$ 5,275,000</u> | <u>\$ 1,230,952</u> | <u>\$ 7,809,771</u> | <u>\$ 1,389,203</u> |

CITY OF DANVILLE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2017

NOTE 6 - LONG-TERM DEBT (CONTINUED)

Business-Type Activities:

| Year Ending April 30 | Notes Payable | | Total |
|---------------------------------------|-------------------------|------------------------|-------------------------|
| | Principal | Interest | |
| 2018 | \$ 14,513 | \$ 1,232 | \$ 15,745 |
| 2019 | 14,812 | 933 | 15,745 |
| 2020 | 15,116 | 629 | 15,745 |
| 2021 | <u>15,391</u> | <u>354</u> | <u>15,745</u> |
| Total | <u>\$ 59,832</u> | <u>\$ 3,148</u> | <u>\$ 62,980</u> |

Long-term debt activity for the year ending April 30, 2017 was as follows:

| | <u>Beginning</u> <u>Balance</u> | <u>Additions</u> | <u>Reductions</u> | <u>Ending</u> <u>Balance</u> | <u>Due Within</u> <u>One Year</u> |
|------------------------------------|--|---------------------------|----------------------------|---|--|
| Governmental activities: | | | | | |
| Bonds payable | | | | | |
| General obligation bonds | \$ 6,250,000 | \$ - | \$ 975,000 | \$ 5,275,000 | \$ 545,000 |
| Notes payable | 222,391 | 2,389,655 | 77,275 | 2,534,771 | 922,819 |
| Accumulated vacation and sick days | <u>1,999,436</u> | <u>-</u> | <u>98,457</u> | <u>1,900,979</u> | <u>380,196</u> |
| Total | <u>\$ 8,471,827</u> | <u>\$2,389,655</u> | <u>\$ 1,150,732</u> | <u>\$ 9,710,750</u> | <u>\$ 1,848,015</u> |
| Business-Type activities: | | | | | |
| Notes payable | \$ 74,626 | \$ - | \$ 14,794 | \$ 59,832 | \$ 14,513 |
| Accumulated vacation and sick days | <u>124,415</u> | <u>9,781</u> | <u>1,593</u> | <u>132,603</u> | <u>26,458</u> |
| Total | <u>\$ 199,041</u> | <u>\$ 9,781</u> | <u>\$ 16,387</u> | <u>\$ 192,435</u> | <u>\$ 40,971</u> |

CITY OF DANVILLE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2017

NOTE 7 - PENSION PLANS

The City contributes to three defined benefit pension plans: the Illinois Municipal Retirement Fund (IMRF), a defined benefit agent multiple-employer public employee retirement system; the Police Pension Plan, which is a single-employer pension plan; and the Firefighter's Pension Plan, which is also a single-employer pension plan. None of the pension plans issue a separate report except for IMRF.

For fiscal year ended April 30, 2017, the City recognized total pension expense of \$12,249,513 related to all three plans.

IMRF

Plan Description

The City'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'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 (RSI). That report may be obtained on-line at www.imrf.org.

Benefits Provided

IMRF has three benefit plans. The vast majority of IMRF members participate in the Regular Plan (RP). The Sheriff's Law Enforcement Personnel (SLEP) plan is for sheriffs, deputy sheriffs, and selected police chiefs. Counties could adopt the Elected County Official (ECO) plan for officials elected prior to August 8, 2011 (the ECO plan was closed to new participants after that date).

All three IMRF benefit plans have two tiers. Employees hired before January 1, 2011, are eligible for Tier 1 benefits. Tier 1 employees are vested for pension benefits when they have at least eight years of qualifying service credit. Tier 1 employees who retire at age 55 (at reduced benefits) or after age 60 (at full benefits) with eight years of service are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 1-2/3% of the final rate of earnings for the first 15 years of service credit, plus 2% for each year of service credit after 15 years to a maximum of 75% of their final rate of earnings. Final rate of earnings is the highest total earnings during any consecutive 48 months within the last 10 years of service, divided by 48. Under Tier 1, the pension is increased by 3% of the original amount on January 1 every year after retirement.

Employees hired on or after January 1, 2011, are eligible for Tier 2 benefits. For Tier 2 employees, pension benefits vest after ten years of service. Participating employees who retire at age 62 (at reduced benefits) or after age 67 (at full benefits) with ten years of service are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 1-2/3% of the final rate of earnings for the first 15 years of service credit, plus 2% for each year of service credit after 15 years to a maximum of 75% of their final rate of earnings. Final rate of earnings is

CITY OF DANVILLE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2017

NOTE 7 - PENSION PLANS (CONTINUED)

IMRF (CONTINUED)

Benefits Provided (Continued)

the highest total earnings during any 96 consecutive months within the last 10 years of service, divided by 96. Under Tier 2, the pension is increased on January 1 every year after retirement, upon reaching age 67, by the lesser of:

- 3% of the original pension amount, or
- 1/2 of the increase in the Consumer Price Index of the original pension amount

Employees Covered by Benefit Terms

As of December 31, 2016, the following employees were covered by the benefit terms:

| | |
|--|------------|
| Retirees and Beneficiaries currently receiving benefits | 211 |
| Inactive Plan Members entitled to but not yet receiving benefits | 110 |
| Active Plan Members | <u>183</u> |
| Total | 504 |

Contributions

As set by statute, the City's Regular Plan Members are required to contribute 4.5% of their annual covered salary. The statute requires employers to contribute the amount necessary, in addition to member contributions, to finance the retirement coverage of its own employees. The City's annual contribution rate for calendar year 2016 and 2017 was 12.38% and 13.48%, respectively. For the fiscal year 2017, the City contributed \$998,633 to the plan. The City 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 IMRF's Board of Trustees, while the supplemental retirement benefits rate is set by statute.

Net Pension Liability (Asset)

The City's net pension liability (asset) was measured as of December 31, 2016. The total pension liability used to calculate the net pension liability (asset) was determined by an actuarial valuation as of that date.

CITY OF DANVILLE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2017

NOTE 7 - PENSION PLANS (CONTINUED)

IMRF (CONTINUED)

Actuarial Assumptions

The following are the methods and assumptions used to determine total pension liability at December 31, 2016:

- The **Actuarial Cost Method** used was Entry Age Normal.
- The **Asset Valuation Method** used was Market Value of Assets.
- The **Inflation Rate** was assumed to be 2.75%.
- **Salary Increases** were expected to be 3.75% to 14.50%, including inflation.
- The **Investment Rate of Return** was assumed to be 7.5%.
- **Projected Retirement Age** was from the Experience-based Table of Rates, specific to the type of eligibility condition, last updated for the 2014 valuation according to an experience study from years 2011 to 2013.
- The IMRF-specific rates for **Mortality** (for non-disabled retirees) were developed from the RP-2014 Blue Collar Health Annuitant Mortality Table with adjustments to match current IMRF experience.
- For **Disabled Retirees**, an IMRF-specific mortality table was used with fully generational projection scale MP-2014 (base year 2014). The IMRF-specific rates were developed from the RP-2014 Disabled Retirees Mortality Table, applying the same adjustments that were applied for non-disabled lives.
- For **Active Members**, an IMRF-specific mortality table was used with fully generational projection scale MP-2014 (base year 2014). The IMRF-specific rates were developed from the RP-2014 Employee Mortality Table with adjustments to match current IMRF experience.
- The **long-term expected rate of return** on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense, and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return to the target asset allocation percentage and adding expected inflation.

CITY OF DANVILLE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2017

NOTE 7 - PENSION PLANS (CONTINUED)

IMRF (CONTINUED)

Actuarial Assumptions (Continued)

- The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

| <u>Asset Class</u> | <u>Portfolio Target Percentage</u> | <u>Long-Term Expected Real Rate of Return</u> |
|-------------------------|------------------------------------|---|
| Domestic Equity | 38.0% | 6.85% |
| International Equity | 17.0% | 6.75% |
| Fixed Income | 27.0% | 3.00% |
| Real Estate | 8.0% | 5.75% |
| Alternative Investments | 9.0% | 2.65-7.35% |
| Cash Equivalents | <u>1.0%</u> | 2.25% |
| Total | 100% | |

Single Discount Rate

A Single Discount Rate of 7.50% was used to measure the total pension liability. The projection of cash flow used to determine this Single Discount Rate assumed that the plan members' contributions will be made at the current contribution rate, and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. The Single Discount Rate reflects:

1. The long-term expected rate of return on pension plan investments (during the period in which the fiduciary net position is projected to be sufficient to pay benefits), and
2. The tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating (which is published by the Federal Reserve) as of the measurement date (to the extent that the contributions for use with the long-term expected rate of return are not met).

For the purpose of the most recent valuation, the expected rate of return on plan investments is 7.50%, the municipal bond rate is 3.78%, and the resulting single discount rate is 7.50%.

CITY OF DANVILLE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2017

NOTE 7 - PENSION PLANS (CONTINUED)

IMRF (Continued)

Changes in the Net Pension Liability (Asset)

| | Total Pension Liability (A) | Plan Fiduciary Net Position (B) | Net Pension Liability (A) - (B) |
|--|--|--|--|
| Balances at December 31, 2015 | \$ 47,506,148 | \$ 40,665,989 | \$ 6,840,159 |
| Changes for the year: | | | |
| Service Cost | 820,424 | - | 820,424 |
| Interest on the Total Pension Liability | 3,484,268 | - | 3,484,268 |
| Differences Between Expected and Experience of the Total Pension | (653,777) | - | (653,777) |
| Changes of Assumptions | (111,805) | - | (111,805) |
| Contributions - Employer | - | 961,819 | (961,819) |
| Contributions - Employees | - | 366,011 | (366,011) |
| Net Investment Income | - | 3,119,875 | (3,119,875) |
| Benefit Payments, including Refunds of Employee Contributions | (2,761,121) | (2,761,121) | - |
| Administrative Expenses | - | (47,762) | 47,762 |
| Other (Net Transfer) | - | 16 | 45,301 |
| Net Changes | <u>777,989</u> | <u>(1,638,838)</u> | <u>(860,849)</u> |
| Balances at December 31, 2016 | <u>\$ 48,284,137</u> | <u>\$ 42,304,827</u> | <u>\$ 5,979,310</u> |

CITY OF DANVILLE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2017

NOTE 7 - PENSION PLANS (CONTINUED)

IMRF (Continued)

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the plan's net pension liability (asset), calculated using a Single Discount Rate of 7.50%, as well as what the plan's net pension liability (asset) would be if it were calculated using a Single Discount Rate that is 1% lower or 1% higher:

| | 1% Decrease <u>(6.50%)</u> | Current Discount <u>(7.50%)</u> | 1% Increase <u>(8.50%)</u> |
|------------------------------|---|--|---|
| Net Pension Liability | \$11,999,256 | \$ 5,979,310 | \$ 994,434 |

Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions

For the fiscal year ended April 30, 2017, the City recognized pension expense of \$1,681,865. At April 30, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| <u>Deferred Amounts Related to Pensions</u> | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
|--|--|---|
| <i>Deferred Amounts to be Recognized in Pension Expense in Future Periods</i> | | |
| Differences between expected and actual experience | \$ 594,754 | \$ 470,389 |
| Changes of assumptions | 49,413 | 80,443 |
| Net difference between projected and actual earnings on pension plan investments | <u>1,585,585</u> | <u>-</u> |
| Total deferred amounts to be recognized in pension expense in future periods | <u>2,229,752</u> | <u>550,832</u> |
| <i>Pension Contributions made Subsequent to the Measurement Date</i> | <u>340,940</u> | <u>-</u> |
| Total Deferred Amounts Related to Pensions | <u>\$ 2,570,692</u> | <u>\$ 550,832</u> |

CITY OF DANVILLE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2017

NOTE 7 - PENSION PLANS (CONTINUED)

IMRF (Continued)

\$340,940 reported as deferred outflows of resources related to pensions resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended April 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future periods as follows:

| <u>Year Ending</u> <u>December 31</u> | <u>Deferred Outflows</u> <u>of Resources</u> |
|--|---|
| 2017 | \$ 723,762 |
| 2018 | 565,077 |
| 2019 | 415,754 |
| 2020 | (25,673) |
| 2021 | - |
| Thereafter | - |
| Total | <u>\$ 1,678,920</u> |

Defined Benefit Single-Employer Pension Plans

The City has two (2) defined benefit single-employer pension plans: Police and Fire Pension Plans. The plans do not issue stand-alone financial reports and are not included in any other retirement systems or entities financial report. The City accounts for both plans as pension trusts funds; therefore, they are accounted for in substantially the same manner as proprietary funds, with an economic resources measurement focus and employment of the accrual basis of accounting. Plan member contributions, employer contributions and contributions from other entities are recognized in the period in which the contributions are due. Benefits and refunds are recognized when due and payable in accordance with the terms of the plans.

For financial statement purposes, plan assets are valued at fair value of the Police and Fire plans, as reported within the annual trustee statements. The plans do not issue stand-alone accounting principles generally accepted in the United States of America financial reports. Therefore, the individual financial reports are presented for each of the plans in this section.

CITY OF DANVILLE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2017

NOTE 7 - PENSION PLANS (CONTINUED)

Defined Benefit Single-Employer Pension Plans (Continued)

| | <u>Pension Trust Funds</u> | | |
|---|------------------------------------|----------------------------------|----------------------|
| | <u>Police Pension Fund</u> | <u>Fire Pension Fund</u> | <u>Total</u> |
| ASSETS | | | |
| Cash | \$ 582,434 | \$ 577,534 | \$ 1,159,968 |
| Investments: | | | |
| U.S. government agencies | 2,367,772 | 1,228,669 | 3,596,441 |
| US Treasury | 891,469 | 378,474 | 1,269,943 |
| Bonds | 4,008,361 | 2,113,663 | 6,122,024 |
| Mutual funds | <u>10,123,786</u> | <u>5,299,629</u> | <u>15,423,415</u> |
| Total investments | <u>17,391,388</u> | <u>9,020,435</u> | <u>26,411,823</u> |
| Receivables: | | | |
| Accrued interest | <u>48,006</u> | <u>24,436</u> | <u>72,442</u> |
| Net position, held in trust for pension benefits | <u>\$ 18,021,828</u> | <u>\$ 9,622,405</u> | <u>\$ 27,644,233</u> |

CITY OF DANVILLE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2017

NOTE 7 - PENSION PLANS (CONTINUED)

Defined Benefit Single-Employer Pension Plans (Continued)

| | <u>Police Pension</u> | <u>Fire Pension</u> | <u>Total</u> |
|---|---------------------------|-------------------------|---------------------|
| Additions | | | |
| Contributions - employer | \$2,497,021 | \$ 2,729,791 | \$5,226,812 |
| Contributions - Plan members | <u>426,351</u> | <u>279,105</u> | <u>705,456</u> |
| Total contributions | <u>2,923,372</u> | <u>3,008,896</u> | <u>5,932,268</u> |
| Investment income | | | |
| Net appreciation in fair value of investments | 1,198,310 | 630,744 | 1,829,054 |
| Interest and dividends | <u>367,294</u> | <u>187,076</u> | <u>554,370</u> |
| Total investment income | 1,565,604 | 817,820 | 2,383,424 |
| Less investment expense | <u>71,043</u> | <u>39,731</u> | <u>110,774</u> |
| Net investment income | <u>4,494,561</u> | <u>778,089</u> | <u>2,272,650</u> |
| Total additions | <u>4,417,933</u> | <u>3,786,985</u> | <u>8,204,918</u> |
| Deductions | | | |
| Pension benefits | 3,247,081 | 3,470,409 | 6,717,490 |
| Administrative expenses | <u>62,254</u> | <u>32,766</u> | <u>95,020</u> |
| Total deductions | <u>3,072,348</u> | <u>3,503,175</u> | <u>6,812,510</u> |
| Changes in net position | 1,108,598 | 283,810 | 1,392,408 |
| Net position held in trust for benefits, beginning of year | <u>16,913,230</u> | <u>9,338,595</u> | <u>26,251,825</u> |
| Net position held in trust for benefits, end of year | <u>\$18,021,828</u> | <u>\$ 9,622,405</u> | <u>\$27,644,233</u> |

In addition to other disclosures, the GASB required a schedule of changes in the net pension liability and related ratios; a schedule of contributions; and a schedule of investment returns that include historical trend information. These schedules are included as required supplementary information to the financial statements.

CITY OF DANVILLE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2017

NOTE 7 - PENSION PLANS (CONTINUED)

Defined Benefit Single-Employer Pension Plans (Continued)

Police Pension Plan

Plan Description

The Police Pension Plan is a single-employer defined benefit pension plan that covers all sworn police personnel. Although this is a single-employer pension plan, the defined benefits and employee and employer contribution levels are governed by Illinois State Statutes and may be amended only by the Illinois legislature. The City accounts for the plan as a pension trust fund. The plan is administered by a Board of Trustees which acts as the administrator of the plan.

The Board for the Police Pension Plan consists of five Trustees, two of whom are appointed by the Mayor, two of whom are members of the system who are elected by a majority of the Police Officers who are members of the system, and a fifth trustee who is elected by and from the beneficiaries of legal age of the fund. Each Trustee serves a two-year term. Under Article 3 of the Illinois Pension Code, a Police Officer may become a Participant in the Plan upon written application within the first six months of his appointment as a sworn Police Officer.

At April 30, 2017 the Police Pension Plan membership consisted of:

| | |
|--|-------------------|
| Retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them | 75 |
| Active vested plan members | 61 |
| Active non-vested plan members | <u>2</u> |
| Total | <u><u>138</u></u> |

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

The Police Pension Plan provides retirement benefits as well as death and disability benefits. Covered 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, or for one year prior to the last day, whichever is greater. The pension shall be increased by 2.5% of such salary for each additional year of service over 20 years up to 30 years. Employees with at least 8 years but less than 20 years of credited service may retire at or after the age of 60 and receive a reduced benefit.

Covered employees are required to contribute 9.91% of their base salary to the Police Pension Plan. If an employee leaves covered employment with less than 20 years of service, accumulated employee contributions may be refunded without accumulated interest. The City is required to contribute the remaining amounts necessary to finance the plan as actuarially determined by an enrolled actuary. Administrative costs are financed through investment earnings.

Under Public Act 96-1495, the annual requirements of the pension fund are to be determined as a level percent of payroll sufficient to bring the total assets of the pension fund up to 90% of the total actuarial liabilities by the year 2040.

CITY OF DANVILLE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2017

NOTE 7 - PENSION PLANS (CONTINUED)

B. Defined Benefit Single-Employer Pension Plans (Continued)

Police Pension Plan (continued)

Net Pension Liability

The components of the net pension liability of the Police Pension Plan as of April 30, 2017 are as follows:

| | |
|-----------------------------|----------------------|
| Total Pension Liability | \$ 67,176,558 |
| Plan Fiduciary Net Position | <u>18,021,828</u> |
| Net Pension Liability | <u>\$ 49,154,730</u> |

| | |
|--|--------|
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability | 27.00% |
|--|--------|

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of May 1, 2017 using the following actuarial assumptions applied to all measurement periods:

| | |
|----------------------------|---|
| Valuation Date | 5/1/2017 |
| Inflation | 2.5% |
| Projected Salary Increases | 4.0% |
| Investment Rate of Return | 6.75% |
| Mortality Rate | L&A 2016 Illinois Police Mortality Rates |

Each Board of Trustees (Board) is responsible for administering the investment policies of the Plans and providing oversight for the management of the Plans' assets. The investment strategy of each Plan is to emphasize total return (defined as the aggregate return from capital appreciation and dividend and interest income). The investment policy for each plan requires that all Plan assets be invested in liquid securities, defined as securities that can be transacted quickly and efficiently for the Plan, with minimal impact on market price.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

**CITY OF DANVILLE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2017**

NOTE 7 - PENSION PLANS (CONTINUED)

B. Defined Benefit Single-Employer Pension Plans (Continued)

Police Pension Plan (continued)

These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rate of return for each major asset class included in the pension plans' target asset allocations as of April 30, 2017 are summarized in the following table:

| <u>Asset Class</u> | <u>Target Allocation</u> | <u>Long Term Expected Real Rate of Return</u> |
|---------------------------|---------------------------------|--|
| Fixed income, Government | 43.81% | 3.2% - 4.2% |
| Domestic Equities | 52.91% | 8.3% - 9.3% |
| International Stocks | 2.45% | 8.4% |
| Others | 0.83% | 4.9% - 10.5% |

Discount Rate

The discount rate used to measure the total pension liability was 6.75% for Police Pension. The projection of cash flow used to determine the discount rate assumed that the funding policy is to amortize the unfunded liability over 25 years from May 1, 2017. Based on those assumptions, the pension plans' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the Pension Plan calculated using the discount rates listed above, as well as what the Plan's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower, or 1-percentage-point higher than the current rate:

| | <u>1% Decrease</u> | <u>Current Rate</u> | <u>1% Increase</u> |
|-----------------------|---------------------------|----------------------------|---------------------------|
| Discount Rate | 5.75% | 6.75% | 7.75% |
| Net Pension Liability | \$ 58,708,419 | \$ 49,154,730 | \$ 41,393,538 |

**CITY OF DANVILLE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2017**

NOTE 7 - PENSION PLANS (CONTINUED)

B. Defined Benefit Single-Employer Pension Plans (Continued)

Police Pension Plan (Continued)

Money-Weighted Rate of Return on Investments

For the year ended April 30, 2017, the annual money-weighted rate of return on pension plan investments, net of plan investments expenses was 8.57%. The money-weighted rate of return expresses investment performance, net of expenses, adjusted for the changing amounts actually invested.

Changes in the Net Pension Liability (Asset)

| | Total Pension Liability (A) | Plan Fiduciary Net Position (B) | Net Pension Liability (A) - (B) |
|---|--|--|--|
| Balances at April 30, 2016 | \$ 66,170,921 | \$ 16,913,230 | \$49,257,691 |
| Changes for the year: | | | |
| Service Cost | 1,000,209 | - | 1,000,209 |
| Interest on the Total Pension Liability | 4,356,948 | - | 4,356,948 |
| Differences Between Expected and Experience of the Total Pension | (269,015) | - | (269,015) |
| Changes of Assumptions | (835,424) | - | (835,424) |
| Contributions - Employer | - | 2,497,021 | (2,497,021) |
| Contributions - Employees | - | 426,351 | (426,351) |
| Net Investment Income | - | 1,494,561 | (1,494,561) |
| Benefit Payments, including Refunds of Employee Contributions | (3,247,081) | (3,247,081) | - |
| Administrative Expenses | - | (62,254) | 62,254 |
| Net Changes | <u>1,005,637</u> | <u>1,108,598</u> | <u>(102,961)</u> |
| Balances at April 30, 2017 | <u>\$ 67,176,558</u> | <u>\$ 18,021,828</u> | <u>\$49,154,730</u> |

**CITY OF DECATUR, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
December 31, 2017**

NOTE 7 - PENSION PLANS (CONTINUED)

B. Defined Benefit Single-Employer Pension Plans (Continued)

Police Pension Plan (Continued)

Pension Expense and Deferred Inflows/Outflows of Resources Related to Pensions

For the year ended April 30, 2017 the City will recognize a pension expense of \$4,833,894. On April 30, 2017 the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
|--|--|---|
| Differences between expected and actual experience | \$ 1,549,431 | \$ 227,242 |
| Changes in assumptions | 2,418,362 | 705,699 |
| Net difference between projected and actual earnings | <u>656,584</u> | <u>-</u> |
| Total Deferred Amounts Related to Pensions | <u>\$ 4,424,377</u> | <u>\$ 932,941</u> |

The net amount reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future periods as follows:

| <u>Year Ending</u> | <u>Net Deferred Outflows of Resources</u> |
|---------------------------|--|
| 2018 | \$ 969,451 |
| 2019 | 969,451 |
| 2020 | 969,449 |
| 2021 | 653,005 |
| 2022 | 205,531 |
| Thereafter | <u>(75,451)</u> |
| Total | <u>\$ 3,691,436</u> |

**CITY OF DANVILLE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2017**

NOTE 7 - PENSION PLANS (CONTINUED)

B. Defined Benefit Single-Employer Pension Plans (CONTINUED)

Firefighter Pension Plan

The Firefighters Pension Plan is a single-employer defined benefit pension plan that covers all sworn firefighter personnel. Although this is a single-employer pension plan, the defined benefits and employee and employer contribution levels are governed by Illinois State Statutes and may be amended only by the Illinois legislature. The City accounts for the plan as a pension trust fund. The plan is administered by a Board of Trustees which acts as the administrator of the plan.

The Board for the Firefighters' Plan consists of five Trustees, two of whom are appointed by the Mayor, two of whom are elected from active firefighters and deferred pensioners of the Danville Fire Department and a fifth trustee who is elected from all retired Danville Firefighters, including those on disability. Each Trustee serves a three-year term. Each person employed by the City Fire Department as a full-time Firefighter becomes a member of the Plan as a condition of his or her employment. All Firefighters are therefore eligible for plan benefits as provided for in the plan document and by applicable law

At April 30, 2017 the Firefighters Pension Plan membership consisted of:

| | |
|--|--------------------------|
| Retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them | 78 |
| Active vested plan members | 44 |
| Active non-vested plan members | <u>0</u> |
| Total | <u><u>122</u></u> |

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

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

CITY OF DANVILLE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2017

NOTE 7 - PENSION PLANS (CONTINUED)

B. Defined Benefit Single-Employer Pension Plans (CONTINUED)

Firefighter Pension Plan (Continued)

Covered employees are required to contribute 9.455% of their salary to the Firefighter Pension Plan. If an employee leaves covered employment with less than 20 years of service, accumulated employee contributions may be refunded without accumulated interest. The City is required to contribute the remaining amounts necessary to finance the plan as actuarially determined by an enrolled actuary. Administrative costs are financed through investment earnings.

Under Public Act 96-1495, the annual requirements of the pension fund are to be determined as a level percent of payroll sufficient to bring the total assets of the pension fund up to 90% of the total actuarial liabilities by the year 2040.

Net Pension Liability

The components of the net pension liability of the Firefighter Pension Plan as of April 30, 2017 is as follows:

| | |
|--|----------------------|
| Total Pension Liability | \$ 66,226,544 |
| Plan Fiduciary Net Position | <u>9,622,405</u> |
| Net Pension Liability | <u>\$ 56,604,139</u> |
| | |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability | 15.00% |

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of May 1, 2017 using the following actuarial assumptions applied to all measurement periods:

| | |
|----------------------------|---|
| Valuation Date | 5/1/2017 |
| Inflation | 2.5% |
| Projected Salary Increases | 4.0% |
| Investment Rate of Return | 6.75% |
| Mortality Rate | L&A 2016 Illinois Firefighters Mortality Rates |

CITY OF DANVILLE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2017

NOTE 7 - PENSION PLANS (CONTINUED)

B. Defined Benefit Single-Employer Pension Plans (CONTINUED)

Firefighter Pension Plan (Continued)

Actuarial Assumptions

Each Board of Trustees (Board) is responsible for administering the investment policies of the Plans and providing oversight for the management of the Plans' assets. The investment strategy of each Plan is to emphasize total return (defined as the aggregate return from capital appreciation and dividend and interest income). The investment policy for each plan requires that all Plan assets be invested in liquid securities, defined as securities that can be transacted quickly and efficiently for the Plan, with minimal impact on market price.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rate of return for each major asset class included in the pension plans' target asset allocations as of April 30, 2017 are summarized in the following table:

| <u>Asset Class</u> | <u>Target Allocation</u> | <u>Long Term Expected Real Rate of Return</u> |
|---------------------------|---------------------------------|--|
| Fixed income, Government | 43.81% | 3.2% - 4.2% |
| Domestic Equities | 52.91% | 8.3% - 9.3% |
| International Stocks | 2.45% | 8.4% |
| Others | 0.83% | 4.9% - 10.5% |

Discount Rate

The discount rate used to measure the total pension liability was 6.75% for Firefighters Pension. The projection of cash flow used to determine the discount rate assumed that the funding policy is to amortize the unfunded liability over 25 years from May 1, 2017. Based on those assumptions, the pension plans' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

CITY OF DANVILLE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2017

NOTE 7 - PENSION PLANS (CONTINUED)

B. Defined Benefit Single-Employer Pension Plans (CONTINUED)

Firefighter Pension Plan (Continued)

Sensitivity of Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the Pension Plan calculated using the discount rates listed above, as well as what the Plan's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower, or 1-percentage-point higher than the current rate:

| | <u>1% Decrease</u> | <u>Current Rate</u> | <u>1% Increase</u> |
|-----------------------|--------------------|---------------------|--------------------|
| Discount Rate | 5.75% | 6.75% | 7.75% |
| Net Pension Liability | \$ 65,605,582 | \$ 56,604,139 | \$ 49,223,776 |

Money-Weighted Rate of Return on Investments

For the year ended April 30, 2017, the annual money-weighted rate of return on pension plan investments, net of plan investments expenses was 8.34%. The money-weighted rate of return expresses investment performance, net of expenses, adjusted for the changing amounts actually invested.

Changes in the Net Pension Liability (Asset)

| | Total Pension Liability (A) | Plan Fiduciary Net Position (B) | Net Pension Liability (A) - (B) |
|--|--|--|--|
| Balances at April 30, 2016 | \$ 65,747,477 | \$ 9,338,595 | \$ 56,408,882 |
| Changes for the year: | | | |
| Service Cost | 851,474 | - | 851,474 |
| Interest on the Total Pension Liability | 4,320,828 | - | 4,320,828 |
| Differences Between Expected and Experience of the Total Pension | (874,281) | - | (874,281) |
| Changes of Assumptions | (348,545) | - | (348,545) |
| Contributions - Employer | - | 2,729,791 | (2,729,791) |
| Contributions - Employees | - | 279,105 | (279,105) |
| Net Investment Income | - | 778,089 | (778,089) |
| Benefit Payments, including Refunds of Employee Contributions | (3,470,409) | (3,470,409) | - |
| Administrative Expenses | - | (32,766) | 32,766 |
| Net Changes | <u>479,067</u> | <u>283,810</u> | <u>195,257</u> |
| Balances at April 30, 2017 | <u>\$ 66,226,544</u> | <u>\$ 9,622,405</u> | <u>\$ 56,604,139</u> |

CITY OF DANVILLE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2017

NOTE 7 - PENSION PLANS (CONTINUED)

Defined Benefit Single-Employer Pension Plans (CONTINUED)

Firefighter Pension Plan (Continued)

Firefighter Expense and Deferred Inflows/Outflows of Resources Related to Pensions

For the year ended April 30, 2017 the City will recognize a pension expense of \$5,733,754. On April 30, 2017 the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
|--|--|---|
| Differences between expected and actual experience | \$ 1,638,250 | \$ 676,926 |
| Changes in assumptions | 2,273,720 | 269,866 |
| Net difference between projected and actual earnings | <u>439,169</u> | <u>-</u> |
| Total Deferred Amounts Related to Pensions | <u>\$ 4,351,139</u> | <u>\$ 946,792</u> |

The net amount reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future periods as follows:

| <u>Year Ending</u> | <u>Net Deferred Outflows of Resources</u> |
|---------------------------|--|
| 2018 | \$ 1,421,464 |
| 2019 | 1,421,464 |
| 2020 | 712,989 |
| 2021 | (151,570) |
| 2022 | - |
| Thereafter | <u>-</u> |
| Total | <u>\$ 3,404,347</u> |

CITY OF DANVILLE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2017

NOTE 8 - LEASES

The City leases certain designated space in the Public Safety Building from the Danville Public Building Commission (See also Note 11). The current lease expires on October 31, 2019. Expense under this lease for the year ended April 30, 2017 was \$1,334,385. Minimum lease commitments are as follows:

Year Ending April 30

| | |
|------|--------------|
| 2018 | \$ 1,288,571 |
| 2019 | \$ 1,327,228 |

In 2017, the Library entered into a 60-month lease agreement for a copier, expiring August 9, 2021. The lease payment per month for the copier is \$85. Expense under this lease agreement for the year ended April 30, 2017 was \$849.

Minimum lease commitments are as follows:

Year Ending April 30

| | |
|-------|-----------------|
| 2018 | \$ 1,019 |
| 2019 | 1,019 |
| 2020 | 1,019 |
| 2021 | 1,019 |
| 2022 | <u>168</u> |
| Total | <u>\$ 3,225</u> |

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, 2017, significant amounts of grant expenditures have not been audited by the grantor government. The City believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on any of the individual funds or the overall financial position of the City.

CITY OF DANVILLE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2017

NOTE 10 - RISK MANAGEMENT

The City maintains an internal service fund for health insurance. The City's health insurance risks are covered with a commercial carrier.

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, 2017, only loss year 1999 remains open with a potential liability of approximately \$98,391, which is recorded as a liability.

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 noted no significant claims as of April 30, 2017.

The City had no claims exceeding their coverage limits on their other insurance coverage for the past three years.

NOTE 11 - DANVILLE PUBLIC BUILDING COMMISSION

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

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

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

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

NOTE 12 - 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.

CITY OF DANVILLE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2017

NOTE 13 - 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 14 - OTHER POST-EMPLOYMENT BENEFITS

a. Plan Description

In addition to providing the pension benefits described in Note 7, 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.

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, 2017, membership consisted of:

| | <u>City</u> | <u>Library</u> |
|--|-------------------|-------------------|
| Retirees and beneficiaries currently receiving benefits | 123 | 123 |
| Terminated employees entitled to benefits but not yet receiving them | - | - |
| Active employees | <u>198</u> | <u>198</u> |
| Total | <u>321</u> | <u>321</u> |
| Participating employers | | <u>1</u> |

d. Funding Policy

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

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

CITY OF DANVILLE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2017

NOTE 14 - OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

e. Annual OPEB Costs and Net OPEB Obligation

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

The City had an actuarial valuation performed for the plan as of April 30, 2017 to determine the funded status of the plan as of that date. The City and Library's annual OPEB cost (expense) was \$400,515 and \$11,270, respectively. The City and Library's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2017 was as follows:

| <u>Actuarial Valuation Date</u> | <u>Annual OPEB Cost</u> | <u>Employer Contributions</u> | <u>Percentage of Annual OPEB Cost Contributed</u> | <u>Net OPEB Obligation</u> |
|---------------------------------|-------------------------|-------------------------------|---|----------------------------|
| <u>City</u> | | | | |
| April 30, 2017 | \$ 400,515 | \$ 340,485 | 85.01% | \$ 1,005,901 |
| April 30, 2016 | 628,730 | 496,601 | 78.9% | 945,871 |
| April 30, 2015 | 628,730 | 500,582 | 79.6% | 813,742 |
| <u>Library</u> | | | | |
| April 30, 2017 | \$ 11,270 | \$ 2,042 | 18.11% | \$ 45,096 |
| April 30, 2016 | 16,674 | 3,689 | 22.12% | 35,868 |
| April 30, 2015 | 16,674 | 4,333 | 25.98% | 32,533 |

The net OPEB obligation as of April 30, 2017, was calculated as follows:

| | <u>City</u> | <u>Library</u> |
|--|---------------------------|-------------------------|
| Annual required contribution | \$ 394,210 | \$ 11,031 |
| Interest on net OPEB obligation | 37,835 | 1,435 |
| Adjustment to annual required contribution | <u>(31,529)</u> | <u>(1,196)</u> |
| Annual OPEB cost | 400,515 | 11,270 |
| Contributions made | <u>340,485</u> | <u>2,042</u> |
| Increase in net OPEB obligation | 60,030 | 9,228 |
| Net OPEB obligation, beginning of year | <u>945,871</u> | <u>35,868</u> |
| Net OPEB obligation, end of year | <u>\$1,005,901</u> | <u>\$ 45,096</u> |

CITY OF DANVILLE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2017

NOTE 14 - OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

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

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

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

In the April 30, 2017 valuation the entry-age normal cost method was used. The actuarial assumptions included a discount rate of 4.0%, salary increases comprised of a wage inflation component of 4.0%, and an ultimate healthcare trend rate of 1.7% in the first year of the projection and 6.50% in the second year, and an ultimate rate of 5.5%.

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

f. Funded Status and Funding Progress

The funded status of the plan as of April 30, 2017 was as follows:

| | City | Library |
|---|--------------|---------|
| Actuarial accrued liability (AAL) | \$6,978,419 | 169,414 |
| Actuarial value of plan assets | - | - |
| Unfunded actuarial accrued liability (UAAL) | \$6,978,419 | 169,414 |
| Funded ratio (actuarial value of plan assets/AAL) | 0.00% | 0.00% |
| Covered payroll (active plan members) | \$15,678,350 | 88,790 |
| UAAL as a percentage of covered payroll | 44.50% | 52.41% |

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 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.

CITY OF DANVILLE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2017

NOTE 15 - COMMITMENTS

At fiscal year end the City had the encumbered amounts for general and administrative and community development totaling \$102,062 and \$23,829, respectively.

NOTE 16 - TAX ABATEMENTS

The City enters into tax abatement agreements with local businesses under the Tax Increment Financing Act, in order to create economic development in a certain district. For the fiscal year ended April 30, 2017, the City abated property taxes totaling \$239,487 under this program, including the following agreements that each exceeded 10% of the total amount abated:

- A 80% abatement to a developer for developing a medical facility, amounting to \$210,674
- A 80% abatement to a developer for a new social security office building, amounting to \$28,813

The City also enters into sales tax agreements from time to time with local businesses in order to draw and retain business in the City. For the fiscal year ended April 30, 2017, the City abated sales tax totaling \$138,410 under this program, including the following agreements that exceeded 10% of the total amount abated:

- A 50% abatement (for first five years) of sales tax to an auto dealership, not to exceed \$100,000 in one year. Current year abatement amounted to \$100,000
- A 50% abatement for five years of sales tax to a retail shop, not to exceed \$100,000 in one year. Current year abatement amounted to \$38,410.

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, 2017

| | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Variance with Final Budget</u> |
|--|----------------------------|-------------------------|-------------------|---------------------------------------|
| REVENUES | | | | |
| Taxes | \$ 1,280,760 | \$ 1,280,760 | \$ 1,365,286 | \$ 84,526 |
| Intergovernmental | 21,227,478 | 21,227,478 | 20,262,289 | (965,189) |
| Licenses and permits | 812,503 | 812,503 | 857,458 | 44,955 |
| Charges for services | 702,662 | 702,662 | 915,488 | 212,826 |
| Fines and forfeits | 565,850 | 565,850 | 513,536 | (52,314) |
| Miscellaneous | <u>1,128,965</u> | <u>816,186</u> | <u>609,037</u> | <u>(207,149)</u> |
| Total revenues | <u>25,718,218</u> | <u>25,405,439</u> | <u>24,523,094</u> | <u>(882,345)</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| General Government | | | | |
| General City government | 2,126,401 | 2,142,801 | 1,893,372 | 249,429 |
| Central vehicle maintenance | 602,663 | 677,363 | 670,597 | 6,766 |
| Finance | 395,660 | 412,260 | 399,511 | 12,749 |
| Treasurer | 92,411 | 87,411 | 71,809 | 15,602 |
| Development services | 499,649 | 499,649 | 460,406 | 39,243 |
| Public affairs | 228,931 | 228,931 | 226,649 | 2,282 |
| Legal services | 496,959 | 541,959 | 531,548 | 10,411 |
| City Clerk | 160,065 | 160,065 | 148,199 | 11,866 |
| Human resources | 251,631 | 260,631 | 257,614 | 3,017 |
| Information systems | <u>226,695</u> | <u>256,695</u> | <u>254,954</u> | <u>1,741</u> |
| Total General Government | <u>5,081,065</u> | <u>5,267,765</u> | <u>4,914,659</u> | <u>353,106</u> |
| Public Safety | | | | |
| Police | 8,737,472 | 8,737,472 | 8,709,865 | 27,607 |
| Fire | <u>4,778,670</u> | <u>4,976,200</u> | <u>4,926,169</u> | <u>50,031</u> |
| Total Public Safety | <u>13,516,142</u> | <u>13,713,672</u> | <u>13,636,034</u> | <u>77,638</u> |
| Streets | | | | |
| | <u>2,627,714</u> | <u>2,521,300</u> | <u>2,407,301</u> | <u>113,999</u> |
| Urban Development | | | | |
| | <u>865,440</u> | <u>859,440</u> | <u>838,316</u> | <u>21,124</u> |
| Culture and Recreation | | | | |
| Public pool | 63,928 | 59,747 | 61,016 | (1,269) |
| Public property | <u>1,768,915</u> | <u>1,768,915</u> | <u>1,708,314</u> | <u>60,601</u> |
| Total Culture and Recreation | <u>1,832,843</u> | <u>1,828,662</u> | <u>1,769,330</u> | <u>59,332</u> |
| Total expenditures | <u>23,923,204</u> | <u>24,190,839</u> | <u>23,565,640</u> | <u>625,199</u> |
| Excess (deficiency) of revenues over expenditures | <u>1,795,014</u> | <u>1,214,600</u> | <u>957,454</u> | <u>(257,146)</u> |

See accompanying notes to required supplementary information.

| | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Variance with Final Budget</u> |
|--|----------------------------|-------------------------|---------------------|---------------------------------------|
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | \$ 431,861 | \$ 396,799 | 396,799 | \$ - |
| Transfers out | <u>(2,190,005)</u> | <u>(2,315,005)</u> | <u>(1,953,339)</u> | <u>361,666</u> |
| Total other financing sources (uses) | <u>(1,758,144)</u> | <u>(1,918,206)</u> | <u>(1,556,540)</u> | <u>361,666</u> |
| Net change in fund balance (Budgetary basis) | <u>\$ 36,870</u> | <u>\$ (703,606)</u> | <u>(599,086)</u> | <u>\$ 104,520</u> |
| RECONCILIATION TO MODIFIED ACCRUAL BASIS (GAAP BASIS) | | | | |
| Revenue accrual adjustments | | | 286,679 | |
| Expense accrual adjustments | | | (170,809) | |
| Transfers adjustment | | | <u>466,155</u> | |
| Net reconciliation to modified accrual basis (GAAP basis) | | | <u>582,025</u> | |
| Net change in fund balance (GAAP basis) | | | (17,061) | |
| FUND BALANCE, BEGINNING OF YEAR | | | <u>6,923,086</u> | |
| FUND BALANCE, END OF YEAR | | | <u>\$ 6,906,025</u> | |

See accompanying notes to required supplementary information.

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, 2017

| | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Variance with Final Budget</u> |
|--|----------------------------|-------------------------|---------------------|---------------------------------------|
| REVENUES | | | | |
| Intergovernmental | \$ 800,000 | \$ 800,000 | \$ 842,334 | \$ 42,334 |
| Miscellaneous | <u>3,000</u> | <u>3,000</u> | <u>35,769</u> | <u>32,769</u> |
| Total revenues | <u>803,000</u> | <u>803,000</u> | <u>878,103</u> | <u>75,103</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| Streets | <u>803,000</u> | <u>803,000</u> | <u>363,171</u> | <u>439,829</u> |
| Net change in fund balance (Budgetary basis) | <u>\$ -</u> | <u>\$ -</u> | <u>514,932</u> | <u>\$ 514,932</u> |
| RECONCILIATION TO MODIFIED ACCRUAL BASIS (GAAP BASIS) | | | | |
| Revenue accrual adjustments | | | 344,628 | |
| Expense accrual adjustments | | | <u>(291,639)</u> | |
| Net reconciliation to modified accrual basis (GAAP basis) | | | <u>52,989</u> | |
| Net change in fund balance (GAAP basis) | | | 567,921 | |
| FUND BALANCE, BEGINNING OF YEAR | | | <u>6,471,180</u> | |
| FUND BALANCE, END OF YEAR | | | <u>\$ 7,039,101</u> | |

See accompanying notes to required supplementary information.

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, 2017

| | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Variance with Final Budget</u> |
|--|----------------------------|-------------------------|------------------|---------------------------------------|
| REVENUES | | | | |
| Intergovernmental | \$ 2,614,857 | \$ 2,614,857 | \$ 4,026,458 | \$ 1,411,601 |
| Charges for services | 330,000 | 330,000 | 333,495 | 3,495 |
| Miscellaneous | <u>15,528</u> | <u>22,000</u> | <u>15,528</u> | <u>(6,472)</u> |
| Total revenues | <u>2,960,385</u> | <u>2,966,857</u> | <u>4,375,481</u> | <u>1,408,624</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| Transportation | <u>3,254,055</u> | <u>3,904,590</u> | <u>4,655,229</u> | <u>(750,639)</u> |
| Net change in fund balance before transfers | (293,670) | (937,733) | (279,748) | 657,985 |
| OTHER FINANCING SOURCES | | | | |
| Loan proceeds | - | - | 500,000 | 500,000 |
| Transfers in | <u>22,302</u> | <u>22,302</u> | <u>22,302</u> | <u>-</u> |
| Net change in fund balance (Budgetary basis) | <u>\$ (271,368)</u> | <u>\$ (915,431)</u> | <u>242,554</u> | <u>\$ 1,157,985</u> |
| RECONCILIATION TO MODIFIED ACCRUAL BASIS (GAAP BASIS) | | | | |
| Revenue accrual adjustments | | | 2,074,899 | |
| Expense accrual adjustments | | | (1,810,285) | |
| Transfers in adjustment | | | <u>(507,168)</u> | |
| Net reconciliation to modified accrual basis (GAAP basis) | | | (242,554) | |
| Net change in fund balance (GAAP basis) | | | - | |
| FUND BALANCE, BEGINNING OF YEAR | | | <u>-</u> | |
| FUND BALANCE, END OF YEAR | | | <u>\$ -</u> | |

See accompanying notes to required supplementary information.

CITY OF DANVILLE, ILLINOIS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER CONTRIBUTIONS - PENSION PLANS
(Unaudited)

IMRF

| Fiscal Year Ended April 30 | Actuarially Determined Contribution | Actual Contribution | Contribution Deficiency (Excess) | Covered Payroll | Actual Contribution as a % of Covered Payroll |
|----------------------------------|---|------------------------|--|--------------------|--|
| 2017 | \$ 998,633 | \$ 998,633 | \$ - | \$ 7,841,745 | 12.73% |
| 2016 | 876,851 | 876,851 | - | 7,603,235 | 11.53% |

Police Pension

| Fiscal Year Ended April 30 | Actuarially Determined Contribution | Actual Contribution | Contribution Deficiency (Excess) | Covered Payroll | Actual Contribution as a % of Covered Payroll |
|----------------------------------|---|------------------------|--|--------------------|--|
| 2017 | \$ 2,494,048 | \$ 2,497,021 | \$ (2,973) | \$ 4,233,740 | 58.98% |
| 2016 | 1,808,123 | 1,930,255 | (122,132) | 4,783,623 | 40.35% |
| 2015 | 1,628,346 | 1,886,266 | (257,920) | 4,202,559 | 44.88% |

Fire Pension

| Fiscal Year Ended April 30 | Actuarially Determined Contribution | Actual Contribution | Contribution Deficiency (Excess) | Covered Payroll | Actual Contribution as a % of Covered Payroll |
|----------------------------------|---|------------------------|--|--------------------|--|
| 2017 | \$ 2,714,487 | \$ 2,729,791 | \$ (15,304) | \$ 3,228,758 | 84.55% |
| 2016 | 2,302,627 | 2,493,073 | (190,446) | \$ 3,789,528 | 65.79% |
| 2015 | 2,070,907 | 2,397,804 | (326,897) | 3,022,424 | 79.33% |

Additional years will be added to this schedule until 10 years of data is presented

See accompanying notes to required supplementary information.

**CITY OF DANVILLE, ILLINOIS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULES OF FUNDING PROGRESS
Year Ended April 30, 2017**

OTHER POST-EMPLOYMENT BENEFITS

Trend information for the year ended April 30, 2017 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) |
|---|--|--|--|-----------------------------------|------------------------------------|--|
| <u>City</u> | | | | | | |
| 4/30/17 | \$ - | \$ 6,978,419 | \$ 6,978,419 | 0.00% | \$ 16,020,074 | 43.56% |
| 4/30/15 | - | 11,167,067 | 11,167,067 | 0.00% | 16,399,435 | 68.09% |
| 4/30/13 | - | 9,448,191 | 9,448,191 | 0.00% | 14,853,649 | 63.61% |
| <u>Library</u> | | | | | | |
| 4/30/17 | \$ - | \$ 169,414 | \$ 169,414 | 0.00% | \$ 906,604 | 18.68% |
| 4/30/15 | - | 222,369 | 222,369 | 0.00% | 902,928 | 24.77% |

*A full actuarial valuation is not required annually.

Note> The actuarial accrued liability decreased due to changes in explicit liability costs, change in the City costs due to change in insurance providers and change in assumptions related to expected medical costs, changes in mortality, retirement, termination and disability tables. Such changes were made to better reflect the future anticipated experience in the plan.

Actuarial information not available for the Library for valuation date 4/30/13.

See accompanying notes to required supplementary information.

CITY OF DANVILLE, ILLINOIS
SCHEDULE IN CHANGES IN THE EMPLOYER'S
NET PENSION LIABILITY AND RELATED RATIOS -
IMRF
(Unaudited)

| December 31, | <u>2016</u> | <u>2015</u> |
|---|-----------------------------|-----------------------------|
| Total Pension Liability | | |
| Service cost | \$ 820,424 | \$ 806,471 |
| Interest | 3,484,268 | 3,276,716 |
| Difference between expected and actual experience | (653,777) | 1,336,020 |
| Changes of assumptions | (111,805) | 110,999 |
| Employee contributions | (2,761,121) | (2,575,428) |
| Other changes | - | - |
| Net Change in Total Pension Liability | <u>777,989</u> | <u>2,954,778</u> |
| Total Pension Liability - Beginning | <u>47,506,148</u> | <u>44,551,370</u> |
| Total Pension Liability - Ending (A) | <u><u>\$ 48,284,137</u></u> | <u><u>\$ 47,506,148</u></u> |
| Plan Fiduciary Net Position | | |
| Contributions - Employer | \$ 961,819 | \$ 861,446 |
| Contributions - member | 366,011 | 439,515 |
| Net Investment Income | 3,119,875 | 252,803 |
| Benefit Payments, Including Refunds | (2,761,121) | (2,575,428) |
| Administrative Expense | (47,746) | (35,572) |
| Net Change in Plan Fiduciary Net Position | <u>1,638,838</u> | <u>(1,057,236)</u> |
| Plan Fiduciary Net Position - Beginning | <u>40,665,989</u> | <u>41,723,225</u> |
| Plan Fiduciary Net Position - Ending (B) | <u><u>\$ 42,304,827</u></u> | <u><u>\$ 40,665,989</u></u> |
| Net Pension Liability - Ending (A) - (B) | <u><u>\$ 5,979,310</u></u> | <u><u>\$ 6,840,159</u></u> |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability | 87.62% | 85.60% |
| Covered Payroll | \$ 7,769,134 | \$ 7,603,235 |
| Net Pension Liability as a Percentage of Covered Payroll | 76.96% | 89.96% |

Additional years will be added to this schedule annually until 10 years of data is presented

See accompanying notes to required supplementary information.

CITY OF DANVILLE, ILLINOIS
SCHEDULE IN CHANGES IN THE EMPLOYER'S
NET PENSION LIABILITY AND RELATED RATIOS -
POLICE PENSION PLAN
(Unaudited)

| Year Ended April 30 | <u>2017</u> | <u>2016</u> | <u>2015</u> |
|--|----------------------|----------------------|----------------------|
| Total Pension Liability | | | |
| Service cost | \$ 1,000,209 | \$ 901,913 | \$ 817,119 |
| Interest | 4,356,948 | 3,858,350 | 3,454,773 |
| Difference between expected and actual experience | (269,015) | 2,250,531 | 1,811,326 |
| Changes of assumptions | (835,424) | 3,512,644 | 7,994,120 |
| Employee contributions | <u>(3,247,081)</u> | <u>(3,026,517)</u> | <u>(2,933,952)</u> |
| Net Change in Total Pension Liability | 1,005,637 | 7,496,921 | 11,143,386 |
| Total Pension Liability - Beginning | 66,170,921 | 58,674,000 | 47,530,614 |
| Total Pension Liability - Ending (A) | <u>\$ 67,176,558</u> | <u>\$ 66,170,921</u> | <u>\$ 58,674,000</u> |
| Plan Fiduciary Net Position | | | |
| Contributions - Employer | \$ 2,497,021 | \$ 1,930,255 | \$ 1,886,266 |
| Contributions - member | 426,351 | 422,758 | 441,189 |
| Net Investment Income | 1,494,561 | (277,107) | 1,009,928 |
| Benefit Payments, Including Refunds | (3,247,081) | (3,026,517) | (2,933,952) |
| Administrative Expense | <u>(62,254)</u> | <u>(45,831)</u> | <u>(30,929)</u> |
| Net Change in Plan Fiduciary Net Position | 1,108,598 | (996,442) | 372,502 |
| Plan Fiduciary Net Position - Beginning * | 16,913,230 | 17,909,672 | 19,322,370 |
| Plan Fiduciary Net Position - Ending (B) | <u>\$ 18,021,828</u> | <u>\$ 16,913,230</u> | <u>\$ 19,694,872</u> |
| Net Pension Liability - Ending (A) - (B) | <u>\$ 49,154,730</u> | <u>\$ 49,257,691</u> | <u>\$ 38,979,128</u> |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability | 26.83% | 25.56% | 33.57% |
| Covered Payroll | \$ 4,233,740 | \$ 4,783,623 | \$ 4,202,559 |
| Net Pension Liability as a Percentage of Covered Payroll | 1161.02% | 1029.72% | 927.51% |

Additional years will be added to this schedule annually until 10 years of data is presented

* Beginning net position for year ended April 30, 2016 has been restated

See accompanying notes to required supplementary information.

CITY OF DANVILLE, ILLINOIS
SCHEDULE IN CHANGES IN THE EMPLOYER'S
NET PENSION LIABILITY AND RELATED RATIOS -
FIREFIGHTERS PENSION PLAN
(Unaudited)

| Year Ended April 30 | <u>2017</u> | <u>2016</u> | <u>2015</u> |
|--|----------------------|----------------------|----------------------|
| Total Pension Liability | | | |
| Service cost | \$ 851,474 | \$ 718,638 | \$ 782,450 |
| Interest | 4,320,828 | 3,779,373 | 3,560,094 |
| Difference between expected and actual experience | (874,281) | 2,928,212 | 838,331 |
| Changes of assumptions | (348,545) | 4,064,052 | 6,723,995 |
| Employee contributions | <u>(3,470,409)</u> | <u>(3,467,010)</u> | <u>(3,297,149)</u> |
| Net Change in Total Pension Liability | 479,067 | 8,023,265 | 8,607,721 |
| Total Pension Liability - Beginning | 65,747,477 | 57,724,212 | 49,116,491 |
| Total Pension Liability - Ending (A) | <u>\$ 66,226,544</u> | <u>\$ 65,747,477</u> | <u>\$ 57,724,212</u> |
| | | | |
| Plan Fiduciary Net Position | | | |
| Contributions - Employer | \$ 2,729,791 | \$ 2,493,073 | \$ 2,397,804 |
| Contributions - member | 279,105 | 280,258 | 309,604 |
| Net Investment Income | 778,089 | (133,299) | 571,441 |
| Benefit Payments, Including Refunds | (3,470,409) | (3,467,010) | (3,297,149) |
| Administrative Expense | <u>(32,766)</u> | <u>(36,578)</u> | <u>(39,693)</u> |
| Net Change in Plan Fiduciary Net Position | 283,810 | (863,556) | (57,993) |
| Plan Fiduciary Net Position - Beginning * | 9,338,595 | 10,202,151 | 12,539,748 |
| Plan Fiduciary Net Position - Ending (B) | <u>\$ 9,622,405</u> | <u>\$ 9,338,595</u> | <u>\$ 12,481,755</u> |
| | | | |
| Net Pension Liability - Ending (A) - (B) | <u>\$ 56,604,139</u> | <u>\$ 56,408,882</u> | <u>\$ 45,242,457</u> |
| | | | |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability | 14.53% | 14.20% | 21.62% |
| | | | |
| Covered Payroll | \$ 3,228,758 | \$ 3,789,528 | \$ 3,022,424 |
| | | | |
| Net Pension Liability as a Percentage of Covered Payroll | 1753.12% | 1488.55% | 1496.89% |

Additional years will be added to this schedule annually until 10 years of data is presented

* Beginning net position for year ended April 30, 2016 has been restated

See accompanying notes to required supplementary information.

CITY OF DANVILLE, ILLINOIS
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
April 30, 2017

NOTE 1 - BUDGETS AND BUDGETARY ACCOUNTING

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

1. In October 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 first Tuesday in December to obtain taxpayer comments.
3. The budget is adopted the second City Council meeting in December, by majority vote.
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 2017 totaled \$267,635 and \$650,535 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 accounting principles generally accepted in the United States of America. 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-accounting principles generally accepted in the United States of America basis for the City, except for the Library, which uses the modified accrual basis for its budget.

CITY OF DANVILLE, ILLINOIS
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
April 30, 2017

NOTE 2 – EXPENDITURES OVER BUDGET

Danville mass transit fund had expenditures over budget of \$750,639.

NOTE 3 - SUMMARY OF ACTUARIAL METHODS AND ASSUMPTIONS USED IN THE CALCULATIONS OF THE 2016 CONTRIBUTION RATE - IMRF

Valuation Date:

Notes: Actuarially determined contribution rates are calculated as of December 31 each year, which are 12 months prior to the beginning of the fiscal year in which contributions are reported.

Methods and Assumptions Used to Determine 2016 Contribution Rates:

Actuarial Cost Method: Aggregate entry age = normal
Amortization Method: Level percentage of payroll, closed
Remaining Amortization Period: 28-year closed period
Asset Valuation Method: Five-year smoothed market; 20% corridor
Wage Growth: 3.5%
Price Inflation: 2.75%, approximate; No explicit price inflation assumption is used in this valuation.
Salary Increases: 3.75% to 14.50%, including inflation
Investment Rate of Return: 7.50%
Retirement Age: Experience-based table of rates that are specific to the type of eligibility condition; last updated for the 2011 valuation pursuant to an experience study of the period 2008 to 2010.
Mortality: RP-2000 Combined Healthy Mortality Table, adjusted for mortality improvements to 2020 using projection scale AA. For men, 120% of the table rates were used. For women, 92% of the table rates were used. For disables lives, the mortality rates are the rates applicable to non-disabled lives set forward 10 years

Other Information:

Notes: There were no benefit changes during the year.

CITY OF DANVILLE, ILLINOIS
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
April 30, 2017

NOTE 4 - SUMMARY OF ACTUARIAL METHODS AND ASSUMPTIONS USED IN THE CALCULATIONS OF THE 2017 CONTRIBUTION RATE – POLICE PENSION

Valuation Date:

Notes: Actuarially determined contribution rates are calculated as of April 30 each year, which are 12 months prior to the beginning of the fiscal year in which contributions are reported.

Methods and Assumptions Used to Determine 2017 Contribution Rates:

Actuarial Cost Method: Aggregate entry age = normal
Amortization Method: Straight line
Remaining Amortization Period: 6.44 years
Asset Valuation Method: Market
Wage Growth: 4.0%
Price Inflation: 2.5%, approximate; No explicit price inflation assumption is used in this valuation.
Salary Increases: 4.0%
Investment Rate of Return: 6.75%
Retirement Age: 50-70
Mortality: L&A 2016 Illinois Police Mortality Rates

Other Information:

Notes: There were no benefit changes during the year.

Money-Weighted Rate of Return on Investments

| | |
|---------|--------|
| 4/30/17 | 8.57% |
| 4/30/16 | -0.32% |
| 4/30/15 | 4.29% |

CITY OF DANVILLE, ILLINOIS
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
April 30, 2017

NOTE 4 - SUMMARY OF ACTUARIAL METHODS AND ASSUMPTIONS USED IN THE CALCULATIONS OF THE 2017 CONTRIBUTION RATE – FIREFIGHTER PENSION

Valuation Date:

Notes: Actuarially determined contribution rates are calculated as of April 30 each year, which are 12 months prior to the beginning of the fiscal year in which contributions are reported.

Methods and Assumptions Used to Determine 2017 Contribution Rates:

Actuarial Cost Method: Aggregate entry age = normal
Amortization Method: Straight line
Remaining Amortization Period: 4.43 years
Asset Valuation Method: Market
Wage Growth: 4.0%
Price Inflation: 2.5%, approximate; No explicit price inflation assumption is used in this valuation.
Salary Increases: 4.0%
Investment Rate of Return: 6.75%
Retirement Age: 50-70.
Mortality: L&A 2016 Illinois Firefighters Mortality Rates

Other Information:

Notes: There were no benefit changes during the year.

Money-Weighted Rate of Return on Investments

| | |
|---------|--------|
| 4/30/17 | 8.34% |
| 4/30/16 | -0.26% |
| 4/30/15 | 4.29% |

OTHER SUPPLEMENTARY INFORMATION

**CITY OF DANVILLE, ILLINOIS
COMBINING BALANCE SHEET
GENERAL FUND BY ACCOUNT
April 30, 2017**

| | <u>General Account</u> | <u>Flex Spending</u> | <u>Land Acquisition</u> | <u>Working Cash</u> | <u>Total General Fund</u> |
|---|----------------------------|--------------------------|-----------------------------|-------------------------|-----------------------------------|
| ASSETS | | | | | |
| Cash | \$ 1,387,264 | \$ 21,612 | \$ 1,137 | \$ 146,859 | \$ 1,556,872 |
| Temporary investments | - | - | 32,000 | - | 32,000 |
| Receivables: | | | | | |
| Taxes, net of allowance for estimated uncollectibles | 235,552 | - | - | - | 235,552 |
| Other | 557,948 | - | - | - | 557,948 |
| Prepaid items | 824,989 | - | - | - | 824,989 |
| Due from other funds | - | - | - | 45,000 | 45,000 |
| Advance from other funds | 735,734 | - | - | - | 735,734 |
| Due from other governments | 5,005,464 | - | - | - | 5,005,464 |
| TOTAL ASSETS | <u>\$ 8,746,951</u> | <u>\$ 21,612</u> | <u>\$ 33,137</u> | <u>\$ 191,859</u> | <u>\$ 8,993,559</u> |
| LIABILITIES | | | | | |
| Accounts payable | \$ 107,093 | \$ - | \$ - | \$ - | \$ 107,093 |
| Accrued expenses | 228,294 | - | - | - | 228,294 |
| Due to other governments | 1,303 | - | - | - | 1,303 |
| Total liabilities | <u>336,690</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>336,690</u> |
| DEFERRED INFLOWS OF RESOURCES | | | | | |
| Unavailable revenues | 1,515,292 | - | - | - | 1,515,292 |
| Subsequent year's property taxes | 235,552 | - | - | - | 235,552 |
| Total deferred inflows of resources | <u>1,750,844</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>1,750,844</u> |
| FUND BALANCE | | | | | |
| Nonspendable: | | | | | |
| Prepays | 824,989 | - | - | - | 824,989 |
| Advance to other funds | 735,734 | - | - | - | 735,734 |
| Assigned: | | | | | |
| General and administrative | 36,500 | - | - | - | 36,500 |
| Unassigned | <u>5,062,194</u> | <u>21,612</u> | <u>33,137</u> | <u>191,859</u> | <u>5,308,802</u> |
| Total fund balance | <u>6,659,417</u> | <u>21,612</u> | <u>33,137</u> | <u>191,859</u> | <u>6,906,025</u> |
| TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE | <u>\$ 8,746,951</u> | <u>\$ 21,612</u> | <u>\$ 33,137</u> | <u>\$ 191,859</u> | <u>\$ 8,993,559</u> |

CITY OF DANVILLE, ILLINOIS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
GENERAL FUND BY ACCOUNT
Year Ended April 30, 2017

| | <u>General Account</u> | <u>Flex Spending</u> | <u>Land Acquisition</u> | <u>Working Cash</u> | <u>Total General Fund</u> |
|--|----------------------------|--------------------------|-----------------------------|-------------------------|-----------------------------------|
| REVENUES | | | | | |
| Taxes | \$ 1,365,855 | \$ - | \$ - | \$ - | \$ 1,365,855 |
| Intergovernmental | 20,480,136 | - | - | - | 20,480,136 |
| Licenses and permits | 857,228 | - | - | - | 857,228 |
| Charges for services | 960,306 | 44,786 | - | - | 1,005,092 |
| Fines and forfeits | 511,437 | - | - | - | 511,437 |
| Miscellaneous | 594,623 | - | (6,014) | 500 | 589,109 |
| | <u>24,769,585</u> | <u>44,786</u> | <u>(6,014)</u> | <u>500</u> | <u>24,808,857</u> |
| Total revenues | | | | | |
| EXPENDITURES | | | | | |
| Current: | | | | | |
| General government | 5,787,255 | 42,054 | - | 20,001 | 5,849,310 |
| Public safety | 13,598,236 | - | - | - | 13,598,236 |
| Streets | 2,170,913 | - | - | - | 2,170,913 |
| Culture and recreation | 1,717,702 | - | - | - | 1,717,702 |
| Capital outlay | 399,372 | - | - | - | 399,372 |
| | <u>23,673,478</u> | <u>42,054</u> | <u>-</u> | <u>20,001</u> | <u>23,735,533</u> |
| Total expenditures | | | | | |
| Excess (deficiency) of revenues over expenditures | <u>1,096,107</u> | <u>2,732</u> | <u>(6,014)</u> | <u>(19,501)</u> | <u>1,073,324</u> |
| OTHER FINANCING SOURCES (USES) | | | | | |
| Transfers in | 886,421 | - | - | - | 886,421 |
| Transfers out | (1,976,806) | - | - | - | (1,976,806) |
| | <u>(1,090,385)</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>(1,090,385)</u> |
| Total other financing sources (uses) | | | | | |
| Net change in fund balance | 5,722 | 2,732 | (6,014) | (19,501) | (17,061) |
| FUND BALANCE, BEGINNING OF YEAR | <u>6,653,695</u> | <u>18,880</u> | <u>39,151</u> | <u>211,360</u> | <u>6,923,086</u> |
| FUND BALANCE, END OF YEAR | <u>\$ 6,659,417</u> | <u>\$ 21,612</u> | <u>\$ 33,137</u> | <u>\$ 191,859</u> | <u>\$ 6,906,025</u> |

CITY OF DANVILLE, ILLINOIS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
April 30, 2017

| | <u>State Narcotic Forfeiture</u> | <u>Federal Narcotic Forfeiture</u> | <u>Community Development Block Grant</u> | <u>Towne Centre</u> | <u>Storm Water Drainage</u> | <u>Small Business Loan</u> | <u>DATS Program</u> | <u>TIF Midtown</u> |
|--|--|--|--|-------------------------|---------------------------------|--------------------------------|-------------------------|------------------------|
| Cash | \$ 56,689 | \$ 5,440 | \$ 636 | \$ 38 | \$ 95,417 | \$ 291,026 | \$ 1,450 | \$ 24,234 |
| Temporary investments | - | - | - | - | 200,000 | - | - | 607,000 |
| Receivables: | | | | | | | | |
| Taxes, net of allowance for estimated uncollectibles | - | - | - | - | - | - | - | - |
| Other - current | - | - | - | - | 1,997 | 54,147 | 13,782 | - |
| Other - noncurrent | - | - | - | - | - | 135,284 | - | - |
| Due from other governments | - | - | 21,410 | - | - | - | - | - |
| TOTAL ASSETS | <u>\$ 56,689</u> | <u>\$ 5,440</u> | <u>\$ 22,046</u> | <u>\$ 38</u> | <u>\$ 297,414</u> | <u>\$ 480,457</u> | <u>\$ 15,232</u> | <u>\$ 631,234</u> |
| LIABILITIES | | | | | | | | |
| Accounts payable | \$ - | \$ - | \$ 15,591 | \$ - | \$ 2,765 | \$ - | \$ 805 | \$ 11,469 |
| Accrued expenses | - | 870 | 31 | - | - | - | 2,825 | - |
| Due to other funds | - | - | - | - | - | - | 5,000 | - |
| Total liabilities | <u>-</u> | <u>870</u> | <u>15,622</u> | <u>-</u> | <u>2,765</u> | <u>-</u> | <u>8,630</u> | <u>11,469</u> |
| DEFERRED INFLOWS OF RESOURCES | | | | | | | | |
| Unavailable revenue | - | - | - | - | - | - | - | - |
| Subsequent year's property taxes | - | - | - | - | - | - | - | - |
| Total deferred inflows of resources | <u>-</u> | <u># -</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| FUND BALANCE | | | | | | | | |
| Restricted: | | | | | | | | |
| Retirement | - | - | - | - | - | - | - | - |
| Public health and education | - | - | - | - | - | - | - | - |
| Public safety | 56,689 | 4,570 | - | - | - | - | - | - |
| Community development | - | - | 6,424 | - | - | 480,457 | - | 619,765 |
| Transportation | - | - | - | - | - | - | 6,602 | - |
| Streets | - | - | - | - | 294,649 | - | - | - |
| Debt service | - | - | - | - | - | - | - | - |
| Committed: | | | | | | | | |
| Community development | - | - | - | 38 | - | - | - | - |
| Capital projects | - | - | - | - | - | - | - | - |
| Assigned: | | | | | | | | |
| Capital projects | - | - | - | - | - | - | - | - |
| Unassigned | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Total fund balance (deficit) | <u>56,689</u> | <u>4,570</u> | <u>6,424</u> | <u>38</u> | <u>294,649</u> | <u>480,457</u> | <u>6,602</u> | <u>619,765</u> |
| TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE | <u>\$ 56,689</u> | <u>\$ 5,440</u> | <u>\$ 22,046</u> | <u>\$ 38</u> | <u>\$ 297,414</u> | <u>\$ 480,457</u> | <u>\$ 15,232</u> | <u>\$ 631,234</u> |

CITY OF DANVILLE, ILLINOIS
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 April 30, 2017

| | TIF Westgate | TIF Campus | TIF East Voorhees | Housing Loan | Law Enforcement Grant | Landfill Remediation | Special Sewer Projects |
|--|-------------------------|----------------------|-------------------------|--------------------------|-----------------------------|--------------------------|------------------------------|
| Cash | \$ 46,363 | \$ 993 | \$ 5,957 | \$ 143,520 | \$ 6,537 | \$ 86,783 | \$ 4,398 |
| Temporary investments | - | - | 60,000 | - | - | 800,000 | 170,000 |
| Receivables: | | | | | | | |
| Taxes, net of allowance for estimated uncollectibles | - | - | - | - | - | - | - |
| Other - current | - | - | - | 7,289 | - | - | - |
| Other - noncurrent | - | - | - | 10,870 | - | - | - |
| Due from other governments | - | - | - | - | - | - | - |
| TOTAL ASSETS | <u>\$ 46,363</u> | <u>\$ 993</u> | <u>\$ 65,957</u> | <u>\$ 161,679</u> | <u>\$ 6,537</u> | <u>\$ 886,783</u> | <u>\$ 174,398</u> |
| LIABILITIES | | | | | | | |
| Accounts payable | \$ 9,225 | \$ - | \$ - | \$ - | \$ - | \$ 520 | \$ - |
| Accrued expenses | - | - | - | - | - | - | - |
| Due to other funds | - | - | - | - | - | - | - |
| Total liabilities | <u>9,225</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>520</u> | <u>-</u> |
| DEFERRED INFLOWS OF RESOURCES | | | | | | | |
| Unavailable revenue | - | - | - | - | - | - | - |
| Subsequent year's property taxes | - | - | - | - | - | - | - |
| Total deferred inflows of resources | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| FUND BALANCE | | | | | | | |
| Restricted: | | | | | | | |
| Retirement | - | - | - | - | - | - | - |
| Public health and education | - | - | - | - | - | 886,263 | - |
| Public safety | - | - | - | - | 6,537 | - | - |
| Community development | 37,138 | 993 | 65,957 | 161,679 | - | - | - |
| Transportation | - | - | - | - | - | - | - |
| Streets | - | - | - | - | - | - | - |
| Debt service | - | - | - | - | - | - | - |
| Committed: | | | | | | | |
| Community development | - | - | - | - | - | - | - |
| Capital projects | - | - | - | - | - | - | 174,398 |
| Assigned: | | | | | | | |
| Capital projects | - | - | - | - | - | - | - |
| Unassigned | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Total fund balance (deficit) | <u>37,138</u> | <u>993</u> | <u>65,957</u> | <u>161,679</u> | <u>6,537</u> | <u>886,263</u> | <u>174,398</u> |
| TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE | <u>\$ 46,363</u> | <u>\$ 993</u> | <u>\$ 65,957</u> | <u>\$ 161,679</u> | <u>\$ 6,537</u> | <u>\$ 886,783</u> | <u>\$ 174,398</u> |

CITY OF DANVILLE, ILLINOIS
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 April 30, 2017

| | Capital Projects Funds | | | | | | Debt Service Funds | |
|--|----------------------------|----------------------------|--------------------------|-------------------------------|---------------------------|--------------------------|-------------------------|----------------------------|
| | Firefighter Pension | Police Pension | Capital Improvements | Infrastructure Development | Community Reinvestment | IHDA Blight Reduction | 2007 Debt Service | Total |
| Cash | \$ 30,321 | \$ 20,213 | \$ 102,450 | \$ 364,927 | 526,663 | 2,158 | \$ 62,134 | \$ 1,878,347 |
| Temporary investments | - | - | 45,000 | 195,000 | - | - | 6,000 | 2,083,000 |
| Receivables: | | | | | | | | |
| Taxes, net of allowance for estimated uncollectibles | 2,062,843 | 2,049,419 | - | - | - | - | - | 4,112,262 |
| Other - current | - | - | 124,662 | 96,606 | - | - | - | 298,483 |
| Other - noncurrent | - | - | - | - | - | - | - | 146,154 |
| Due from other governments | - | - | 201,171 | 97,300 | - | - | - | 319,881 |
| TOTAL ASSETS | <u>\$ 2,093,164</u> | <u>\$ 2,069,632</u> | <u>\$ 473,283</u> | <u>\$ 753,833</u> | <u>\$ 526,663</u> | <u>\$ 2,158</u> | <u>\$ 68,134</u> | <u>\$ 8,838,127</u> |
| LIABILITIES | | | | | | | | |
| Accounts payable | \$ - | \$ - | \$ 74 | \$ 18,300 | \$ 42,010 | \$ 14,486 | \$ - | \$ 115,245 |
| Accrued expenses | - | - | - | 30,045 | - | - | - | 33,771 |
| Due to other funds | - | - | - | - | - | - | - | 5,000 |
| Total liabilities | - | - | 74 | 48,345 | 42,010 | 14,486 | - | 154,016 |
| DEFERRED INFLOWS OF RESOURCES | | | | | | | | |
| Unavailable revenue | - | - | 67,868 | - | - | - | - | 67,868 |
| Subsequent year's property taxes | 2,062,843 | 2,049,419 | - | - | - | - | - | 4,112,262 |
| Total deferred inflows of resources | 2,062,843 | 2,049,419 | 67,868 | - | - | - | - | 4,180,130 |
| FUND BALANCE | | | | | | | | |
| Restricted: | | | | | | | | |
| Retirement | 30,321 | 20,213 | - | - | - | - | - | 50,534 |
| Public health and education | - | - | - | - | - | - | - | 886,263 |
| Public safety | - | - | - | - | - | - | - | 67,796 |
| Community development | - | - | - | - | 484,653 | - | - | 1,857,066 |
| Transportation | - | - | - | - | - | - | - | 6,602 |
| Streets | - | - | - | - | - | - | - | 294,649 |
| Debt service | - | - | - | - | - | - | 68,134 | 68,134 |
| Committed: | | | | | | | | |
| Community development | - | - | - | - | - | - | - | 38 |
| Capital projects | - | - | - | 705,488 | - | - | - | 879,886 |
| Assigned: | | | | | | | | |
| Capital projects | - | - | 405,341 | - | - | 10,899 | - | 416,240 |
| Unassigned | - | - | - | - | - | (23,227) | - | (23,227) |
| Total fund balance (deficit) | 30,321 | 20,213 | 405,341 | 705,488 | 484,653 | (12,328) | 68,134 | 4,503,981 |
| TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE | <u>\$ 2,093,164</u> | <u>\$ 2,069,632</u> | <u>\$ 473,283</u> | <u>\$ 753,833</u> | <u>\$ 526,663</u> | <u>\$ 2,158</u> | <u>\$ 68,134</u> | <u>\$ 8,838,127</u> |

CITY OF DANVILLE, ILLINOIS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
Year Ended April 30, 2017

| | <u>State Narcotic Forfeiture</u> | <u>Federal Narcotic Forfeiture</u> | <u>Community Development Block Grant</u> | <u>Towne Centre</u> | <u>Storm Water Drainage</u> | <u>Small Business Loan</u> | <u>DATS Program</u> | <u>TIF Midtown</u> |
|--|--|--|--|-------------------------|---------------------------------|--------------------------------|-------------------------|------------------------|
| REVENUES | | | | | | | | |
| Taxes | \$ - | \$ - | \$ - | \$ - | \$ 28,126 | \$ - | \$ - | \$ 424,775 |
| Intergovernmental | - | - | 742,879 | - | - | - | 128,741 | - |
| Charges for services | 16,912 | - | - | - | - | - | - | - |
| Miscellaneous | <u>496</u> | <u>-</u> | <u>17,478</u> | <u>70</u> | <u>1,806</u> | <u>39,280</u> | <u>32,116</u> | <u>3,476</u> |
| Total revenues | <u>17,408</u> | <u>-</u> | <u>760,357</u> | <u>70</u> | <u>29,932</u> | <u>39,280</u> | <u>160,857</u> | <u>428,251</u> |
| EXPENDITURES | | | | | | | | |
| Public safety | 11,877 | - | - | 51,605 | - | - | - | - |
| Community development | - | - | 751,335 | - | 9,221 | - | 204,583 | 289,377 |
| Public health and education | - | - | - | - | - | - | - | - |
| Capital projects | - | - | - | - | - | - | - | - |
| Debt service: | | | | | | | | |
| Principal | - | - | - | - | - | - | - | - |
| Interest | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Total expenditures | <u>11,877</u> | <u>-</u> | <u>751,335</u> | <u>51,605</u> | <u>9,221</u> | <u>-</u> | <u>204,583</u> | <u>289,377</u> |
| Excess (deficiency) of revenues over expenditures | <u>5,531</u> | <u>-</u> | <u>9,022</u> | <u>(51,535)</u> | <u>20,711</u> | <u>39,280</u> | <u>(43,726)</u> | <u>138,874</u> |
| OTHER FINANCING SOURCES (USES) | | | | | | | | |
| Loan proceeds | - | - | - | - | - | - | - | - |
| Transfers in | - | - | - | - | - | - | - | - |
| Transfers out | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Total other financing sources (uses) | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Net change in fund balance | 5,531 | - | 9,022 | (51,535) | 20,711 | 39,280 | (43,726) | 138,874 |
| FUND BALANCE (DEFICIT), BEGINNING OF YEAR | <u>51,158</u> | <u>4,570</u> | <u>(2,598)</u> | <u>51,573</u> | <u>273,938</u> | <u>441,177</u> | <u>50,328</u> | <u>480,891</u> |
| FUND BALANCE (DEFICIT), END OF YEAR | <u>\$ 56,689</u> | <u>\$ 4,570</u> | <u>\$ 6,424</u> | <u>\$ 38</u> | <u>\$ 294,649</u> | <u>\$ 480,457</u> | <u>\$ 6,602</u> | <u>\$ 619,765</u> |

CITY OF DANVILLE, ILLINOIS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCE
 NONMAJOR GOVERNMENTAL FUNDS
 Year Ended April 30, 2017

| | <u>TIF Westgate</u> | <u>TIF Campus</u> | <u>TIF East Voorhees</u> | <u>Housing Loan</u> | <u>Law Enforcement Grant</u> | <u>Landfill Remediation</u> | <u>Special Sewer Projects</u> |
|--|-------------------------|-----------------------|------------------------------|-------------------------|--------------------------------------|---------------------------------|---------------------------------------|
| REVENUES | | | | | | | |
| Taxes | \$ 14,117 | \$ 529 | \$ 51,717 | \$ - | \$ - | \$ - | \$ - |
| Intergovernmental | - | - | - | - | 34,424 | - | - |
| Charges for services | - | - | - | - | - | - | 1,000 |
| Miscellaneous | <u>431</u> | <u>72</u> | <u>208</u> | <u>110</u> | <u>26</u> | <u>6,488</u> | <u>1,150</u> |
| Total revenues | <u>14,548</u> | <u>601</u> | <u>51,925</u> | <u>110</u> | <u>34,450</u> | <u>6,488</u> | <u>2,150</u> |
| EXPENDITURES | | | | | | | |
| Public safety | - | - | - | - | 31,319 | - | - |
| Community development | 32,539 | - | - | 49 | - | - | - |
| Public health and education | - | - | - | - | - | 17,329 | - |
| Capital projects | - | - | - | - | - | - | - |
| Debt service: | | | | | | | |
| Principal | - | - | - | - | - | - | - |
| Interest | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Total expenditures | <u>32,539</u> | <u>-</u> | <u>-</u> | <u>49</u> | <u>31,319</u> | <u>17,329</u> | <u>-</u> |
| Excess (deficiency) of revenues over expenditures | <u>(17,991)</u> | <u>601</u> | <u>51,925</u> | <u>61</u> | <u>3,131</u> | <u>(10,841)</u> | <u>2,150</u> |
| OTHER FINANCING SOURCES (USES) | | | | | | | |
| Loan proceeds | - | - | - | - | - | - | - |
| Transfers in | - | - | - | - | - | - | - |
| Transfers out | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Total other financing sources (uses) | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Net change in fund balance | <u>(17,991)</u> | <u>601</u> | <u>51,925</u> | <u>61</u> | <u>3,131</u> | <u>(10,841)</u> | <u>2,150</u> |
| FUND BALANCE (DEFICIT), BEGINNING OF YEAR | <u>55,129</u> | <u>392</u> | <u>14,032</u> | <u>161,618</u> | <u>3,406</u> | <u>897,104</u> | <u>172,248</u> |
| FUND BALANCE (DEFICIT), END OF YEAR | <u>\$ 37,138</u> | <u>\$ 993</u> | <u>\$ 65,957</u> | <u>\$ 161,679</u> | <u>\$ 6,537</u> | <u>\$ 886,263</u> | <u>\$ 174,398</u> |

CITY OF DANVILLE, ILLINOIS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
Year Ended April 30, 2017

| | <u>Capital Projects Funds</u> | | | | | <u>Debt Service Funds</u> | |
|---|-------------------------------|-----------------------|-----------------------------|-----------------------------------|-------------------------------|------------------------------|--------------------------|
| | <u>Firefighter Pension</u> | <u>Police Pension</u> | <u>Capital Improvements</u> | <u>Infrastructure Development</u> | <u>Community Reinvestment</u> | <u>IHDA Blight Reduction</u> | <u>2007 Debt Service</u> |
| REVENUES | | | | | | | |
| Taxes | \$ 2,012,007 | \$ 1,999,910 | \$ - | \$ 1,248,425 | \$ 130,361 | \$ - | \$ 94,080 |
| Intergovernmental | - | - | 814,411 | 387,896 | - | - | - |
| Charges for services | - | - | - | - | - | - | - |
| Miscellaneous | - | - | 6,017 | 5,680 | - | 15,000 | 2,874 |
| Total revenues | <u>2,012,007</u> | <u>1,999,910</u> | <u>820,428</u> | <u>1,642,001</u> | <u>130,361</u> | <u>15,000</u> | <u>96,954</u> |
| EXPENDITURES | | | | | | | |
| Public safety | 2,729,598 | 2,496,971 | - | - | - | - | - |
| Community development | - | - | 701,705 | 1,040,431 | 103,798 | 27,328 | - |
| Public health and education | - | - | - | - | - | - | - |
| Capital projects | - | - | 1,142,836 | 984,352 | 341,910 | - | - |
| Debt service: | | | | | | | |
| Principal | - | - | - | 77,275 | - | - | 285,000 |
| Interest | - | - | - | 7,650 | - | - | 79,987 |
| Total expenditures | <u>2,729,598</u> | <u>2,496,971</u> | <u>1,844,541</u> | <u>2,109,708</u> | <u>445,708</u> | <u>27,328</u> | <u>364,987</u> |
| Excess (deficiency) of revenues over expenditures | <u>(717,591)</u> | <u>(497,061)</u> | <u>(1,024,113)</u> | <u>(467,707)</u> | <u>(315,347)</u> | <u>(12,328)</u> | <u>(268,033)</u> |
| OTHER FINANCING SOURCES (USES) | | | | | | | |
| Loan proceeds | - | - | 1,089,655 | - | 800,000 | - | - |
| Transfers in | 747,912 | 517,274 | - | 23,467 | - | - | 267,883 |
| Transfers out | - | - | (200,783) | - | - | - | (379,101) |
| Total other financing sources (uses) | <u>747,912</u> | <u>517,274</u> | <u>888,872</u> | <u>23,467</u> | <u>800,000</u> | <u>-</u> | <u>(111,218)</u> |
| Net change in fund balance | 30,321 | 20,213 | (135,241) | (444,240) | 484,653 | (12,328) | (379,251) |
| FUND BALANCE (DEFICIT), BEGINNING OF YEAR | <u>-</u> | <u>-</u> | <u>540,582</u> | <u>1,149,728</u> | <u>-</u> | <u>-</u> | <u>447,385</u> |
| FUND BALANCE (DEFICIT), END OF YEAR | <u>\$ 30,321</u> | <u>\$ 20,213</u> | <u>\$ 405,341</u> | <u>\$ 705,488</u> | <u>\$ 484,653</u> | <u>\$ (12,328)</u> | <u>\$ 68,134</u> |

CITY OF DANVILLE, ILLINOIS
COMBINING STATEMENT OF FIDUCIARY NET POSITION
AGENCY FUNDS
April 30, 2017

ASSETS

| | <u>Dependent Life Insurance</u> | <u>Civic Center</u> | <u>Evidence Holding</u> | <u>Total</u> |
|-------------------------|-------------------------------------|-------------------------|-----------------------------|-------------------|
| Cash | \$ 5,373 | \$ 149,746 | \$ 2,353 | \$ 157,472 |
| Certificates of deposit | - | - | 160,000 | 160,000 |
| Accounts receivable | <u>-</u> | <u>63,464</u> | <u>-</u> | <u>63,464</u> |
| TOTAL ASSETS | <u>\$ 5,373</u> | <u>\$ 213,210</u> | <u>\$ 162,353</u> | <u>\$ 380,936</u> |

LIABILITIES

| | | | | |
|--------------------------|-----------------|-------------------|-------------------|-------------------|
| Accounts payable | \$ - | 10,695 | \$ 139,262 | \$ 149,957 |
| Due to others | <u>5,373</u> | <u>202,515</u> | <u>23,091</u> | <u>230,979</u> |
| TOTAL LIABILITIES | <u>\$ 5,373</u> | <u>\$ 213,210</u> | <u>\$ 162,353</u> | <u>\$ 380,936</u> |

STATISTICAL DATA

CITY OF DANVILLE, ILLINOIS
GENERAL PROPERTY TAX INFORMATION
April 30, 2017

VALUATION AND TAX RATES

A three-year comparison of assessed valuation and tax rates for 2016, 2015, and 2014 follows:

| | <u>2016</u> | <u>2015</u> | <u>2014</u> |
|------------------------------------|-----------------------|-----------------------|-----------------------|
| ASSESSED VALUATIONS | \$ <u>302,552,080</u> | \$ <u>298,835,767</u> | \$ <u>292,274,745</u> |
| TAX RATES | | | |
| Social Security | 0.0000 | 0.0000 | 0.0000 |
| Illinois Municipal Retirement Fund | 0.0000 | 0.0000 | 0.0000 |
| Police Pension | 0.7102 | 0.7010 | 0.6186 |
| Firemen's Pension | 0.7149 | 0.7052 | 0.7878 |
| Library | 0.6179 | 0.6021 | 0.5746 |
| General Obligations Debt | <u>0.0000</u> | <u>0.0743</u> | <u>0.0743</u> |
| TOTAL | <u><u>2.0430</u></u> | <u><u>2.0826</u></u> | <u><u>2.0553</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**

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, 2017, 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 November 20, 2017.

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.

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. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section 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 have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs, to be material weaknesses (Findings 2017-001 and 2017-002).

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.



CliftonLarsonAllen LLP

Danville, Illinois
November 20, 2017

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR
EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

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 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, 2017. 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 federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of City of Danville's 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 the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Those standards and the Uniform Guidance 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 City of Danville's 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, 2017.

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 Uniform Guidance, 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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs (Finding 2017-003), that we consider to be a significant deficiency.

The City of Danville, Illinois' response to the internal control over compliance findings identified in our audit are described in the accompanying schedule of findings and questions costs. The City of Danville, Illinois' response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



CliftonLarsonAllen LLP

Danville, Illinois
November 20, 2017

CITY OF DANVILLE, ILLINOIS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended April 30, 2017

| FEDERAL GRANTOR / PASS-THROUGH GRANTOR/ PROGRAM OR CLUSTER TITLE | <u>Federal CFDA Number</u> | <u>Pass-through Entity Identifying Number</u> | <u>Passed Through to Subrecipients</u> | <u>Federal Expenditures</u> | |
|--|--------------------------------|---|--|---------------------------------|-----------|
| Department of Justice | | | | | |
| Direct Programs | | | | | |
| Step Grant | 16.738 | None | \$ - | \$ 21,061 | |
| Edward Byrne Memorial Grant | 16.738 | 2013-DJ-BX-0316 | - | 4,125 | |
| Edward Byrne Memorial Grant | 16.738 | 2014-DJ-BX-0091 | - | 12,738 | |
| Edward Byrne Memorial Grant | 16.738 | 2015-DJ-BX-0076 | - | 17,561 | |
| Total Department of Justice | | | - | 55,485 | |
| Department of Housing and Urban Development | | | | | |
| Direct Programs | | | | | |
| Community Development Block Grants-Entitlement | 14.218 | B-14-MC-17-0038 | - | 147,692 | |
| Community Development Block Grants-Entitlement | 14.218 | B-15-MC-17-0038 | - | 379,468 | |
| Community Development Block Grants-Entitlement | 14.218 | B-16-MC-17-0038 | - | 219,346 | |
| Total Department of Housing and Urban Development | | | - | 746,506 | |
| Department of Transportation | | | | | |
| Direct Programs | | | | | |
| Federal Transit Formula Grant | * | 20.507 | IL-90-X718-00 | - | 13,848 |
| Federal Transit Formula Grant | * | 20.507 | IL-90-X706-00 | - | 16,222 |
| Federal Transit Formula Grant | * | 20.507 | IL-90-X740-00 | - | 508,151 |
| Federal Transit Formula Grant | * | 20.507 | IL-90-X724-00 | - | 1,588,748 |
| Federal Transit Formula Grant | * | 20.507 | IL-90-X750-00 | - | 188,704 |
| Subtotal of Federal Transit Cluster | | | - | 2,315,673 | |
| Passed through Illinois Department of Transportation (IDOT) | | | | | |
| Highway Planning and Construction | 20.205 | 700017T0009 | - | 114,911 | |
| Highway Planning and Construction | 20.205 | 700016T0014 | - | 4,304 | |
| Highway Planning and Construction | 20.205 | 09-00334-02 | - | 80,000 | |
| Total passed through IDOT | | | - | 199,215 | |
| Total Department of Transportation | | | - | 2,514,888 | |
| TOTAL EXPENDITURES OF FEDERAL AWARDS | | | \$ - | \$ 3,316,879 | |

* Denotes major program

CITY OF DANVILLE, ILLINOIS
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
April 30, 2017

NOTE 1 BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the City under programs of the federal government for the year ended April 30, 2017. The information in this Schedule is presented in accordance with the requirements of 2 CFR Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*. Because the Schedule presents only a selected portion of the operations of the City of Danville, it is not intended to and does not present the financial position, changes in net position, or cash flows of the City of Danville.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The City of Danville has elected to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

This information is an integral part of the accompanying schedule.

**CITY OF DANVILLE, ILLINOIS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended April 30, 2017**

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 2 CFR 200.516(a)? Yes No

Identification of major programs:

| <u>CFDA Number</u> | <u>Name of Federal Program or Cluster</u> |
|--------------------|---|
| 20.507 | Federal Transit Cluster |

Dollar threshold used to distinguish between type A and type B programs: \$750,000
Auditee qualified as low-risk auditee? Yes No

**CITY OF DANVILLE, ILLINOIS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended April 30, 2017**

Section II – Financial Statement Findings

FINDING NO. 2017-001 – ANNUAL FINANCIAL REPORTING UNDER ACCOUNTING PRINCIPLES GENERALLY ACCEPTED IN THE UNITED STATES OF AMERICA

Criteria: Management is responsible for establishing and maintaining internal controls and for the fair presentation of the financial statements including the related disclosures, in conformity with accounting principles generally accepted in the United States of America.

Condition: The City does not have an internal control policy in place over annual financial reporting that would enable management to prepare its annual financial statements and related footnote disclosures, including any necessary adjustments to accrual basis, and ensure they are complete and presented in accordance with accounting principles generally accepted in the United States of America.

Context: Management has informed us that they do not have an internal control policy in place over the annual financial reporting and that they do not have the necessary staff capacity to prepare the annual financial statements including footnote disclosures.

Cause: The entity relies on the audit firm to prepare the annual financial statements and related footnote disclosures, including any necessary adjustments to accrual basis. However, they have reviewed and approved the annual financial statements and the related footnote disclosures.

Effect: The potential exists that a material misstatement of the annual financial statements could occur and not be prevented or detected by the entity's internal controls.

Recommendation: Management should continue to evaluate their internal staff capacity to determine if an internal control policy over the annual financial reporting is beneficial.

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 accounting principles generally accepted in the United States of America 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, 2017**

Section II – Financial Statement Findings (Continued)

FINDING NO. 2017-002 – 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: Management has informed us that they do not have an internal control policy in place over cash to accrual basis adjustments and that they do not have the necessary staff capacity for proper segregation of duties over processing and recording financial transactions and completing the cash to accrual basis adjustments.

Cause: The Library's inadequate segregation of duties is due to the limited number of individuals involved in the accounting function. Currently the Library relies on the audit firm to complete the cash to accrual basis adjustments. However, they have reviewed and approved the cash to accrual adjustments.

Effect: The potential exists that a material misstatement may occur and go undetected.

Recommendation: Management should continue to evaluate their internal staff capacity to determine if an internal control policy over the duties over processing and recording financial transactions and cash to accrual basis adjustments is beneficial.

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.

**CITY OF DANVILLE, ILLINOIS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended April 30, 2017**

Section III – Federal Award Findings and Questioned Costs

FINDING NO. 2017-003 – CONTROLS OVER REPORTING

Federal Agency/Program: U.S. Department of Transportation – 20.507 –
Federal Transit Formula Grants

Questioned Costs: None

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 same individual who requests drawdowns also prepares and submits the quarterly FFR reports for each active grant to the Federal Transit Authority (FTA).

Context: Danville Mass Transit only has one individual who has access to make the ECHO draw down requests and submit reports to FTA.

Cause: Transit's inadequate segregation of duties is due to the limited number of individuals involved in the reporting function.

Effect: The potential exists that a material misstatement may occur and go undetected.

Recommendation: Management should continue to evaluate their internal staff capacity to determine if an internal control policy over the duties over requesting drawdowns and financial reporting is beneficial.

Views of Responsible Officials and Planned Corrective Action: The City's management is aware of the need for additional review and separation of duties as it relates to the ECHO draw down requests and the preparation and submission of the reports to FTA. With respect to the internal control process for federal transit grant reporting, The City of Danville has taken measures to ensure that additional individuals are involved in the reporting process of Danville Mass Transit (DMT). New internal controls are now in place for individuals in the Finance department to review the payroll and account payables detail of all quarterly reports prior to the Mayor approving any drawdown requests. Further, DMT has created an ECHO account for an additional individual; the DMT Director now prepares the amount of the drawdown but does not submit the ECHO request.