

CITY OF DANVILLE
Danville, Illinois

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**
April 30, 2016



CliftonLarsonAllen

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Independent Auditors' Report

The Mayor and City Council
City of Danville, Illinois

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the 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, 2016, 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, 2016, 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.

Emphasis-of-Matter

During fiscal year ended April 30, 2016, the City of Danville adopted GASB Statement No. 68, Accounting and Financial Reporting for Pensions, and the related GASB Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date. As a result of the implementation of these standards, the City of Danville reported a restatement for the change in accounting principle (see Note 16). Also, there was a restatement to its April 30, 2015 net position held in trust for pension benefits to correct a misstatement (see Note 16). Our opinion is not modified with respect to this matter.

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 December 20, 2016 on our consideration of the City of Danville's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the result of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Danville's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

CliftonLarsonAllen LLP

Danville, Illinois
December 20, 2016

Management's Discussion and Analysis

As management of the City of Danville, Illinois, we offer readers of these financial statements this narrative overview and analysis of the City of Danville's financial position and activity as of the fiscal year ending April 30, 2016. Please read in conjunction with the City's financial statements, which follow this section.

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

Over the past several years we have been anticipating the changes that would come with Governmental Account 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. With the compliance with GASB No. 68 our net pension liabilities are now reported within the City's 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 is 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, 2016, the City's total net position was (\$18,299,994); while in 2015 the City's total net position was \$77,055,470 (prior to restatement). The majority of this decrease of \$95,355,464 is due to implementing GASB 68 and the related restatement of the beginning net position in the amount of \$90,200,337 (see Note 16 on page 59-60). The current year net position for Governmental Activities decreased \$5,683,277, with significant amount of the decrease due to recording the activity for post-employment benefits. The changes in post-employment benefits also affected the Business-Type Activities total net position. The change in the net pension liability for the Governmental Activities and the Business-Type Activities totaled an increase of \$20,750,276 and \$441,322, respectively. The 2016 business-type total net position shows an increase of \$528,150 from the net position total for 2015 of \$10,194,998 (as restated).

The governmental activities total net position decrease of \$95,604,279, which includes \$89,921,002 restatement for implementation of GASB 68, was related primarily to recording of the net pension liability and related deferred outflows and inflows, which includes the net pension liability amount of the Police, Fire and IMRF pension plans.

- Total current assets reported at year end for governmental activities are \$24,992,299 representing a 18.9% increase over last fiscal year's total of \$21,008,830.
- The business-type activities total current assets reported at year end are \$5,252,412, whereas last fiscal year the total was \$4,182,329 representing a 25.5% increase over last year.
- The City's Governmental Activities has \$119,377,975 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. Also included this year is the net pension liability. This represents an increase of \$110,076,463 from last year's total noncurrent liabilities, primarily due to the additional reporting requirements of the net pension liability.
- Last year the General Fund (the primary operating fund) expenditures before other financing sources exceeded revenues by \$1,334,228 or 5.7%, while this year, revenues exceeded expenditures by \$1,640,155 or 7.0%. The 2015 Fund balance for the General Fund was \$6,701,548 compared to this year's total of \$6,923,086, representing an increase of \$221,538 or 3.3% (actual data for 2016 can be found on page 6 and 7 of the financial statements).
- Once again, none of the Property Taxes collected finance General Fund services. The funds collected through property taxes fund the Police and Fire pension, a portion of the General Obligation bonds and Danville Public Library.

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

- 1. Government-wide financial statements** – Provides both long-term and short-term information about the City's overall financial status. The required financial statements include the statement of net position, and statement of activities. The measurement focus is on economic resources, and accrual accounting is used. Assets, deferred inflows, liabilities, and deferred outflows 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 property taxes that supports 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 (like the Capital Improvements Fund) or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money (like grants received from the U. S. Department of Housing and Urban Development). The City's three types of funds are - Governmental, Proprietary, and Fiduciary – and each use different accounting approaches

- **Governmental Funds** – Most of the City’s basic services are reported in governmental funds including, but not limited to, public safety (police and fire), public works (central vehicle maintenance, environmental code enforcement, streets, parks and public property, parking and central services 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 urban and engineering service). These financial statements focus on how money flows in and out of those funds, as well as the balances left at year-end available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City’s general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or less financial resources that can be spent in the near future to finance the City’s programs.
- **Proprietary Funds (Business-type)** - When the City charges customers for the services it provides (whether to outside customers or to other units of the City), these services are generally reported in proprietary funds. Proprietary funds are reported on the accrual basis of accounting. The City charges residents (customers) a fee to help cover a portion or all of the cost of certain services it provides. The Solid Waste Management, Sanitary Sewer, and Harrison Park Golf Course are Proprietary Funds.
- **Fiduciary Fund** - There are two components to Fiduciary Funds including the Pension Trust Fund and Agency Funds. The City of Danville sponsors two pension trust funds: the Danville Police Pension Fund, and Danville Firefighter Pension Fund (Further information can be found in Note 7-Pension Disclosure). These funds are kept separate from the City’s other financial statements because the City cannot use these assets to finance its operations. The City is responsible for ensuring that the assets reported in these funds are not used for the operation of the City. Agency funds (commonly referred to as “pass through funds”) include Dependent Life Insurance, David S. Palmer Arena, and Evidence Holding funds that pass through the City.

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

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

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

Financial Analysis

Primary Government

Statement of Net Position

The following chart reflects the condensed statement of net position (in millions):
(Actual 2016 numbers found on page 1)

	Governmental		Business-type		Total		Net change	% change
	Activities 2016	2015	Activities 2016	2015	2016	2015		
Current and other assets	\$ 25.0	\$ 21.0	\$ 5.2	\$ 4.1	\$ 30.2	\$ 25.1	\$ 5.1	20.3%
Noncurrent /Capital assets	56.3	57.5	6.2	6.7	62.5	64.2	(1.7)	-2.6%
Total assets	81.3	78.5	11.4	10.8	92.7	89.3	3.4	3.8%
Deferred outflows of resources Related to net pension liability	\$ 15.4	\$ -	\$ 0.4	\$ -	\$ 15.8	\$ -	\$ 15.8	1.0
Current liabilities	\$ 1.9	\$ 2.2	\$ 0.2	\$ 0.3	\$ 2.1	\$ 2.5	\$ (0.4)	-16.0%
Noncurrent liabilities	119.4	9.3	0.9	-	120.3	9.3	111.0	1193.5%
Total liabilities	\$ 121.3	\$ 11.5	\$ 1.1	\$ 0.3	\$ 122.4	\$ 11.8	\$ 110.6	937.3%
Deferred inflows of resources Subsequent year's property taxes	\$ 4.4	\$ 0.4	\$ -	\$ -	\$ 4.4	\$ 0.4	\$ 4.0	100.0%
Net Position:								
Invested in capital assets, net of related debt	\$ 49.6	\$ 52.7	\$ 6.1	\$ 6.6	\$ 55.7	\$ 59.3	\$ (3.6)	-6.1%
Restricted	9.4	11.6	-	-	9.4	11.6	(2.2)	-19.0%
Unrestricted	(88.0)	2.3	4.6	3.9	(83.4)	6.2	(89.6)	-1445.2%
Total net position	\$ (29.0)	\$ 66.6	\$ 10.7	\$ 10.5	\$ (18.3)	\$ 77.1	\$ (95.4)	-123.7%

Total assets of the City increased from \$89.3 million as of April 30, 2015 to \$92.7 million as of April 30, 2016. This represents a \$3.4 million increase over last year or 3.8%. As you can see from the chart above, there was an increase in current assets and a slight decrease in noncurrent assets/capital assets.

Total liabilities of the City as of April 30, 2016 are up \$110.6 million from last year's \$11.8 million. Of this amount, approximately \$111.4 million represents net pension liability while \$5.4 million represents debt from bond issuances that will be paid over the next 12 years. The City's net position totaled a negative \$29 million, of which \$49.5 million represent the amount that is invested in capital assets, net of related debt.

The largest portion of the City's net position, which last year was \$55.7 million, reflects its investment in capital assets (e.g. land, buildings, machinery, and equipment), less any related debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. The unrestricted net position decrease from \$6.2 million to a negative \$83.4 million. The total net position changed from \$77.1 million to a negative \$18.3 million, which represents a \$95.4 million decrease or -123.7%.

Statement of Activities-Programs-Expenses

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

	Governmental Activities		Business-type Activities		Total		Net change	% change
	2016	2015	2016	2015	2016	2015		
Revenues:								
Program Revenues								
Charges for services	\$ 2.3	\$ 2.3	\$ 6.4	\$ 6.2	\$ 8.7	\$ 8.5	\$ 0.2	2.4%
Operating grants and contributions	2.6	9.0			2.6	9.0	(6.4)	-71.1%
Capital grants and contributions	-	-			-	-	-	0.0%
General revenues:								
Property Taxes	5.2	5.2			5.2	5.2	-	0.0%
Other Taxes	26.0	23.3			26.0	23.3	2.7	11.6%
Grants and contributions not restricted to specific programs							-	0.0%
Other/Transfers	0.9	4.5	0.1	-	1.0	4.5	(3.5)	-77.8%
Total revenues	\$ 37.0	\$ 44.3	\$ 6.5	\$ 6.2	\$ 43.5	\$ 50.5	\$ (7.0)	-13.9%
Expenses:								
General government	\$ 6.4	\$ 7.6			\$ 6.4	\$ 7.6	\$ (1.2)	-15.8%
Public safety	23.5	17.2			23.5	17.2	\$6.3	36.6%
Community development	2.2	3.7			2.2	3.7	(\$1.5)	-40.5%
Public Health and education	0.0	0.0			0.0	0.0	\$0.0	0.0%
Transportation	3.0	3.0			3.0	3.0	\$0.0	0.0%
Streets	5.4	5.8			5.4	5.8	(\$0.4)	-6.9%
Culture and recreation	1.8	1.8			1.8	1.8	\$0.0	0.0%
Interest on long-term debt	0.3	0.5			0.3	0.5	(\$0.2)	-40.0%
Sanitary Sewer Department			3.0	2.3	3.0	2.3	\$0.7	30.4%
Harrison Park			0.4	0.5	0.4	0.5	(\$0.1)	-20.0%
Solid Waste Management			2.6	2.5	2.6	2.5	\$0.1	4.0%
Total expenses	\$ 42.6	\$ 39.6	\$ 6.0	\$ 5.3	\$ 48.6	\$ 44.9	\$ 3.7	8.2%
Change in net position	\$ (5.6)	\$ 4.7	\$ 0.5	\$ 0.9	\$ (5.1)	\$ 5.6	\$ (10.7)	-191.5%

Total Revenue for Governmental Activities for 2016 is \$37.0 million, down \$7.3 million or 16.5% from last year's total of \$44.3 million. Other Taxes are up \$2.7 million or 11.6%, due primarily to the increase in State Sales Tax and Home Rule Tax. Revenue for total Business-type activities for 2016 showed a small change from last year, while total expenses for Business-type activities increased \$700,000 due to failing storm sewers and sewers from two major rain storms.

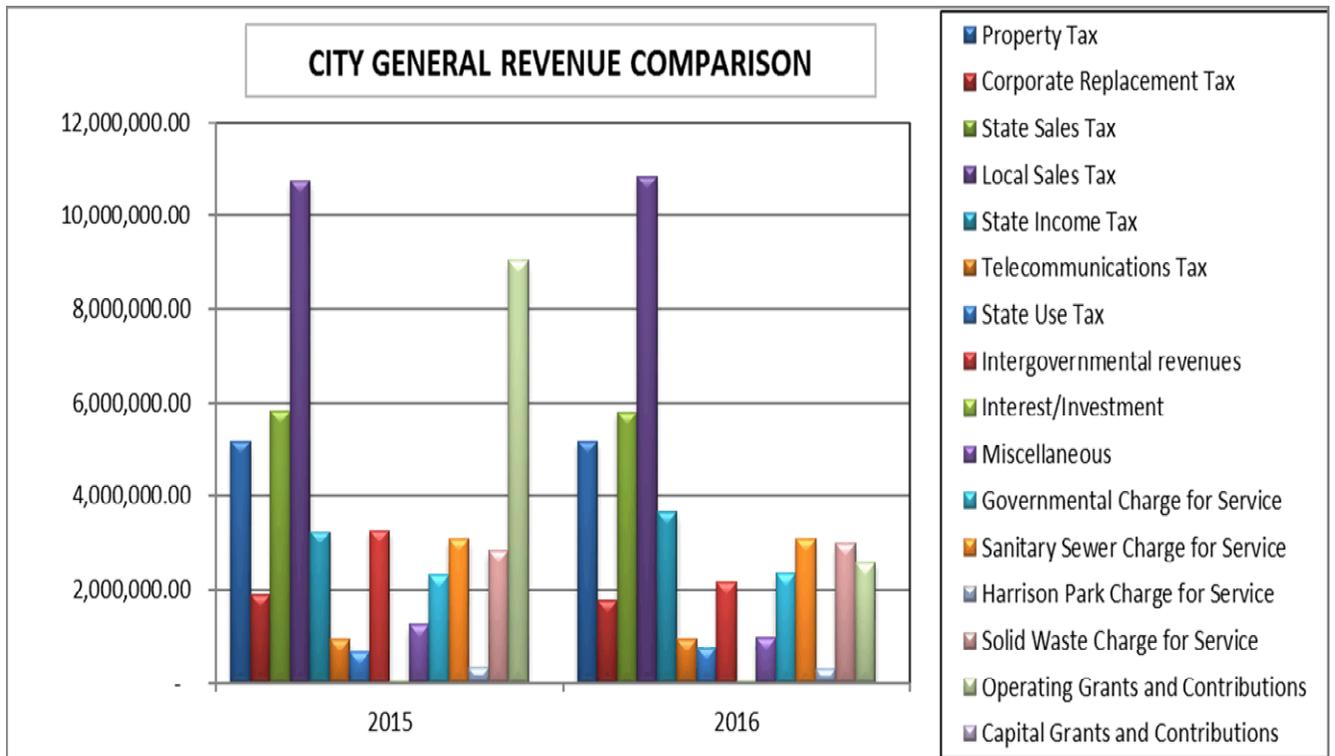
The total Governmental Activities Program expenses show a drastic increase from \$39.6 million for 2015 to \$42.6 million for 2016 or 7.6%. Public Safety showed the largest increase from \$17.2 million in 2015 to \$23.5 million or 36.7% in 2016. A large portion of this increase is due to net pension liability and overtime. Public Health, Transportation and Culture and Recreation each showed very little change in expenses. General Government, Community Development, Streets and Interest on long-term debt all show a decrease. Community Development showed a decrease from \$3.7 to \$2.2 or 40.5% in expenses. Governmental program expenses consist of \$23.5 million for Public Safety, \$6.4 million for General Government Activities, \$5.4 million for Streets, \$ 1.8 million for Culture and Recreation, \$3.0 million for Transportation, \$2.2 million for Community Development, and \$ 0.4 million for Interest on long-term debt. In 2016, Public Health and education (representing work done at the Landfill) had a decrease in expenditure from 2015 to 2016 of \$11,395. Business-type program expenses consist of \$3.0 million for Sanitary Sewer, \$ 0.4 million for Harrison Park and \$2.6 million for Solid Waste funds as shown in the chart above.

In 2016, the Sanitary Sewer had operating revenues in excess of operating expenditures of \$181,088 with operating revenues totaling \$3.1 million and operating expenditures totaling \$2.9 million. Last year the Sanitary Sewer fund had total operating revenues for 2015 of \$3.1 million, equal to this year's \$3.1 million. Total operating expenses of \$2.4 million for 2015 were up approximately \$500,000 to the total in 2016 of \$2.9 million. The Total Net Position for Sanitary Sewer for 2016 is \$8.4 million compared to 2015 total of \$8.3 million, an increase of \$94,885 or approximately 1%, (actual amounts for 2016 are on pages 10).

In 2016, the Solid Waste fund had operating revenue in excess of operating expenditures totaling approximately \$400,000 with total Solid Waste operating revenues at \$3 million and operating expenditures equal to \$2.6 million. Total operating revenues for the Solid Waste fund for 2015 was \$2.9 million and in 2016 the total was \$3 million, an increase of over \$100,000. Total operating expenditures increased \$116,210 from \$2.5 million in 2015 to \$2.6 million in 2016. Total Net Position for the Solid Waste fund for 2016 is \$2.1 million, up \$349,438 over the 2015 total of \$1.7 million or 20.21%, (actual amounts for 2016 are on pages 10).

In 2016, Harrison Park fund had operating revenue in excess of operating expense by \$95,367. In 2015, operating expenditures were in excess of operating revenue by \$15,379. Total operating revenue for Harrison Park was \$493,413 while operating expenditures equaled \$398,046. Revenues and expenses in 2016 show a slight decrease. Total net position for the Harrison Park fund for 2016 of \$228,456 is up compared to 2015 totals of \$144,629 (actual amounts for 2016 are on pages 10).

The chart below shows a comparison of the revenues received ending April 30, 2015 and April 30, 2016, (actual amounts for 2016 are on page 3).



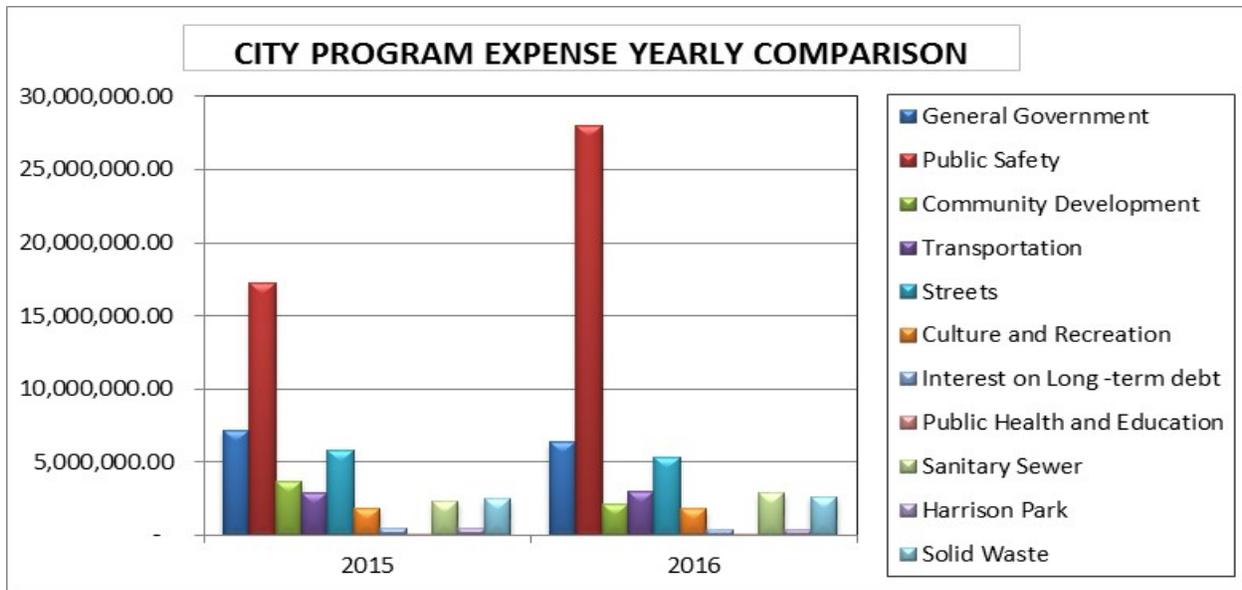
<u>City Revenues</u>	<u>2015</u>	<u>2016</u>	<u>Increase (Decrease)</u>	<u>Percent Change</u>
Property Tax	5,168,613.00	5,178,647.00	10,034.00	0.19%
Corporate Replacement Tax	1,905,628.00	1,763,875.00	(141,753.00)	-7.44%
State Sales Tax	5,810,700.00	5,801,409.00	(9,291.00)	-0.16%
Local Sales Tax	10,746,085.00	10,828,938.00	82,853.00	0.77%
State Income Tax	3,234,486.00	3,670,254.00	435,768.00	13.47%
Telecommunications Tax	939,927.00	941,804.00	1,877.00	0.20%
State Use Tax	672,294.00	777,395.00	105,101.00	15.63%
Intergovernmental revenues	3,265,266.00	2,178,870.00	(1,086,396.00)	-33.27%
Interest/Investment	20,490.00	16,461.00	(4,029.00)	-19.66%
Miscellaneous	1,242,129.00	981,716.00	(260,413.00)	-20.97%
Governmental Charge for Service	2,329,847.00	2,347,254.00	17,407.00	0.75%
Sanitary Sewer Charge for Service	3,071,204.00	3,069,236.00	(1,968.00)	-0.06%
Harrison Park Charge for Service	343,090.00	307,901.00	(35,189.00)	-10.26%
Solid Waste Charge for Service	2,825,254.00	2,980,549.00	155,295.00	5.50%
Operating Grants and Contributions	9,036,709.00	2,575,909.00	(6,460,800.00)	-71.50%
Capital Grants and Contributions	-	-	0.00	0.00%
Total General Revenue	50,611,722.00	43,420,218.00	-7,191,504.00	-14.21%

As with all municipalities, the City of Danville is supported by tax revenues from various sources. Total General 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 \$43.4 million for the year ending April 30, 2016, without the transfer total. This total represents a 14.21% decrease in General revenue over last year's total \$50.6, with the largest decrease falling under Capital Grants and Contributions. Local Sales Tax shows a slight increase of \$82,853, from last year representing a .77% increase. State Sales Tax shows a slight decrease from last year, and Corporation Replacement Tax shows a 7.44% decrease, Telecommunication Tax shows slight increase, and State Use tax shows an increase of 15.63% over last year. As you can see from the chart above, State and Local Sales Tax account for the largest revenue source with 2015 State and Local Sales Tax totaling \$16.5 million, compared to this year's total of \$16.6 million. This represents a .61% increase over last year.

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.

In reviewing expenditures for 2016 from 2015, you will notice that the expenditures have increased by \$3.7 million (or 8.06%) from last year, due to the recording of the activity of the pension plans.

The following graph is a comparison of Program Expenses from fiscal year 2015 to fiscal year 2016 (actual dollar amounts found on page 2):



CITY PROGRAM EXPENSE YEARLY COMPARISON DATA

	<u>2015</u>	<u>2016</u>	<u>Increase (Decrease)</u>	<u>Percent Change</u>
General Government	7,622,668.00	6,457,902.00	(1,164,766.00)	-15.28%
Public Safety	17,204,986.00	23,565,730.00	6,360,744.00	36.97%
Community Development	3,710,682.00	2,232,674.00	(1,478,008.00)	-39.83%
Transportation	2,949,838.00	2,934,175.00	(15,663.00)	-0.53%
Streets	5,767,155.00	5,334,116.00	(433,039.00)	-7.51%
Culture and Recreation	1,867,179.00	1,800,712.00	(66,467.00)	-3.56%
Interest on Long-term debt	478,004.00	290,149.00	(187,855.00)	-39.30%
Public Health and Education	19,194.00	7,799.00	(11,395.00)	-59.37%
Sanitary Sewer	2,362,013.00	2,909,436.00	547,423.00	23.18%
Harrison Park	463,555.00	409,756.00	(53,799.00)	-11.61%
Solid Waste	2,508,988.00	2,632,923.00	123,935.00	4.94%
Total City Program Expenses	44,954,262.00	48,575,372.00	3,621,110.00	8.06%

As you can see from the chart above, public safety shows an increase of 36.97% due to the change in recording pension liabilities. All other city program expenses show a decrease in expenses over a year ago. With the Mayor, Department Heads, City Council, and Administration working together to keep expenses down as much as the economy would allow, the City saw expenses this year at 43.42% lower than 2015 when Public safety is not included.

On a modified accrual basis, this year the revenue exceeded expenditures in the General fund by \$1.6 million compared to last year's \$1.3 million. The General Fund's fund balance at the end of the fiscal year 2016 was \$7.0 million, up \$221,538 from last year's Fund Balance of \$6.7 million as stated on page 7 of the financials.

This year in the Motor Fuel Tax fund (MFT), revenue exceeded expenditures by \$254,418. Total MFT operating revenues for 2016 were \$912,408, while expenditures in MFT were \$657,990. In 2016, you will see a large decrease in operating revenues from \$7 million to \$912,408. This is due to the final recording of the funds received from the Fairchild Overpass Reconstruction. The same thing is true for the expenditures decrease from \$3.8 million in 2015 to \$657,990 (actual numbers are on pages 6 and 7). The MFT fund balance at year end 2015 was \$6.2 million and in 2016 the fund balance increased by \$254,418 to \$6.5 million.

General Fund Budgetary Highlights

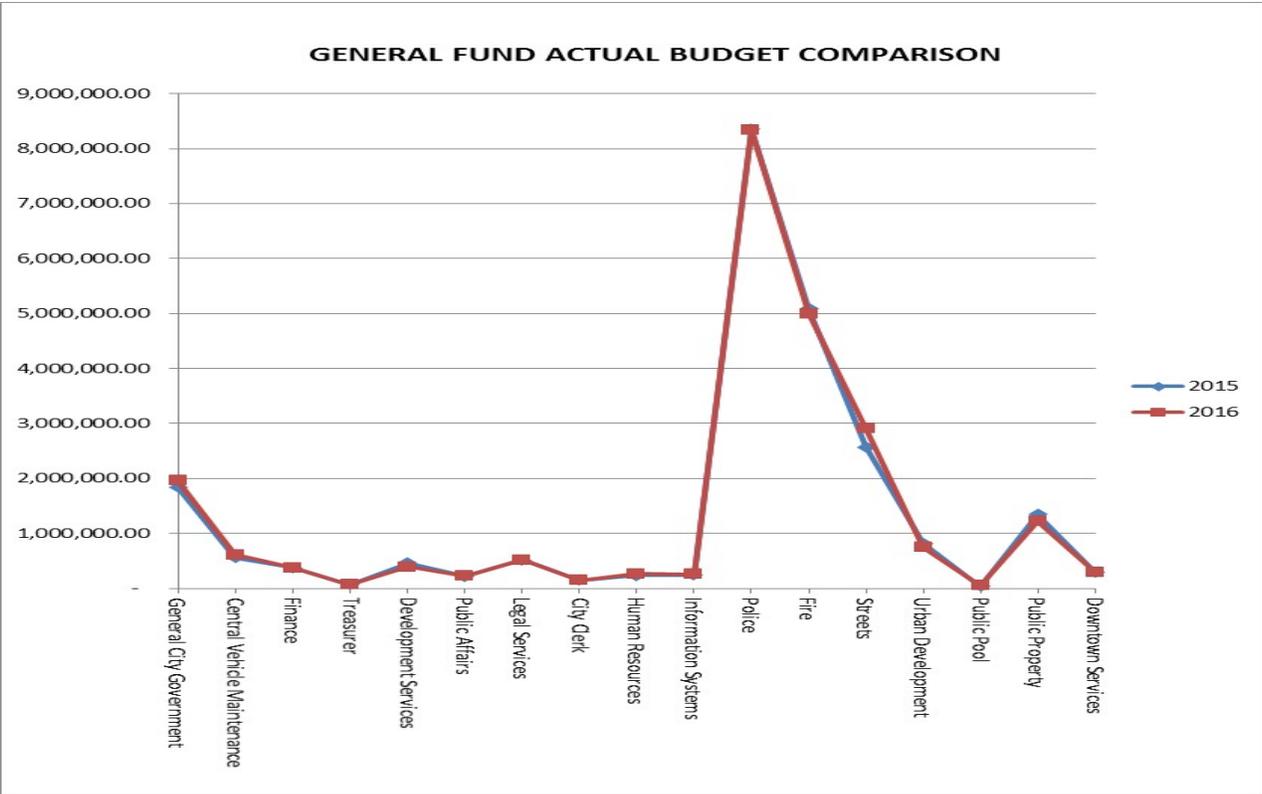
Over the course of the year, the City Council revised the City Budget numerous times, more so this year than prior years due to the change in the budget process. The budget was approved simultaneously with the Tax Levy in December. These budget amendments fall into three categories:

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 when the FY 2015-2016 Budget was passed. These appropriations were to adjust the original budget when departments submitted estimated year-end figures that exceeded current budgeted amounts.

Finally, the budget was amended 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 and shows the General Fund actual budgets for the year ended April 30, 2015 and April 30, 2016, for each division (actual dollar amounts for 2016 are located on page 62):



General Fund Actual Budget Comparison

	<u>2015</u>	<u>2016</u>	<u>Increase (Decrease)</u>	<u>Percent Change</u>
General City Government	1,836,594.00	1,960,190.00	123,596.00	6.730%
Central Vehicle Maintenance	556,362.00	612,651.00	56,289.00	10.117%
Finance	374,800.00	376,030.00	1,230.00	0.328%
Treasurer	69,634.00	67,916.00	(1,718.00)	-2.467%
Environmental Code Enforcement	461,946.00	395,701.00	(66,245.00)	-14.340%
Public Affairs	221,600.00	229,036.00	7,436.00	3.356%
Legal Services	519,282.00	517,191.00	(2,091.00)	-0.403%
City Clerk	145,136.00	150,867.00	5,731.00	3.949%
Human Resources	235,256.00	264,236.00	28,980.00	12.318%
Information Systems	245,697.00	261,781.00	16,084.00	6.546%
Police	8,348,480.00	8,333,761.00	(14,719.00)	-0.176%
Fire	5,088,250.00	4,997,245.00	(91,005.00)	-1.789%
Streets	2,573,150.00	2,910,922.00	337,772.00	13.127%
Urban Development	820,337.00	744,626.00	(75,711.00)	-9.229%
Public Pool	38,908.00	52,722.00	13,814.00	35.504%
Public Property	1,346,863.00	1,218,217.00	(128,646.00)	-9.552%
Downtown Services	295,170.00	295,351.00	181.00	0.061%
Total Actual General Fund Budget	23,177,465.00	23,388,443.00	210,978.00	0.910%

The previous charts and data show the difference in the actual budget for the General Fund from Fiscal Year 2014-15 and the 2015-16 Fiscal Year. Although the Mayor, members of the City Council, and Administrative staff worked diligently to meet the FY 2015-2016 Budget as approved, it became difficult with major increases in overtime in the Fire Division, legal fees associated with negotiations and litigations, materials needed for repairs to public buildings, animal control, emergency storm sewer repairs and personnel expenditures exceeding our projections. Since we had two months in this fiscal year that employees took advantage of the Early Retirement Incentive offered by the City through the Illinois Municipal Retirement Fund (IMRF), the final four employees paying into the IMRF fund who were 50 years old and had a minimum of 20 years of service retired, so their retirement benefits are included in the expenditures.

The chart shows a \$210,978 increase in the General Fund Actual Budget for 2016 compared to 2015. The increase in General City Government was in animal control, billing and collections, and sales tax incentives. The increase in Central Vehicle Maintenance is due to the age of our fleet, and two large engines which needed replaced. Finance, Treasurer, Legal Services and Downtown Services had very little change from last year. Public Affairs had an increase based on an employee changing Health Insurance plans and increase in travel. Environmental Code Enforcement and Urban Services experienced a decrease due to a position remaining vacant, and a change in an employee's health insurance status. Streets Division saw an increase in expenditures due to the occurrence of two major rain storms that caused damage to storm sewers. The increase in Streets would have been greater if the cost of fuel had not decreased. Due to the amount of damage to the storm sewers, and growing concerns on the remaining storm sewers, the City Council authorized the administration to look at a Stormwater Master Plan. The City Clerk Division increase was due in part to a health insurance status change. Human Resources is showing an increase due to Commission expenses associated with probationary police and fire testing. Information Technology shows an increase due to rising costs in telephone service as part of an ongoing dispute. The decrease in the Police Division is due primarily to the decrease in fuel cost. The Fire Division shows a decrease over the prior year, even with the increase in overtime, due to reductions in salaries. The chart also shows a decrease in Public Property due to a decrease in fuel cost and leaving several positions unfilled.

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

Capital Assets

At the end of April 30, 2016, the City had \$133 million invested in a broad range of Capital Assets (\$130million-April 30, 2015), including police and fire equipment, buildings, park facilities, roads, bridges, public works equipment and sewer lines. After accumulated depreciation of \$70.5 million, the total is \$62.6 million down from last year's total of \$64 million.). These figures are derived from the Statement of Net position on page 1 under Non-current Assets.

This fiscal year we had numerous projects underway: Danville Mass Transit Transfer Zone design which is paid for by State and Federal transportation dollars, engineering, and several studies done in the Stormwater Master Plan. We are still in design and development of multiple sewer projects that will require millions of dollars. The City purchased and demolished buildings on West Main Street, the future site of the Riverfront development.

The City made numerous equipment purchases as follows: roof over playground equipment at Winter Park with the assistance of AMBUCS, two Cab and Chassis, one plow with dump and spreaders, aerial truck for Electrician, new roof on the Carnegie Building, and other small equipment as needed. Police Department received a grant for overtime. The City purchased new financial software, Public Stuff (as a means to keep citizens informed), Accela (permits and licensing) and Comodo Security System (anti-spam). The City purchased a much needed sound system for the City Council chambers and extends into the community room for recording purposes.

The City purchased over 90 dilapidated structures through the Vermilion County Tax Sale (breakdown of capital asset activity per fund can be found in Note 5 pages 31-33).

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 (2016 actual numbers can be found on page 1 of the financials):

PRIMARY GOVERNMENT NONCURRENT ASSETS - CAPITAL COMPARISON				
	<u>2015</u>	<u>2016</u>	<u>Increase (Decrease)</u>	<u>Percent Change</u>
Land	6,415,583.00	6,415,583.00	0.00	0.00%
Construction in progress	-	-	0.00	100.00%
Buildings and improvements	35,470,785.00	35,470,785.00	0.00	0.00%
Equipment Infrastructure	26,646,796.00	27,453,387.00	806,591.00	3.03%
Infrastructure	61,490,969.00	63,540,469.00	2,049,500.00	3.33%
Total, at cost	130,024,133.00	132,880,224.00	2,856,091.00	2.20%
Less accumulated depreciation	(66,170,681.00)	(70,492,830.00)	(4,322,149.00)	6.53%
Total non current assets	63,853,452.00	62,387,394.00	(1,466,058.00)	-2.30%

Debt

At April 30, 2016, the City had \$8.5 million in bonds, notes payable, and accrued compensated absences while at the end of April 30, 2015, the City had \$9.8 million in bonds, notes payable and accrued compensated absences. The reduction from April 2015 to April 2016 was due to bond payments during the fiscal year. No new bonds were issued. With a population of 33,027 (2010 Census), total debt per capita for 2016 is \$ 257.35, down \$69.63 or 27.06% from the 2015 total debt per capita of \$327.00. With the declining status of the State of Illinois bond rating, and the reclassification of the City's Unfunded Pension Liability recorded in the Net Position of the City's financials instead of being in the footnotes, the city will need to take immediate steps to show its investors its plan to improve its net position.

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 42-54), however, the City annually consults with an independent actuary to determine the required funding levels and levies taxes accordingly. There are several factors that determine the amount of pension contributions including various investment returns, number and age of all participants in the pension plan, rate of salary increases, and the unfunded portion of the pension fund. This year in addition to the Tax levy contributions, the City contributed \$160,000 to the Fire Pension Fund and \$240,000 to the Police Pension fund. 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 is now accounted for differently in our financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATE

Danville (population 33,027) is primarily a residential community located 3 miles from the Indiana border, 130 miles southwest of Chicago, and located 30 miles east from the University of Illinois in Champaign-Urbana. The City's proximity to Interstate 74 has helped attract the majority of our Southgate and Eastgate industries. The city has 187 centered line miles of roadway and is 17.5 square miles geographically.

With a declining national economy, a history of unacceptable levels of unemployment, decline in the stock market, coupled with the financial condition of the State of Illinois and slight decrease 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. Even with stagnant revenues projected this year we were able to balance 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.

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. This year we recognized that we could not make the City budget's sustainable until we addressed the Police and Fire Pension, and therefore we implemented a plan to put more money into the Police and Fire Pension Funds by changing the Financial Policy to read that funds in excess of our reserve (not allocated to any other debt) would be split 40% to the Police Pension Fund and 60% to the Fire Pension Funds. Also, a decision was made not to allow the Fire Safety fee to sunset on April 30, 2016, as stated in the ordinance, but rather change the name to Public Safety Pension Fee to offset the cost of the pensions as related to the tax levy. 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 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. Impacting expenditures in this fiscal year includes the third year of negotiations with Firefighters. 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, 2016

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Danville Public Library
CURRENT ASSETS				
Cash	\$ 3,564,431	\$ 552,315	\$ 4,116,746	\$ 934,761
Temporary investments	9,583,000	3,709,000	13,292,000	66,941
Receivables	793,615	967,790	1,761,405	327
Taxes receivable	4,466,928	-	4,466,928	1,719,288
Prepaid items	914,465	33,613	948,078	12,002
Internal balances	10,306	(10,306)	-	-
Due from other governments	5,659,554	-	5,659,554	-
Total current assets	<u>24,992,299</u>	<u>5,252,412</u>	<u>30,244,711</u>	<u>2,733,319</u>
NONCURRENT ASSETS				
Receivables	176,236	-	176,236	-
Capital assets not being depreciated:				
Land	6,134,573	281,010	6,415,583	-
Capital assets being depreciated:				
Buildings and improvements	18,309,067	17,161,718	35,470,785	-
Equipment	22,020,688	5,432,699	27,453,387	3,051,148
Infrastructure	63,540,469	-	63,540,469	-
Less accumulated depreciation	<u>53,847,240</u>	<u>16,645,590</u>	<u>70,492,830</u>	<u>2,648,300</u>
Total noncurrent assets	<u>56,333,793</u>	<u>6,229,837</u>	<u>62,563,630</u>	<u>402,848</u>
TOTAL ASSETS	<u>81,326,092</u>	<u>11,482,249</u>	<u>92,808,341</u>	<u>3,136,167</u>
DEFERRED OUTFLOWS OF RESOURCES				
Related to pension liability	<u>15,368,955</u>	<u>396,085</u>	<u>15,765,040</u>	<u>180,038</u>
CURRENT LIABILITIES				
Accounts payable	189,146	51,889	241,035	1,453
Accrued expenses	217,832	118,936	336,768	75,718
Due to other governments	14,278	-	14,278	-
Advance payments	-	32,903	32,903	-
Current portion accumulated vacation and sick days	399,887	24,661	424,548	-
Current portion of long-term notes and bonds	<u>1,052,143</u>	<u>14,785</u>	<u>1,066,928</u>	<u>-</u>
Total current liabilities	<u>1,873,286</u>	<u>243,174</u>	<u>2,116,460</u>	<u>77,171</u>
NONCURRENT LIABILITIES				
Net pension liability	111,412,307	752,417	112,164,724	342,008
Other post-employment benefits	945,871	-	945,871	35,868
Noncurrent portion of accumulated vacation and sick days	1,599,549	99,754	1,699,303	-
Noncurrent portion of long-term notes and bonds	<u>5,420,248</u>	<u>59,841</u>	<u>5,480,089</u>	<u>-</u>
Total noncurrent liabilities	<u>119,377,975</u>	<u>912,012</u>	<u>120,289,987</u>	<u>377,876</u>
Total liabilities	<u>121,251,261</u>	<u>1,155,186</u>	<u>122,406,447</u>	<u>455,047</u>
DEFERRED INFLOWS OF RESOURCES				
Subsequent year's property taxes	<u>4,466,928</u>	<u>-</u>	<u>4,466,928</u>	<u>1,719,288</u>
NET POSITION				
Net investment in capital assets	49,685,166	6,155,211	55,840,377	402,848
Restricted for streets and transportation	6,795,446	-	6,795,446	-
Restricted for debt service	387,377	-	387,377	-
Restricted for community development	1,153,239	-	1,153,239	-
Restricted for public health and education	897,104	-	897,104	-
Restricted for public safety	59,134	-	59,134	-
Restricted for library	-	-	-	101,043
Unrestricted	<u>(88,000,608)</u>	<u>4,567,937</u>	<u>(83,432,671)</u>	<u>637,979</u>
TOTAL NET POSITION	<u>\$ (29,023,142)</u>	<u>\$ 10,723,148</u>	<u>\$ (18,299,994)</u>	<u>\$ 1,141,870</u>

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

CITY OF DANVILLE, ILLINOIS
STATEMENT OF ACTIVITIES
Year Ended April 30, 2016

	<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	\$ 6,576,149	\$ 1,291,764	\$ -	\$ -	\$ (5,284,385)	\$ -	\$ (5,284,385)	\$ -
Public safety	23,565,730	519,865	2,125	-	(23,043,740)	-	(23,043,740)	-
Community development	2,232,674	-	839,664	-	(1,393,010)	-	(1,393,010)	-
Public health and education	7,799	-	-	-	(7,799)	-	(7,799)	-
Transportation	2,934,175	347,870	1,734,120	-	(852,185)	-	(852,185)	-
Streets	5,334,116	-	-	-	(5,334,116)	-	(5,334,116)	-
Culture and recreation	1,800,712	187,755	-	-	(1,612,957)	-	(1,612,957)	-
Interest on long-term debt	171,902	-	-	-	(171,902)	-	(171,902)	-
Total governmental activities	<u>42,623,257</u>	<u>2,347,254</u>	<u>2,575,909</u>	<u>-</u>	<u>(37,700,094)</u>	<u>-</u>	<u>(37,700,094)</u>	<u>-</u>
Business-type activities:								
Sanitary Sewer Department	2,909,436	3,069,263	-	-	-	159,827	159,827	-
Harrison Park	409,756	307,901	-	-	-	(101,855)	(101,855)	-
Solid Waste Management	2,632,923	2,980,549	-	-	-	347,626	347,626	-
Total business-type activities	<u>5,952,115</u>	<u>6,357,713</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>405,598</u>	<u>405,598</u>	<u>-</u>
Component Unit:								
Danville Public Library	<u>1,799,679</u>	<u>40,943</u>	<u>-</u>	<u>52,570</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,706,166)</u>
TOTAL	<u>\$ 50,375,051</u>	<u>\$ 8,745,910</u>	<u>\$ 2,575,909</u>	<u>\$ 52,570</u>	<u>(37,700,094)</u>	<u>405,598</u>	<u>(37,294,496)</u>	<u>(1,706,166)</u>

General Revenues:

Property taxes	\$ 5,178,647	\$ -	\$ 5,178,647	\$ 1,655,943
Corporate personal property replacement taxes	1,763,875	-	1,763,875	-
State sales taxes	5,801,409	-	5,801,409	-
Local sales tax	10,828,938	-	10,828,938	-
State income tax allocation	3,670,254	-	3,670,254	-
Telecommunication tax	941,804	-	941,804	-
State use tax	777,395	-	777,395	-
Intergovernmental revenues	2,178,870	-	2,178,870	-
Interest/investment income	-	16,461	16,461	1,505
Loss on disposal of assets	-	-	-	-
Miscellaneous	719,397	262,319	981,716	19,197
Transfers	156,228	(156,228)	-	-
	<u>32,016,817</u>	<u>122,552</u>	<u>32,139,369</u>	<u>1,676,645</u>
Total general revenues and transfers				
Change in net position	(5,683,277)	528,150	(5,155,127)	(29,521)
NET POSITION - BEGINNING OF YEAR, AS RESTATED	<u>(23,339,865)</u>	<u>10,194,998</u>	<u>(13,144,867)</u>	<u>1,171,391</u>
NET POSITION - END OF YEAR	<u>\$ (29,023,142)</u>	<u>\$ 10,723,148</u>	<u>\$ (18,299,994)</u>	<u>\$ 1,141,870</u>

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

CITY OF DANVILLE, ILLINOIS
BALANCE SHEET
GOVERNMENTAL FUNDS
April 30, 2016

	<u>General Fund</u>	<u>Motor Fuel Tax</u>	<u>Danville Mass Transit</u>	<u>Bond and Interest</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS						
Cash	\$ 1,929,467	\$ 192,017	\$ 8,453	\$ 45,088	\$ 1,143,556	\$ 3,318,581
Temporary investments	32,000	6,282,000	-	-	3,269,000	9,583,000
Receivables:						
Taxes, net of allowance for estimated uncollectibles	239,860	-	-	-	4,227,068	4,466,928
Other - current	541,837	-	-	-	237,461	779,298
Other - noncurrent	-	-	-	-	176,236	176,236
Prepaid items	841,910	-	72,555	-	-	914,465
Due from other funds	417,983	-	-	-	-	417,983
Due from other governments	5,073,094	75,163	222,454	-	288,843	5,659,554
TOTAL ASSETS	\$ 9,076,151	\$ 6,549,180	\$ 303,462	\$ 45,088	\$ 9,342,164	\$ 25,316,045
LIABILITIES						
Accounts payable	\$ 61,631	\$ -	\$ -	\$ -	\$ 127,515	\$ 189,146
Accrued expenses	103,528	-	5,632	-	3,576	112,736
Unearned revenue	-	-	-	-	-	-
Due to other funds	-	78,000	286,112	-	43,094	407,206
Due to other governments	2,560	-	11,718	-	-	14,278
Total liabilities	167,719	78,000	303,462	-	174,185	723,366
DEFERRED INFLOWS OF RESOURCES						
Unavailable revenue	1,745,486	-	-	-	85,000	1,830,486
Subsequent year's property taxes	239,860	-	-	-	4,227,068	4,466,928
Total deferred inflows of resources	1,985,346	-	-	-	4,312,068	6,297,414
FUND BALANCE						
Nonspendable:						
Prepays	841,910	-	72,555	-	-	914,465
Noncurrent receivables	246,112	-	-	-	-	246,112
Restricted:						
Retirement	-	-	-	-	-	-
Public health and education	-	-	-	-	897,104	897,104
Public safety	-	-	-	-	59,134	59,134
Community development	-	-	-	-	1,153,239	1,153,239
Transportation	-	-	-	-	50,328	50,328
Streets	-	6,471,180	-	-	273,938	6,745,118
Debt service	-	-	-	45,088	447,385	492,473
Committed:						
Community development	-	-	-	-	51,573	51,573
Capital projects	-	-	-	-	1,321,976	1,321,976
Assigned:						
General and administrative	471,042	-	-	-	-	471,042
Capital projects	-	-	-	-	540,582	540,582
Unassigned	5,364,022	-	(72,555)	-	60,652	5,352,119
Total fund balance	6,923,086	6,471,180	-	45,088	4,855,911	18,295,265
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	\$ 9,076,151	\$ 6,549,180	\$ 303,462	\$ 45,088	\$ 9,342,164	\$ 25,316,045

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, 2016

FUND BALANCES - TOTAL GOVERNMENTAL FUNDS		\$ 18,295,265
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.		56,157,557
Property tax collections and other tax revenues are not available to pay for current-period expenditures and therefore are reported as deferred inflows of resources in the funds.		1,830,486
Deferred outflows of resources related to pensions are applicable to future periods; therefore, they are not reported in the funds		15,368,955
Internal service fund is used by management to charge the costs of health insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net position.		259,696
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	(1,999,436)	
Net pension liabilities	(111,412,307)	
Post-employment benefits	(945,871)	
Bonds payable	(6,250,000)	
Accrued interest	(105,096)	
Notes payable	(222,391)	
Total long-term liabilities	(120,935,101)	(120,935,101)
Net position of governmental activities		\$ <u>(29,023,142)</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, 2016

	<u>General Fund</u>	<u>Motor Fuel Tax</u>	<u>Danville Mass Transit</u>	<u>Bond and Interest</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES						
Taxes	\$ 1,338,134	\$ -	\$ -	\$ -	\$ 5,960,105	\$ 7,298,239
Intergovernmental	21,049,972	887,715	2,301,841	-	1,993,848	26,233,376
Licenses and permits	866,635	-	-	-	-	866,635
Charges for services	644,045	-	347,870	-	6,777	998,692
Fines and forfeits	481,927	-	-	-	-	481,927
Miscellaneous	643,896	24,693	19,628	240	30,940	719,397
Total revenues	<u>25,024,609</u>	<u>912,408</u>	<u>2,669,339</u>	<u>240</u>	<u>7,991,670</u>	<u>36,598,266</u>
EXPENDITURES						
Current:						
General government	5,547,234	-	-	-	-	5,547,234
Public safety	13,296,702	-	-	-	4,599,476	17,896,178
Community development	-	-	-	-	2,232,674	2,232,674
Public health and education	-	-	-	-	7,799	7,799
Transportation	-	-	2,674,941	-	-	2,674,941
Streets	2,666,904	75,895	-	-	-	2,742,799
Culture and recreation	1,546,685	-	-	-	-	1,546,685
Capital outlay	326,929	582,095	52,289	-	1,824,457	2,785,770
Debt service:						
Principal	-	-	-	425,000	806,516	1,231,516
Interest	-	-	-	16,966	168,087	185,053
Total expenditures	<u>23,384,454</u>	<u>657,990</u>	<u>2,727,230</u>	<u>441,966</u>	<u>9,639,009</u>	<u>36,850,649</u>
Excess (deficiency) of revenues over expenditures	<u>1,640,155</u>	<u>254,418</u>	<u>(57,891)</u>	<u>(441,726)</u>	<u>(1,647,339)</u>	<u>(252,383)</u>

	<u>General Fund</u>	<u>Motor Fuel Tax</u>	<u>Danville Mass Transit</u>	<u>Bond and Interest</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	40,000	-	57,891	451,401	1,266,336	1,815,628
Transfers out	<u>(1,458,617)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(200,783)</u>	<u>(1,659,400)</u>
 Total other financing sources (uses)	<u>(1,418,617)</u>	<u>-</u>	<u>57,891</u>	<u>451,401</u>	<u>1,065,553</u>	<u>156,228</u>
 Net change in fund balance	221,538	254,418	-	9,675	(581,786)	(96,155)
 FUND BALANCE, BEGINNING OF YEAR	<u>6,701,548</u>	<u>6,216,762</u>	<u>-</u>	<u>35,413</u>	<u>5,437,697</u>	<u>18,391,420</u>
 FUND BALANCE, END OF YEAR	<u>\$ 6,923,086</u>	<u>\$ 6,471,180</u>	<u>\$ -</u>	<u>\$ 45,088</u>	<u>\$ 4,855,911</u>	<u>\$ 18,295,265</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, 2016**

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS \$ (96,155)

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. 185,486

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	\$ 2,785,770	
Depreciation expense	<u>(3,823,321)</u>	(1,037,551)

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

Principal repayments		1,231,516
Accrued interest		13,151

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	(82,223)
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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. (5,874,226)

Internal service funds are used by management to charge the costs of insurance to individual funds. The net expenditure of internal service funds is reported with governmental activities (23,275)

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES **\$ (5,683,277)**

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

CITY OF DANVILLE, ILLINOIS
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
April 30, 2016

	Business-Type Activities Enterprise Funds			Total	Governmental Activities - Internal Service
	Sanitary Sewer Department	Harrison Park	Solid Waste Management		Health Insurance Fund
CURRENT ASSETS					
Cash	\$ 404,975	\$ 28,390	\$ 118,950	\$ 552,315	\$ 245,850
Temporary investments	2,320,000	-	1,389,000	3,709,000	-
Receivables, net	534,865	718	432,207	967,790	14,317
Due from other funds	-	-	992	992	-
Prepaid items	13,991	2,824	16,798	33,613	-
Total current assets	<u>3,273,831</u>	<u>31,932</u>	<u>1,957,947</u>	<u>5,263,710</u>	<u>260,167</u>
NONCURRENT ASSETS					
Land	10,200	196,665	74,145	281,010	-
Buildings and improvements	16,339,263	822,455	-	17,161,718	-
Equipment	2,087,561	647,698	2,697,440	5,432,699	-
Total, at cost	18,437,024	1,666,818	2,771,585	22,875,427	-
Less accumulated depreciation	12,960,972	1,307,349	2,377,269	16,645,590	-
Total noncurrent assets	<u>5,476,052</u>	<u>359,469</u>	<u>394,316</u>	<u>6,229,837</u>	<u>-</u>
TOTAL ASSETS	<u>8,749,883</u>	<u>391,401</u>	<u>2,352,263</u>	<u>11,493,547</u>	<u>260,167</u>
DEFERRED OUTFLOWS OF RESOURCES					
Deferred amount related to pensions	180,038	36,008	180,039	396,085	-
CURRENT LIABILITIES					
Accounts payable	-	-	51,889	51,889	-
Accrued payroll and other expenses	114,021	1,155	3,760	118,936	-
Accumulated vacation and sick days	10,901	2,374	11,386	24,661	-
Due to other funds	1,298	10,000	-	11,298	471
Advance payments	-	32,903	-	32,903	-
Notes payable, current portion	-	14,785	-	14,785	-
Total current liabilities	<u>126,220</u>	<u>61,217</u>	<u>67,035</u>	<u>254,472</u>	<u>471</u>
LONG-TERM LIABILITIES					
Net pension liability	342,008	68,401	342,008	752,417	-
Accumulated vacation and sick days	44,718	9,494	45,542	99,754	-
Notes payable, less current portion	-	59,841	-	59,841	-
Total long-term liabilities	<u>386,726</u>	<u>137,736</u>	<u>387,550</u>	<u>912,012</u>	<u>-</u>
TOTAL LIABILITIES	<u>512,946</u>	<u>198,953</u>	<u>454,585</u>	<u>1,166,484</u>	<u>471</u>
NET POSITION					
Net investment in capital assets	5,476,052	284,843	394,316	6,155,211	-
Unrestricted	2,940,923	(56,387)	1,683,401	4,567,937	259,696
Total net position	<u>\$ 8,416,975</u>	<u>\$ 228,456</u>	<u>\$ 2,077,717</u>	<u>\$ 10,723,148</u>	<u>\$ 259,696</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, 2016

	Business-Type Activities Enterprise Funds			Total	Governmental Activities - Internal Service Health Insurance Fund
	Sanitary Sewer Department	Harrison Park	Solid Waste Management		
OPERATING REVENUES					
Charges for services	\$ 3,069,263	\$ 307,901	\$ 2,980,549	\$ 6,357,713	\$ 4,581,660
Miscellaneous	21,261	185,512	55,546	262,319	-
Total operating revenues	<u>3,090,524</u>	<u>493,413</u>	<u>3,036,095</u>	<u>6,620,032</u>	<u>4,581,660</u>
OPERATING EXPENSES					
Personnel services	1,215,823	204,877	1,335,111	2,755,811	4,605,096
Supplies and materials	279,171	71,639	196,250	547,060	-
Other services and charges	100,822	20,029	150,698	271,549	-
Contractual services	825,332	32,790	812,694	1,670,816	-
Capital outlay	26,799	8,660	-	35,459	-
Depreciation	461,489	60,051	138,170	659,710	-
Total operating expenses	<u>2,909,436</u>	<u>398,046</u>	<u>2,632,923</u>	<u>5,940,405</u>	<u>4,605,096</u>
Operating income (loss)	<u>181,088</u>	<u>95,367</u>	<u>403,172</u>	<u>679,627</u>	<u>(23,436)</u>
NON-OPERATING REVENUES (EXPENSES)					
Interest income	11,071	170	5,220	16,461	161
Interest expense	-	(11,710)	-	(11,710)	-
Total non-operating revenues (expenses)	<u>11,071</u>	<u>(11,540)</u>	<u>5,220</u>	<u>4,751</u>	<u>161</u>
Income (loss) before transfers	<u>192,159</u>	<u>83,827</u>	<u>408,392</u>	<u>684,378</u>	<u>(23,275)</u>
TRANSFERS					
Transfers out	(97,274)	-	(58,954)	(156,228)	-
CHANGE IN NET POSITION	<u>94,885</u>	<u>83,827</u>	<u>349,438</u>	<u>528,150</u>	<u>(23,275)</u>
TOTAL NET POSITION, BEGINNING OF YEAR, AS RESTATED	<u>8,322,090</u>	<u>144,629</u>	<u>1,728,279</u>	<u>10,194,998</u>	<u>282,971</u>
TOTAL NET POSITION, END OF YEAR	<u>\$ 8,416,975</u>	<u>\$ 228,456</u>	<u>\$ 2,077,717</u>	<u>\$ 10,723,148</u>	<u>\$ 259,696</u>

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

CITY OF DANVILLE, ILLINOIS
STATEMENT OF CASH FLOWS
PROPRIETARY FUND TYPES
Year Ended April 30, 2016

	<u>Sanitary Sewer Department</u>	<u>Harrison Park</u>	<u>Solid Waste Management</u>	<u>Total</u>	<u>Governmental Activities - Internal Service Health Insurance Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash received from customers including cash deposits	\$ 2,970,307	\$ 502,014	\$ 3,017,453	\$ 6,489,774	\$ 4,586,117
Cash paid to suppliers and for claims	(1,232,124)	(133,505)	(1,114,854)	(2,480,483)	(4,605,096)
Cash paid to employees	(1,193,232)	(199,533)	(1,297,225)	(2,689,990)	(13)
Net cash provided by (used in) operating activities	<u>544,951</u>	<u>168,976</u>	<u>605,374</u>	<u>1,319,301</u>	<u>(18,992)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Cash transfers to other funds	<u>(97,274)</u>	<u>-</u>	<u>(58,954)</u>	<u>(156,228)</u>	<u>-</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Principal payments on notes payable	-	(57,116)	-	(57,116)	-
Proceeds from notes payable	-	74,626	-	74,626	-
Interest paid on notes payable	-	(11,710)	-	(11,710)	-
Purchase of property and equipment	(16,662)	(148,174)	(66,367)	(231,203)	-
Net cash used in capital and related financing activities	<u>(16,662)</u>	<u>(142,374)</u>	<u>(66,367)</u>	<u>(225,403)</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchases of investments	(2,320,000)	-	(1,389,000)	(3,709,000)	-
Interest received	11,071	170	5,220	16,461	161
Proceeds from sale of investments	2,270,000	-	998,000	3,268,000	264,000.00
Net cash provided by (used in) investing activities	<u>(38,929)</u>	<u>170</u>	<u>(385,780)</u>	<u>(424,539)</u>	<u>264,161</u>
NET INCREASE IN CASH	392,086	26,772	94,273	513,131	245,169
CASH, BEGINNING OF YEAR	<u>12,889</u>	<u>1,618</u>	<u>24,677</u>	<u>39,184</u>	<u>681</u>
CASH, END OF YEAR	<u>\$ 404,975</u>	<u>\$ 28,390</u>	<u>\$ 118,950</u>	<u>\$ 552,315</u>	<u>\$ 245,850</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)	\$ 181,088	\$ 95,367	\$ 403,172	\$ 679,627	\$ (23,436)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:					
Depreciation	461,489	60,051	138,170	659,710	-
Effects of changes in operating assets and liabilities:					
Receivables	(107,310)	-	(18,642)	(125,952)	4,457
Accounts payable and accrued payroll	(12,907)	(5,682)	47,675	29,086	-
Other current liabilities	(12,408)	(1,655)	-	(14,063)	-
Net pension liability and deferred outflows of resources	34,999	6,999	34,999	76,997	-
Advance payments	-	3,896	-	3,896	-
Due to other funds	-	10,000	-	10,000	(13)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>\$ 544,951</u>	<u>\$ 168,976</u>	<u>\$ 605,374</u>	<u>\$ 1,319,301</u>	<u>\$ (18,992)</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, 2016

	<u>Pension Trust Funds</u>	<u>Agency Funds</u>	<u>Total</u>
ASSETS			
Cash	\$ 2,391,047	\$ 218,841	\$ 2,609,888
Investments:			
Certificates of deposit	-	149,000	149,000
Treasury notes	2,173,917	-	2,173,917
US government agencies	3,673,250	-	3,673,250
Bonds	4,743,232	-	4,743,232
Mutual funds	13,203,300	-	13,203,300
Receivables:			
Accounts	-	68,942	68,942
Accrued interest	67,079	-	67,079
TOTAL ASSETS	<u>26,251,825</u>	<u>436,783</u>	<u>26,688,608</u>
LIABILITIES			
Accounts payable	-	149,957	149,957
Due to others	-	286,826	286,826
Total liabilities	<u>-</u>	<u>436,783</u>	<u>436,783</u>
NET POSITION			
Held in trust for pension benefits	<u>\$ 26,251,825</u>	<u>\$ -</u>	<u>\$ 26,251,825</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, 2016

ADDITIONS

Contributions

Employer	\$ 4,423,328
Plan members	<u>703,016</u>
Total contributions	<u>5,126,344</u>

Investment income

Net appreciation in fair value of investments	(869,314)
Interest and dividends	<u>570,969</u>
Total investment income	(298,345)
Less investment expense	<u>112,061</u>
Net investment income	<u>(410,406)</u>

Total additions	<u>4,715,938</u>
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DEDUCTIONS

Benefits	6,493,527
Administrative expense	<u>82,409</u>
Total deductions	<u>6,575,936</u>

CHANGE IN NET POSITION	(1,859,998)
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NET POSITION HELD IN TRUST FOR PENSION BENEFITS, BEGINNING OF YEAR, AS RESTATED	<u>28,111,823</u>
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NET POSITION HELD IN TRUST FOR PENSION BENEFITS, END OF YEAR	<u>\$ 26,251,825</u>
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The accompanying notes are an integral part of the financial statements.

CITY OF DANVILLE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2016

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

Blended Component Units

The City of Danville Police Pension Fund is a separate entity, governed by a five-member board including representatives of the City. The City of Danville Firefighters' Pension Fund is also a separate entity, governed by a five-member board, including representatives of the City. The Pension Funds are recorded as if they were part of the City's operations because they exclusively benefit the primary government. Separate financial statements are not provided.

CITY OF DANVILLE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2016

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, 2016

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, except property taxes, 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, 2016

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.

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, 2016

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, 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, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

TEMPORARY INVESTMENTS

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

FIDUCIARY FUND INVESTMENTS

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

RECEIVABLES

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

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

PREPAID ITEMS

The City's liability insurance is for coverage on a calendar year. The City makes 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, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

CAPITAL ASSETS (Continued)

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

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

IMPAIRMENT OF LONG-LIVED ASSETS

In accordance with GASB Statement, "Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries," management evaluates prominent events or changes in circumstances affecting capital assets to determine whether impairment of a capital asset has occurred. A capital asset is generally considered impaired if both (a) the decline in service utility of the capital asset is large in magnitude and (b) the event or change in circumstance is outside the normal life cycle of the capital asset. No impairment losses were recognized in the year ended April 30, 2016.

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, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

ACCUMULATED UNPAID VACATION AND SICK PAY

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

City employees may accumulate sick days as follows:

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

DEFERRED OUTFLOWS OF RESOURCES

The City would report decreases in net position or fund equity that relate to future periods as deferred outflows of resources in a separate section of its government-wide and proprietary funds statement of net position or governmental fund balance sheet. 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.

PENSIONS

For purposes of measuring the net pension liability, deferred outflows 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, 2016

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 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, 2016

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, 2016 was \$2.083 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, 2016 an allowance for uncollectible real property taxes equivalent to 1 percent of the current year's levy. The billings are considered delinquent if not paid within 30 days of their due date, at which time 1 ½% interest will be charged to the delinquent amount per month.

CITY OF DANVILLE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2016

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 2016 totaled \$1,596,150 and \$2,832,843 for the General Fund and the Mass Transit District Fund, respectively.
5. Legally adopted budgets is employed as a management control device during the year for all funds of the City other than State and Federal Grant Special Revenue Funds which employ project oriented budget control procedures.
6. Budgets for the City, except for the Library, are not prepared in accordance with generally accepted accounting principles (GAAP). Revenues are budgeted on the cash basis of accounting and expenditures are budgeted using the cash plus encumbrance basis of accounting. Budgetary comparisons in this report are presented on this non-GAAP basis for the City, except for the Library, which uses the modified accrual basis for its budget.

CITY OF DANVILLE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2016

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, 2016, the carrying amount of the City's (primary government) bank deposits including certificates of deposit was \$17,774,358 and the bank balance was \$18,295,112. Included in the carrying amounts are certificates of deposit totaling \$2,000,000 and money market deposits of \$11,441,000. The component unit, Danville Public Library, had a carrying amount of deposits of \$934,791 and the bank balance was \$982,396. The Police and Fire Funds had a carrying amount of deposits of \$2,391,047 and the bank balance was \$2,424,367.

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, 2016 the City's deposits were fully insured or collateralized.

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

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

CITY OF DANVILLE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2016

NOTE 2 - CASH AND INVESTMENTS (CONTINUED)

The time deposits are collateralized 110% over the FDIC \$250,000 insurance limit with U.S. Treasury obligations and marked to market on a weekly basis to maintain sufficiency. The repurchase agreements are collateralized at 102% with U.S. Treasury obligations and the collateral is checked daily to determine sufficiency. Deposits in the Illinois Funds totaled \$2,229 for the primary government and \$66,941 for the component unit at April 30, 2016.

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

Pension Funds

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

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

As of April 30, 2016, the Pension Funds had the following investments:

Investment Type	Fair Value	Less Than 1 Year	1 – 5 Years	6 – 10 Years	More Than 10 Years
Treasury notes	\$ 2,173,917	\$ -	\$ 400,480	\$ 1,773,437	\$ -
U.S. government agencies	3,673,250	-	524,283	1,732,450	1,416,517
Mutual funds	13,203,300	-	13,203,300		-
Bonds	<u>4,743,232</u>	<u>-</u>	<u>3,308,578</u>	<u>1,434,654</u>	<u>-</u>
Total	<u>\$ 23,793,699</u>	<u>\$ -</u>	<u>\$ 17,436,641</u>	<u>\$ 4,940,541</u>	<u>\$ 1,416,517</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, 2016, the Boards did not invest over 5 percent of its assets in any one issuer. Treasury notes and U.S. Government agencies were rated Aaa, and bonds were rated Aa1 to Baa.

CITY OF DANVILLE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2016

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, 2016</u>
Heartland Center	Monthly payments of \$833 no interest	\$ 60,124
Peter Blackmon Façade Loan	Monthly payments of \$389 including interest of 4.750%	48,679
Danville Renaissance Enterprises, LLC	Monthly payments of \$573 including interest of 2%	22,284
Sharon Joyner	Monthly payments of \$125 no interest	2,400
Rich's Deluxe Family Restaurant	Monthly payments of \$575 including interest of 2%	24,369
Shirley Smith	Monthly payments of \$50 no interest	855
Café 13 Carla Cahill	Monthly payments of \$192 including interest of 2%	13,141

CITY OF DANVILLE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2016

NOTE 3 - OTHER RECEIVABLES (CONTINUED)

<u>Payee</u>	<u>Terms</u>	<u>Balance</u> <u>April 30, 2016</u>
Daniel Duncheon	Monthly payments of \$216 including interest of 2%	\$ 17,582
S&N Enterprises LLC	Monthly payments of \$345 including interest of 2%	13,474
Donna Anderson	Monthly payments of \$73 no interest	2,420
Newton Cleaning	Monthly payments of \$453 including interest of 3.25%	7,422
Myra Hardimon	Monthly payments of \$103 no interest	5,842
A.D. Patton	Monthly payments of \$79 no interest	2,593
Erma Williams	Monthly payments of \$85 no interest	540
Juanita & Nathaniel Smalls	Monthly payments of \$75 no interest	<u>1,400</u>
Total		<u>\$ 223,125</u>

The due dates for the other receivables above, range from 2016 to 2018. Several notes listed above have passed their due dates, with no formal extension dates. However, payments are being received on a regular basis and, therefore, are expected to be fully collected.

These notes receivables are recorded in the following funds:

	<u>Total</u>	<u>Due Within</u> <u>One Year</u>
Small Business Loan Fund	\$ 207,075	\$ 40,300
Housing Loan Fund	<u>16,050</u>	<u>6,589</u>
Total	<u>\$ 223,125</u>	<u>\$ 46,889</u>

CITY OF DANVILLE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2016

NOTE 4 - INTERFUND ACCOUNTS

Individual fund interfund receivables and payables (due to/due from other funds) at April 30, 2016 were as follows:

	<u>Receivable</u>	<u>Payable</u>
Primary Government:		
General Fund	\$ 417,983	\$ -
Motor Fuel Tax	-	78,000
Danville Mass Transit	-	286,112
Non-Major Governmental Funds		
CDBG	-	14,924
DATS Program	-	24,511
Capital Fund	-	3,659
Total Non-Major Governmental Funds	-	43,094
Business-Type Activities		
Solid Waste Management	992	-
Harrison Park	-	10,000
Sewer Fund	-	1,298
Total Business-Type Activities	992	11,298
Internal Service Funds		
Health Insurance Department	-	471
Total	<u>\$ 418,975</u>	<u>\$ 418,975</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, 2016 consisted of the following:

Transfer to General Fund from:	
Non-major Governmental Funds	<u>\$ 40,000</u>
Transfer to Bond and Interest Fund from:	
Sanitary Sewer Fund	<u>\$ 48,146</u>
Transfer to Bond and Interest Fund from:	
General Fund	<u>\$ 403,255</u>
Transfer to Non-major Governmental Fund from:	
Non-major Governmental Funds	<u>\$ 160,783</u>
Transfer to Danville Mass Transit Fund from:	
General Fund	<u>\$ 57,891</u>
Transfer to Non-major Governmental Funds from:	
General Fund	<u>\$ 997,471</u>
Transfer to Non-major Governmental Funds from:	
Sanitary Sewer Fund	<u>\$ 49,128</u>
Transfer to Non-major Governmental Funds from:	
Solid Waste Management Fund	<u>\$ 58,954</u>

CITY OF DANVILLE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2016

NOTE 4 - INTERFUND ACCOUNTS (CONTINUED)

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

NOTE 5 - CAPITAL ASSETS

Capital asset activity for the year ending April 30, 2016 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
Capital assets being depreciated:				
Buildings	18,309,067	-	-	18,309,067
Equipment	21,445,300	736,270	160,882	22,020,688
Infrastructure	61,490,969	2,049,500	-	63,540,469
	<u>101,245,336</u>	<u>2,785,770</u>	<u>160,882</u>	<u>103,870,224</u>
Less accumulated depreciation	<u>50,184,801</u>	<u>3,823,321</u>	<u>160,882</u>	<u>53,847,240</u>
	<u>51,060,535</u>	<u>(1,037,551)</u>	<u>-</u>	<u>50,022,984</u>
Total	<u>\$57,195,108</u>	<u>\$ (1,037,551)</u>	<u>\$ -</u>	<u>\$56,157,557</u>

CITY OF DANVILLE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2016

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	-	-	16,339,263
Equipment	<u>2,070,899</u>	<u>16,662</u>	<u>-</u>	<u>2,087,561</u>
	18,410,162	16,662	-	18,426,824
Less accumulated depreciation	<u>12,499,483</u>	<u>461,489</u>	<u>-</u>	<u>12,960,972</u>
	<u>5,910,679</u>	<u>(444,827)</u>	<u>-</u>	<u>5,465,852</u>
Total	<u>5,920,879</u>	<u>(444,827)</u>	<u>-</u>	<u>5,476,052</u>

Harrison Park

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Capital assets not being depreciated:				
Land	\$ 196,665	\$ -	\$ -	\$ 196,665
Capital assets being depreciated:				
Buildings and improvements	822,455	-	-	822,455
Equipment	<u>499,524</u>	<u>148,174</u>	<u>-</u>	<u>647,698</u>
	1,321,979	148,174	-	1,470,153
Less accumulated depreciation	<u>1,247,298</u>	<u>60,051</u>	<u>-</u>	<u>1,307,349</u>
	<u>74,681</u>	<u>88,123</u>	<u>-</u>	<u>162,804</u>
Total	<u>271,346</u>	<u>88,123</u>	<u>-</u>	<u>359,469</u>

CITY OF DANVILLE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2016

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	2,631,073	66,367	-	2,697,440
Less accumulated depreciation	<u>2,239,099</u>	<u>138,170</u>	<u>-</u>	<u>2,377,269</u>
	<u>391,974</u>	<u>(71,803)</u>	<u>-</u>	<u>320,171</u>
Total	<u>466,119</u>	<u>(71,803)</u>	<u>-</u>	<u>394,316</u>
Total Business- Type Activities	<u>\$ 6,658,344</u>	<u>\$ (428,507)</u>	<u>\$ -</u>	<u>\$ 6,229,837</u>

Component Unit – Danville Public Library

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Library	\$ 3,001,707	\$ 49,441	\$ -	\$ 3,051,148
Less accumulated depreciation	<u>2,590,427</u>	<u>57,873</u>	<u>-</u>	<u>2,648,300</u>
Total	<u>\$ 411,280</u>	<u>\$ (8,432)</u>	<u>\$ -</u>	<u>\$ 402,848</u>

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

Governmental activities:	
General government	\$ 582,040
Public safety	248,700
Transportation	210,235
Streets	2,556,318
Culture and recreation	<u>226,028</u>
Total depreciation – governmental activities	<u>\$ 3,823,321</u>
Business-type activities:	
Sanitary Sewer	\$ 461,489
Harrison Park	60,051
Solid Waste Management	<u>138,170</u>
Total depreciation – business-type activities	<u>\$ 659,710</u>

CITY OF DANVILLE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2016

NOTE 6 - LONG-TERM DEBT

Governmental Activities

Bonds payable at April 30, 2016 are comprised of the following:

\$ 3,890,000	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).
455,000	General Obligation Bond: \$3,175,000 issued September 26, 2011. Interest is payable semi-annually at rates of 1.00% to 4.00% per annum. Bond matures December, 2016 (principal and interest to be serviced by property tax levy with residual amounts from general revenues and sewer fund revenues). Bond issue refunded Series 2001 general obligation bond which were used for various capital projects.
1,905,000	General Obligation Bond: \$3,985,000 issued February 5, 2007. Interest is payable semi-annually at rates of 3.90% to 5.0% per annum. Bond matures December, 2021 (principal and interest to be serviced by tele-communication tax revenue, general revenues, solid waste funds and sewer fund revenues of the City).
<u>\$ 6,250,000</u>	

Notes payable at April 30, 2016 are comprised of the following:

\$ 16,892	First Financial Bank. Monthly payments of \$21,568 plus one balloon payment in the amount of \$43,066, including interest of 3.01%. Note matures May 23, 2016 (principal and interest is to be serviced by the Infrastructure Development Fund).
205,499	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).
<u>\$ 222,391</u>	

The above notes payable are unsecured.

CITY OF DANVILLE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2016

NOTE 6 - LONG-TERM DEBT (CONTINUED)

Business Type Activities

\$ 74,626 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, 2016 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>
2017	\$ 77,143	\$ 7,828	\$ 975,000	\$ 252,231	\$ 1,052,143	\$ 260,013
2018	62,853	5,180	545,000	209,793	607,853	214,973
2019	65,567	2,466	565,000	188,293	630,567	190,759
2020	16,828	180	590,000	165,848	606,828	166,028
2021	-	-	610,000	143,838	610,000	143,838
2022-2026	-	-	1,885,000	430,805	1,885,000	430,805
2027-2030	-	-	1,080,000	92,375	1,080,000	92,375
Total	<u>\$ 222,391</u>	<u>\$ 15,654</u>	<u>\$ 6,250,000</u>	<u>\$ 1,483,183</u>	<u>\$ 6,472,391</u>	<u>\$ 1,498,837</u>

Business-Type Activities:

Year Ending <u>April 30</u>	<u>Notes Payable</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	
2017	\$ 14,785	\$ 960	\$ 15,745
2018	14,513	1,232	15,745
2019	14,812	933	15,745
2020	15,116	628	15,745
2021	15,400	346	15,745
Total	<u>\$ 74,626</u>	<u>\$ 4,099</u>	<u>\$ 78,275</u>

CITY OF DANVILLE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2016

NOTE 6 - LONG-TERM DEBT (CONTINUED)

Long-term debt activity for the year ending April 30, 2016 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities:					
Bonds payable					
General obligation bonds	\$ 7,170,000	\$ -	\$ 920,000	\$ 6,250,000	\$ 975,000
Notes payable	533,907	-	311,516	222,391	77,143
Accumulated vacation and sick days	<u>1,917,213</u>	<u>82,223</u>	<u> </u>	<u>1,999,436</u>	<u>399,887</u>
Total	<u>\$ 9,621,120</u>	<u>\$ 82,223</u>	<u>\$ 1,231,516</u>	<u>\$ 8,471,827</u>	<u>\$ 1,452,030</u>
Business-Type activities:					
Notes payable	\$ 57,116	\$ 74,626	\$ 57,116	\$ 74,626	\$ 14,785
Accumulated vacation and sick days	<u>146,831</u>	<u>-</u>	<u>22,416</u>	<u>124,415</u>	<u>24,661</u>
Total	<u>\$ 203,947</u>	<u>\$ 74,626</u>	<u>\$ 79,532</u>	<u>\$ 199,041</u>	<u>\$ 39,446</u>

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.

CITY OF DANVILLE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2016

NOTE 7 - PENSION PLANS (CONTINUED)

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 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

CITY OF DANVILLE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2016

NOTE 7 - PENSION PLANS (CONTINUED)

IMRF (CONTINUED)

Employees Covered by Benefit Terms

As of December 31, 2015, the following employees were covered by the benefit terms:

Retirees and Beneficiaries currently receiving benefits	206
Inactive Plan Members entitled to but not yet receiving benefits	130
Active Plan Members	<u>179</u>
Total	515

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 2015 was 11.33%. For the calendar year 2015, the City contributed \$861,447 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, 2015. The total pension liability used to calculate the net pension liability (asset) was determined by an actuarial valuation as of that date.

Actuarial Assumptions

The following are the methods and assumptions used to determine total pension liability at December 31, 2015:

- 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.

CITY OF DANVILLE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2016

NOTE 7 - PENSION PLANS (CONTINUED)

IMRF (CONTINUED)

Actuarial Assumptions (Continued)

- 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. 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%	7.39%
International Equity	17.0%	7.59%
Fixed Income	27.0%	3.00%
Real Estate	8.0%	6.00%
Alternative Investments	9.0%	2.75-8.15%
Cash Equivalents	<u>1.0%</u>	2.25%
Total	100%	

CITY OF DANVILLE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2016

NOTE 7 - PENSION PLANS (CONTINUED)

IMRF (Continued)

Single Discount Rate

A Single Discount Rate of 7.48% 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 3.57%, and the resulting single discount rate is 7.48%.

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, 2014	\$ 44,551,370	\$ 41,723,225	\$ 2,828,145
Changes for the year:			
Service Cost	806,471	-	806,471
Interest on the Total Pension Liability	3,276,716	-	3,276,716
Differences Between Expected and Experience of the Total Pension	1,336,020	-	1,336,020
Changes of Assumptions	110,999	-	110,999
Contributions - Employer	-	861,446	(861,446)
Contributions - Employees	-	439,515	(439,515)
Net Investment Income	-	252,803	(252,803)
Benefit Payments, including Refunds of Employee Contributions	(2,575,428)	(2,575,428)	-
Administrative Expenses	-	(36,156)	36,156
Other (Net Transfer)	-	584	(584)
Net Changes	<u>2,954,778</u>	<u>(1,057,236)</u>	<u>4,012,014</u>
Balances at December 31, 2015	<u>\$ 47,506,148</u>	<u>\$ 40,665,989</u>	<u>\$ 6,840,159</u>

CITY OF DANVILLE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2016

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 7.48%, 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>(6.48%)</u>	Current Discount <u>(7.48%)</u>	1% Increase <u>(8.48%)</u>
Net Pension Liability	\$12,891,758	\$ 6,840,159	\$ 1,921,552

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

For the year ended December 31, 2015, the City recognized pension expense of \$1,576,834. At December 31, 2015, 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	\$ 965,387	\$ -
Changes of assumptions	80,206	-
Net difference between projected and actual earnings on pension plan investments	<u>2,251,033</u>	<u>-</u>
Total deferred amounts to be recognized in pension expense in future periods	<u>3,296,626</u>	<u>-</u>
<i>Pension Contributions made Subsequent to the Measurement Date</i>	<u>304,129</u>	<u>-</u>
Total Deferred Amounts Related to Pensions	<u>\$ 3,600,755</u>	<u>\$ -</u>

CITY OF DANVILLE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2016

NOTE 7 - PENSION PLANS (CONTINUED)

IMRF (Continued)

\$304,129 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>
2016	\$ 964,184
2017	964,184
2018	805,500
2019	562,758
2020	-
Thereafter	-
Total	<u>\$ 3,296,626</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 GAAP 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, 2016

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	\$ 1,211,801	\$ 1,179,246	\$ 2,391,047
Investments:			
U.S. government agencies	2,360,137	1,313,113	3,673,250
US Treasury	1,578,358	595,559	2,173,917
Bonds	3,058,290	1,684,942	4,743,232
Mutual funds	<u>8,660,148</u>	<u>4,543,152</u>	<u>13,203,300</u>
Total investments	<u>15,656,933</u>	<u>8,136,766</u>	<u>23,793,699</u>
Receivables:			
Accrued interest	<u>44,496</u>	<u>22,583</u>	<u>67,079</u>
Net position, held in trust for pension benefits	<u>\$ 16,913,230</u>	<u>\$ 9,338,595</u>	<u>\$ 26,251,825</u>

CITY OF DANVILLE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2016

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	\$ 1,930,255	\$ 2,493,073	\$ 4,423,328
Contributions - Plan members	<u>422,758</u>	<u>280,258</u>	<u>703,016</u>
Total contributions	<u>2,353,013</u>	<u>2,773,331</u>	<u>5,126,344</u>
Investment income			
Net appreciation in fair value of investments	(552,503)	(316,811)	(869,314)
Interest and dividends	<u>346,470</u>	<u>224,499</u>	<u>570,969</u>
Total investment income	(206,033)	(92,312)	(298,345)
Less investment expense	<u>71,074</u>	<u>40,987</u>	<u>112,061</u>
Net investment income	<u>(277,107)</u>	<u>(133,299)</u>	<u>(410,406)</u>
Total additions	<u>2,075,906</u>	<u>2,640,032</u>	<u>4,715,938</u>
Deductions			
Pension benefits	3,026,517	3,467,010	6,493,527
Administrative expenses	<u>45,831</u>	<u>36,578</u>	<u>82,409</u>
Total deductions	<u>3,072,348</u>	<u>3,503,588</u>	<u>6,575,936</u>
Changes in net position	(996,442)	(863,556)	(1,859,998)
Net position held in trust for benefits, beginning of year, as restated	<u>17,909,672</u>	<u>10,202,151</u>	<u>28,111,823</u>
Net position held in trust for benefits, end of year	<u>\$ 16,913,230</u>	<u>\$ 9,338,595</u>	<u>\$ 26,251,825</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, 2016

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, 2016 the Police Pension Plan membership consisted of:

Retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them	72
Active vested plan members	64
Active non-vested plan members	1
Total	137

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 percent 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, 2016

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, 2016 are as follows:

Total Pension Liability	\$ 66,170,921
Plan Fiduciary Net Position	<u>16,913,230</u>
Net Pension Liability	<u>\$ 49,257,691</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	25.56%

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of May 1, 2016 using the following actuarial assumptions applied to all measurement periods:

Valuation Date	5/1/2016
Inflation	2.5%
Projected Salary Increases	4.0%
Investment Rate of Return	6.75%
Mortality Rate	RP 2014 Mortality Table for Blue Collar Workers

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, 2016**

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, 2016 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, 2016. 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	\$ 58,729,418	\$ 49,257,691	\$ 41,533,573

CITY OF DANVILLE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2016

NOTE 7 - PENSION PLANS (CONTINUED)

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

Police Pension Plan (continued)

Changes in the Net Pension Liability (Asset)

	Total Pension Liability <u>(A)</u>	Plan Fiduciary Net Position <u>(B)</u>	Net Pension Liability <u>(A) - (B)</u>
Balances at April 30, 2015	\$ 58,674,000	\$ 17,909,672	\$40,764,328
Changes for the year:			
Service Cost	901,913	-	901,913
Interest on the Total Pension Liability	3,858,350	-	3,858,350
Differences Between Expected and Experience of the Total Pension	2,250,531	-	2,250,531
Changes of Assumptions	3,512,644	-	3,512,644
Contributions - Employer	-	1,930,255	(1,930,255)
Contributions - Employees	-	422,758	(422,758)
Net Investment Income	-	(277,107)	277,107
Benefit Payments, including Refunds of Employee Contributions	(3,026,517)	(3,026,517)	-
Administrative Expenses	<u>-</u>	<u>(45,831)</u>	<u>45,831</u>
Net Changes	<u>7,496,921</u>	<u>(996,442)</u>	<u>8,493,363</u>
Balances at April 30, 2016	<u>\$ 66,170,921</u>	<u>\$ 16,913,230</u>	<u>\$49,257,691</u>

**CITY OF DECATUR, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
December 31, 2015**

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, 2016 the City will recognize a pension expense of \$4,292,348. On April 30, 2016 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	\$ 1,899,981	\$ -
Changes in assumptions	2,965,503	-
Net difference between projected and actual earnings	<u>1,265,786</u>	<u>-</u>
Total Deferred Amounts Related to Pensions	<u>\$6,131,270</u>	<u>\$ -</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>Deferred Outflows of Resources</u>
2017	\$ 1,214,138
2018	1,214,138
2019	1,214,138
2020	1,214,136
2021	897,691
Thereafter	<u>377,029</u>
Total	<u>\$ 6,131,270</u>

CITY OF DANVILLE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2016

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, 2016 the Firefighters Pension Plan membership consisted of:

Retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them	82
Active vested plan members	44
Active non-vested plan members	<u>0</u>
Total	<u><u>126</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, 2016

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, 2016 is as follows:

Total Pension Liability	\$ 65,747,477
Plan Fiduciary Net Position	<u>9,338,595</u>
Net Pension Liability	<u>\$ 56,408,882</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	14.20%

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of May 1, 2016 using the following actuarial assumptions applied to all measurement periods:

Valuation Date	5/1/2016
Inflation	2.5%
Projected Salary Increases	4.0%
Investment Rate of Return	6.75%
Mortality Rate	RP 2014 Mortality Table for Blue Collar Workers

CITY OF DANVILLE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2016

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, 2016 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, 2016. 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, 2016

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	\$ 65,178,736	\$ 56,408,882	\$ 49,181,603

Changes in the Net Pension Liability (Asset)

	<u>Total Pension Liability (A)</u>	<u>Plan Fiduciary Net Position (B)</u>	<u>Net Pension Liability (A) - (B)</u>
Balances at April 30, 2015	\$ 57,724,212	\$ 10,202,151	\$ 47,522,061
Changes for the year:			
Service Cost	718,638	-	718,638
Interest on the Total Pension Liability	3,779,373	-	3,779,373
Differences Between Expected and Experience of the Total Pension	2,928,212	-	2,928,212
Changes of Assumptions	4,064,052	-	4,064,052
Contributions - Employer	-	2,493,073	(2,493,073)
Contributions - Employees	-	280,258	(280,258)
Net Investment Income	-	(133,299)	133,299
Benefit Payments, including Refunds of Employee Contributions	(3,467,010)	(3,467,010)	-
Administrative Expenses	-	(36,578)	36,578
Net Changes	<u>8,023,265</u>	<u>(863,556)</u>	<u>8,886,821</u>
Balances at April 30, 2016	<u>\$ 65,747,477</u>	<u>\$ 9,338,595</u>	<u>\$ 56,408,882</u>

CITY OF DANVILLE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2016

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, 2016 the City will recognize a pension expense of \$5,166,840. On April 30, 2016 the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 2,283,231	\$ -
Changes in assumptions	3,168,886	-
Net difference between projected and actual earnings	<u>760,936</u>	<u>-</u>
Total Deferred Amounts Related to Pensions	<u>\$ 6,213,053</u>	<u>\$ -</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>Deferred Outflows of Resources</u>
2017	\$ 1,730,382
2018	1,730,382
2019	1,730,382
2020	1,021,907
2021	-
Thereafter	<u>-</u>
Total	<u>\$ 6,213,053</u>

CITY OF DANVILLE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2016

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, 2016. Expense under this lease for the year ended April 30, 2016 was \$1,270,018. Minimum lease commitments are as follows:

Year Ending April 30

2017	\$ 1,146,824
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In 2012, the Library entered into two new 60 month lease agreements for copiers with both leases expiring May 30, 2016. The lease payment per month for each copier is \$132 and \$217, respectively. Expense under these lease agreements for the year ended April 30, 2016 was \$4,563.

Minimum lease commitments are as follows:

Year Ending April 30

2017	\$ <u> 349</u>
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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, 2016, 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, 2016

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, 2016, only loss year 1999 remains open with a potential liability of approximately \$110,100.

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

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

NOTE 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, 2016

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, 2015, membership consisted of:

Retirees and beneficiaries currently receiving benefits	112
Terminated employees entitled to benefits but not yet receiving them	-
Active employees	<u>231</u>
Total	<u><u>343</u></u>
Participating employers	<u><u>1</u></u>

d. Funding Policy

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

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

CITY OF DANVILLE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2016

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, 2015 to determine the funded status of the plan as of that date. The City's annual OPEB cost (expense) was \$628,730. The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2016 was as follows:

Actuarial Valuation Date	Annual OPEB Cost	Employer Contributions	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
April 30, 2016	\$ 628,730	\$ 496,601	78.9%	\$ 945,871
April 30, 2015	628,730	500,582	79.6%	813,742
April 30, 2014	349,637	237,864	67.7%	685,594

The net OPEB obligation as of April 30, 2016, was calculated as follows:

Annual required contribution	\$ 624,159
Interest on net OPEB obligation	27,424
Adjustment to annual required contribution	<u>(22,853)</u>
Annual OPEB cost	628,730
Contributions made	<u>496,601</u>
Increase in net OPEB obligation	132,129
Net OPEB obligation, beginning of year	<u>813,742</u>
Net OPEB obligation, end of year	<u>\$ 945,871</u>

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

CITY OF DANVILLE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2016

NOTE 14 - OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

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

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, 2015 valuation the entry-age normal cost method was used. The actuarial assumptions included a discount rate of 4.0 percent, salary increases comprised of a wage inflation component of 4.0 percent, and an ultimate healthcare trend rate of 5.10 percent in the first year of the projection and 8.50% in the second year, and an ultimate rate of 5.5 percent.

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, 2015 was as follows:

Actuarial accrued liability (AAL)	\$11,167,067
Actuarial value of plan assets	-
Unfunded actuarial accrued liability (UAAL)	\$11,167,067
Funded ratio (actuarial value of plan assets/AAL)	0.00%
Covered payroll (active plan members)	\$16,399,435
UAAL as a percentage of covered payroll	68.09%

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.

NOTE 15 - COMMITMENTS

At fiscal year end the City had the encumbered amounts for general and administrative and community development totaling \$471,042 and \$540,582, respectively.

NOTE 16 - RESTATEMENTS OF NET POSITION

The City restated receivables that were previously reported within the Police and Firefighters Trust Funds. This resulted in the restatement of the Police and Firefighter Trust Funds net position.

CITY OF DANVILLE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2016

NOTE 16 - RESTATEMENTS OF NET POSITION (CONTINUED)

The City adopted a new accounting standard to conform with generally accepted accounting principles. The statement adopted requiring restatement of net position was Governmental Accounting Standards Board (GASB) Statement 68, *Accounting and Financial Reporting for Pensions* and the related GASB Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68. This pronouncement requires the restatement of the June 30, 2015, net position of the governmental activities. Following is a summary of the restatements by opinion unit:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Component Unit</u>
Net position, beginning of year, as previously reported	\$ 66,581,137	\$10,474,333	\$ 1,298,362
Adjustment for beginning deferred outflows of resources and deferred inflows of resources related to pension	242,529	31,760	14,436
Adjustment for beginning net pension liability	<u>(90,163,531)</u>	<u>(311,095)</u>	<u>(141,407)</u>
Net position, beginning of year, as restated	<u>\$(23,339,865)</u>	<u>\$10,194,998</u>	<u>\$ 1,171,391</u>
	<u>Harrison Park</u>	<u>Sanitary Sewer</u>	<u>Solid Waste</u>
Net position, beginning of year, as previously reported	\$ 170,023	\$ 8,449,061	\$ 1,855,249
Adjustment for beginning deferred outflows of resources and deferred inflows of resources related to pension	2,887	14,436	14,437
Adjustment for beginning net pension liability	<u>(28,281)</u>	<u>(141,407)</u>	<u>(141,407)</u>
Net position, beginning of year, as restated	<u>\$ 144,629</u>	<u>\$ 8,322,090</u>	<u>\$ 1,728,279</u>
	<u>Police Pension Trust</u>	<u>Firefighter Pension Trust</u>	<u>Total Pension Trust</u>
Net position, beginning of year, as previously reported	\$ 19,699,715	\$ 12,481,755	\$ 32,181,470
Correction of property tax levy receivable	<u>(1,790,043)</u>	<u>(2,279,604)</u>	<u>(4,069,647)</u>
Net position, beginning of year, as restated	<u>\$ 17,909,672</u>	<u>\$ 10,202,151</u>	<u>\$ 28,111,823</u>

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, 2016

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
REVENUES				
Taxes	\$ 1,174,200	\$ 1,174,200	\$ 1,333,643	\$ 159,443
Intergovernmental	20,255,079	20,255,079	21,023,945	768,866
Licenses and permits	766,300	766,300	866,635	100,335
Charges for services	355,229	355,229	338,427	(16,802)
Fines and forfeits	544,900	544,900	475,491	(69,409)
Miscellaneous	<u>1,128,965</u>	<u>1,161,965</u>	<u>945,271</u>	<u>(216,694)</u>
Total revenues	<u>24,224,673</u>	<u>24,257,673</u>	<u>24,983,412</u>	<u>725,739</u>
EXPENDITURES				
Current:				
General Government				
General City government	2,065,396	2,247,396	1,960,190	287,206
Central vehicle maintenance	581,851	918,851	612,651	306,200
Finance	371,545	378,245	376,030	2,215
Treasurer	86,989	84,989	67,916	17,073
Development services	477,124	477,124	395,701	81,423
Public affairs	214,274	230,724	229,036	1,688
Legal services	465,511	570,511	517,191	53,320
City Clerk	144,529	146,529	150,867	(4,338)
Human resources	268,234	268,234	264,236	3,998
Information systems	<u>223,112</u>	<u>269,112</u>	<u>261,781</u>	<u>7,331</u>
Total General Government	<u>4,898,565</u>	<u>5,591,715</u>	<u>4,835,599</u>	<u>756,116</u>
Public Safety				
Police	8,493,674	8,493,674	8,333,761	159,913
Fire	<u>4,523,046</u>	<u>5,073,046</u>	<u>4,997,245</u>	<u>75,801</u>
Total Public Safety	<u>13,016,720</u>	<u>13,566,720</u>	<u>13,331,006</u>	<u>235,714</u>
Streets				
	<u>2,588,312</u>	<u>2,928,312</u>	<u>2,910,922</u>	<u>17,390</u>
Urban Development				
	<u>867,583</u>	<u>867,583</u>	<u>744,626</u>	<u>122,957</u>
Culture and Recreation				
Public pool	63,928	66,928	52,722	14,206
Public property	1,433,624	1,433,624	1,218,217	215,407
Downtown services	<u>299,273</u>	<u>309,273</u>	<u>295,351</u>	<u>13,922</u>
Total Culture and Recreation	<u>1,796,825</u>	<u>1,809,825</u>	<u>1,566,290</u>	<u>243,535</u>
Total expenditures	<u>23,168,005</u>	<u>24,764,155</u>	<u>23,388,443</u>	<u>1,375,712</u>
Excess (deficiency) of revenues over expenditures	<u>1,056,668</u>	<u>(506,482)</u>	<u>1,594,969</u>	<u>2,101,451</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	\$ 40,000	\$ 40,000	\$ -	\$ (40,000)
Transfers out	<u>(1,025,343)</u>	<u>(1,425,343)</u>	<u>(1,399,624)</u>	<u>25,719</u>
Total other financing sources (uses)	<u>(985,343)</u>	<u>(1,385,343)</u>	<u>(1,399,624)</u>	<u>(14,281)</u>
Net change in fund balance (Budgetary basis)	<u>\$ 71,325</u>	<u>\$ (1,891,825)</u>	<u>195,345</u>	<u>\$ 2,087,170</u>
RECONCILIATION TO MODIFIED ACCRUAL BASIS (GAAP BASIS)				
Revenue accrual adjustments			41,197	
Expense accrual adjustments			3,989	
Transfers adjustment			<u>(18,993)</u>	
Net reconciliation to modified accrual basis (GAAP basis)			<u>26,193</u>	
Net change in fund balance (GAAP basis)			221,538	
FUND BALANCE, BEGINNING OF YEAR			<u>6,701,548</u>	
FUND BALANCE, END OF YEAR			<u>\$ 6,923,086</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, 2016

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES				
Intergovernmental	\$ 800,000	\$ 800,000	\$ 846,445	\$ 46,445
Miscellaneous	3,000	3,000	24,693	21,693
Total revenues	803,000	803,000	871,138	68,138
EXPENDITURES				
Current:				
Streets	803,000	803,000	657,990	145,010
Net change in fund balance (Budgetary basis)	\$ -	\$ -	213,148	\$ 213,148
RECONCILIATION TO MODIFIED ACCRUAL BASIS (GAAP BASIS)				
Revenue accrual adjustments			41,270	
Expense accrual adjustments			-	
Net reconciliation to modified accrual basis (GAAP basis)			41,270	
Net change in fund balance (GAAP basis)			254,418	
FUND BALANCE, BEGINNING OF YEAR			6,216,762	
FUND BALANCE, END OF YEAR			\$ 6,471,180	

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, 2016

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
REVENUES				
Intergovernmental	\$ (3,181,831)	\$ (3,181,831)	\$ 1,824,214	\$ 5,006,045
Charges for services	(638,518)	(638,518)	347,870	986,388
Miscellaneous	<u>19,628</u>	<u>(168,130)</u>	<u>59,628</u>	<u>227,758</u>
Total revenues	- <u>3,800,721</u>	- <u>3,988,479</u>	<u>2,231,712</u>	<u>6,220,191</u>
EXPENDITURES				
Current:				
Transportation	<u>4,161,168</u>	<u>6,994,011</u>	<u>2,727,087</u>	<u>4,266,924</u>
Net change in fund balance before transfers	(7,961,889)	(10,982,490)	(495,375)	10,487,115
OTHER FINANCING SOURCES				
Transfers in	<u>(22,302)</u>	<u>(22,302)</u>	<u>22,302</u>	<u>44,604</u>
Net change in fund balance (Budgetary basis)	<u>\$ (7,984,191)</u>	<u>\$ (11,004,792)</u>	<u>(473,073)</u>	<u>\$ 10,531,719</u>
RECONCILIATION TO MODIFIED ACCRUAL BASIS (GAAP BASIS)				
Revenue accrual adjustments			437,627	
Expense accrual adjustments			(143)	
Transfers in adjustment			<u>35,589</u>	
Net reconciliation to modified accrual basis (GAAP basis)			473,073	
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
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
2016	\$ 1,808,123	\$ 2,140,531	\$ (332,408)	\$ 4,783,623	44.75%
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
2016	\$ 2,302,627	\$ 2,226,929	\$ 75,698	\$ 3,789,528	58.77%
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, 2016**

OTHER POST-EMPLOYMENT BENEFITS

Trend information for the year ended April 30, 2016 is as follows:

Actuarial Valuation Date *	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
4/30/15	\$ -	\$ 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%
4/30/11	-	6,332,400	6,332,400	0.00%	14,588,209	43.41%

*A full actuarial valuation is not required annually.

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)

Year Ended April 30	<u>2016</u>
Total Pension Liability	
Service cost	\$ 806,471
Interest	3,276,716
Difference between expected and actual experience	1,336,020
Changes of assumptions	110,999
Employee contributions	<u>(2,575,428)</u>
Net Change in Total Pension Liability	2,954,778
Total Pension Liability - Beginning	<u>44,551,370</u>
Total Pension Liability - Ending (A)	<u><u>\$ 47,506,148</u></u>
 Plan Fiduciary Net Position	
Contributions - Employer	\$ 861,446
Contributions - member	439,515
Net Investment Income	252,803
Benefit Payments, Including Refunds	(2,575,428)
Administrative Expense	<u>(35,572)</u>
Net Change in Plan Fiduciary Net Position	(1,057,236)
Plan Fiduciary Net Position - Beginning	<u>41,723,225</u>
Plan Fiduciary Net Position - Ending (B)	<u><u>\$ 40,665,989</u></u>
 Net Pension Liability - Ending (A) - (B)	<u><u>\$ 6,840,159</u></u>
 Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	85.60%
 Covered Employee Payroll	\$ 7,603,235
 Net Pension Liability as a Percentage of Covered Employee Payroll	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>2016</u>	<u>2015</u>
Total Pension Liability		
Service cost	\$ 901,913	\$ 817,119
Interest	3,858,350	3,454,773
Difference between expected and actual experience	2,250,531	1,811,326
Changes of assumptions	3,512,644	7,994,120
Employee contributions	<u>(3,026,517)</u>	<u>(2,933,952)</u>
Net Change in Total Pension Liability	7,496,921	11,143,386
Total Pension Liability - Beginning	58,674,000	47,530,614
Total Pension Liability - Ending (A)	<u>\$ 66,170,921</u>	<u>\$ 58,674,000</u>
 Plan Fiduciary Net Position		
Contributions - Employer	\$ 1,930,255	\$ 1,886,266
Contributions - member	422,758	441,189
Net Investment Income	(277,107)	1,009,928
Benefit Payments, Including Refunds	(3,026,517)	(2,933,952)
Administrative Expense	<u>(45,831)</u>	<u>(30,929)</u>
Net Change in Plan Fiduciary Net Position	(996,442)	372,502
Plan Fiduciary Net Position - Beginning *	17,909,672	19,322,370
Plan Fiduciary Net Position - Ending (B)	<u>\$ 16,913,230</u>	<u>\$ 19,694,872</u>
 Net Pension Liability - Ending (A) - (B)	<u>\$ 49,257,691</u>	<u>\$ 38,979,128</u>
 Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	25.56%	33.57%
 Covered Employee Payroll	\$ 4,783,623	\$ 4,202,559
 Net Pension Liability as a Percentage of Covered Employee Payroll	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 NOTE 16

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>2016</u>	<u>2015</u>
Total Pension Liability		
Service cost	\$ 718,638	\$ 782,450
Interest	3,779,373	3,560,094
Difference between expected and actual experience	2,928,212	838,331
Changes of assumptions	4,064,052	6,723,995
Employee contributions	<u>(3,467,010)</u>	<u>(3,297,149)</u>
Net Change in Total Pension Liability	8,023,265	8,607,721
Total Pension Liability - Beginning	<u>57,724,212</u>	<u>49,116,491</u>
Total Pension Liability - Ending (A)	<u><u>\$ 65,747,477</u></u>	<u><u>\$ 57,724,212</u></u>
Plan Fiduciary Net Position		
Contributions - Employer	\$ 2,493,073	\$ 2,397,804
Contributions - member	280,258	309,604
Net Investment Income	(133,299)	571,441
Benefit Payments, Including Refunds	(3,467,010)	(3,297,149)
Administrative Expense	<u>(36,578)</u>	<u>(39,693)</u>
Net Change in Plan Fiduciary Net Position	(863,556)	(57,993)
Plan Fiduciary Net Position - Beginning	<u>10,202,151</u>	<u>12,539,748</u>
Plan Fiduciary Net Position - Ending (B)	<u><u>\$ 9,338,595</u></u>	<u><u>\$ 12,481,755</u></u>
Net Pension Liability - Ending (A) - (B)	<u><u>\$ 56,408,882</u></u>	<u><u>\$ 45,242,457</u></u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	14.20%	21.62%
Covered Employee Payroll	\$ 3,789,528	\$ 3,022,424
Net Pension Liability as a Percentage of Covered Employee Payroll	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 NOTE 16

See accompanying notes to required supplementary information.

CITY OF DANVILLE, ILLINOIS
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
April 30, 2016

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 2016 totaled \$1,596,150 and \$2,832,843 for the General Fund and the Mass Transit District Fund, respectively.
5. Legally adopted budgets is employed as a management control device during the year for all funds of the City other than State and Federal Grant Special Revenue Funds which employ project oriented budget control procedures.
6. Budgets for the City, except for the Library, are not prepared in accordance with generally accepted accounting principles (GAAP). Revenues are budgeted on the cash basis of accounting and expenditures are budgeted using the cash plus encumbrance basis of accounting. Budgetary comparisons in this report are presented on this non-GAAP basis for the City, except for the Library, which uses the modified accrual basis for its budget.

CITY OF DANVILLE, ILLINOIS
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
April 30, 2016

NOTE 2 - SUMMARY OF ACTUARIAL METHODS AND ASSUMPTIONS USED IN THE CALCULATIONS OF THE 2015 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 2015 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: 5-year smoothed market; 20% corridor
Wage Growth: 4%
Price Inflation: 3%, approximate; No explicit price inflation assumption is used in this valuation.
Salary Increases: 4.40% to 16%, 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, 2016

NOTE 3 - SUMMARY OF ACTUARIAL METHODS AND ASSUMPTIONS USED IN THE CALCULATIONS OF THE 2016 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 2016 Contribution Rates:

Actuarial Cost Method: Aggregate entry age = normal
Amortization Method: Level percentage of payroll, closed
Remaining Amortization Period: 26-year closed period
Asset Valuation Method: Market
Wage Growth: 4.5%
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: RP-2014 Mortality Table for Blue Collar Workers

Other Information:

Notes: There were no benefit changes during the year.

CITY OF DANVILLE, ILLINOIS
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
April 30, 2016

NOTE 4 - SUMMARY OF ACTUARIAL METHODS AND ASSUMPTIONS USED IN THE CALCULATIONS OF THE 2016 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 2016 Contribution Rates:

<i>Actuarial Cost Method:</i>	Aggregate entry age = normal
<i>Amortization Method:</i>	Level percentage of payroll, closed
<i>Remaining Amortization Period:</i>	26-year closed period
<i>Asset Valuation Method:</i>	Market
<i>Wage Growth:</i>	4.5%
<i>Price Inflation:</i>	2.5%, approximate; No explicit price inflation assumption is used in this valuation.
<i>Salary Increases:</i>	4.0%
<i>Investment Rate of Return:</i>	6.75%
<i>Retirement Age:</i>	50-70.
<i>Mortality:</i>	RP-2014 Mortality Table for Blue Collar Workers

Other Information:

Notes: There were no benefit changes during the year.

OTHER SUPPLEMENTARY INFORMATION

**CITY OF DANVILLE, ILLINOIS
COMBINING BALANCE SHEET
GENERAL FUND BY ACCOUNT
April 30, 2016**

	General Account	Flex Spending	Land Acquisition	Working Cash	Total General Fund
ASSETS					
Cash	\$ 1,752,376	\$ 18,880	\$ 6,851	\$ 151,360	\$ 1,929,467
Temporary investments	-	-	32,000	-	32,000
Receivables:					
Taxes, net of allowance for estimated uncollectibles	239,860	-	-	-	239,860
Other	541,537	-	300	-	541,837
Prepaid items	841,910	-	-	-	841,910
Due from other funds	357,983	-	-	60,000	417,983
Due from other governments	5,073,094	-	-	-	5,073,094
TOTAL ASSETS	\$ 8,806,760	\$ 18,880	\$ 39,151	\$ 211,360	\$ 9,076,151
LIABILITIES					
Accounts payable	\$ 61,631	\$ -	\$ -	\$ -	\$ 61,631
Accrued expenses	103,528	-	-	-	103,528
Due to other governments	2,560	-	-	-	2,560
Total liabilities	167,719	-	-	-	167,719
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenues	1,745,486	-	-	-	1,745,486
Subsequent year's property taxes	239,860	-	-	-	239,860
Total deferred inflows of resources	1,985,346	-	-	-	1,985,346
FUND BALANCE					
Nonspendable:					
Prepays	841,910	-	-	-	841,910
Noncurrent receivables	246,112	-	-	-	246,112
Assigned:					
General and administrative	471,042	-	-	-	471,042
Unassigned	5,094,631	18,880	39,151	211,360	5,364,022
Total fund balance	6,653,695	18,880	39,151	211,360	6,923,086
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE	\$ 8,806,760	\$ 18,880	\$ 39,151	\$ 211,360	\$ 9,076,151

CITY OF DANVILLE, ILLINOIS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
GENERAL FUND BY ACCOUNT
Year Ended April 30, 2016

	<u>General Account</u>	<u>Flex Spending</u>	<u>Land Acquisition</u>	<u>Working Cash</u>	<u>Total General Fund</u>
REVENUES					
Taxes	\$ 1,338,134	\$ -	\$ -	\$ -	\$ 1,338,134
Intergovernmental	21,049,972	-	-	-	21,049,972
Licenses and permits	866,635	-	-	-	866,635
Charges for services	608,237	35,808	-	-	644,045
Fines and forfeits	481,927	-	-	-	481,927
Miscellaneous	634,647	-	5,249	4,000	643,896
	<u>24,979,552</u>	<u>35,808</u>	<u>5,249</u>	<u>4,000</u>	<u>25,024,609</u>
Total revenues					
EXPENDITURES					
Current:					
General government	5,515,597	31,637	-	-	5,547,234
Public safety	13,296,702	-	-	-	13,296,702
Streets	2,666,904	-	-	-	2,666,904
Culture and recreation	1,546,685	-	-	-	1,546,685
Capital outlay	326,929	-	-	-	326,929
	<u>23,352,817</u>	<u>31,637</u>	<u>-</u>	<u>-</u>	<u>23,384,454</u>
Total expenditures					
Excess (deficiency) of revenues over expenditures	<u>1,626,735</u>	<u>4,171</u>	<u>5,249</u>	<u>4,000</u>	<u>1,640,155</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	40,000	-	-	-	40,000
Transfers out	(1,458,617)	-	-	-	(1,458,617)
	<u>(1,418,617)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,418,617)</u>
Total other financing sources (uses)					
Net change in fund balance	208,118	4,171	5,249	4,000	221,538
FUND BALANCE, BEGINNING OF YEAR	<u>6,445,577</u>	<u>14,709</u>	<u>33,902</u>	<u>207,360</u>	<u>6,701,548</u>
FUND BALANCE, END OF YEAR	<u>\$ 6,653,695</u>	<u>\$ 18,880</u>	<u>\$ 39,151</u>	<u>\$ 211,360</u>	<u>\$ 6,923,086</u>

**CITY OF DANVILLE, ILLINOIS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
April 30, 2016**

	<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	\$ 51,158	\$ 5,440	\$ 12,326	\$ 1,573	\$ 72,243	\$ 234,102	\$ 20,787	\$ 51,891
Temporary investments	-	-	-	50,000	200,000	-	-	429,000
Receivables:								
Taxes, net of allowance for estimated uncollectibles	-	-	-	-	-	-	-	-
Other - current	-	-	-	-	1,695	40,300	-	-
Other - noncurrent	-	-	-	-	-	166,775	-	-
Prepaid items	-	-	-	-	-	-	-	-
Due from other governments	-	-	-	-	-	-	56,758	-
TOTAL ASSETS	<u>\$ 51,158</u>	<u>\$ 5,440</u>	<u>\$ 12,326</u>	<u>\$ 51,573</u>	<u>\$ 273,938</u>	<u>\$ 441,177</u>	<u>\$ 77,545</u>	<u>\$ 480,891</u>
LIABILITIES								
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Accrued expenses	-	870	-	-	-	-	2,706	-
Due to other funds	-	-	14,924	-	-	-	24,511	-
Total liabilities	<u>-</u>	<u>870</u>	<u>14,924</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>27,217</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>	<u>-</u>
FUND BALANCE								
Restricted:								
Retirement	-	-	-	-	-	-	-	-
Public health and education	-	-	-	-	-	-	-	-
Public safety	51,158	4,570	-	-	-	-	-	-
Community development	-	-	-	-	-	441,177	-	480,891
Transportation	-	-	-	-	-	-	50,328	-
Streets	-	-	-	-	273,938	-	-	-
Debt service	-	-	-	-	-	-	-	-
Committed:								
Community development	-	-	-	51,573	-	-	-	-
Capital projects	-	-	-	-	-	-	-	-
Assigned:								
Capital projects	-	-	-	-	-	-	-	-
Unassigned	<u>-</u>	<u>-</u>	<u>(2,598)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total fund balance (deficit)	<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>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	<u>\$ 51,158</u>	<u>\$ 5,440</u>	<u>\$ 12,326</u>	<u>\$ 51,573</u>	<u>\$ 273,938</u>	<u>\$ 441,177</u>	<u>\$ 77,545</u>	<u>\$ 480,891</u>

CITY OF DANVILLE, ILLINOIS
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 April 30, 2016

	TIF Westgate	TIF Campus	TIF East Voorhees	Housing Loan	Law Enforcement Grant	Landfill Remediation	Special Sewer Projects
Cash	\$ 2,129	\$ 392	\$ 14,032	\$ 145,568	\$ 3,406	\$ 2,104	\$ 2,248
Temporary investments	53,000	-	-	-	-	895,000	170,000
Receivables:							
Taxes, net of allowance for estimated uncollectibles	-	-	-	-	-	-	-
Other - current	-	-	-	6,589	-	-	-
Other - noncurrent	-	-	-	9,461	-	-	-
Prepaid items	-	-	-	-	-	-	-
Due from other governments	-	-	-	-	-	-	-
TOTAL ASSETS	<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>
LIABILITIES							
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Accrued expenses	-	-	-	-	-	-	-
Due to other funds	-	-	-	-	-	-	-
Total liabilities	-	-	-	-	-	-	-
DEFERRED INFLOWS OF RESOURCES							
Unavailable revenue	-	-	-	-	-	-	-
Subsequent year's property taxes	-	-	-	-	-	-	-
Total deferred inflows of resources	-	-	-	-	-	-	-
FUND BALANCE							
Restricted:							
Retirement	-	-	-	-	-	-	-
Public health and education	-	-	-	-	-	897,104	-
Public safety	-	-	-	-	3,406	-	-
Community development	55,129	392	14,032	161,618	-	-	-
Transportation	-	-	-	-	-	-	-
Streets	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-
Committed:							
Community development	-	-	-	-	-	-	-
Capital projects	-	-	-	-	-	-	172,248
Assigned:							
Capital projects	-	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-	-
Total fund balance (deficit)	<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>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	<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>

CITY OF DANVILLE, ILLINOIS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
April 30, 2016

	<u>Capital Projects Funds</u>				<u>Debt Service Funds</u>		<u>Total</u>
	<u>Firefighter Pension</u>	<u>Police Pension</u>	<u>Capital Improvements</u>	<u>Infrastructure Development</u>	<u>2007 Debt Service</u>	<u>2009 Debt Service</u>	
Cash	\$ -	\$ -	\$ 58,153	\$ 398,369	\$ 4,385	\$ 63,250	\$ 1,143,556
Temporary investments	-	-	329,000	700,000	443,000	-	3,269,000
Receivables:							
Taxes, net of allowance for estimated uncollectibles	2,013,548	2,001,432	-	-	93,319	118,769	4,227,068
Other - current	-	-	82,881	105,996	-	-	237,461
Other - noncurrent	-	-	-	-	-	-	176,236
Prepaid items	-	-	-	-	-	-	-
Due from other governments	-	-	232,085	-	-	-	288,843
TOTAL ASSETS	<u>\$ 2,013,548</u>	<u>\$ 2,001,432</u>	<u>\$ 702,119</u>	<u>\$ 1,204,365</u>	<u>\$ 540,704</u>	<u>\$ 182,019</u>	<u>\$ 9,342,164</u>
LIABILITIES							
Accounts payable	\$ -	\$ -	\$ 72,878	\$ 54,637	\$ -	\$ -	\$ 127,515
Accrued expenses	-	-	-	-	-	-	3,576
Due to other funds	-	-	3,659	-	-	-	43,094
Total liabilities	<u>-</u>	<u>-</u>	<u>76,537</u>	<u>54,637</u>	<u>-</u>	<u>-</u>	<u>174,185</u>
DEFERRED INFLOWS OF RESOURCES							
Unavailable revenue	-	-	85,000	-	-	-	85,000
Subsequent year's property taxes	2,013,548	2,001,432	-	-	93,319	118,769	4,227,068
Total deferred inflows of resources	<u>2,013,548</u>	<u>2,001,432</u>	<u>85,000</u>	<u>-</u>	<u>93,319</u>	<u>118,769</u>	<u>4,312,068</u>
FUND BALANCE							
Restricted:							
Retirement	-	-	-	-	-	-	-
Public health and education	-	-	-	-	-	-	897,104
Public safety	-	-	-	-	-	-	59,134
Community development	-	-	-	-	-	-	1,153,239
Transportation	-	-	-	-	-	-	50,328
Streets	-	-	-	-	-	-	273,938
Debt service	-	-	-	-	447,385	-	447,385
Committed:							
Community development	-	-	-	-	-	-	51,573
Capital projects	-	-	-	1,149,728	-	-	1,321,976
Assigned:							
Capital projects	-	-	540,582	-	-	-	540,582
Unassigned	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>63,250</u>	<u>60,652</u>
Total fund balance (deficit)	<u>-</u>	<u>-</u>	<u>540,582</u>	<u>1,149,728</u>	<u>447,385</u>	<u>63,250</u>	<u>4,855,911</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	<u>\$ 2,013,548</u>	<u>\$ 2,001,432</u>	<u>\$ 702,119</u>	<u>\$ 1,204,365</u>	<u>\$ 540,704</u>	<u>\$ 182,019</u>	<u>\$ 9,342,164</u>

CITY OF DANVILLE, ILLINOIS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCE
 NONMAJOR GOVERNMENTAL FUNDS
 Year Ended April 30, 2016

	<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	\$ -	\$ -	\$ 391,839
Intergovernmental	-	-	839,664	-	-	-	202,320	-
Charges for services	4,277	-	-	-	-	-	-	-
Miscellaneous	<u>364</u>	<u>-</u>	<u>2,737</u>	<u>702</u>	<u>1,624</u>	<u>7,319</u>	<u>-</u>	<u>2,113</u>
Total revenues	<u>4,641</u>	<u>-</u>	<u>842,401</u>	<u>702</u>	<u>29,750</u>	<u>7,319</u>	<u>202,320</u>	<u>393,952</u>
EXPENDITURES								
Public safety	11,303	-	-	155,986	-	-	-	-
Community development	-	-	845,510	-	45,376	15,011	216,390	260,984
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>11,303</u>	<u>-</u>	<u>845,510</u>	<u>155,986</u>	<u>45,376</u>	<u>15,011</u>	<u>216,390</u>	<u>260,984</u>
Excess (deficiency) of revenues over expenditures	<u>(6,662)</u>	<u>-</u>	<u>(3,109)</u>	<u>(155,284)</u>	<u>(15,626)</u>	<u>(7,692)</u>	<u>(14,070)</u>	<u>132,968</u>
OTHER FINANCING SOURCES (USES)								
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	(6,662)	-	(3,109)	(155,284)	(15,626)	(7,692)	(14,070)	132,968
FUND BALANCE (DEFICIT), BEGINNING OF YEAR	<u>57,820</u>	<u>4,570</u>	<u>511</u>	<u>206,857</u>	<u>289,564</u>	<u>448,869</u>	<u>64,398</u>	<u>347,923</u>
FUND BALANCE (DEFICIT), END 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>

CITY OF DANVILLE, ILLINOIS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCE
 NONMAJOR GOVERNMENTAL FUNDS
 Year Ended April 30, 2016

	<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	\$ 13,448	\$ 736	\$ 5,604	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	-	-	10,060	-	-
Charges for services	-	-	-	-	-	-	2,500
Miscellaneous	<u>197</u>	<u>-</u>	<u>63</u>	<u>46</u>	<u>-</u>	<u>3,764</u>	<u>655</u>
Total revenues	<u>13,645</u>	<u>736</u>	<u>5,667</u>	<u>46</u>	<u>10,060</u>	<u>3,764</u>	<u>3,155</u>
EXPENDITURES							
Public safety	-	-	-	-	10,060	-	-
Community development	4,469	4,100	2,719	58	-	-	-
Public health and education	-	-	-	-	-	7,799	-
Capital projects	-	-	-	-	-	-	-
Debt service:							
Principal	-	-	-	-	-	-	-
Interest	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>4,469</u>	<u>4,100</u>	<u>2,719</u>	<u>58</u>	<u>10,060</u>	<u>7,799</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>9,176</u>	<u>(3,364)</u>	<u>2,948</u>	<u>(12)</u>	<u>-</u>	<u>(4,035)</u>	<u>3,155</u>
OTHER FINANCING SOURCES (USES)							
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	9,176	(3,364)	2,948	(12)	-	(4,035)	3,155
FUND BALANCE (DEFICIT), BEGINNING OF YEAR	<u>45,953</u>	<u>3,756</u>	<u>11,084</u>	<u>161,630</u>	<u>3,406</u>	<u>901,139</u>	<u>169,093</u>
FUND BALANCE (DEFICIT), END 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>

CITY OF DANVILLE, ILLINOIS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCE
 NONMAJOR GOVERNMENTAL FUNDS
 Year Ended April 30, 2016

			<u>Capital Projects Funds</u>		<u>Debt Service Funds</u>		<u>Total</u>
	<u>Firefighter Pension</u>	<u>Police Pension</u>	<u>Capital Improvements</u>	<u>Infrastructure Development</u>	<u>2007 Debt Service</u>	<u>2009 Debt Service</u>	
REVENUES							
Taxes	\$ 2,252,985	\$ 1,769,142	\$ -	\$ 1,285,893	\$ 90,537	\$ 121,795	\$ 5,960,105
Intergovernmental	-	-	941,804	-	-	-	1,993,848
Charges for services	-	-	-	-	-	-	6,777
Miscellaneous	-	-	3,644	5,369	1,987	356	30,940
	<u>2,252,985</u>	<u>1,769,142</u>	<u>945,448</u>	<u>1,291,262</u>	<u>92,524</u>	<u>122,151</u>	<u>7,991,670</u>
Total revenues							
	2,252,985	1,769,142	945,448	1,291,262	92,524	122,151	7,991,670
EXPENDITURES							
Public safety	2,492,985	1,929,142	-	-	-	-	4,599,476
Community development	-	-	427,268	410,789	-	-	2,232,674
Public health and education	-	-	-	-	-	-	7,799
Capital projects	-	-	938,550	885,907	-	-	1,824,457
Debt service:							
Principal	-	-	-	311,516	270,000	225,000	806,516
Interest	-	-	-	15,333	55,114	97,640	168,087
	<u>2,492,985</u>	<u>1,929,142</u>	<u>1,365,818</u>	<u>1,623,545</u>	<u>325,114</u>	<u>322,640</u>	<u>9,639,009</u>
Total expenditures							
	2,492,985	1,929,142	1,365,818	1,623,545	325,114	322,640	9,639,009
Excess (deficiency) of revenues over expenditures	<u>(240,000)</u>	<u>(160,000)</u>	<u>(420,370)</u>	<u>(332,283)</u>	<u>(232,590)</u>	<u>(200,489)</u>	<u>(1,647,339)</u>
OTHER FINANCING SOURCES (USES)							
Transfers in	240,000	160,000	-	346,736	268,865	250,735	1,266,336
Transfers out	-	-	(200,783)	-	-	-	(200,783)
	<u>240,000</u>	<u>160,000</u>	<u>(200,783)</u>	<u>346,736</u>	<u>268,865</u>	<u>250,735</u>	<u>1,065,553</u>
Total other financing sources (uses)							
	240,000	160,000	(200,783)	346,736	268,865	250,735	1,065,553
Net change in fund balance	-	-	(621,153)	14,453	36,275	50,246	(581,786)
FUND BALANCE (DEFICIT), BEGINNING OF YEAR	<u>-</u>	<u>-</u>	<u>1,161,735</u>	<u>1,135,275</u>	<u>411,110</u>	<u>13,004</u>	<u>5,437,697</u>
FUND BALANCE (DEFICIT), END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 540,582</u>	<u>\$ 1,149,728</u>	<u>\$ 447,385</u>	<u>\$ 63,250</u>	<u>\$ 4,855,911</u>

CITY OF DANVILLE, ILLINOIS
COMBINING STATEMENT OF FIDUCIARY NET POSITION
AGENCY FUNDS
April 30, 2016

ASSETS

	<u>Dependent Life Insurance</u>	<u>Civic Center</u>	<u>Evidence Holding</u>	<u>Total</u>
Cash	\$ 8,148	\$ 198,294	\$ 12,399	\$ 218,841
Certificates of deposit	-	-	149,000	149,000
Accounts receivable	<u>-</u>	<u>68,942</u>	<u>-</u>	<u>68,942</u>
TOTAL ASSETS	<u>\$ 8,148</u>	<u>\$ 267,236</u>	<u>\$ 161,399</u>	<u>\$ 436,783</u>

LIABILITIES

Accounts payable	\$ -	10,695	\$ 139,262	\$ 149,957
Due to others	<u>8,148</u>	<u>256,541</u>	<u>22,137</u>	<u>286,826</u>
TOTAL LIABILITIES	<u>\$ 8,148</u>	<u>\$ 267,236</u>	<u>\$ 161,399</u>	<u>\$ 436,783</u>

STATISTICAL DATA

**CITY OF DANVILLE, ILLINOIS
GENERAL PROPERTY TAX INFORMATION
April 30, 2016**

VALUATION AND TAX RATES

A three-year comparison of assessed valuation and tax rates for 2015, 2014, and 2013 follows:

	<u>2015</u>	<u>2014</u>	<u>2013</u>
ASSESSED VALUATIONS	\$ <u>298,835,767</u>	\$ <u>292,278,745</u>	\$ <u>288,747,085</u>
TAX RATES			
Social Security	0.0000	0.0000	0.0000
Illinois Municipal Retirement Fund	0.0000	0.0000	0.0000
Police Pension	0.7010	0.6186	0.5639
Firemen's Pension	0.7052	0.7878	0.7172
Library	0.6021	0.5746	0.5602
General Obligations Debt	<u>0.0743</u>	<u>0.0743</u>	<u>0.2247</u>
TOTAL	<u><u>2.0826</u></u>	<u><u>2.0553</u></u>	<u><u>2.0660</u></u>

SINGLE AUDIT SECTION

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

The Mayor and City Council
City of Danville, Illinois

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Danville, Illinois, as of and for the year ended April 30, 2016, 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 December 20, 2016.

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 were not identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs, to be material weaknesses (Findings 2016-001 and 2016-002).

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Danville, Illinois' financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

City of Danville Illinois' Responses to Findings

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

Purpose of this Report

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

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".**CliftonLarsonAllen LLP**

Danville, Illinois
December 20, 2016

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

The Mayor and City Council
City of Danville, Illinois

Report on Compliance for Each Major Federal Program

We have audited the City of Danville, Illinois' compliance with the types of compliance requirements described in the *OMB 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, 2016. 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, 2016.

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

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



CliftonLarsonAllen LLP

Danville, Illinois
December 20, 2016

CITY OF DANVILLE, ILLINOIS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended April 30, 2016

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	\$ -	\$ 2,125
Edward Byrne Memorial Grant	16.738	2013-DJ-BX-0316	-	10,060
Total Department of Justice			<u>-</u>	<u>12,185</u>
Department of Housing and Urban Development				
Direct Programs				
Community Development Block Grants-Entitlement *	14.218	B-14-MC-17-0038	-	500,237
Community Development Block Grants-Entitlement *	14.218	B-15-MC-17-0038	-	339,966
Total Department of Housing and Urban Development			<u>-</u>	<u>840,203</u>
Department of Transportation				
Direct Programs				
Federal Transit Formula Grant	20.507	IL-90-X707-00	-	59,301
Federal Transit Formula Grant	20.507	IL-90-X629-00	-	2,088
Federal Transit Formula Grant	20.507	IL-90-X718-00	-	35,474
Federal Transit Formula Grant	20.507	IL-90-X706-00	-	19,989
Federal Transit Formula Grant	20.507	IL-90-X740-00	-	171,649
Federal Transit Formula Grant	20.507	IL-90-X724-00	-	279,220
Subtotal of Federal Transit Cluster			<u>-</u>	<u>567,721</u>
Passed through Illinois Department of Transportation (IDOT)				
Highway Planning and Construction	20.205	500015T0007	-	54,573
Highway Planning and Construction	20.205	700016T0014	-	56,758
Highway Planning and Construction	20.205	None	-	79,172
Total passed through IDOT			<u>-</u>	<u>190,503</u>
Total Department of Transportation			<u>-</u>	<u>758,224</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ -</u>	<u>\$ 1,610,612</u>

* Denotes major program

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

CITY OF DANVILLE, ILLINOIS
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
April 30, 2016

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, 2016. 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, 2016**

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>
14.218	Community Development Block Grants- Entitlement Grants

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, 2016

Section II – Financial Statement Findings

FINDING NO. 2016-001 – ANNUAL FINANCIAL REPORTING UNDER GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (GAAP)

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 U.S. generally accepted accounting principles (GAAP).

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 GAAP.

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 generally accepted accounting principles and will continue to monitor the cost benefit in regards to it being completed in-house.

**CITY OF DANVILLE, ILLINOIS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended April 30, 2016**

Section II – Financial Statement Findings (Continued)

FINDING NO. 2016-002 – 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.

Section III – Federal Award Findings and Questioned Costs

None to report.

CITY OF DANVILLE, ILLINOIS
SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
Year Ended April 30, 2016

FINDING NO. 2015-01 – FINANCIAL STATEMENT PREPARATION AND ADJUSTMENTS

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, to ensure they are complete and presented in accordance with GAAP.

Condition still exists, see Finding 2016-001.

FINDING NO. 2015-02 – DANVILLE PUBLIC LIBRARY – COMPONENT UNIT

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

Condition still exists, see Finding 2016-002