

CITY OF DANVILLE
Danville, Illinois

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEAR ENDED APRIL 30, 2018

CliftonLarsonAllen LLP



WEALTH ADVISORY | OUTSOURCING | AUDIT, TAX, AND CONSULTING



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INDEPENDENT AUDITORS' REPORT

Mayor and City Council
City of Danville, Illinois

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Danville, Illinois (City), as of and for the year ended April 30, 2018, 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, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the budgetary comparison information, schedules of employer contributions, schedule of funding progress, and schedule of changes in net pension liability and related ratios 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 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 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 12, 2018 on our consideration of the City of Danville’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the City of Danville’s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Danville’s internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Danville, Illinois
December 12, 2018

Management's Discussion and Analysis

Introduction:

The objective of Management's Discussion and Analysis is to help readers better understand the City of Danville's financial position and operating activities for the fiscal year ended April 30, 2018, with selected comparative information for the fiscal year ended April 30, 2017. This discussion has been prepared by management and should be read in conjunction with the audited financial statements and notes to the financial statements.

Overview:

The City of Danville (population 33,027) was established in 1827 and is a home rule municipality located 3 miles from the Indiana state line, 130 miles southwest of Chicago, and located 30 miles east of the University of Illinois in Champaign-Urbana. The City's proximity to Interstate 74 has helped attract the majority of our Southgate and Eastgate industries. The city has 187 centered line miles of roadway and is 17.5 square miles geographically.

The Statement of Net Position and Statement of Fund Activities:

The *Statement of Net Position* presents information on all City assets, deferred outflows of resources, liabilities, and deferred inflows of resources, including pension liabilities; with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator as to whether the financial position of the City is improving or deteriorating.

The *Statement of Fund Activities* presents information showing how net position changed during the most recent fiscal year.

Both of these government-wide financial statements distinguish between functions of the City that are principally supported by taxes and intergovernmental revenues (*Governmental Activities*) and other functions that are intended to recover all, or a portion, of their costs through user fees and charges (*Business-type Activities*). Additionally, the financial statements include the Danville Public Library (*Component Unit*), a legally separate entity for which the City is financially accountable.

Financial Highlights:

Government –Wide:

- As of April 30, 2018, the City's total net position was (\$23,954,864), a decrease of \$2,351,493 from the previous fiscal year total net position of (\$21,603,371). Total assets were marginally decreased in the amount of \$131,589. Total liabilities decreased by \$4,115,762, of which \$2,784,949 was due to the reduction in Net pension liability and a \$1,468,716 due to a reduction in the of long-term debt and notes, as the 2007 General Obligation Bond issuance nears completion in December 2021.
- The governmental activities total net position decrease of \$3,776,340 was primarily due to the recording of related pension liability and restricted funds and the decrease in current assets.
- Total current assets reported at year end 2018 for governmental activities are \$23,632,235 representing a \$1,259,343 decrease from last fiscal year's total of \$25,254,068. This represents a 4.99% decrease in total current assets.

- The business-type activities total current assets reported at year end are \$6,302,108; whereas last fiscal year the total was \$5,507,745, representing a 14.42% decrease over last year.
- The governmental activities has \$116,258,897 in noncurrent liabilities at year end (a decrease of 2.93%), which includes: Net pension liability; accumulated vacation and sick days; post-employment benefits; current pension obligation and long-term debt including all general obligation bonds and notes payable. This represents a decrease of \$3,514,131 from last year's total noncurrent liabilities, primarily due to decreases in Net pension liability and decreases in long-term notes and bonds.
- The Deferred Inflows of Resources for the governmental activities total of \$8,166,469 for 2018, shows an increase of \$1,635,965 (25%) over last year's total of \$6,530,504.
- It should be noted that, none of the Property Taxes collected are used for General Fund programs or services. All funds collected through the property tax levy fund the Police and Fire pension funds and Danville Public Library.

Overview of the Financial Statements:

The intent of this discussion and analysis is to provide the reader with an introduction to the City's basic financial statements. The City's basic financial statements comprise two components: 1.) **Government-wide** financial statements, and 2.) **Fund** financial statements.

1. **Government-wide Financial Statements** are designed to provide readers with a broad overview of City finances in a manner similar to the private sector and includes both long-term and short-term information about the City's overall financial status. The Danville Public Library is reported in this section as a Component Unit.
 - a. The *statement of net position* presents information on all City assets, deferred outflows of resources, liabilities, and deferred inflows of resources with the difference reported as net position.
 - b. The *statement of activities* presents information showing how net position changed during the most recent fiscal year.

2. **Fund Financial Statements** are groupings of related accounts that are used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments uses fund accounting to ensure and demonstrate finance-related legal compliance. All of the funds of the City can be divided into three categories: *governmental funds*, *proprietary* (business-related) *funds* and *fiduciary funds*.
- a. **Governmental funds** are used to account for essentially the same functions reported in *governmental activities* in the government-wide financial statements. Unlike the government-wide financial statements, governmental funds financial statements focus on the near-term inflows and outflows of spendable resources, as well as balances of spendable resources available at the end of the fiscal year. This information is valuable in evaluating the City's near-term financing requirements
 - b. **Proprietary funds** are used to account for the City's Enterprise funds which are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses Enterprise funds to account for its Sewer, Solid Waste Management, and Harrison Park Golf Course operations.
 - c. **Fiduciary funds** are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources contained in those funds are not available to support the City's programs.

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

Required Supplementary Information includes budgetary comparison schedules for the General Fund and major special revenue funds as well as required pension and other post-employment benefit information.

Other Supplementary Information includes combined 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 2018 numbers found on page 18)

	Condensed Statement of Net Position * in 000							
	Governmental		Business-type		Total		Net	%
	Activities		Activities				change	change
	2018	2016	2018	2016	2017	2016		
Current and other assets	\$ 23.6	\$ 25.2	\$ 6.3	\$ 5.5	\$ 29.9	\$ 30.7	\$ (0.8)	-2.6%
Noncurrent /Capital assets	60.3	60.5	6.7	6.2	67.0	66.7	0.3	0.4%
Total assets	83.9	85.7	13.0	11.7	96.9	97.4	(0.5)	-2.2%
Deferred outflows of resources								
Related to net pension liability	\$ 6.9	\$ 11.9	\$ 0.1	\$ 0.1	\$ 7.0	\$ 12.0	\$ (5.0)	-41.7%
Current liabilities	\$ 2.2	\$ 2.8	\$ 0.4	\$ 0.5	\$ 2.6	\$ 3.3	\$ (0.7)	-21.2%
Noncurrent liabilities	116.2	119.8	0.5	0.7	116.7	120.5	(3.8)	-3.2%
Total liabilities	\$ 118.4	\$ 122.6	\$ 0.9	\$ 1.2	\$ 119.3	\$ 123.8	\$ (4.5)	-24.4%
Deferred inflows of resources								
Related to net pension liability	\$ 3.2	\$ 2.6	\$ 0.4	\$ 0.2	\$ 3.6	\$ 2.8	\$ 0.8	1.0%
Subsequent year's property taxes	4.9	4.3	-	-	4.9	4.3	0.6	14.0%
Total deferred inflows	\$ 8.1	\$ 6.9	\$ 0.4	\$ 0.2	\$ 8.5	\$ 7.1	\$ 1.4	15.0%
Net Position:								
Net investment in capital assets	\$ 53.9	\$ 52.2	\$ 6.6	\$ 6.1	\$ 60.5	\$ 58.3	\$ 2.2	3.8%
Restricted	10.0	10.3	-	-	10.0	10.3	(0.3)	-2.9%
Unrestricted	(99.6)	(94.4)	5.2	4.3	(94.4)	(90.1)	(4.3)	-4.8%
Total net position	\$ (35.7)	\$ (31.9)	\$ 11.8	\$ 10.4	\$ (23.9)	\$ (21.5)	\$ (2.4)	-3.9%

Total assets of the City decreased from \$97.4 million as of April 30, 2017 to \$96.9 million as of April 30, 2018. This represents a \$0.5 million decrease from last year or -2.2%. As illustrated in the chart above, there was a marginal increase in Noncurrent/Capital assets and a slight decrease in Current and other assets.

Total liabilities of the City as of April 30, 2018, decreased \$4.5 million from last year's \$123.8 million. Of this amount, approximately \$2.8 million represents a decrease of pension liability and \$1.0 million represents a reduction of debt from long-term notes and bond that will be paid over the next 11 years. The City's total net position as of the statement date was -\$23.9 million; which is a further decrease in the net position of -\$2.4 or -3.9%.

The City's net position, (Invested in capital assets, net of related debt) was \$58.3 million as of April 30, 2017 and is \$60.5 million as of the April 30, 2018. This amount reflects the City's investment in capital assets (e.g. land, buildings, machinery, and equipment), less any outstanding related debt used to acquire those assets. The City uses these capital assets to provide services to citizens and therefore these assets are

not available for future spending. The unrestricted change in net position of -\$90.1 million as of April 30, 2017 to -\$94.4 million as of April 30, 2018 represents a further decrease of -\$4.3 million.

Statement of Activities-Programs-Expenses

The following chart reflects the condensed statement of activities found on page 19 (in millions):

Condensed Statement of Activities * in 000									
	Governmental		Business-type		Total	2016	Net change	%	change
	Activities		Activities						
	2018	2017	2018	2017					
Revenues:									
Program Revenues									
Charges for services	\$ 1.7	\$ 2.7	\$ 6.5	\$ 6.5	\$ 8.2	\$ 9.2	\$ (1.0)		-10.9%
Operating grants and contributions	2.4	4.4			2.4	4.4	(2.0)		-45.5%
Capital grants and contributions	0.9	4.6			0.9	4.6	(3.7)		0.0%
General revenues:									
Property Taxes	4.9	5.0			4.9	5.0	(0.1)		-2.0%
Other Taxes	27.6	25.9	0.7		28.3	25.9	2.4		9.3%
Other/Transfers	0.1	0.1	0.1	0.1	0.2	0.2	-		0.0%
Total revenues	\$ 37.6	\$ 42.7	\$ 7.3	\$ 6.6	\$ 44.9	\$ 49.3	\$ (4.4)		-8.9%
Expenses:									
General government	\$ 7.0	\$ 7.0			\$ 7.0	\$ 7.0	\$ -		0.0%
Public safety	21.5	24.7			21.5	24.7	(\$3.2)		-13.0%
Community development	2.2	3.2			2.2	3.2	(\$1.0)		-31.3%
Public health and education	0.1	0.1			0.1	0.1	\$0.0		0.0%
Transportation	2.8	2.7			2.8	2.7	\$0.1		3.7%
Streets	5.6	5.4			5.6	5.4	\$0.2		3.7%
Culture and recreation	1.9	2.2			1.9	2.2	(\$0.3)		-13.6%
Interest on long-term debt	0.3	0.3			0.3	0.3	\$0.0		0.0%
Sanitary Sewer Department			2.4	3.7	2.4	3.7	(\$1.3)		-35.1%
Harrison Park			0.4	0.4	0.4	0.4	\$0.0		0.0%
Solid Waste Management			3.1	2.8	3.1	2.8	\$0.3		10.7%
Total expenses	\$ 41.4	\$ 45.6	\$ 5.9	\$ 6.9	\$ 47.3	\$ 52.5	\$ (5.2)		-9.9%
Change in net position	\$ (3.8)	\$ (2.9)	\$ 1.4	\$ (0.3)	\$ (2.4)	\$ (3.2)	\$ 0.8		-25.0%

Total Revenue for Governmental Activities for 2018 is \$37.6 million, a decrease of \$5.1 million or 11.9% from last year's total of \$42.7 million. Other Taxes increased \$1.7 million or 6.6% partially due to increases in Local Sales Tax and State Income Tax. While revenue for total Business-type activities for 2018 increased to \$0.7 million from \$6.6 million last year the increase was from the receipt of intergovernmental taxes rather than any increases in charges for services. Charges for services remained stagnant at \$6.5 million for both 2018 and 2017.

The total Governmental Activities Program expenses show a decrease from \$6 million for 2017 to \$41.4 million for 2018 or 9.2%. The only programs to have an increase to expenses in 2018, were Transportation and Streets. The Public Safety program had the largest decrease in expenses, \$24.7 million in 2017, and \$21.5 million in 2018. A large portion of this decrease is due to the Fire Division contract settlement and associated costs in 2017. Governmental program expenses consist of \$21.5 million for Public Safety, \$7.0 million for General Government Activities, \$5.6 million for Streets, \$1.9 million for Culture and Recreation, \$2.8 million for Transportation, \$2.2 million for Community Development, and \$

0.3 million for Interest on long-term debt. In 2018, Public Health and education (representing work done at the Landfill) had no increases in expenditure from 2017. Business-type operating expenses totaling \$2.4 million for Sanitary Sewer; \$ 0.4 million for Harrison Park; and \$3.1 million for Solid Waste funds as shown in the chart above.

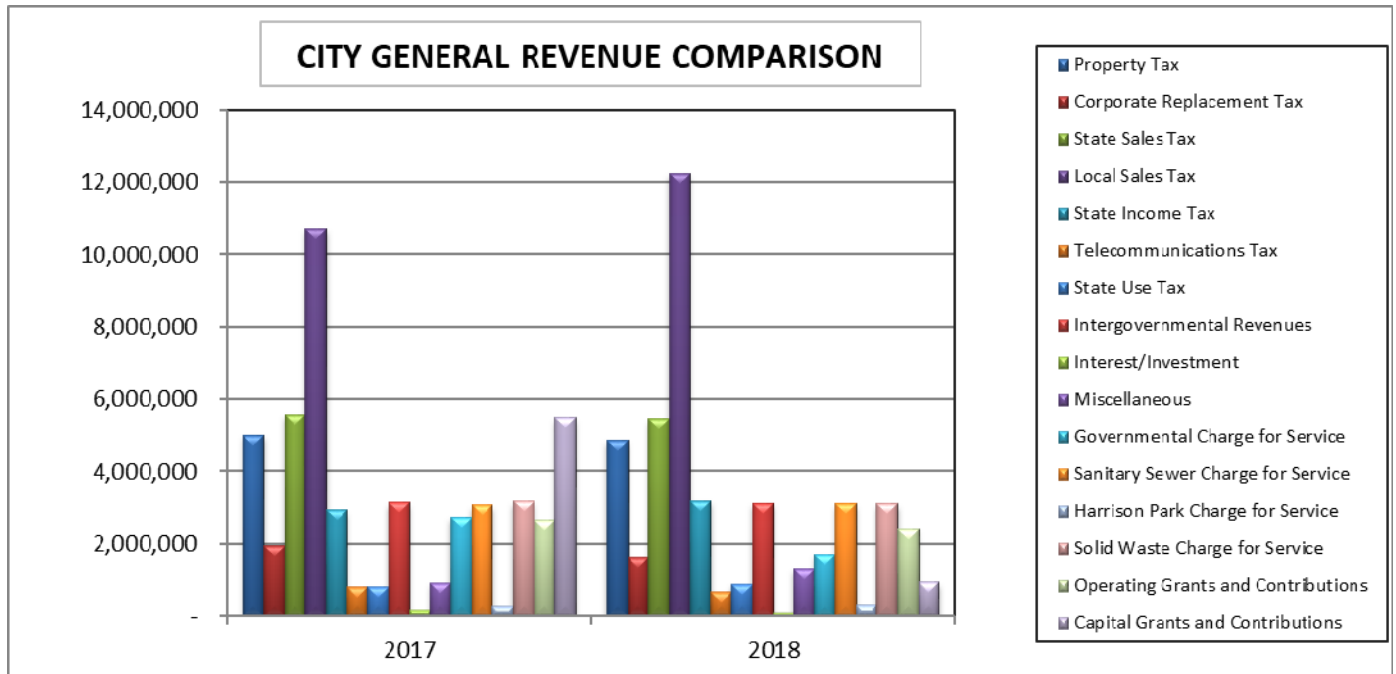
In 2018, the Sanitary Sewer Department had operating revenues were in excess of operating expenditures totaling approximately \$690,598 with operating revenues totaling \$3.133 million and operating expenditures totaling \$2.443 million. Last year the Sanitary Sewer fund had Total operating revenues for 2017 of \$3.092 million compared to \$3.133 million in 2018. Total operating expenses of \$3.72 million for 2017 were less in 2018 at \$2.443 million. The Total Net Position for Sanitary Sewer for 2018 is \$9.1 million, an increase of \$1.36 from 2017 Total Net Position of \$7.7 million, (actual amounts for 2018 are on pages 27).

In 2018, the Solid Waste fund had operating revenue in excess of operating expenditures totaling approximately \$106,048. The 2018 total Solid Waste operating revenues were \$3.165 million representing a decrease of \$61,610 from last year’s total of \$3.226 million. Total operating expenditures in 2018 were \$3.059 while in 2017 total operating expenses were \$2.797. This represents an increase of \$261,884. Total Net Position for the Solid Waste fund for 2018 is \$2.535 million, an increase of \$74,027 over the 2017 total of \$2.461 million. (Actual amounts for 2018 are on pages 27).

In 2018, Harrison Park Golf Course had operating expenses in excess of operating revenue totaling \$39,037. In 2017, operating expenditures were in excess of operating revenues by \$32,932. Total operating revenue for Harrison Park in 2018 was 409,889 while operating expenditures were \$427,926. The 2017 revenues totaled \$373,780 and expenditures totaled \$406,712. Total net position for Harrison Park Golf Course for 2018 was \$143,450, compared to 2017 total of \$182,732, and 2016 total of \$228,456, indicative of a continuing negative trend to Total Net Position for Harrison Park Golf Course. (Actual amounts for 2018 are on pages 27).

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

The chart on the next page shows a comparison of the revenues received ending April 30, 2017 and April 30, 2018, (actual amounts for 2018 are on page 19).

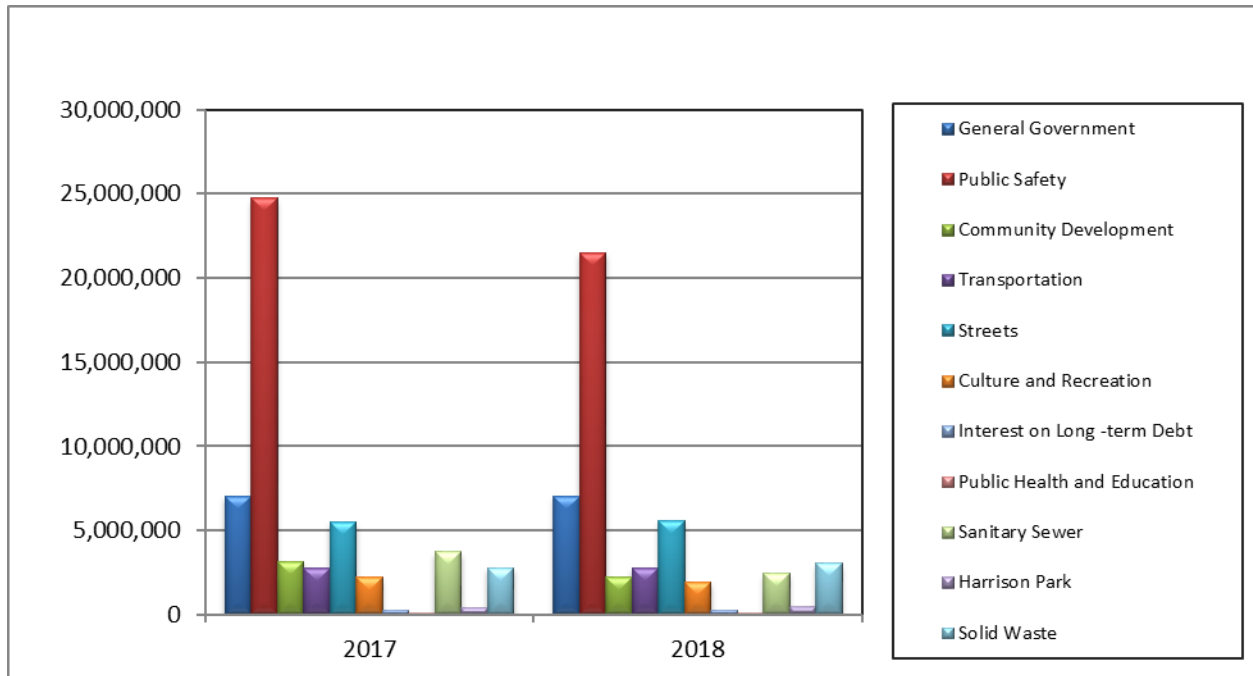


CITY GENERAL REVENUE DATA				
City Revenues	2017	2018	Increase (Decrease)	Percent Change
Property Tax	4,994,371	4,852,935	(141,436.00)	-2.83%
Corporate Replacement Tax	1,936,903	1,605,351	(331,552.00)	-17.12%
State Sales Tax	5,561,170	5,452,038	(109,132.00)	-1.96%
Local Sales Tax	10,725,958	12,243,161	1,517,203.00	14.15%
State Income Tax	2,931,541	3,187,765	256,224.00	8.74%
Telecommunications Tax	797,279	672,634	(124,645.00)	-15.63%
State Use Tax	807,766	882,715	74,949.00	9.28%
Intergovernmental Revenues	3,142,046	3,126,143	(15,903.00)	-0.51%
Interest/Investment	152,178	79,001	(73,177.00)	-48.09%
Miscellaneous	917,833	1,312,941	395,108.00	43.05%
Governmental Charge for Service	2,725,164	1,705,672	(1,019,492.00)	-37.41%
Sanitary Sewer Charge for Service	3,069,640	3,109,060	39,420.00	1.28%
Harrison Park Charge for Service	268,216	301,366	33,150.00	12.36%
Solid Waste Charge for Service	3,174,420	3,104,801	(69,619.00)	-2.19%
Operating Grants and Contributions	2,630,569	2,400,791	(229,778.00)	-8.73%
Capital Grants and Contributions	5,476,518	942,822	(4,533,696.00)	17.22%
Total General Revenue	49,311,572	44,979,196	431,098.00	-8.79%

As with all municipalities, the City of Danville is supported by tax revenues from various sources. Total General and Program Revenues, which include revenues from state sales tax, corporate replacement tax, income tax, local taxes, property tax, charges for service, grants, as well as other income generators, totaled \$44.9 million for the year ending April 30, 2018. This total represents an 8.79% decrease in General revenue over last year's total \$49.3 million, with the largest decreases in Corporate Replacement Tax, Telecommunications Tax, Interest/Investments, and Government Charge for Service. Local Sales Tax shows an increase of \$1.5 million, from last year representing a 14.15% increase. State Sales Tax shows a decrease from last year of \$109,132 or -1.96% and Corporation Replacement Tax shows a decrease of \$331,552 or -17.12%, Telecommunication Tax shows decrease of \$124,645 or -15.63%, and State Use tax shows an increase of 9.28% over last year. As you can see from the chart above, State and Local Sales Tax account for the largest revenue source for the General Fund, with 2018 State and Local Sales Tax totaling \$17.7 million, compared to last year's total of \$16.3 million. This represents an 8.65% increase from last year.

The General Fund Revenues for FY2018 totaled \$22,995,691 and Expenditures totaled \$23,825,725; resulting in a deficiency of revenues over expenditures totaling \$830,034. The same data for FY2017 was Revenues totaling \$24,808,857 and Expenditures totaling \$23,735,533 resulting in an excess of revenues over expenditures totaling \$1,073,324. (Actual data for 2018 found on page 23 and 24 of the financials report).

The following graph is a comparison of Program Expenses from fiscal year 2017 to fiscal year 2018 (actual dollar amounts found on page 19):



<u>CITY PROGRAM EXPENSE YEARLY COMPARISON DATA</u>				
	<u>2017</u>	<u>2018</u>	<u>Increase (Decrease)</u>	<u>Percent Change</u>
General Government	7,055,290	7,054,972	-318	0.00%
Public Safety	24,728,813	21,505,296	-3,223,517	-13.04%
Community Development	3,160,366	2,220,563	-939,803	-29.74%
Transportation	2,750,380	2,780,297	29,917	1.09%
Streets	5,482,242	5,603,406	121,164	2.21%
Culture and Recreation	2,223,176	1,959,827	-263,349	-11.85%
Interest on Long-term Debt	265,651	268,417	2,766	1.04%
Public Health and Education	17,329	13,306	-4,023	100.00%
Sanitary Sewer	3,717,882	2,431,108	-1,286,774	-34.61%
Harrison Park	419,743	448,563	28,820	6.87%
Solid Waste	2,794,077	3,044,994	250,917	8.98%
Total City Program Expenses	52,614,949	47,330,749	-5,284,200	-10.04%

In comparing expenditures for 2018 to 2017, you will notice that the expenditures have decreased by \$5.28 million (or -10.04%) from last year. This is primarily due to the fire department overtime in 2017 and completion of the Richard D. Brazda Bus Terminal, sewer projects and Community Development projects in 2017.

As indicated in the chart above, Community Development had the highest reduction in expenditures from \$3.1 million to \$2.2 million or a 29.74% decrease over last year. Interest on Long-term Debt has increased by 1.04% due to the insurance cost of new debt. The decrease in Sanitary Sewer of 34.61% is

due higher costs last FY associated with the age of our sewer systems. The increase to DMT (Transportation) was a minimal 1.09%. The expenditures for public safety show a decrease from \$24.7 million to \$21.5 or -13.04% due in part to vacant positions within the Police Division General Government had minimal decrease in expenditures over last year based in part on declining personnel costs due to vacancies. The other categories had smaller increases relating to personnel cost and operating needs. The Mayor, Department Heads, City Council, and Administration worked together to keep expenditures down as much as the economy would allow.

On a modified accrual basis, this year's expenditures exceeded revenue in the General fund by \$830,034 compared to last year's \$1.07 million excess of revenues over expenditures.

On a modified accrual basis, the General fund balance at the end of Fiscal Year 2018 was \$5.1 million, down \$1,840,563 from last year's Fund Balance of \$6.9 million as stated on page 24 of the financial statements.

This year in the Motor Fuel Tax fund (MFT), expenditures exceeded revenues by \$506,783. The total MFT operating revenues for 2018 were \$1,012,931 and expenditures in MFT were \$1,519,714 (actual numbers are on pages 23 and 24). The MFT fund balance at year end 2017 was \$7.0 million and in 2018 \$6.5 million, which represents a fund balance decrease of \$506,783.

General Fund Budgetary Highlights:

Over the course of the year, the City Council revised the City Budget numerous times, due primarily to the decline in revenues, emergency storm water repairs, fire department overtime and vehicle repairs. The budget was approved simultaneously with the Tax Levy on December 05, 2017. These budget amendments fall into three categories:

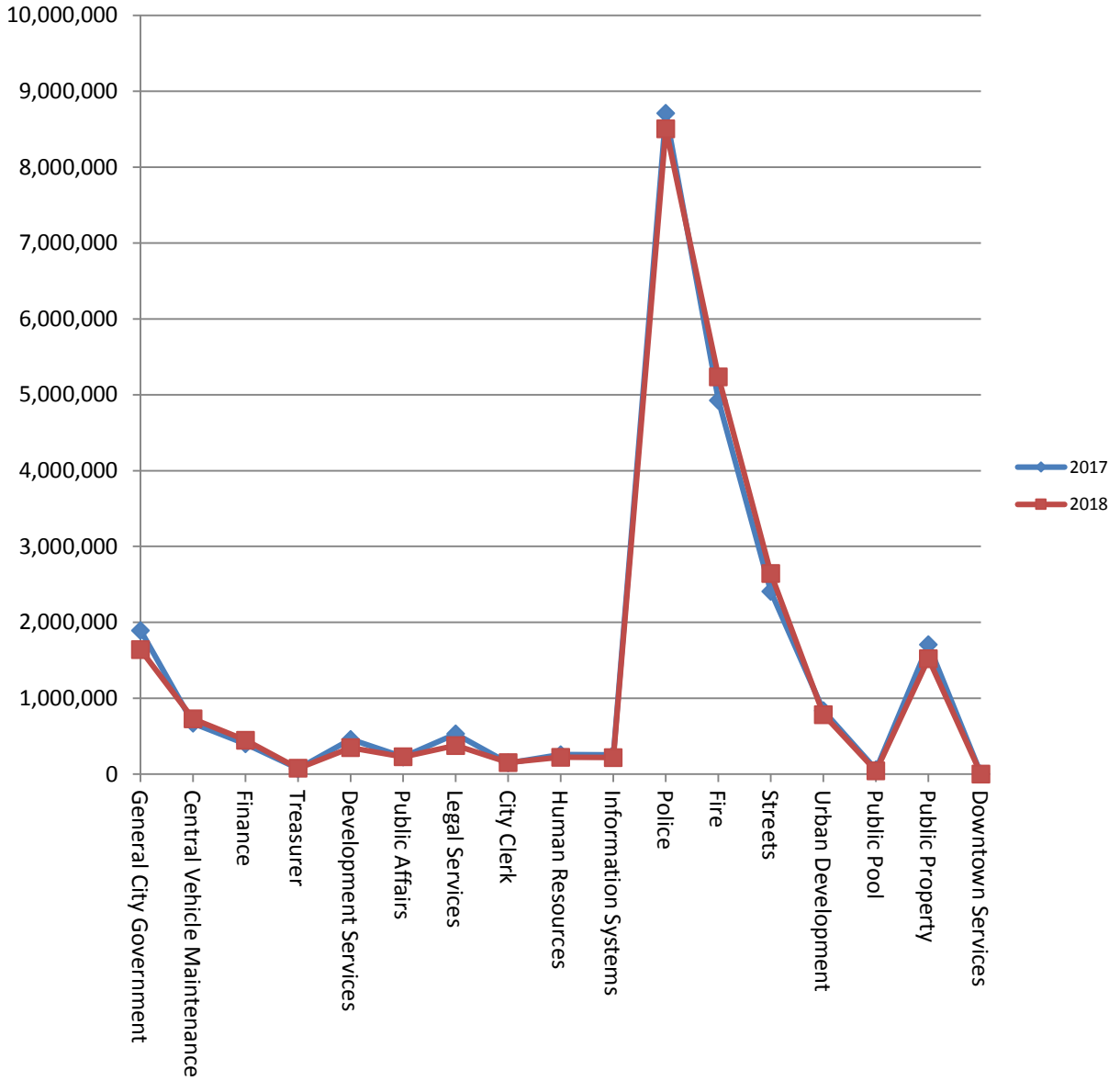
The first category includes amendments and supplemental appropriations that were approved as projects, and contracts that were competitively bid and were awarded higher than originally budgeted.

The second included Council approved increases in appropriations subsequent to the FY 2017-2018 Budget passage. These appropriations were to adjust the original budget when departments submitted estimated year-end figures that exceeded current budgeted amounts.

Finally, the budget was amended during Council meetings near the end of the Fiscal Year and several Council meetings after the end of the Fiscal Year, to adequately account for the revenues and expenditures.

The following graph shows the General Fund actual budgets for the year ended April 30, 2017 and April 30, 2018, for each division (actual dollar amounts for 2018 are located on page 80):

GENERAL FUND ACTUAL EXPENDITURES - BUDGET BASIS



General Fund Actual Expenditure – Budget Basis Comparison

	<u>2017</u>	<u>2018</u>	<u>Increase</u> <u>(Decrease)</u>	<u>Percent</u> <u>Change</u>
General City Government	1,893,372	1,639,798	-253,574	-13.393%
Central Vehicle Maintenance	670,597	729,629	59,032	8.803%
Finance	399,511	447,899	48,388	12.112%
Treasurer	71,809	77,103	5,294	7.372%
Development Services	460,406	348,982	-111,424	-24.201%
Public Affairs	226,649	229,085	2,436	1.075%
Legal Services	531,548	377,499	-154,049	-28.981%
City Clerk	148,199	152,652	4,453	3.005%
Human Resources	257,614	223,296	-34,318	-13.321%
Information Systems	254,954	218,484	-36,470	-14.305%
Police	8,709,865	8,504,021	-205,844	-2.363%
Fire	4,926,169	5,236,390	310,221	6.297%
Streets	2,407,301	2,644,123	236,822	9.838%
Urban Development	838,316	785,228	-53,088	-6.333%
Public Pool	61,016	43,669	-17,347	-28.430%
Public Property	1,708,314	1,522,129	-186,185	-10.899%
Downtown Services	-	-	-	0.000%
Total Actual General Fund Budget	23,565,640	23,179,987	-385,653	-1.637%

The above chart illustrates the difference in the actual expenditures – budgetary basis for General Fund from the 2017-17 and the 2017-18 Fiscal Year.

Although the Mayor, members of the City Council, and Administrative staff worked diligently to meet the FY 2017-2018 Budget as approved, it became difficult with the increase in overtime in the Fire and Police Division, legal fees associated with negotiations and litigations, materials needed for storm sewer repairs, emergency repairs needed for Fire apparatus and other personnel expenditures exceeding projections.

As shown in the chart above, there was a decrease of only \$385,653 in the General Fund actual expenditures – budgetary basis for 2018, as compared to 2017. The largest increase of \$310,221, or 6.297% is in the Fire Division and was due to excess overtime and back pay due at the time of the contract settlement. The second highest increase of \$236,822 or 9.838% is in Streets and represents overtime costs and the maintenance of the storm sewer and maintenance of the streets. The next highest increase is \$59,032 in Central Vehicle Maintenance or 8.803% which is due to repairs necessary on the Pierce fire trucks. The increase of \$48,388 or 12.112% in Finance was due to the hiring of a new City Comptroller and the subsequent transition which retained the former Comptroller in a new position of Budget Director. The remaining divisions had small changes to their budgets: Treasurer, Public Affairs, and City Clerk.

The General City government shows the largest decrease of \$253,574 or -13.393%, due to a reduction in the cost of general liability insurance and to not making the budgeted \$343,000 transfer to Infrastructure Fund. The decrease of \$205,844 or -2.363% in Police Division was due primarily to reduction in personnel costs due to vacancies. The 154,049 decrease in Legal Services was due primarily to the vacancy in the Assistant Corporation Counsel position and all associated personnel costs. The decrease of \$111,424 to Development Services was primarily due to personnel cost reductions due to vacancies.

The Financial policy requires the General Fund Reserve to be maintained at a minimum of \$1,200,000. Due to the unbudgeted overtime expense in the Fire Division, this was not possible in FY2018, nor is it likely to occur in FY2019 either.

Capital Assets:

Changes to the Capital Assets as stated in the Noncurrent Asset section of the Statement of Net Assets shows net changes (additions and deletions) in the following categories (2018 actual numbers can be found on page 18 of the financials:

PRIMARY GOVERNMENT CAPITAL ASSETS - CAPITAL COMPARISON

	<u>2017</u>	<u>2018</u>	<u>Increase</u> <u>(Decrease)</u>	<u>Percent</u> <u>Change</u>
Land	6,415,583	6,415,583	0	0.00%
Construction in Process	3,176,437	-	-3,176,437	-100.00%
Buildings and improvements	35,470,085	40,289,439	4,819,354	13.59%
Equipment Infrastructure	29,488,123	29,075,177	-412,946	-1.40%
Infrastructure	66,956,876	69,925,866	2,968,990	4.43%
Total, at cost	141,507,104	145,706,065	4,198,961	2.88%
Less accumulated depreciation	74,966,279	78,804,413	3,838,134	5.12%
Total capital assets	66,540,825	66,901,652	360,827	0.54%

At the end of April 30, 2018, the City had \$145.7 million invested in a broad range of Capital Assets (\$141.5 million-April 30, 2017), including police and fire equipment, buildings, park facilities, roads, bridges, public works equipment and sewer lines. After accumulated depreciation of \$78.8 million the total is \$67.0 million (\$66.5 million –April 30, 2017). These figures are derived from the Statement of Net Position on page 18 under Non-current Assets.

Prior fiscal year we had numerous projects underway: Richard D. Brazda Transfer Zone was completed in 2018as indicated by the decrease in the Construction in Process. The City is still in design and development of multiple sewer projects that will require millions of dollars.

The City made the following vehicle and capital equipment purchases Mulcher, 2014 Ford Interceptor Taurus, 2013 Ford Taurus, Brush Cutter for Sewer, Color Mini Camera, Gooseneck Trailer, Hoist Assembly for Horizontal Grinder, Kohler 60 KW Generator/Supplies, CAT315BL Quick Coupler/Pin/Grabber, Grabber Bucket, 500 Gal Water Wagon, 2017 Lodal EVO Mag20-C300 FT90 Refuse Truck, Trailer for Solid Waste Collection, Heavy Rescue Conversion Equipment and GRS-1 Network Receiver.

The City also purchased multiple buildings and dilapidated houses through the Vermilion County Tax Sale (a breakdown of Capital asset by Governmental activities and Business-like Activities can be found in Note 5 pages 48-50).

Debt:

Capital leases, bonds and notes:

At year's end on April 30, 2018, the City, had a total \$6.3 million in capital leases, bonds, and notes payable, of which \$1.0 million is the current portion, and \$5.3 is the noncurrent portion. The prior year ending April 30, 2017, the City had a total of \$7.8 million in capital leases, bonds and notes payable, of which \$1.5 was the current portion, and \$6.3 the noncurrent portion; a decrease of \$1.4 million or 18.8%. The decrease from April 2017 to April 2018 was due to declining general obligation bond debt in the 2007 and 2009 bonds issuances. (See page 18, Statement of Net Position). The long-term debt service extends to the year 2028, when the 2009 general obligation bonds are paid in full.

During the Fiscal Year 2018, no new bonds were issued and debt service to existing capital leases, bonds and notes payables is budgeted at \$1.025 million. With a population of 33,027 (2010 Census), total debt per capita for 2018 is \$ 193.37, a decrease of \$44.91 or 18.85% from the 2017 total debt per capita of \$238.28. Due to the current City bond rating from Moody's Investors Service of Baa3stable, careful consideration will be given when evaluating funding for future projects or funding for the completion of the Danville High School campus project, Riverfront Development, East Main Street Improvements, West Main Street Development and for redevelopment of blighted areas.

Pensions:

The Police and Fire Pension funds continue to be under-funded (see Note 7 – pages 60-72), however, the City annually consults with an independent actuary to determine the required funding levels and levies taxes accordingly. There are several factors that determine the amount of pension contributions including various investment returns, number and age of all participants in the pension plan, rate of salary increases, and the unfunded portion of the pension fund. The City's goal is to always contribute the amount per law to the Pension funds to ensure their sustainability. The City's unfunded pension liabilities continue to put pressure on the City's financial condition. With new GASB standards in place, Pension debt, including IMRF, year-end 2018 is \$108,631,568, and last year's total was \$111,031,136. This decrease indicates that the City is on the right track and needs to continue to find ways to decrease the Pension debt in order for the City to be sustainable again.

Economic Factors and Next Year's Budgets and Rate:

- *Consumer Price Index* –Growth in the CPI has been stable for the past four years and serves a measure for the growth in the cost for supplies and services used by the City. In the year ending April 30, 2018, the CPI-Midwest Urban Index increased 2.6%.
- *Taxable Sales* –Taxable sales began a negative trend beginning in late 2008 that appears to be ending at last. This fiscal year has seen a 14.15% increase to Local Sales Tax.
- *Public Safety Pension Fee* – in 2018 the City Council approved an Ordinance increasing the Public Safety Pension Fee to \$22.25 per month for most residents and \$50.00 or \$85.00 per month for Commercial and Industrial properties.
- *Unemployment Rate* – The Bureau of Labor Statistics has posted improving rates in unemployment for our area for the past two years. April 2017, 5.6% and April 2018, 4.8%
- *Equalized Assessed Valuation* – the EAV has seen moderate growth the past two years. The 2016 EAV was \$291,471,953; the 2017 EAV was \$293,899,583 and the 2018 EAV is estimated to be \$300,512,324, an increase of 2.25% from the previous tax year.
- *Actuarial Valuation of Police and Fire Pension Obligation* - The City uses actuarial valuations of the police and fire pension obligations to prepare both the annual tax levy and the annual budget.
- *Health Insurance Costs* - in 2018 the City has a 17.2% increase in health insurance costs. The 2018 budget absorbed four months of the increased costs. The 2019 rates remained stagnate.

The City's elected and appointed officials considered many factors when adopting the Fiscal Year 2017-2018 Budget, including cash flow, services, programs, tax rates, the economy as a whole, and fees that will be charged for business-type activities. Although the City is directing more funds to the Pension than

ever before, our Moody's Investor rating went down two levels from an A3 to a Baa2 with a stable outlook, due primarily to the unfunded Pension Liability.

Contacting the City's Financial Management:

This financial report is designed to provide a general overview of the City's finances for all of those with an interest in the City's financial condition. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City of Danville, Attention: Office of the Comptroller, 17 W. Main Street, Danville, IL 61832.

CITY OF DANVILLE, ILLINOIS
STATEMENT OF NET POSITION
April 30, 2018

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Danville Public Library
CURRENT ASSETS				
Cash	\$ 4,262,476	\$ 3,912,577	\$ 8,175,053	\$ 863,364
Temporary investments	7,235,000	583,000	7,818,000	396,677
Receivables	1,221,708	1,028,108	2,249,816	327
Taxes receivable	4,921,638	-	4,921,638	1,848,131
Prepaid items	943,837	26,760	970,597	12,002
Internal balances	(534,292)	534,292	-	-
Due from other governments	5,581,868	217,371	5,799,239	-
Total current assets	<u>23,632,235</u>	<u>6,302,108</u>	<u>29,934,343</u>	<u>3,120,501</u>
NONCURRENT ASSETS				
Receivables	118,718	-	118,718	-
Capital assets not being depreciated:				
Land	6,134,573	281,010	6,415,583	-
Construction in process	-	-	-	-
Capital assets being depreciated:				
Buildings and improvements	21,981,436	18,308,003	40,289,439	-
Equipment	23,170,531	5,904,646	29,075,177	3,057,393
Infrastructure	69,925,866	-	69,925,866	-
Less accumulated depreciation	<u>60,988,440</u>	<u>17,815,973</u>	<u>78,804,413</u>	<u>2,714,887</u>
Total noncurrent assets	<u>60,342,684</u>	<u>6,677,686</u>	<u>67,020,370</u>	<u>342,506</u>
TOTAL ASSETS	<u>83,974,919</u>	<u>12,979,794</u>	<u>96,954,713</u>	<u>3,463,007</u>
DEFERRED OUTFLOWS OF RESOURCES				
Related to pension liability	<u>6,889,604</u>	<u>148,234</u>	<u>7,037,838</u>	<u>62,714</u>
CURRENT LIABILITIES				
Accounts payable	553,178	233,447	786,625	4,230
Accrued expenses	243,186	119,484	362,670	81,238
Due to other governments	12,334	-	12,334	-
Advance payments	-	25,165	25,165	-
Current portion accumulated vacation and sick days	374,787	28,325	403,112	-
Current portion of long-term notes and bonds	999,148	14,513	1,013,661	-
Total current liabilities	<u>2,182,633</u>	<u>420,934</u>	<u>2,603,567</u>	<u>85,468</u>
NONCURRENT LIABILITIES				
Net pension liability	108,631,568	100,173	108,731,741	42,381
Other post-employment benefits	786,274	276,259	1,062,533	54,780
Noncurrent portion of accumulated vacation and sick days	1,499,148	113,299	1,612,447	-
Noncurrent portion of long-term notes and bonds	<u>5,341,907</u>	<u>30,832</u>	<u>5,372,739</u>	<u>-</u>
Total noncurrent liabilities	<u>116,258,897</u>	<u>520,563</u>	<u>116,779,460</u>	<u>97,161</u>
Total liabilities	<u>118,441,530</u>	<u>941,497</u>	<u>119,383,027</u>	<u>182,629</u>
DEFERRED INFLOWS OF RESOURCES				
Related to pension liability	3,244,831	397,919	3,642,750	322,582
Subsequent year's property taxes	<u>4,921,638</u>	<u>-</u>	<u>4,921,638</u>	<u>1,873,774</u>
	<u>8,166,469</u>	<u>397,919</u>	<u>8,564,388</u>	<u>2,196,356</u>
NET POSITION				
Net investment in capital assets	53,882,911	6,632,341	60,515,252	342,506
Restricted for streets and transportation	6,857,408	-	6,857,408	-
Restricted for retirement	454,559	-	454,559	-
Restricted for community development	1,644,949	-	1,644,949	-
Restricted for public health and education	885,538	-	885,538	-
Restricted for public safety	105,028	-	105,028	-
Restricted for debt	70,434	-	70,434	-
Restricted for library	-	-	-	146,059
Unrestricted	<u>(99,644,303)</u>	<u>5,156,271</u>	<u>(94,488,032)</u>	<u>658,171</u>
TOTAL NET POSITION	<u>\$ (35,743,476)</u>	<u>\$ 11,788,612</u>	<u>\$ (23,954,864)</u>	<u>\$ 1,146,736</u>

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

CITY OF DANVILLE, ILLINOIS
STATEMENT OF ACTIVITIES
Year Ended April 30, 2018

	Program Revenues				Net (Expense) Revenue and Changes in Net Position			Component
					Primary Government			Unit
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business- Type Activities	Total	Danville Public Library
PROGRAMS								
Governmental activities:								
General government	\$ 7,054,972	\$ 897,742	\$ -	\$ -	\$ (6,157,230)	\$ -	\$ (6,157,230)	\$ -
Public safety	21,505,296	467,168	-	-	(21,038,128)	-	(21,038,128)	-
Community development	2,220,563	-	662,934	-	(1,557,629)	-	(1,557,629)	-
Public health and education	13,306	-	-	-	(13,306)	-	(13,306)	-
Transportation	2,780,297	316,097	1,737,857	942,882	216,539	-	216,539	-
Streets	5,603,406	-	-	-	(5,603,406)	-	(5,603,406)	-
Culture and recreation	1,959,827	24,665	-	-	(1,935,162)	-	(1,935,162)	-
Interest on long-term debt	268,417	-	-	-	(268,417)	-	(268,417)	-
Total governmental activities	41,406,084	1,705,672	2,400,791	942,882	(36,356,739)	-	(36,356,739)	-
Business-type activities:								
Sanitary Sewer Department	2,431,108	3,109,060	-	-	-	677,952	677,952	-
Harrison Park	448,563	301,366	-	-	-	(147,197)	(147,197)	-
Solid Waste Management	3,044,994	3,104,801	-	-	-	59,807	59,807	-
Total business-type activities	5,924,665	6,515,227	-	-	-	590,562	590,562	-
Component Unit:								
Danville Public Library	1,809,549	17,165	955	42,515	-	-	-	(1,748,914)
TOTAL	\$ 49,140,298	\$ 8,238,064	\$ 2,401,746	\$ 985,397	(36,356,739)	590,562	(35,766,177)	(1,748,914)

General Revenues:				
Property taxes	\$ 4,852,935	\$ -	\$ 4,852,935	\$ 1,778,015
Corporate personal property replacement taxes	1,605,351	-	1,605,351	-
State sales taxes	5,452,038	-	5,452,038	-
Local sales tax	12,243,161	-	12,243,161	-
State income tax allocation	3,187,765	-	3,187,765	-
Telecommunication tax	672,634	-	672,634	-
State use tax	882,715	-	882,715	-
Intergovernmental revenues	2,448,434	677,709	3,126,143	-
Interest/investment income	9,188	69,813	79,001	7,271
Miscellaneous	1,119,078	193,863	1,312,941	18,015
Transfers	107,100	(107,100)	-	-
	<u>32,580,399</u>	<u>834,285</u>	<u>33,414,684</u>	<u>1,803,301</u>
Total general revenues and transfers				
Change in net position	(3,776,340)	1,424,847	(2,351,493)	54,387
NET POSITION - BEGINNING OF YEAR	<u>(31,967,136)</u>	<u>10,363,765</u>	<u>(21,603,371)</u>	<u>1,092,349</u>
NET POSITION - END OF YEAR	<u>\$ (35,743,476)</u>	<u>\$ 11,788,612</u>	<u>\$ (23,954,864)</u>	<u>\$ 1,146,736</u>

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

CITY OF DANVILLE, ILLINOIS
BALANCE SHEET
GOVERNMENTAL FUNDS
April 30, 2018

	<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	\$ 508,370	\$ 522,071	\$ 151,313	\$ -	\$ 2,828,780	\$ 4,010,534
Temporary investments	32,000	5,952,000	-	-	1,251,000	7,235,000
Receivables:						
Taxes, net of allowance for estimated Uncollectibles	234,904	-	-	-	4,686,734	4,921,638
Other - current	442,356	4,745	-	-	754,392	1,201,493
Other - noncurrent	-	-	-	-	118,718	118,718
Prepaid items	894,914	-	48,923	-	-	943,837
Due from other funds	45,000	-	-	-	-	45,000
Advance from other funds	116,807	-	-	-	-	116,807
Due from other governments	4,384,602	75,608	610,502	-	511,156	5,581,868
	<u>\$ 6,658,953</u>	<u>\$ 6,554,424</u>	<u>\$ 810,738</u>	<u>\$ -</u>	<u>\$ 10,150,780</u>	<u>\$ 24,174,895</u>
TOTAL ASSETS						
LIABILITIES						
Accounts payable	\$ 112,358	\$ 22,106	\$ 107,598	\$ -	\$ 311,116	\$ 553,178
Accrued expenses	105,569	-	34,615	-	4,567	144,751
Due to other funds	-	-	40,000	-	5,000	45,000
Advance to other funds	-	-	616,807	-	-	616,807
Due to other governments	616	-	11,718	-	-	12,334
	<u>218,543</u>	<u>22,106</u>	<u>810,738</u>	<u>-</u>	<u>320,683</u>	<u>1,372,070</u>
Total liabilities						
DEFERRED INFLOWS OF RESOURCES						
Unavailable revenue	1,140,044	-	-	-	153,413	1,293,457
Subsequent year's property taxes	234,904	-	-	-	4,686,734	4,921,638
	<u>1,374,948</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,840,147</u>	<u>6,215,095</u>
Total deferred inflows of resources						
FUND BALANCE						
Nonspendable:						
Prepays	894,914	-	48,923	-	-	943,837
Advance to other funds	116,807	-	-	-	-	116,807
Restricted:						
Retirement	-	-	-	-	454,559	454,559
Public health and education	-	-	-	-	885,538	885,538
Public safety	-	-	-	-	105,028	105,028
Community development	-	-	-	-	1,644,949	1,644,949
Transportation	-	-	-	-	-	-
Streets	-	6,532,318	-	-	325,090	6,857,408
Debt service	-	-	-	-	168,869	168,869
Committed:						
Community development	-	-	-	-	-	-
Capital projects	-	-	-	-	1,050,620	1,050,620
Assigned:						
General and administrative	221,384	-	-	-	-	221,384
Capital projects	-	-	-	-	534,305	534,305
Unassigned	<u>3,832,357</u>	<u>-</u>	<u>(48,923)</u>	<u>-</u>	<u>(179,008)</u>	<u>3,604,426</u>
Total fund balance	<u>5,065,462</u>	<u>6,532,318</u>	<u>-</u>	<u>-</u>	<u>4,989,950</u>	<u>16,587,730</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	<u>\$ 6,658,953</u>	<u>\$ 6,554,424</u>	<u>\$ 810,738</u>	<u>\$ -</u>	<u>\$ 10,150,780</u>	<u>\$ 24,174,895</u>

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

CITY OF DANVILLE, ILLINOIS
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL
FUNDS TO THE NET POSITION OF GOVERNMENTAL ACTIVITIES
April 30, 2018

FUND BALANCES - TOTAL GOVERNMENTAL FUNDS		\$ 16,587,730
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources, therefore, are not reported in the funds.		60,223,966
Deferred inflows of resources related to taxes receivable are not available until future periods; therefore, they are not reported in the funds.		1,293,457
Net deferred outflows of resources related to pensions are applicable to future periods; therefore, they are not reported in the funds		3,644,773
Internal service fund is used by management to charge the costs of health insurance to individual funds. A portion of the assets and liabilities of the internal service fund are included in governmental activities in the statement of net position.		237,865
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	(1,873,935)	
Net pension liabilities	(108,631,568)	
Post-employment benefits	(786,274)	
Bonds payable	(4,730,000)	
Accrued interest	(98,435)	
Notes payable	(1,611,055)	
Total long-term liabilities	(117,731,267)	(117,731,267)
Net position of governmental activities		\$ <u>(35,743,476)</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, 2018

	<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	\$ 1,346,269	\$ -	\$ -	\$ -	\$ 8,862,767	\$ 10,209,036
Intergovernmental	19,492,163	920,584	2,475,599	-	1,881,024	24,769,370
Licenses and permits	734,216	-	-	-	-	734,216
Charges for services	245,257	-	316,097	-	50,218	611,572
Fines and forfeits	359,884	-	-	-	-	359,884
Miscellaneous	817,902	92,347	69,964	269	147,784	1,128,266
Total revenues	<u>22,995,691</u>	<u>1,012,931</u>	<u>2,861,660</u>	<u>269</u>	<u>10,941,793</u>	<u>37,812,344</u>
EXPENDITURES						
Current:						
General government	5,185,059	-	-	-	-	5,185,059
Public safety	14,391,726	-	-	-	6,146,835	20,538,561
Community development	-	-	-	-	2,220,563	2,220,563
Public health and education	-	-	-	-	13,306	13,306
Transportation	-	-	2,297,873	-	-	2,297,873
Streets	2,254,916	377,831	-	-	-	2,632,747
Culture and recreation	1,585,653	-	-	-	-	1,585,653
Capital outlay	408,371	1,141,883	700,932	-	1,418,736	3,669,922
Debt service:						
Principal	-	-	500,000	-	968,716	1,468,716
Interest	-	-	4,084	917	263,416	268,417
Total expenditures	<u>23,825,725</u>	<u>1,519,714</u>	<u>3,502,889</u>	<u>917</u>	<u>11,031,572</u>	<u>39,880,817</u>
Deficiency of revenues over expenditures	<u>(830,034)</u>	<u>(506,783)</u>	<u>(641,229)</u>	<u>(648)</u>	<u>(89,779)</u>	<u>(2,068,473)</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	586,000	-	641,229	-	2,139,424	3,366,653
Transfers out	<u>(1,596,529)</u>	<u>-</u>	<u>-</u>	<u>(35,603)</u>	<u>(1,627,421)</u>	<u>(3,259,553)</u>
Total other financing sources (uses)	<u>(1,010,529)</u>	<u>-</u>	<u>641,229</u>	<u>(35,603)</u>	<u>512,003</u>	<u>107,100</u>
Net change in fund balance	(1,840,563)	(506,783)	-	(36,251)	422,224	(1,961,373)
FUND BALANCE, BEGINNING OF YEAR	<u>6,906,025</u>	<u>7,039,101</u>	<u>-</u>	<u>36,251</u>	<u>4,567,726</u>	<u>18,549,103</u>
FUND BALANCE, END OF YEAR	<u>\$ 5,065,462</u>	<u>\$ 6,532,318</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,989,950</u>	<u>\$ 16,587,730</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, 2018**

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS \$ (1,961,373)

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. (289,700)

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	\$ 3,669,922	
Depreciation expense	<u>(3,778,566)</u>	(108,644)

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		1,468,716
Accrued interest		8,652

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		27,044
Change in OPEB liability		92,883

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. (3,206,585)

Internal service funds are used by management to charge the costs of insurance to individual funds. A portion of the net expenditure of internal service funds is reported with governmental activities 192,667

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES \$ (3,776,340)

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

CITY OF DANVILLE, ILLINOIS
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
April 30, 2018

	Business-Type Activities Enterprise Funds				Governmental Activities - Internal Service
	Sanitary Sewer Department	Harrison Park	Solid Waste Management	Total	Health Insurance Fund
CURRENT ASSETS					
Cash	\$ 2,529,154	\$ 22,302	\$ 1,361,121	\$ 3,912,577	\$ 251,942
Temporary investments	283,000	-	300,000	583,000	-
Receivables, net	516,525	718	510,865	1,028,108	20,215
Prepaid items	12,415	961	13,384	26,760	-
Advance from other funds	250,000	-	250,000	500,000	-
Due from other governments	217,371	-	-	217,371	-
Total current assets	<u>3,808,465</u>	<u>23,981</u>	<u>2,435,370</u>	<u>6,267,816</u>	<u>272,157</u>
NONCURRENT ASSETS					
Land	10,200	196,665	74,145	281,010	-
Buildings and improvements	17,485,548	822,455	-	18,308,003	-
Equipment	2,215,605	650,849	3,038,192	5,904,646	-
Total, at cost	19,711,353	1,669,969	3,112,337	24,493,659	-
Less accumulated depreciation	13,806,024	1,393,459	2,616,490	17,815,973	-
Total noncurrent assets	<u>5,905,329</u>	<u>276,510</u>	<u>495,847</u>	<u>6,677,686</u>	<u>-</u>
TOTAL ASSETS	<u>9,713,794</u>	<u>300,491</u>	<u>2,931,217</u>	<u>12,945,502</u>	<u>272,157</u>
DEFERRED OUTFLOWS OF RESOURCES					
Deferred amount related to pensions	68,415	11,403	68,416	148,234	-
CURRENT LIABILITIES					
Accounts payable	171,653	18,274	43,520	233,447	-
Accrued payroll and other expenses	105,788	5,307	8,389	119,484	-
Accumulated vacation and sick days	14,317	2,958	11,050	28,325	-
Advance payments	-	25,165	-	25,165	-
Notes payable, current portion	-	14,513	-	14,513	-
Total current liabilities	<u>291,758</u>	<u>66,217</u>	<u>62,959</u>	<u>420,934</u>	<u>-</u>
LONG-TERM LIABILITIES					
Net pension liability	46,234	7,705	46,234	100,173	-
Other postemployment benefits	127,504	21,251	127,504	276,259	-
Accumulated vacation and sick days	57,270	11,830	44,199	113,299	-
Notes payable, less current portion	-	30,832	-	30,832	-
Total long-term liabilities	<u>231,008</u>	<u>71,618</u>	<u>217,937</u>	<u>520,563</u>	<u>-</u>
TOTAL LIABILITIES	<u>522,766</u>	<u>137,835</u>	<u>280,896</u>	<u>941,497</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES					
Deferred amount related to pensions	183,655	30,609	183,655	397,919	-
NET POSITION					
Net investment in capital assets	5,905,329	231,165	495,847	6,632,341	-
Unrestricted	3,170,459	(87,715)	2,039,235	5,121,979	272,157
Total net position	<u>\$ 9,075,788</u>	<u>\$ 143,450</u>	<u>\$ 2,535,082</u>	<u>11,754,320</u>	<u>\$ 272,157</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.				34,292	
Net position of business-type activities				<u>\$ 11,788,612</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, 2018

	Business-Type Activities Enterprise Funds			Total	Governmental Activities - Internal Service
	Sanitary Sewer Department	Harrison Park	Solid Waste Management		Health Insurance Fund
OPERATING REVENUES					
Charges for services	\$ 3,109,060	\$ 301,366	\$ 3,104,801	\$ 6,515,227	\$ 4,711,468
Miscellaneous	24,770	108,523	60,570	193,863	-
Total operating revenues	<u>3,133,830</u>	<u>409,889</u>	<u>3,165,371</u>	<u>6,709,090</u>	<u>4,711,468</u>
OPERATING EXPENSES					
Personnel services	1,364,159	228,325	1,387,414	2,979,898	4,491,101
Supplies and materials	219,443	112,285	305,519	637,247	-
Other services and charges	53,478	13,984	332,590	400,052	-
Contractual services	335,301	52,449	867,427	1,255,177	-
Capital outlay	1,593	-	-	1,593	-
Depreciation	469,258	41,883	166,373	677,514	-
Total operating expenses	<u>2,443,232</u>	<u>448,926</u>	<u>3,059,323</u>	<u>5,951,481</u>	<u>4,491,101</u>
Operating income (loss)	<u>690,598</u>	<u>(39,037)</u>	<u>106,048</u>	<u>757,609</u>	<u>220,367</u>
NON-OPERATING REVENUES (EXPENSES)					
Taxes	677,709	-	-	677,709	-
Interest income	42,165	715	26,933	69,813	76
Interest expense	-	(960)	-	(960)	-
Total non-operating revenues (expenses)	<u>719,874</u>	<u>(245)</u>	<u>26,933</u>	<u>746,562</u>	<u>76</u>
Income (loss) before transfers	<u>1,410,472</u>	<u>(39,282)</u>	<u>132,981</u>	<u>1,504,171</u>	<u>220,443</u>
TRANSFERS					
Transfers out	(48,146)	-	(58,954)	(107,100)	-
CHANGE IN NET POSITION	1,362,326	(39,282)	74,027	1,397,071	220,443
TOTAL NET POSITION, BEGINNING OF YEAR	<u>7,713,462</u>	<u>182,732</u>	<u>2,461,055</u>		<u>51,714</u>
TOTAL NET POSITION, END OF YEAR	<u>\$ 9,075,788</u>	<u>\$ 143,450</u>	<u>\$ 2,535,082</u>		<u>\$ 272,157</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds				<u>27,776</u>	
Change in net position of business-type activities statement of activities				<u>\$ 1,424,847</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, 2018**

	<u>Sanitary Sewer Department</u>	<u>Harrison Park</u>	<u>Solid Waste Management</u>	<u>Total</u>	<u>Governmental Activities - Internal Service Health Insurance Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash received from customers including cash deposits	\$ 3,107,545	\$ 412,129	\$ 3,141,475	\$ 6,661,149	\$ 4,708,406
Cash paid to suppliers and for claims	(578,276)	(155,758)	(1,364,931)	(2,098,965)	(4,491,101)
Cash paid to employees	<u>(1,526,987)</u>	<u>(250,204)</u>	<u>(1,542,209)</u>	<u>(3,319,400)</u>	<u>-</u>
Net cash provided by (used in) operating activities	<u>1,002,282</u>	<u>6,167</u>	<u>234,335</u>	<u>1,242,784</u>	<u>217,305</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Taxes	460,338	-	-	460,338	-
Advances to other funds	(250,000)	-	(250,000)	(500,000)	-
Cash transfers to other funds	<u>(48,146)</u>	<u>-</u>	<u>(58,954)</u>	<u>(107,100)</u>	<u>-</u>
Net cash provided by (used in) noncapital financing activities	162,192	-	(308,954)	(146,762)	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Principal payments on notes payable	-	(14,487)	-	(14,487)	-
Interest paid on notes payable	-	(960)	-	(960)	-
Purchase of property and equipment	<u>(1,146,985)</u>	<u>-</u>	<u>-</u>	<u>(1,146,985)</u>	<u>-</u>
Net cash used in capital and related financing activities	<u>(1,146,985)</u>	<u>(15,447)</u>	<u>-</u>	<u>(1,162,432)</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest received	<u>42,165</u>	<u>715</u>	<u>26,933</u>	<u>69,813</u>	<u>76</u>
Net cash provided by investing activities	<u>42,165</u>	<u>715</u>	<u>26,933</u>	<u>69,813</u>	<u>76</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	59,654	(8,565)	(47,686)	3,403	217,381
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>2,752,500</u>	<u>30,867</u>	<u>1,708,807</u>	<u>4,492,174</u>	<u>34,561</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 2,812,154</u>	<u>\$ 22,302</u>	<u>\$ 1,661,121</u>	<u>\$ 4,495,577</u>	<u>\$ 251,942</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)	\$ 690,598	\$ (39,037)	\$ 106,048	\$ 757,609	\$ 220,367
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:					
Depreciation	469,258	41,883	166,373	677,514	-
Effects of changes in operating assets and liabilities:					
Receivables	(20,624)	-	(14,040)	(34,664)	(3,062)
Prepaid expenses	(5,918)	-	(5,231)	(11,149)	-
Accounts payable and accrued payroll	(95,708)	3,949	8,476	(83,283)	-
Other current liabilities	(57,925)	(1,996)	(49,892)	(109,813)	-
Net pension liability	(170,951)	(43,479)	(170,951)	(385,381)	-
Deferred outflows of resources related to pension	(37,736)	4,004	(37,736)	(71,468)	-
Deferred inflows of resources related to pension	103,784	19,592	103,784	227,160	-
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>\$ 1,002,282</u>	<u>\$ 6,167</u>	<u>\$ 234,335</u>	<u>\$ 1,242,784</u>	<u>\$ 217,305</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, 2018

	Pension Trust Funds	Agency Funds	Total
ASSETS			
Cash	\$ 2,327,355	\$ 224,422	\$ 2,551,777
Investments:			
Treasury notes	2,517,306	-	2,517,306
US government agencies	4,960,101	-	4,960,101
Bonds	4,369,053	-	4,369,053
Mutual funds	14,516,659	-	14,516,659
Receivables:			
Employer	93,325	65,257	158,582
Accrued interest	65,518	-	65,518
TOTAL ASSETS	28,849,317	289,679	29,138,996
LIABILITIES			
Accounts payable	-	163,354	163,354
Due to others	-	126,325	126,325
Total liabilities	-	289,679	289,679
NET POSITION			
Held in trust for pension benefits	\$ 28,849,317	\$ -	\$ 28,849,317

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, 2018

ADDITIONS

Contributions

Employer	\$ 6,132,543
Plan members	<u>736,374</u>
Total contributions	<u>6,868,917</u>

Investment income

Net appreciation in fair value of investments	1,084,376
Interest and dividends	<u>563,033</u>
Total investment income	1,647,409
Less investment expense	<u>119,589</u>
Net investment income	<u>1,527,820</u>

Total additions	<u>8,396,737</u>
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DEDUCTIONS

Benefits	7,101,849
Administrative expense	<u>89,804</u>
Total deductions	<u>7,191,653</u>

CHANGE IN NET POSITION	1,205,084
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NET POSITION HELD IN TRUST FOR PENSION BENEFITS, BEGINNING OF YEAR	<u>27,644,233</u>
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NET POSITION HELD IN TRUST FOR PENSION BENEFITS, END OF YEAR	<u>\$ 28,849,317</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, 2018**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

City of Danville, Illinois (City) is a municipality located in Central Illinois. Revenues are substantially generated as a result of taxes assessed and allocated to the City (examples would be property, sales, income, and motor fuel taxes), charges for services performed and governmental grants. Revenues are therefore dependent on the economy within the territorial boundaries of the City and nearby surrounding area and the appropriations of entitlements at the state and federal Government level. Taxable industry within the area is primarily manufacturing and retail. The surrounding area has a substantial agricultural base.

The following is a summary of the significant accounting policies of the City.

PRINCIPLES USED TO DETERMINE THE SCOPE OF THE REPORTING ENTITY

The definition of the reporting entity is based primarily on the notion of financial accountability. A primary government is financially accountable for the organizations that make up its legal entity. It is also financially accountable for legally separate organizations if its officials appoint a voting majority of an organization's governing body and either it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on, the primary government. A primary government may also be financially accountable for governmental organizations that are fiscally dependent on it.

The City's reporting entity includes the City's governing board and all related organizations for which the City is financially accountable.

The City is not aware of any entity which would be financially accountable for the City to the extent the City would be considered a component unit of the entity.

Component Units

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

Blended Component Units

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

CITY OF DANVILLE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
APRIL 30, 2018

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, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement Focus, Basis of Accounting, and Basis of Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied for budgetary purposes. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within the current period or soon thereafter to pay liabilities of the current period. The City considers all revenues available if they are collected within 60 days of the end of the current fiscal year.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

The accounts of the City are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for by providing a separate set of self-balancing accounts which comprise its assets, liabilities, deferred inflows of resources and fund balance/net position, revenues, and expenditures/expenses.

Governmental Funds are those through which governmental functions of the City are financed. The acquisition, use, and balances of the City's expendable resources and the related liabilities are accounted for through governmental funds. The City reports the following major governmental funds:

CITY OF DANVILLE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
APRIL 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

General Fund – The General Fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.

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

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

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

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, 2018**

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 nonoperating revenues and expenses. Operating revenues and expenses result from providing services and producing and delivering goods. Nonoperating revenues and expenses entail all other activity not included in operating revenues and expenses. Nonoperating revenues and expenses include capital and noncapital financing activities and investing activities.

USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities, and deferred inflows of resources and disclosure of contingent assets, deferred outflows of resources, liabilities, and deferred inflows of resources at the date of the financial statements and the reported amounts of revenues, expenditures/expenses, gains, losses, and other changes in fund equity during the reporting period. Actual results could differ from those estimates.

POOLED CASH

The City maintains pooled cash accounts for different fund groups which are used to account for all cash transactions of that group. Monthly interest income of each pool is distributed to the individual funds based on their cash balances in the pool during that period.

CITY OF DANVILLE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
APRIL 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

TEMPORARY INVESTMENTS

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

FIDUCIARY FUND INVESTMENTS

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

RECEIVABLES

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

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

PREPAID ITEMS

The City's liability insurance is for coverage on a calendar year. The City makes two payments during the coverage year. Also, the City makes an annual lease payment in connection with the Public Safety Building – see Note 8 for additional information. The prepaid items represent costs applicable to future fiscal periods and is recorded as expenditures/expenses when consumed rather than when purchased.

CAPITAL ASSETS

Capital assets, which include property, equipment, and infrastructure assets (e.g., bridges, drainage systems, and similar items) are reported in the City's government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$5,000 for equipment, \$10,000 for infrastructure, and \$15,000 for buildings and improvements. Buildings and equipment acquired prior to January 31, 1982 are valued at estimated cost at this date. Land is valued at appraised value as of April 30, 1975. All other additions since these dates are valued at historical cost. Donated fixed assets are valued at their acquisition cost.

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, 2018**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

CAPITAL ASSETS (Continued)

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

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

IMPAIRMENT OF LONG-LIVED ASSETS

In accordance with GASB Statement, "Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries," management evaluates prominent events or changes in circumstances affecting capital assets to determine whether impairment of a capital asset has occurred. A capital asset is generally considered impaired if both (a) the decline in service utility of the capital asset is large in magnitude and (b) the event or change in circumstance is outside the normal life cycle of the capital asset. No impairment losses were recognized in the year ended April 30, 2018.

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, 2018**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

ACCUMULATED UNPAID VACATION AND SICK PAY

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

City employees may accumulate sick days as follows:

	<u>Per Year</u>	<u>Maximum Accumulation</u>
Policemen	15	No maximum
Firemen	30 – 56	180 – 252
Other union employees	15	180
Nonunion employees	12	120

DEFERRED OUTFLOWS OF RESOURCES

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

DEFERRED INFLOWS OF RESOURCES

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

PENSIONS

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

CITY OF DANVILLE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
APRIL 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

FUND BALANCE AND EQUITY CLASSIFICATION

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

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

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, 2018

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, 2018 was \$2.246 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, 2018 an allowance for uncollectible real property taxes equivalent to 1% of the current year's levy. The billings are considered delinquent if not paid within 30 days of their due date, at which time 1 ½% interest will be charged to the delinquent amount per month.

CITY OF DANVILLE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
APRIL 30, 2018

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 2018 totaled \$760,020, \$1,123,282, and \$1,118,507 for the General Fund, Mass Transit District Fund and the Motor Fuel Tax Fund, respectively.
5. Legally adopted budgets is employed as a management control device during the year for all funds of the City other than State and Federal Grant Special Revenue Funds which employ project oriented budget control procedures.
6. Budgets for the City, except for the Library, are not prepared in accordance with accounting principles generally accepted in the United States of America. Revenues are budgeted on the cash basis of accounting and expenditures are budgeted using the cash plus encumbrance basis of accounting. Budgetary comparisons in this report are presented on this non-accounting principles generally accepted in the United States of America basis for the City, except for the Library, which uses the modified accrual basis for its budget.

CITY OF DANVILLE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
APRIL 30, 2018

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, 2018, the carrying amount of the City's (primary government) bank deposits was \$16,217,475 and the bank balance was \$16,710,352. Included in the carrying amounts are money market deposits of \$7,818,000. The component unit, Danville Public Library, had a carrying amount of deposits of \$863,364 and the bank balance was \$898,385. The Police and Fire Funds had a carrying amount of deposits of \$2,327,355 and the bank balance was \$2,343,401.

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, 2018 the City's deposits were fully insured or collateralized.

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

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

The time deposits are collateralized 110% over the FDIC \$250,000 insurance limit with U.S. Treasury obligations and marked to market on a weekly basis to maintain sufficiency. The repurchase agreements are collateralized at 102% with U.S. Treasury obligations and the collateral is checked daily to determine sufficiency. Deposits in the Illinois Funds, valued at amortized cost, totaled \$2,297 for the primary government and \$396,677 for the component unit at April 30, 2018.

CITY OF DANVILLE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
APRIL 30, 2018

NOTE 2 - CASH AND INVESTMENTS (CONTINUED)

All funds deposited in the Pool are classified as investments even though some could be withdrawn on a day's notice without restrictions. Although not subject to direct regulatory oversight, the fund is administered in accordance with the provisions of the Illinois Public Funds Investment Act, 30 ILCS 235.

Pension Funds

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

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

As of April 30, 2018, the Pension Funds had the following investments, with maturities as noted:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Less Than 1 Year</u>	<u>1 – 5 Years</u>	<u>6 – 10 Years</u>	<u>More Than 10 Years</u>
Treasury notes	\$ 2,517,306	\$ -	\$ -	\$ 2,517,306	\$ -
U.S. government agencies	4,960,101	-	998,681	2,725,982	1,235,438
Mutual funds	14,516,659	-	14,516,659	-	-
Bonds	<u>4,369,053</u>	<u>312,270</u>	<u>2,924,759</u>	<u>1,132,024</u>	<u>-</u>
Total	<u>\$ 26,363,119</u>	<u>\$ 312,270</u>	<u>\$ 18,440,099</u>	<u>\$ 6,454,337</u>	<u>\$ 1,156,413</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, 2018, the boards did not invest over 5% of its assets in any one issuer. Treasury notes and U.S. Government agencies were rated Aaa (\$7,477,407), and bonds were rated Aaa (\$203,506), Aa (\$226,856), A (\$2,027,009), and Baa (\$1,911,682).

**CITY OF DANVILLE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
APRIL 30, 2018**

NOTE 2 - CASH AND INVESTMENTS (CONTINUED)

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

The City has the following recurring fair value measurements as of April 30, 2018:

- Mutual Funds of \$14,516,659 are quoted prices in active markets for identical assets (Level 1 inputs),
- Treasury Notes of \$2,517,306, U.S. Government Agencies of \$4,960,101 and Bonds of \$4,369,053 are significant and observable inputs (Level 2 inputs).

NOTE 3 - OTHER RECEIVABLES

The following summarizes recorded notes receivable through a community development revolving loan program initially established through grants from the Illinois Department of Commerce and Community Affairs.

<u>Payee</u>	<u>Terms</u>	<u>Balance April 30, 2018</u>
Heartland Center	Monthly payments of \$833 no interest	\$ 47,407
Peter Blackmon Façade Loan	Monthly payments of \$389 including interest of 4.750%	44,052
Sharon Joyner	Monthly payments of \$125 no interest	1,900
Rich's Deluxe Family Restaurant	Monthly payments of \$575 including interest of 2%	11,029
Shirley Smith	Monthly payments of \$50 no interest	720
Café 13 Carla Cahill	Monthly payments of \$192 including interest of 2%	9,155
This is it Furniture	Monthly payments of \$595 no interest	17,848
Mary Lewis	Monthly payments of \$396 Including interest of 4%	13,986

**CITY OF DANVILLE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
APRIL 30, 2018**

NOTE 3 - OTHER RECEIVABLES (CONTINUED)

<u>Payee</u>	<u>Terms</u>	<u>Balance</u> <u>April 30, 2018</u>
Verdell Hutcherson	Monthly payments of \$58 no interest	\$ 3,425
Daniel Duncheon	Monthly payments of \$216 including interest of 2%	13,321
S&N Enterprises LLC	Monthly payments of \$345 including interest of 2%	4,380
Donna Anderson	Monthly payments of \$73 no interest	2,280
Newton Cleaning	Monthly payments of \$453 including interest of 3.25%	2,093
A.D. Patton	Monthly payments of \$79 no interest	2,473
Juanita & Nathaniel Smalls	Monthly payments of \$75 no interest	<u>600</u>
Total		<u>\$ 174,669</u>

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

**CITY OF DANVILLE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
APRIL 30, 2018**

NOTE 3 - OTHER RECEIVABLES (CONTINUED)

These notes receivables are recorded in the following funds:

	<u>Total</u>	<u>Due Within One Year</u>
Small Business Loan Fund	\$ 163,271	\$ 50,732
Housing Loan Fund	<u>11,398</u>	<u>5,219</u>
Total	<u>\$ 174,669</u>	<u>\$ 55,951</u>

NOTE 4 - INTERFUND ACCOUNTS

Individual fund interfund receivables and payables (due to/due from other funds) at April 30, 2018 were as follows:

	<u>Receivable</u>	<u>Payable</u>
Primary Government:		
General Fund	\$ 45,000	\$ -
General Fund – Advance	<u>116,807</u>	<u>-</u>
Danville Mass Transit – Advance	-	616,807
Danville Mass Transit	<u>-</u>	<u>40,000</u>
Solid Waste Management – Advance	250,000	-
Sanitary Sewer - Advance	250,000	-
Nonmajor Governmental Funds		
DATS Program	<u>-</u>	<u>5,000</u>
Total	<u>\$ 661,807</u>	<u>\$ 661,807</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, 2018 consisted of the following:

Transfer to General Fund from:	
Nonmajor Governmental Funds	<u>\$ 586,000</u>
Transfer to Nonmajor Governmental Fund from:	
General Fund	<u>\$ 955,300</u>
Transfer to Nonmajor Governmental Fund from:	
Bond and Interest Fund	<u>\$ 35,603</u>
Transfer to Nonmajor Governmental Fund from:	
Nonmajor Governmental Funds	<u>\$ 1,041,421</u>
Transfer to Danville Mass Transit Fund from:	
General Fund	<u>\$ 641,229</u>

CITY OF DANVILLE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
APRIL 30, 2018

NOTE 4 - INTERFUND ACCOUNTS (CONTINUED)

Transfer to Nonmajor Governmental Funds from:	
Sanitary Sewer Fund	<u>\$ 48,146</u>
Transfer to Nonmajor Governmental Funds from:	
Solid Waste Management Fund	<u>\$ 58,954</u>

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

NOTE 5 - CAPITAL ASSETS

Capital asset activity for the year ending April 30, 2018 was as follows:

Primary government

Governmental activities

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Capital assets not being depreciated:				
Land	\$ 6,134,573	\$ -	\$ -	\$ 6,134,573
Construction in Process	<u>3,176,437</u>	<u>-</u>	<u>3,176,437</u>	<u>-</u>
	9,311,010	-	3,176,437	6,134,573
Capital assets being depreciated:				
Buildings and improvements	18,309,067	3,672,369	-	21,981,436
Equipment	23,462,175	205,000	496,644	23,170,531
Infrastructure	<u>66,956,876</u>	<u>2,968,990</u>	<u>-</u>	<u>69,925,866</u>
	108,728,118	6,846,359	496,644	115,077,833
Less accumulated depreciation	<u>57,706,518</u>	<u>3,778,566</u>	<u>496,644</u>	<u>60,988,440</u>
	<u>51,021,600</u>	<u>3,067,793</u>	<u>-</u>	<u>54,089,393</u>
Total	<u>\$ 60,332,610</u>	<u>\$ 3,067,793</u>	<u>\$ 3,176,437</u>	<u>\$ 60,223,966</u>

**CITY OF DANVILLE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
APRIL 30, 2018**

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:				
Building and improvements	16,338,563	1,146,985	-	17,485,548
Equipment	<u>2,305,917</u>	<u>-</u>	<u>90,312</u>	<u>2,215,605</u>
	18,644,480	1,146,985	90,312	19,701,153
Less accumulated depreciation	<u>13,427,078</u>	<u>469,258</u>	<u>90,312</u>	<u>13,806,024</u>
	<u>5,217,402</u>	<u>677,727</u>	<u>-</u>	<u>5,895,129</u>
Total	<u>5,227,602</u>	<u>677,727</u>	<u>-</u>	<u>5,905,329</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>650,849</u>	<u>-</u>	<u>-</u>	<u>650,849</u>
	1,473,304	-	-	1,473,304
Less accumulated depreciation	<u>1,351,576</u>	<u>41,883</u>	<u>-</u>	<u>1,393,459</u>
	<u>121,728</u>	<u>(41,883)</u>	<u>-</u>	<u>79,845</u>
Total	<u>318,393</u>	<u>(41,883)</u>	<u>-</u>	<u>276,510</u>

**CITY OF DANVILLE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
APRIL 30, 2018**

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	3,069,182	-	30,990	3,038,192
Less accumulated depreciation	<u>2,481,107</u>	<u>166,373</u>	<u>30,990</u>	<u>2,616,490</u>
	<u>588,075</u>	<u>(166,373)</u>	<u>-</u>	<u>421,702</u>
Total	<u>662,220</u>	<u>(166,373)</u>	<u>-</u>	<u>495,847</u>
Total Business- Type Activities	<u>\$ 6,208,215</u>	<u>\$ 469,471</u>	<u>\$ -</u>	<u>\$ 6,677,686</u>

Component Unit – Danville Public Library

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Equipment	\$ 3,066,203	\$ 10,790	\$ 19,600	\$ 3,057,393
Less accumulated depreciation	<u>2,701,327</u>	<u>33,160</u>	<u>19,600</u>	<u>2,714,887</u>
Total	<u>\$ 364,876</u>	<u>\$ (22,370)</u>	<u>\$ -</u>	<u>\$ 342,506</u>

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

Governmental activities:	
General government	\$ 508,725
Public safety	219,677
Transportation	127,181
Streets	2,726,430
Culture and recreation	<u>196,553</u>
Total depreciation – governmental activities	<u>\$ 3,778,566</u>
Business-type activities:	
Sanitary Sewer	\$ 469,258
Harrison Park	41,883
Solid Waste Management	<u>166,373</u>
Total depreciation – business-type activities	<u>\$ 677,514</u>

CITY OF DANVILLE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
APRIL 30, 2018

NOTE 6 - LONG-TERM DEBT

Governmental Activities

Bonds payable at April 30, 2018 are comprised of the following:

\$ 3,410,000	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).
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<u>1,320,000</u>	General Obligation Bond: \$3,985,000 issued February 5, 2007. Interest is payable semi-annually at rates of 3.90% to 5.0% per annum. Bond matures December, 2021 (principal and interest to be serviced by tele-communication tax revenue, general revenues, solid waste funds and sewer fund revenues of the City).
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\$ 4,730,000

Notes payable at April 30, 2018 are comprised of the following:

\$ 82,423	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).
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537,534	First Financial Bank. Four monthly interest only payments, followed by four annual consecutive payments of \$141,888.32, including interest of 2.10%. Note matures August 26, 2021 (principal and interest is to be serviced by the Capital Improvement Fund). Note secured by equipment.
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342,812	First Financial Bank. Annual payments of \$91,061, including interest of 2.44%. Note matures August 22, 2021 (principal and interest is to be serviced by the Capital Improvement Fund).
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**CITY OF DANVILLE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
APRIL 30, 2018**

NOTE 6 - LONG-TERM DEBT (CONTINUED)

Governmental Activities (Continued)

\$ 648,350	First Financial Bank. Annual payments of \$173,414, including interest of 2.72%. Note matures December 15, 2021 (principal and interest is to be serviced by the Community Reinvestment Fund). Note secured by equipment.
-	First Financial Bank. Monthly interest only payments, followed by one principal payment, including interest of 2.43%. Note matures August 22, 2017 (Principal and interest to be serviced by the Danville Mass Transit Fund). This note was paid in full during fiscal year 2018.

\$ 1,611,055

Business Type Activities

\$ <u>45,345</u>	First Financial Bank. Annual payments of \$15,745, including interest at 2.04%. Note matures December 2020.
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The above note payable is secured by equipment.

The annual requirements to amortize all bonds and notes payable outstanding as of April 30, 2018 are as follows:

Governmental Activities:

Year Ending	<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>
<u>April 30</u>						
2019	\$ 434,148	\$ 59,676	\$ 565,000	\$ 188,293	\$ 999,148	\$ 247,969
2020	394,509	40,247	590,000	165,848	984,509	206,095
2021	387,007	28,861	610,000	143,838	997,007	172,699
2022	395,391	19,672	635,000	120,400	1,030,391	140,072
2023	-	-	295,000	95,566	295,000	95,566
2023-27	-	-	1,660,000	291,272	1,660,000	291,272
2028-32	-	-	375,000	15,937	375,000	15,937
Total	<u>\$ 1,611,055</u>	<u>\$ 148,456</u>	<u>\$ 4,730,000</u>	<u>\$ 1,021,154</u>	<u>\$ 6,341,055</u>	<u>\$ 1,169,610</u>

**CITY OF DANVILLE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
APRIL 30, 2018**

NOTE 6 - LONG-TERM DEBT (CONTINUED)

Business-Type Activities:

Year Ending <u>April 30</u>	<u>Notes Payable</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	
2019	\$ 14,513	\$ 1,232	\$ 15,745
2020	15,116	629	15,745
2021	<u>15,716</u>	<u>29</u>	<u>15,745</u>
Total	<u>\$ 45,345</u>	<u>\$ 1,890</u>	<u>\$ 47,235</u>

Long-term debt activity for the year ending April 30, 2018 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	\$ 5,275,000	\$ -	\$ 545,000	\$ 4,730,000	\$ 565,000
Notes payable	2,534,771	-	923,716	1,611,055	434,148
Accumulated vacation and sick days	<u>1,900,979</u>	<u>2,683</u>	<u>29,727</u>	<u>1,873,935</u>	<u>374,787</u>
Total	<u>\$ 9,710,750</u>	<u>\$ 2,683</u>	<u>\$ 1,498,443</u>	<u>\$ 8,214,990</u>	<u>\$ 1,373,935</u>
Business-Type activities:					
Notes payable	\$ 59,932	\$ -	\$ 14,587	\$ 45,345	\$ 14,513
Accumulated vacation and sick days	<u>132,679</u>	<u>9,039</u>	<u>94</u>	<u>141,624</u>	<u>8,945</u>
Total	<u>\$ 192,611</u>	<u>\$ 9,039</u>	<u>\$ 14,681</u>	<u>\$ 186,969</u>	<u>\$ 23,827</u>

**CITY OF DANVILLE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
APRIL 30, 2018**

NOTE 6 - LONG-TERM DEBT (CONTINUED)

Business-Type Activities:

Capital Leases

The City entered into a capital lease agreement on April 20, 2018 for landscape maintenance equipment for Harrison Park Golf Course in the amount of \$178,244. Loan proceeds were not received until after April 30, 2018. Monthly principal and interest payment of \$3,253 are to begin in June 2018. The lease agreement matures in May 2023 and is secured by the leased equipment. (Principal and interest to be serviced by the Danville Mass Transit Fund.)

NOTE 7 - PENSION PLANS

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

For fiscal year ended April 30, 2018, the City recognized total pension expense of \$11,230,661 related to all three plans.

IMRF

Plan Description

The City's defined benefit pension plan for Regular employees provides retirement and disability benefits, post retirement increases, and death benefits to plan members and beneficiaries. The City's plan is affiliated with the Illinois Municipal Retirement Fund (IMRF), an agent multiple-employer plan. Benefit provisions are established by statute and may only be changed by the General Assembly of the state of Illinois. IMRF issues a publicly available financial report that includes financial statements and required supplementary information (RSI). That report may be obtained on-line at www.imrf.org.

Benefits Provided

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

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

**CITY OF DANVILLE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
APRIL 30, 2018**

NOTE 7 - PENSION PLANS (CONTINUED)

IMRF (CONTINUED)

Benefits Provided (Continued)

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

Employees Covered by Benefit Terms

As of December 31, 2017, the following employees were covered by the benefit terms:

Retirees and Beneficiaries currently receiving benefits	212
Inactive Plan Members entitled to but not yet receiving benefits	119
Active Plan Members	<u>175</u>
Total	506

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 2017 and 2018 was 13.48% and 13.24%, respectively. For the fiscal year 2018, the City contributed \$1,069,336 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.

CITY OF DANVILLE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
APRIL 30, 2018

NOTE 7 - PENSION PLANS (CONTINUED)

IMRF (CONTINUED)

Net Pension Liability (Asset)

The City's net pension liability (asset) was measured as of December 31, 2017. 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, 2017:

- 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 2.50%.
- **Salary Increases** were expected to be 3.39% to 14.25%, 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 2017 valuation according to an experience study from years 2014 to 2016.
- The IMRF-specific rates for **Mortality** (for nondisabled 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 nondisabled 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.

**CITY OF DANVILLE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
APRIL 30, 2018**

NOTE 7 - PENSION PLANS (CONTINUED)

IMRF (CONTINUED)

Actuarial Assumptions (Continued)

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

<u>Asset Class</u>	<u>Portfolio Target Percentage</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equity	37.0%	6.85%
International Equity	18.0%	6.75%
Fixed Income	28.0%	3.00%
Real Estate	9.0%	5.75%
Alternative Investments	7.0%	2.65-7.35%
Cash Equivalents	<u>1.0%</u>	2.25%
Total	100%	

Single Discount Rate

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

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

For the purpose of the most recent valuation, the expected rate of return on plan investments is 7.50%, the municipal bond rate is 3.31%, and the resulting single discount rate is 7.50%.

**CITY OF DANVILLE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
APRIL 30, 2018**

NOTE 7 - PENSION PLANS (CONTINUED)

IMRF (CONTINUED)

Changes in the Net Pension Liability (Asset)

	Total Pension Liability (A)	Plan Fiduciary Net Position (B)	Net Pension Liability (A) - (B)
	<u>(A)</u>	<u>(B)</u>	<u>(A) - (B)</u>
Balances at December 31, 2016	\$48,284,137	\$ 42,304,827	\$5,979,310
Changes for the year:			
Service Cost	826,826	-	826,826
Interest on the Total Pension Liability	3,553,102	-	3,553,102
Differences Between Expected and Experience of the Total Pension	(120,667)	-	(120,667)
Changes of Assumptions	(1,516,840)	-	(1,516,840)
Contributions - Employer	-	1,082,888	(1,082,888)
Contributions - Employees	-	371,024	(371,024)
Net Investment Income	-	3,080,258	(3,080,258)
Difference between projected and and actual income	-	3,840,274	(3,840,274)
Benefit Payments, including Refunds of Employee Contributions	(2,736,347)	(2,736,347)	-
Administrative Expenses	-	(38,010)	38,010
Other (Net Transfer)	-	16	(16)
Net Changes	<u>6,074</u>	<u>5,600,102</u>	<u>(5,594,028)</u>
Balances at December 31, 2017	<u>\$ 48,290,211</u>	<u>\$ 47,904,929</u>	<u>\$ 385,282</u>

**CITY OF DANVILLE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
APRIL 30, 2018**

NOTE 7 - PENSION PLANS (CONTINUED)

IMRF (CONTINUED)

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

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

	1% Decrease <u>(6.50%)</u>	Current Discount <u>(7.50%)</u>	1% Increase <u>(8.50%)</u>
Net Pension Liability	\$ 6,075,626	\$ 385,282	\$ (4,262,377)

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

For the fiscal year ended April 30, 2018, the City recognized pension expense of \$492,767. At April 30, 2018, 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	\$ 224,121	\$ 375,014
Changes of assumptions	18,620	1,155,443
Net difference between projected and actual earnings on pension plan investments	-	2,023,720
Total deferred amounts to be recognized in pension expense in future periods	242,741	3,554,177
<i>Pension Contributions made Subsequent to the Measurement Date</i>	327,388	-
Total Deferred Amounts Related to Pensions	\$ 570,129	\$ 3,554,177

**CITY OF DANVILLE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
APRIL 30, 2018**

NOTE 7 - PENSION PLANS (CONTINUED)

IMRF (CONTINUED)

\$327,388 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, 2019. 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 December 31</u>	<u>Net Deferred Outflows/Inflows of Resources</u>
2018	\$ (646,110)
2019	(795,433)
2020	(1,101,837)
2021	(768,055)
Thereafter	-
Total	<u>\$ (3,311,436)</u>

Defined Benefit Single-Employer Pension Plans

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

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

**CITY OF DANVILLE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
APRIL 30, 2018**

NOTE 7 - PENSION PLANS (CONTINUED)

Defined Benefit Single-Employer Pension Plans (Continued)

	<u>Pension Trust Funds</u>		
	Police Pension Fund	Fire Pension Fund	Total
ASSETS			
Cash	\$ 1,030,134	\$ 1,297,221	\$ 2,327,355
Investments:			
U.S. government agencies	3,283,271	1,676,830	4,960,101
U.S. Treasury	1,673,281	844,025	2,517,306
Bonds	2,876,140	1,492,913	4,369,053
Mutual funds	<u>9,723,848</u>	<u>4,792,811</u>	<u>14,516,659</u>
Total investments	<u>17,556,540</u>	<u>8,806,579</u>	<u>26,363,119</u>
Receivables:			
Employer	37,250	56,075	93,325
Accrued interest	<u>42,979</u>	<u>22,539</u>	<u>65,518</u>
Total receivables	80,229	78,614	158,843
Net position, held in trust for pension benefits	<u>\$ 18,666,903</u>	<u>\$ 10,182,414</u>	<u>\$ 28,849,317</u>

CITY OF DANVILLE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
APRIL 30, 2018

NOTE 7 - PENSION PLANS (CONTINUED)

Defined Benefit Single-Employer Pension Plans (Continued)

	<u>Police Pension</u>	<u>Fire Pension</u>	<u>Total</u>
Additions			
Contributions - employer	\$2,856,389	\$ 3,276,154	\$6,132,543
Contributions - plan members	<u>406,201</u>	<u>330,173</u>	<u>736,374</u>
Total contributions	<u>3,262,590</u>	<u>3,606,327</u>	<u>6,868,917</u>
Investment income			
Net appreciation in fair value of investments	704,852	379,524	1,084,376
Interest and dividends	<u>391,104</u>	<u>171,929</u>	<u>563,033</u>
Total investment income	1,095,956	551,453	1,647,409
Less investment expense	<u>76,871</u>	<u>42,718</u>	<u>119,589</u>
Net investment income	<u>1,019,085</u>	<u>508,735</u>	<u>1,527,820</u>
Total additions	<u>4,281,675</u>	<u>4,115,062</u>	<u>8,396,737</u>
Deductions			
Pension benefits	3,579,431	3,522,418	7,101,849
Administrative expenses	<u>57,169</u>	<u>32,635</u>	<u>89,804</u>
Total deductions	<u>3,636,600</u>	<u>3,555,053</u>	<u>7,191,653</u>
Changes in net position	645,075	560,009	1,205,084
Net position held in trust for benefits, beginning of year	<u>18,021,828</u>	<u>9,622,405</u>	<u>27,644,233</u>
Net position held in trust for benefits, end of year	<u>\$18,666,903</u>	<u>\$10,182,414</u>	<u>\$28,849,317</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, 2018**

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, 2018 the Police Pension Plan membership consisted of:

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

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

The Police Pension Plan provides retirement benefits as well as death and disability benefits. Covered employees attaining the age of 50 or more with 20 or more years of creditable service are entitled to receive an annual retirement benefit of one-half of the salary attached to the rank held on the last day of service, or for one year prior to the last day, whichever is greater. The pension shall be increased by 2.5% of such salary for each additional year of service over 20 years up to 30 years. Employees with at least 8 years but less than 20 years of credited service may retire at or after the age of 60 and receive a reduced benefit.

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

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

**CITY OF DANVILLE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
APRIL 30, 2018**

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, 2018 are as follows:

Total Pension Liability	\$ 69,263,128
Plan Fiduciary Net Position	<u>18,666,903</u>
Net Pension Liability	<u>\$ 50,596,225</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	27.00%

Actuarial Assumptions

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

Valuation Date	5/1/2018
Inflation	2.5%
Projected Salary Increases	4.0% - 15.0%
Investment Rate of Return	6.75%
Mortality Rate	L&A 2016 Illinois Police Mortality Rates

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

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

**CITY OF DANVILLE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
APRIL 30, 2018**

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, 2018 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, 2018. 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	\$ 60,385,986	\$ 50,596,225	\$ 42,636,646

CITY OF DANVILLE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
APRIL 30, 2018

NOTE 7 - PENSION PLANS (CONTINUED)

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

Police Pension Plan (Continued)

Money-Weighted Rate of Return on Investments

For the year ended April 30, 2018, the annual money-weighted rate of return on pension plan investments, net of plan investments expenses was 6.36%. The money-weighted rate of return expresses investment performance, net of expenses, adjusted for the changing amounts actually invested.

Changes in the Net Pension Liability (Asset)

	Total Pension Liability (A)	Plan Fiduciary Net Position (B)	Net Pension Liability (A) - (B)
	<u> </u>	<u> </u>	<u> </u>
Balances at April 30, 2017	\$ 67,176,558	\$ 18,021,828	\$49,154,730
Changes for the year:			
Service Cost	1,067,723	-	1,067,723
Interest on the Total Pension Liability	4,413,612	-	4,413,612
Differences Between Expected and Experience of the Total Pension	184,665	-	184,665
Changes of Assumptions	-	-	-
Contributions - Employer	-	2,856,359	(2,856,389)
Contributions - Employees	-	404,801	(404,801)
Contributions - Other	-	1,400	(1,400)
Net Investment Income	-	1,019,086	(1,019,086)
Benefit Payments, including Refunds of Employee Contributions	(3,579,430)	(3,579,430)	-
Administrative Expenses	-	(57,171)	57,171
Net Changes	<u>2,086,570</u>	<u>645,075</u>	<u>1,441,492</u>
Balances at April 30, 2018	<u>\$ 69,263,128</u>	<u>\$ 18,666,903</u>	<u>\$50,596,225</u>

**CITY OF DANVILLE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
APRIL 30, 2018**

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, 2018 the City will recognize a pension expense of \$4,963,533. On April 30, 2018 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	\$ 1,354,871	\$ 185,469
Changes in assumptions	1,871,221	575,974
Net difference between projected and actual earnings	<u>561,138</u>	<u>-</u>
Total Deferred Amounts Related to Pensions	<u>\$ 3,787,230</u>	<u>\$ 761,443</u>

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

<u>Year Ending</u>	<u>Net Deferred Outflows of Resources</u>
2019	\$ 1,035,079
2020	1,035,077
2021	718,633
2022	271,159
2023	(46,776)
Thereafter	<u>12,615</u>
Total	<u>\$ 3,025,787</u>

**CITY OF DANVILLE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
APRIL 30, 2018**

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, 2018 the Firefighters Pension Plan membership consisted of:

Retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them	77
Active vested plan members	40
Active nonvested plan members	0
Total	<u><u>117</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, 2018**

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, 2018 are as follows:

Total Pension Liability	\$ 68,021,263
Plan Fiduciary Net Position	10,182,414
Net Pension Liability	<u>\$ 57,838,849</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	15.00%

Actuarial Assumptions

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

Valuation Date	5/1/2018
Inflation	2.5%
Projected Salary Increases	4.0% – 23.93%
Investment Rate of Return	6.75%
Mortality Rate	L&A 2016 Illinois Firefighters Mortality Rates

**CITY OF DANVILLE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
APRIL 30, 2018**

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, 2018 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, 2018. 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, 2018

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	\$ 66,999,573	\$ 57,838,849	\$ 50,318,911

Money-Weighted Rate of Return on Investments

For the year ended April 30, 2018, the annual money-weighted rate of return on pension plan investments, net of plan investments expenses was 6.36%. The money-weighted rate of return expresses investment performance, net of expenses, adjusted for the changing amounts actually invested.

Changes in the Net Pension Liability (Asset)

	Total Pension Liability (A)	Plan Fiduciary Net Position (B)	Net Pension Liability (A) - (B)
Balances at April 30, 2017	\$ 66,226,544	\$ 9,622,405	\$56,604,139
Changes for the year:			
Service Cost	908,948	-	908,948
Interest on the Total Pension Liability	4,351,410	-	4,351,410
Differences Between Expected and Experience of the Total Pension	56,778	-	56,778
Changes of Assumptions	-	-	-
Contributions - Employer	-	3,276,154	(3,276,154)
Contributions - Employees	-	330,173	(330,173)
Net Investment Income	-	508,735	(508,735)
Benefit Payments, including Refunds of Employee Contributions	(3,522,418)	(3,522,418)	-
Administrative Expenses	-	(32,635)	32,635
Net Changes	<u>1,794,719</u>	<u>560,009</u>	<u>1,234,710</u>
Balances at April 30, 2018	<u>\$ 68,021,263</u>	<u>\$ 10,182,414</u>	<u>\$ 57,838,849</u>

**CITY OF DANVILLE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
APRIL 30, 2018**

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, 2018 the City will recognize a pension expense of \$5,774,361. On April 30, 2018 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	\$ 1,037,230	\$ 479,571
Changes in assumptions	1,378,554	191,187
Net difference between projected and actual earnings	<u>395,824</u>	<u>-</u>
Total Deferred Amounts Related to Pensions	<u>\$ 2,811,608</u>	<u>\$ 670,758</u>

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

<u>Year Ending</u>	<u>Net Deferred Outflows of Resources</u>
2019	\$ 1,462,783
2020	754,308
2021	(110,251)
2022	34,010
2023	-
Thereafter	<u>-</u>
Total	<u>\$ 2,140,850</u>

**CITY OF DANVILLE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
APRIL 30, 2018**

NOTE 8 - LEASES

The City leases certain designated space in the Public Safety Building from the Danville Public Building Commission (See also Note 11). The current lease expires on October 31, 2019. Expense under this lease for the year ended April 30, 2018 was \$1,424,853. Minimum lease commitments are as follows:

Year Ending April 30

2019	\$ 1,327,228
------	--------------

The Library entered into a 60-month lease agreement for a copier, expiring August 9, 2021. The lease payment per month for the copier is \$85. Expense under this lease agreement for the year ended April 30, 2018 was \$849.

Minimum lease commitments are as follows:

Year Ending April 30

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

NOTE 9 - FEDERAL AND STATE ASSISTED PROGRAMS

The City participates in a number of federal and state programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulations, the City may be required to reimburse the grantor government. As of April 30, 2018, 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, 2018

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, 2018, only loss year 1999 remains open with a potential liability of approximately \$89,441, which is recorded as a liability.

In addition, the City elected the self-funded method for unemployment compensation. The City is therefore liable for benefits to any of its former employees eligible for benefits. The City noted no significant claims as of April 30, 2018.

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, 2018**

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 POSTEMPLOYMENT BENEFITS

a. Plan Description

In addition to providing the pension benefits described in Note 7, the City provides postemployment 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, 2018, membership consisted of:

	<u>City</u>	<u>Library</u>
Retirees and beneficiaries currently receiving benefits	93	5
Terminated employees entitled to benefits but not yet receiving them	-	-
Active employees	<u>228</u>	<u>16</u>
Total	<u><u>321</u></u>	<u><u>21</u></u>
Participating employers		<u>1</u>

d. Funding Policy

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

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

**CITY OF DANVILLE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
APRIL 30, 2018**

NOTE 14 - OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

e. Annual OPEB Costs and Net OPEB Obligation

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

The City had an actuarial valuation performed for the plan as of April 30, 2017 to determine the funded status of the plan as of that date. The City and Library's annual OPEB cost (expense) was \$416,731 and \$11,726, respectively. The City and Library's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2018 was as follows:

<u>Actuarial Valuation Date</u>	<u>Annual OPEB Cost</u>	<u>Employer Contributions</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
<u>City</u>				
April 30, 2018	\$ 416,731	\$ 360,099	86.0%	\$ 1,062,533
April 30, 2017	400,515	340,485	85.0%	1,005,901
April 30, 2016	628,730	496,601	78.9%	945,871
<u>Library</u>				
April 30, 2018	\$ 11,726	\$ 2,042	17.41%	\$ 54,780
April 30, 2017	11,270	2,042	18.11%	45,096
April 30, 2016	16,674	3,689	22.12%	35,868

The net OPEB obligation as of April 30, 2018, was calculated as follows:

	<u>City</u>	<u>Library</u>
Annual required contribution	\$ 409,980	\$ 11,470
Interest on net OPEB obligation	40,504	1,536
Adjustment to annual required contribution	<u>(33,753)</u>	<u>(1,280)</u>
Annual OPEB cost	416,731	11,726
Contributions made	<u>360,099</u>	<u>2,042</u>
Increase in net OPEB obligation	56,632	9,684
Net OPEB obligation, beginning of year	<u>1,005,901</u>	<u>45,096</u>
Net OPEB obligation, end of year	<u><u>\$1,062,533</u></u>	<u><u>\$ 54,780</u></u>

**CITY OF DANVILLE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
APRIL 30, 2018**

NOTE 14 - OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

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

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

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

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

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

f. Funded Status and Funding Progress

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

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

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

CITY OF DANVILLE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
APRIL 30, 2018

NOTE 15 - COMMITMENTS

At fiscal year end the City had the encumbered amounts for general and administrative and community development totaling \$1,432,525 and \$338,385, respectively.

Subsequent to April 30, 2018, the City signed a five-year loan agreement in the amount of \$434,579 for the refurbishment of a fire truck. The City also entered into a lease agreement in the amount of \$178,244 for purchase of landscaping equipment at Harrison Golf Course.

The Danville Public Library entered into an agreement in the amount of \$202,303 for a construction project. No services have been performed or funds expensed as of April 30, 2018

NOTE 16 - TAX ABATEMENTS

The City enters into tax abatement agreements with local businesses under the Tax Increment Financing Act, in order to create economic development in a certain district. For the fiscal year ended April 30, 2018, the City abated property taxes totaling \$250,600 under this program, including the following agreement that each exceeded 10% of the total amount abated:

- A 80% abatement to a developer for developing a medical facility, amounting to \$221,853.

The City also enters into sales tax agreements from time to time with local businesses in order to draw and retain business in the City. For the fiscal year ended April 30, 2018, the City abated sales tax totaling \$36,293 under this program for a 50% abatement for five years of sales tax to a retail shop, not to exceed \$100,000 in one year. Current year abatement amounted to \$36,293.

NOTE 17 – DEFICIT FUND BALANCES

The following nonmajor governmental funds had deficit fund balances at April 30, 2018: DATS Program (\$13,836), IHDA Blight Reduction(\$113,559), and IHDA Abandoned Property (\$33,293).

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, 2018

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
REVENUES				
Taxes	\$ 1,356,200	\$ 1,356,200	\$ 1,371,079	\$ 14,879
Intergovernmental	20,469,269	20,469,269	19,707,763	(761,506)
Licenses and permits	858,300	858,300	733,971	(124,329)
Charges for services	373,981	373,981	375,314	1,333
Fines and forfeits	614,850	614,850	364,441	(250,409)
Miscellaneous	<u>1,128,965</u>	<u>833,276</u>	<u>803,564</u>	<u>(29,712)</u>
Total revenues	<u>24,801,565</u>	<u>24,505,876</u>	<u>23,356,132</u>	<u>(1,149,744)</u>
EXPENDITURES				
Current:				
General Government				
General City government	1,916,397	1,916,397	1,639,798	276,599
Central vehicle maintenance	621,068	751,479	729,629	21,850
Finance	418,422	454,422	447,899	6,523
Treasurer	79,559	79,559	77,103	2,456
Development services	364,617	368,117	348,982	19,135
Public affairs	232,696	232,696	229,085	3,611
Legal services	448,530	448,530	377,499	71,031
City Clerk	154,916	154,916	152,652	2,264
Human resources	224,621	224,621	223,296	1,325
Information systems	<u>243,115</u>	<u>243,115</u>	<u>218,484</u>	<u>24,631</u>
Total General Government	<u>4,703,941</u>	<u>4,873,852</u>	<u>4,444,427</u>	<u>429,425</u>
Public Safety				
Police	8,646,558	8,686,058	8,504,021	182,037
Fire	<u>4,988,639</u>	<u>5,233,109</u>	<u>5,236,390</u>	<u>(3,281)</u>
Total Public Safety	<u>13,635,197</u>	<u>13,919,167</u>	<u>13,740,411</u>	<u>178,756</u>
Streets				
	<u>2,639,048</u>	<u>2,788,224</u>	<u>2,644,123</u>	<u>144,101</u>
Urban Development				
	<u>805,595</u>	<u>827,195</u>	<u>785,228</u>	<u>41,967</u>
Culture and Recreation				
Public pool	63,928	68,105	43,669	24,436
Public property	<u>1,637,729</u>	<u>1,768,915</u>	<u>1,522,129</u>	<u>246,786</u>
Total Culture and Recreation	<u>1,701,657</u>	<u>1,837,020</u>	<u>1,565,798</u>	<u>271,222</u>
Total expenditures	<u>23,485,438</u>	<u>24,245,458</u>	<u>23,179,987</u>	<u>1,065,471</u>
Excess (deficiency) of revenues over expenditures	<u>1,316,127</u>	<u>260,418</u>	<u>176,145</u>	<u>(84,273)</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	\$ 86,000	\$ 86,000	86,000	\$ -
Transfers out	<u>(1,320,602)</u>	<u>(1,320,602)</u>	<u>(955,300)</u>	<u>365,302</u>
Total other financing sources (uses)	<u>(1,234,602)</u>	<u>(1,234,602)</u>	<u>(869,300)</u>	<u>365,302</u>
Net change in fund balance (Budgetary basis)	<u>\$ 81,525</u>	<u>\$ (974,184)</u>	<u>(693,155)</u>	<u>\$ 281,029</u>
RECONCILIATION TO MODIFIED ACCRUAL BASIS (GAAP BASIS)				
Revenue accrual adjustments			(360,441)	
Expense accrual adjustments			(645,739)	
Transfers adjustment			<u>(141,228)</u>	
Net reconciliation to modified accrual basis (GAAP basis)			<u>(1,147,408)</u>	
Net change in fund balance (GAAP basis)			(1,840,563)	
FUND BALANCE, BEGINNING OF YEAR			<u>6,906,025</u>	
FUND BALANCE, END OF YEAR			<u>\$ 5,065,462</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, 2018

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
REVENUES				
Intergovernmental	\$ 825,000	\$ 825,000	\$ 839,983	\$ 14,983
Miscellaneous	<u>8,000</u>	<u>8,000</u>	<u>88,884</u>	<u>80,884</u>
Total revenues	<u>833,000</u>	<u>833,000</u>	<u>928,867</u>	<u>95,867</u>
EXPENDITURES				
Current:				
Streets	<u>833,000</u>	<u>1,951,507</u>	<u>1,442,461</u>	<u>509,046</u>
Net change in fund balance (Budgetary basis)	<u>\$ -</u>	<u>\$ (1,118,507)</u>	<u>(513,594)</u>	<u>\$ 604,913</u>
RECONCILIATION TO MODIFIED ACCRUAL BASIS (GAAP BASIS)				
Revenue accrual adjustments			84,064	
Expense accrual adjustments			<u>(77,253)</u>	
Net reconciliation to modified accrual basis (GAAP basis)			<u>6,811</u>	
Net change in fund balance (GAAP basis)			(506,783)	
FUND BALANCE, BEGINNING OF YEAR			<u>7,039,101</u>	
FUND BALANCE, END OF YEAR			<u>\$ 6,532,318</u>	

See accompanying notes to required supplementary information.

CITY OF DANVILLE, ILLINOIS
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (BUDGETARY BASIS)
MAJOR FUND - DANVILLE MASS TRANSIT
Year Ended April 30, 2018

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
REVENUES				
Intergovernmental	\$ 2,977,233	\$ 2,977,233	\$ 2,480,073	\$ (497,160)
Charges for services	400,000	400,000	314,848	(85,152)
Miscellaneous	<u>69,964</u>	<u>25,000</u>	<u>69,964</u>	<u>44,964</u>
Total revenues	<u>3,447,197</u>	<u>3,402,233</u>	<u>2,864,885</u>	<u>(537,348)</u>
EXPENDITURES				
Current:				
Transportation	<u>3,424,535</u>	<u>4,547,817</u>	<u>3,543,471</u>	<u>1,004,346</u>
Net change in fund balance before transfers	22,662	(1,145,584)	(678,586)	466,998
OTHER FINANCING SOURCES				
Transfers in	<u>22,302</u>	<u>522,302</u>	<u>500,000</u>	<u>(22,302)</u>
Net change in fund balance (Budgetary basis)	<u>\$ 44,964</u>	<u>\$ (623,282)</u>	<u>(178,586)</u>	<u>\$ 444,696</u>
RECONCILIATION TO MODIFIED ACCRUAL BASIS (GAAP BASIS)				
Revenue accrual adjustments			(4,474)	
Expense accrual adjustments			41,831	
Transfers in adjustment			<u>141,229</u>	
Net reconciliation to modified accrual basis (GAAP basis)			178,586	
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
2018	\$ 1,069,336	\$ 1,069,336	-	\$ 8,016,228	13.34%
2017	998,633	998,633	-	7,841,745	12.73%
2016	876,851	876,851	-	7,603,235	11.53%

Police Pension

Fiscal Year Ended April 30	Actuarially Determined Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered Payroll	Actual Contribution as a % of Covered Payroll
2018	\$ 3,478,117	\$ 2,856,389	\$ 621,728	\$ 4,371,337	65.34%
2017	2,494,048	2,497,021	(2,973)	4,233,740	58.98%
2016	1,808,123	1,930,255	(122,132)	4,783,623	40.35%

Fire Pension

Fiscal Year Ended April 30	Actuarially Determined Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered Payroll	Actual Contribution as a % of Covered Payroll
2018	\$ 3,907,340	\$ 3,276,154	\$ 631,186	\$ 3,333,693	98.27%
2017	2,714,487	2,729,791	(15,304)	\$ 3,228,758	84.55%
2016	2,302,627	2,493,073	(190,446)	3,789,528	65.79%

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, 2018**

OTHER POSTEMPLOYMENT BENEFITS

Trend information for the year ended April 30, 2018 is as follows:

Actuarial Valuation Date *	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a)/c)
<u>City</u>						
4/30/17	\$ -	\$ 6,978,419	\$ 6,978,419	0.00%	\$ 16,020,074	43.56%
4/30/15	-	11,167,067	11,167,067	0.00%	16,399,435	68.09%
4/30/13	-	9,448,191	9,448,191	0.00%	14,853,649	63.61%
<u>Library</u>						
4/30/17	\$ -	\$ 169,414	\$ 169,414	0.00%	\$ 906,604	18.68%
4/30/15	-	222,369	222,369	0.00%	902,928	24.77%

*A full actuarial valuation is not required annually.

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

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

See accompanying notes to required supplementary information.

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

December 31,	<u>2017</u>	<u>2016</u>	<u>2015</u>
Total Pension Liability			
Service cost	\$ 826,826	\$ 820,424	\$ 806,471
Interest	3,553,102	3,484,268	3,276,716
Difference between expected and actual experience	(120,667)	(653,777)	1,336,020
Changes of assumptions	(1,516,840)	(111,805)	110,999
Benefit payments and refunds	(2,736,347)	(2,761,121)	(2,575,428)
Other changes	-	-	-
Net Change in Total Pension Liability	<u>6,074</u>	<u>777,989</u>	<u>2,954,778</u>
Total Pension Liability - Beginning	48,284,137	47,506,148	44,551,370
Total Pension Liability - Ending (A)	<u>\$ 48,290,211</u>	<u>\$ 48,284,137</u>	<u>\$ 47,506,148</u>
 Plan Fiduciary Net Position			
Contributions - Employer	\$ 1,082,888	\$ 961,819	\$ 861,446
Contributions - member	371,023	366,011	439,515
Net Investment Income	3,080,258	3,119,875	252,803
Difference between projected and actual investment income	3,840,274	-	-
Benefit Payments, Including Refunds	(2,736,346)	(2,761,121)	(2,575,428)
Administrative Expense	(37,995)	(47,746)	(35,572)
Net Change in Plan Fiduciary Net Position	<u>5,600,102</u>	<u>1,638,838</u>	<u>(1,057,236)</u>
Plan Fiduciary Net Position - Beginning	42,304,827	40,665,989	41,723,225
Plan Fiduciary Net Position - Ending (B)	<u>\$ 47,904,929</u>	<u>\$ 42,304,827</u>	<u>\$ 40,665,989</u>
 Net Pension Liability - Ending (A) - (B)	<u>\$ 385,282</u>	<u>\$ 5,979,310</u>	<u>\$ 6,840,159</u>
 Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	99.20%	87.62%	85.60%
 Covered Payroll	\$ 7,972,465	\$ 7,769,134	\$ 7,603,235
 Net Pension Liability as a Percentage of Covered Payroll	4.83%	76.96%	89.96%

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

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>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Total Pension Liability				
Service cost	\$ 1,067,723	\$ 1,000,209	\$ 901,913	\$ 817,119
Interest	4,413,612	4,356,948	3,858,350	3,454,773
Difference between expected and actual experience	184,665	(269,015)	2,250,531	1,811,326
Changes of assumptions	-	(835,424)	3,512,644	7,994,120
Employee contributions	<u>(3,579,430)</u>	<u>(3,247,081)</u>	<u>(3,026,517)</u>	<u>(2,933,952)</u>
Net Change in Total Pension Liability	<u>2,086,570</u>	<u>1,005,637</u>	<u>7,496,921</u>	<u>11,143,386</u>
Total Pension Liability - Beginning	<u>67,176,558</u>	<u>66,170,921</u>	<u>58,674,000</u>	<u>47,530,614</u>
Total Pension Liability - Ending (A)	<u><u>\$ 69,263,128</u></u>	<u><u>\$ 67,176,558</u></u>	<u><u>\$ 66,170,921</u></u>	<u><u>\$ 58,674,000</u></u>
Plan Fiduciary Net Position				
Contributions - Employer	\$ 2,856,389	\$ 2,497,021	\$ 1,930,255	\$ 1,886,266
Contributions - Member	404,801	426,351	422,758	441,189
Contributions- Other	1,400	-	-	-
Net Investment Income	1,019,086	1,494,561	(277,107)	1,009,928
Benefit Payments, Including Refunds	(3,579,430)	(3,247,081)	(3,026,517)	(2,933,952)
Administrative Expense	<u>(57,171)</u>	<u>(62,254)</u>	<u>(45,831)</u>	<u>(30,929)</u>
Net Change in Plan Fiduciary Net Position	<u>645,075</u>	<u>1,108,598</u>	<u>(996,442)</u>	<u>372,502</u>
Plan Fiduciary Net Position - Beginning *	<u>18,021,828</u>	<u>16,913,230</u>	<u>17,909,672</u>	<u>19,322,370</u>
Plan Fiduciary Net Position - Ending (B)	<u><u>\$ 18,666,903</u></u>	<u><u>\$ 18,021,828</u></u>	<u><u>\$ 16,913,230</u></u>	<u><u>\$ 19,694,872</u></u>
Net Pension Liability - Ending (A) - (B)	<u><u>\$ 50,596,225</u></u>	<u><u>\$ 49,154,730</u></u>	<u><u>\$ 49,257,691</u></u>	<u><u>\$ 38,979,128</u></u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	26.95%	26.83%	25.56%	33.57%
Covered Payroll	\$ 4,371,337	\$ 4,233,740	\$ 4,783,623	\$ 4,202,559
Net Pension Liability as a Percentage of Covered Payroll	1157.45%	1161.02%	1029.72%	927.51%

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

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

See accompanying notes to required supplementary information.

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

Year Ended April 30	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Total Pension Liability				
Service cost	\$ 908,948	\$ 851,474	\$ 718,638	\$ 782,450
Interest	4,351,410	4,320,828	3,779,373	3,560,094
Difference between expected and actual experience	56,779	(874,281)	2,928,212	838,331
Changes of assumptions	-	(348,545)	4,064,052	6,723,995
Employee contributions	<u>(3,522,418)</u>	<u>(3,470,409)</u>	<u>(3,467,010)</u>	<u>(3,297,149)</u>
Net Change in Total Pension Liability	1,794,719	479,067	8,023,265	8,607,721
Total Pension Liability - Beginning	66,226,544	65,747,477	57,724,212	49,116,491
Total Pension Liability - Ending (A)	<u>\$ 68,021,263</u>	<u>\$ 66,226,544</u>	<u>\$ 65,747,477</u>	<u>\$ 57,724,212</u>
 Plan Fiduciary Net Position				
Contributions - Employer	\$ 3,276,154	\$ 2,729,791	\$ 2,493,073	\$ 2,397,804
Contributions - member	330,173	279,105	280,258	309,604
Net Investment Income	508,735	778,089	(133,299)	571,441
Benefit Payments, Including Refunds	(3,522,418)	(3,470,409)	(3,467,010)	(3,297,149)
Administrative Expense	<u>(32,635)</u>	<u>(32,766)</u>	<u>(36,578)</u>	<u>(39,693)</u>
Net Change in Plan Fiduciary Net Position	560,009	283,810	(863,556)	(57,993)
Plan Fiduciary Net Position - Beginning *	9,622,405	9,338,595	10,202,151	12,539,748
Plan Fiduciary Net Position - Ending (B)	<u>\$ 10,182,414</u>	<u>\$ 9,622,405</u>	<u>\$ 9,338,595</u>	<u>\$ 12,481,755</u>
 Net Pension Liability - Ending (A) - (B)	<u>\$ 57,838,849</u>	<u>\$ 56,604,139</u>	<u>\$ 56,408,882</u>	<u>\$ 45,242,457</u>
 Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	14.97%	14.53%	14.20%	21.62%
 Covered Payroll	\$ 3,333,693	\$ 3,228,758	\$ 3,789,528	\$ 3,022,424
 Net Pension Liability as a Percentage of Covered Payroll	1734.98%	1753.12%	1488.55%	1496.89%

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

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

See accompanying notes to required supplementary information.

CITY OF DANVILLE, ILLINOIS
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
April 30, 2018

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 2018 totaled \$760,020, \$1,123,282, and \$1,118,507 for the General Fund, Mass Transit District Fund and the Motor Fuel Tax Fund, respectively.
5. Legally adopted budgets is employed as a management control device during the year for all funds of the City other than State and Federal Grant Special Revenue Funds which employ project oriented budget control procedures.
6. Budgets for the City, except for the Library, are not prepared in accordance with accounting principles generally accepted in the United States of America. Revenues are budgeted on the cash basis of accounting and expenditures are budgeted using the cash plus encumbrance basis of accounting. Budgetary comparisons in this report are presented on this nonaccounting principles generally accepted in the United States of America basis for the City, except for the Library, which uses the modified accrual basis for its budget.

NOTE 2 – DEFICIT FUND BALANCES

The following nonmajor governmental funds had deficit fund balances at April 30, 2018: DATS Program (\$13,836), IHDA Blight Reduction(\$113,559), and IHDA Abandoned Property (\$33,293).

CITY OF DANVILLE, ILLINOIS
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
April 30, 2018

NOTE 2 - SUMMARY OF ACTUARIAL METHODS AND ASSUMPTIONS USED IN THE CALCULATIONS OF THE 2017 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 2017 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: Five-year smoothed market; 20% corridor
Wage Growth: 3.5%
Price Inflation: 2.75%, approximate; No explicit price inflation assumption is used in this valuation.
Salary Increases: 3.75% to 14.50%, including inflation
Investment Rate of Return: 7.50%
Retirement Age: Experience-based table of rates that are specific to the type of eligibility condition; last updated for the 2014 valuation pursuant to an experience study of the period 2011 to 2013.

Mortality: For nondisabled retirees, an IMRF specific mortality table was used with fully generational projection scale MP-2014 (base year 2012). The IMRF specific rates 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 2012). The IMRF specific rates were developed from the RP-2014 Disabled Retirees Mortality Table applying the same adjustment that was applied for nondisabled lives. For active members, an IMRF specific mortality table was used with fully generational projection scale MP-2014 (base year 2012). The IMRF specific rates were developed from the RP-2014 Employee Mortality Table with adjustments to match current IMRF experience.

Other Information:

Notes: There were no benefit changes during the year.

CITY OF DANVILLE, ILLINOIS
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
April 30, 2018

NOTE 4 - SUMMARY OF ACTUARIAL METHODS AND ASSUMPTIONS USED IN THE CALCULATIONS OF THE 2018 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 2018 Contribution Rates:

Actuarial Cost Method: Aggregate entry age = normal
Amortization Method: Straight line
Remaining Amortization Period: 6.44 years
Asset Valuation Method: Market
Wage Growth: 3.25%
Price Inflation: 2.5%, approximate; No explicit price inflation assumption is used in this valuation.
Salary Increases: 4.0% - 15.00%
Investment Rate of Return: 6.75%
Retirement Age: 50-70
Mortality: L&A 2016 Illinois Police Mortality Rates

Other Information:

Notes: There were no benefit changes during the year.

Money-Weighted Rate of Return on Investments

4/30/18	6.36%
4/30/17	8.57%
4/30/16	-0.32%
4/30/15	4.29%

CITY OF DANVILLE, ILLINOIS
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
April 30, 2018

NOTE 4 - SUMMARY OF ACTUARIAL METHODS AND ASSUMPTIONS USED IN THE CALCULATIONS OF THE 2018 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 2018 Contribution Rates:

Actuarial Cost Method: Aggregate entry age = normal
Amortization Method: Straight line
Remaining Amortization Period: 4.43 years
Asset Valuation Method: Market
Wage Growth: 3.25%
Price Inflation: 2.5%, approximate; No explicit price inflation assumption is used in this valuation.
Salary Increases: 4.0% - 23.93%
Investment Rate of Return: 6.75%
Retirement Age: 50-70.
Mortality: L&A 2016 Illinois Firefighters Mortality Rates

Other Information:

Notes: There were no benefit changes during the year.

Money-Weighted Rate of Return on Investments

4/30/18	6.36%
4/30/17	8.34%
4/30/16	-0.26%
4/30/15	4.29%

OTHER SUPPLEMENTARY INFORMATION

**CITY OF DANVILLE, ILLINOIS
COMBINING BALANCE SHEET
GENERAL FUND BY ACCOUNT
April 30, 2018**

	General Account	Flex Spending	Land Acquisition	Working Cash	Total General Fund
ASSETS					
Cash	\$ 334,197	\$ 23,387	\$ 1,588	\$ 149,198	\$ 508,370
Temporary investments	-	-	32,000	-	32,000
Receivables:					
Taxes, net of allowance for estimated uncollectibles	234,904	-	-	-	234,904
Other	442,356	-	-	-	442,356
Prepaid items	894,914	-	-	-	894,914
Due from other funds	-	-	-	45,000	45,000
Advance from other funds	116,807	-	-	-	116,807
Due from other governments	4,384,602	-	-	-	4,384,602
TOTAL ASSETS	\$ 6,407,780	\$ 23,387	\$ 33,588	\$ 194,198	\$ 6,658,953
LIABILITIES					
Accounts payable	\$ 112,358	\$ -	\$ -	\$ -	\$ 112,358
Accrued expenses	105,569	-	-	-	105,569
Due to other governments	616	-	-	-	616
Total liabilities	218,543	-	-	-	218,543
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenues	1,140,044	-	-	-	1,140,044
Subsequent year's property taxes	234,904	-	-	-	234,904
Total deferred inflows of resources	1,374,948	-	-	-	1,374,948
FUND BALANCE					
Nonspendable:					
Prepays	894,914	-	-	-	894,914
Advance to other funds	116,807	-	-	-	116,807
Assigned:					
General and administrative	221,384	-	-	-	221,384
Unassigned	3,581,184	23,387	33,588	194,198	3,832,357
Total fund balance	4,814,289	23,387	33,588	194,198	5,065,462
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE					
	\$ 6,407,780	\$ 23,387	\$ 33,588	\$ 194,198	\$ 6,658,953

CITY OF DANVILLE, ILLINOIS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
GENERAL FUND BY ACCOUNT
Year Ended April 30, 2018

	<u>General Account</u>	<u>Flex Spending</u>	<u>Land Acquisition</u>	<u>Working Cash</u>	<u>Total General Fund</u>
REVENUES					
Taxes	\$ 1,346,269	\$ -	\$ -	\$ -	\$ 1,346,269
Intergovernmental	19,492,163	-	-	-	19,492,163
Licenses and permits	734,216	-	-	-	734,216
Charges for services	188,191	57,066	-	-	245,257
Fines and forfeits	359,884	-	-	-	359,884
Miscellaneous	815,112	-	451	2,339	817,902
	<u>22,935,835</u>	<u>57,066</u>	<u>451</u>	<u>2,339</u>	<u>22,995,691</u>
Total revenues					
EXPENDITURES					
Current:					
General government	5,129,768	55,291	-	-	5,185,059
Public safety	14,391,726	-	-	-	14,391,726
Streets	2,254,916	-	-	-	2,254,916
Culture and recreation	1,585,653	-	-	-	1,585,653
Capital outlay	408,371	-	-	-	408,371
	<u>23,770,434</u>	<u>55,291</u>	<u>-</u>	<u>-</u>	<u>23,825,725</u>
Total expenditures					
Excess (deficiency) of revenues over expenditures	<u>(834,599)</u>	<u>1,775</u>	<u>451</u>	<u>2,339</u>	<u>(830,034)</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	586,000	-	-	-	586,000
Transfers out	<u>(1,596,529)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,596,529)</u>
	<u>(1,010,529)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,010,529)</u>
Total other financing sources (uses)					
Net change in fund balance	(1,845,128)	1,775	451	2,339	(1,840,563)
FUND BALANCE, BEGINNING OF YEAR	<u>6,659,417</u>	<u>21,612</u>	<u>33,137</u>	<u>191,859</u>	<u>6,906,025</u>
FUND BALANCE, END OF YEAR	<u>\$ 4,814,289</u>	<u>\$ 23,387</u>	<u>\$ 33,588</u>	<u>\$ 194,198</u>	<u>\$ 5,065,462</u>

CITY OF DANVILLE, ILLINOIS
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 April 30, 2018

	State Narcotic Forfeiture	Federal Narcotic Forfeiture	Community Development Block Grant	Towne Centre	Storm Water Drainage	Small Business Loan	DATS Program	TIF Midtown	TIF Westgate
Cash	\$ 98,609	\$ 5,440	\$ 253,814	\$ -	\$ 122,543	\$ 5,039	\$ -	\$ 364,626	\$ 54,760
Temporary investments	-	-	-	-	200,000	-	-	-	-
Receivables:									
Taxes, net of allowance for estimated uncollectibles	-	-	-	-	-	-	-	-	-
Other - current	-	-	-	-	2,547	50,732	43,140	-	-
Other - noncurrent	-	-	-	-	-	112,539	-	-	-
Due from other governments	-	-	46,059	-	-	-	-	-	-
TOTAL ASSETS	<u>\$ 98,609</u>	<u>\$ 5,440</u>	<u>\$ 299,873</u>	<u>\$ -</u>	<u>\$ 325,090</u>	<u>\$ 168,310</u>	<u>\$ 43,140</u>	<u>\$ 364,626</u>	<u>\$ 54,760</u>
LIABILITIES									
Accounts payable	\$ -	\$ -	15,592	\$ -	\$ -	\$ -	\$ 48,279	\$ 762	\$ -
Accrued expenses	-	870	-	-	-	-	3,697	-	-
Due to other funds	-	-	-	-	-	-	5,000	-	-
Total liabilities	<u>-</u>	<u>870</u>	<u>15,592</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>56,976</u>	<u>762</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>	<u>-</u>
FUND BALANCE									
Restricted:									
Retirement	-	-	-	-	-	-	-	-	-
Public health and education	-	-	-	-	-	-	-	-	-
Public safety	98,609	4,570	-	-	-	-	-	-	-
Community development	-	-	284,281	-	-	168,310	-	363,864	54,760
Transportation	-	-	-	-	-	-	-	-	-
Streets	-	-	-	-	325,090	-	-	-	-
Debt service	-	-	-	-	-	-	-	-	-
Committed:									
Community development	-	-	-	-	-	-	-	-	-
Capital projects	-	-	-	-	-	-	-	-	-
Assigned:									
Capital projects	-	-	-	-	-	-	-	-	-
Unassigned	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(13,836)</u>	<u>-</u>	<u>-</u>
Total fund balance (deficit)	<u>98,609</u>	<u>4,570</u>	<u>284,281</u>	<u>-</u>	<u>325,090</u>	<u>168,310</u>	<u>(13,836)</u>	<u>363,864</u>	<u>54,760</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	<u>\$ 98,609</u>	<u>\$ 5,440</u>	<u>\$ 299,873</u>	<u>\$ -</u>	<u>\$ 325,090</u>	<u>\$ 168,310</u>	<u>\$ 43,140</u>	<u>\$ 364,626</u>	<u>\$ 54,760</u>

CITY OF DANVILLE, ILLINOIS
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 April 30, 2018

	<u>TIF Campus</u>	<u>TIF East Voorhees</u>	<u>TIF Downtown</u>	<u>Housing Loan</u>	<u>Law Enforcement Grant</u>	<u>Landfill Remediation</u>	<u>Special Sewer Projects</u>	<u>Brownfield Grant</u>	<u>Firefighter Pension</u>
Cash	\$ 1,577	\$ 128,862	\$ 92,973	\$ 144,257	\$ 1,849	\$ 88,138	\$ 126,877	\$ -	\$ 56,075
Temporary investments	-	-	-	-	-	800,000	50,000	-	-
Receivables:									
Taxes, net of allowance for estimated uncollectibles	-	-	-	-	-	-	-	-	2,263,437
Other - current	-	-	-	5,219	-	-	-	-	272,736
Other - noncurrent	-	-	-	6,179	-	-	-	-	-
Due from other governments	-	-	-	-	-	-	-	-	-
TOTAL ASSETS	<u>\$ 1,577</u>	<u>\$ 128,862</u>	<u>\$ 92,973</u>	<u>\$ 155,655</u>	<u>\$ 1,849</u>	<u>\$ 888,138</u>	<u>\$ 176,877</u>	<u>\$ -</u>	<u>\$ 2,592,248</u>
LIABILITIES									
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,600	\$ -	\$ -	\$ 56,075
Accrued expenses	-	-	-	-	-	-	-	-	-
Due to other funds	-	-	-	-	-	-	-	-	-
Total liabilities	-	-	-	-	-	2,600	-	-	56,075
DEFERRED INFLOWS OF RESOURCES									
Unavailable revenue	-	-	-	-	-	-	-	-	-
Subsequent year's property taxes	-	-	-	-	-	-	-	-	2,263,437
Total deferred inflows of resources	-	-	-	-	-	-	-	-	2,263,437
FUND BALANCE									
Restricted:									
Retirement	-	-	-	-	-	-	-	-	272,736
Public health and education	-	-	-	-	-	885,538	-	-	-
Public safety	-	-	-	-	1,849	-	-	-	-
Community development	1,577	128,862	92,973	155,655	-	-	-	-	-
Transportation	-	-	-	-	-	-	-	-	-
Streets	-	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-	-
Committed:									
Community development	-	-	-	-	-	-	-	-	-
Capital projects	-	-	-	-	-	-	176,877	-	-
Assigned:									
Capital projects	-	-	-	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-	-	-	-
Total fund balance (deficit)	<u>1,577</u>	<u>128,862</u>	<u>92,973</u>	<u>155,655</u>	<u>1,849</u>	<u>885,538</u>	<u>176,877</u>	<u>-</u>	<u>272,736</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	<u>\$ 1,577</u>	<u>\$ 128,862</u>	<u>\$ 92,973</u>	<u>\$ 155,655</u>	<u>\$ 1,849</u>	<u>\$ 888,138</u>	<u>\$ 176,877</u>	<u>\$ -</u>	<u>\$ 2,592,248</u>

**CITY OF DANVILLE, ILLINOIS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
April 30, 2018**

	Capital Projects Funds					Debt Service Funds		Total	
	Police Pension	Capital Improvements	Infrastructure Development	Community Reinvestment	IHDA Blight Reduction	IHDA Abandoned Property	2007 Debt Service		2009 Debt Service
Cash	\$ 37,250	\$ 303,776	\$ 530,457	\$ 248,989	\$ -	\$ -	\$ 62,824	\$ 100,045	\$ 2,828,780
Temporary investments	-	-	195,000	-	-	-	6,000	-	1,251,000
Receivables:									
Taxes, net of allowance for estimated uncollectibles	2,423,297	-	-	-	-	-	-	-	4,686,734
Other - current	181,823	102,692	95,503	-	-	-	-	-	754,392
Other - noncurrent	-	-	-	-	-	-	-	-	118,718
Due from other governments	-	169,472	78,254	217,371	-	-	-	-	511,156
TOTAL ASSETS	\$ 2,642,370	\$ 575,940	\$ 899,214	\$ 466,360	\$ -	\$ -	\$ 68,824	\$ 100,045	\$ 10,150,780
LIABILITIES									
Accounts payable	\$ 37,250	\$ 2,765	\$ -	\$ 941	\$ 113,559	\$ 33,293	\$ -	\$ -	\$ 311,116
Accrued expenses	-	-	-	-	-	-	-	-	4,567
Due to other funds	-	-	-	-	-	-	-	-	5,000
Total liabilities	<u>37,250</u>	<u>2,765</u>	<u>-</u>	<u>941</u>	<u>113,559</u>	<u>33,293</u>	<u>-</u>	<u>-</u>	<u>320,683</u>
DEFERRED INFLOWS OF RESOURCES									
Unavailable revenue	-	57,190	25,471	70,752	-	-	-	-	153,413
Subsequent year's property taxes	2,423,297	-	-	-	-	-	-	-	4,686,734
Total deferred inflows of resources	<u>2,423,297</u>	<u>57,190</u>	<u>25,471</u>	<u>70,752</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,840,147</u>
FUND BALANCE									
Restricted:									
Retirement	181,823	-	-	-	-	-	-	-	454,559
Public health and education	-	-	-	-	-	-	-	-	885,538
Public safety	-	-	-	-	-	-	-	-	105,028
Community development	-	-	-	394,667	-	-	-	-	1,644,949
Transportation	-	-	-	-	-	-	-	-	-
Streets	-	-	-	-	-	-	-	-	325,090
Debt service	-	-	-	-	-	-	68,824	100,045	168,869
Committed:									
Community development	-	-	-	-	-	-	-	-	-
Capital projects	-	-	873,743	-	-	-	-	-	1,050,620
Assigned:									
Capital projects	-	515,985	-	-	18,320	-	-	-	534,305
Unassigned	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(131,879)</u>	<u>(33,293)</u>	<u>-</u>	<u>-</u>	<u>(179,008)</u>
Total fund balance (deficit)	<u>181,823</u>	<u>515,985</u>	<u>873,743</u>	<u>394,667</u>	<u>(113,559)</u>	<u>(33,293)</u>	<u>68,824</u>	<u>100,045</u>	<u>4,989,950</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	\$ 2,642,370	\$ 575,940	\$ 899,214	\$ 466,360	\$ -	\$ -	\$ 68,824	\$ 100,045	\$ 10,150,780

CITY OF DANVILLE, ILLINOIS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCE
 NONMAJOR GOVERNMENTAL FUNDS
 Year Ended April 30, 2018

	State Narcotic Forfeiture	Federal Narcotic Forfeiture	Community Development Block Grant	Towne Centre	Storm Water Drainage	Small Business Loan	DATS Program	TIF Midtown	TIF Westgate
REVENUES									
Taxes	\$ -	\$ -	\$ -	\$ -	\$ 28,126	\$ -	\$ -	\$ 402,609	\$ 17,617
Intergovernmental	-	-	662,934	-	-	-	205,140	-	-
Charges for services	50,218	-	-	-	-	-	-	-	-
Miscellaneous	1,238	-	6,299	-	4,490	6,751	26,768	8,169	720
Total revenues	<u>51,456</u>	<u>-</u>	<u>669,233</u>	<u>-</u>	<u>32,616</u>	<u>6,751</u>	<u>231,908</u>	<u>410,778</u>	<u>18,337</u>
EXPENDITURES									
Public safety	9,536	-	-	38	-	-	-	-	-
Community development	-	-	682,402	-	2,175	27,872	252,346	566,679	715
Public health and education	-	-	-	-	-	-	-	-	-
Capital projects	-	-	-	-	-	-	-	-	-
Debt service:									
Principal	-	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-	-	-
Total expenditures	<u>9,536</u>	<u>-</u>	<u>682,402</u>	<u>38</u>	<u>2,175</u>	<u>27,872</u>	<u>252,346</u>	<u>566,679</u>	<u>715</u>
Excess (deficiency) of revenues over expenditures	<u>41,920</u>	<u>-</u>	<u>(13,169)</u>	<u>(38)</u>	<u>30,441</u>	<u>(21,121)</u>	<u>(20,438)</u>	<u>(155,901)</u>	<u>17,622</u>
OTHER FINANCING SOURCES (USES)									
Transfers in	-	-	291,026	-	-	-	-	-	-
Transfers out	-	-	-	-	-	(291,026)	-	(100,000)	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>291,026</u>	<u>-</u>	<u>-</u>	<u>(291,026)</u>	<u>-</u>	<u>(100,000)</u>	<u>-</u>
Net change in fund balance	41,920	-	277,857	(38)	30,441	(312,147)	(20,438)	(255,901)	17,622
FUND BALANCE (DEFICIT), BEGINNING OF YEAR	<u>56,689</u>	<u>4,570</u>	<u>6,424</u>	<u>38</u>	<u>294,649</u>	<u>480,457</u>	<u>6,602</u>	<u>619,765</u>	<u>37,138</u>
FUND BALANCE (DEFICIT), END OF YEAR	<u>\$ 98,609</u>	<u>\$ 4,570</u>	<u>\$ 284,281</u>	<u>\$ -</u>	<u>\$ 325,090</u>	<u>\$ 168,310</u>	<u>\$ (13,836)</u>	<u>\$ 363,864</u>	<u>\$ 54,760</u>

CITY OF DANVILLE, ILLINOIS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCE
 NONMAJOR GOVERNMENTAL FUNDS
 Year Ended April 30, 2018

	TIF Campus	TIF East Voorhees	TIF Downtown	Housing Loan	Law Enforcement Grant	Landfill Remediation	Special Sewer Projects	Brownfield Grant	Firefighter Pension
REVENUES									
Taxes	\$ 578	\$ 69,354	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,945,369
Intergovernmental	-	-	-	-	-	-	-	5,408	-
Charges for services	-	-	-	-	-	-	-	-	-
Miscellaneous	6	1,459	981	-	29	12,581	2,479	-	-
Total revenues	<u>584</u>	<u>70,813</u>	<u>981</u>	<u>-</u>	<u>29</u>	<u>12,581</u>	<u>2,479</u>	<u>5,408</u>	<u>2,945,369</u>
EXPENDITURES									
Public safety	-	-	-	-	4,717	-	-	-	3,276,154
Community development	-	7,908	8,008	6,024	-	-	-	5,408	-
Public health and education	-	-	-	-	-	13,306	-	-	-
Capital projects	-	-	-	-	-	-	-	-	-
Debt service:									
Principal	-	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-	-	-
Total expenditures	<u>-</u>	<u>7,908</u>	<u>8,008</u>	<u>6,024</u>	<u>4,717</u>	<u>13,306</u>	<u>-</u>	<u>5,408</u>	<u>3,276,154</u>
Excess (deficiency) of revenues over expenditures	<u>584</u>	<u>62,905</u>	<u>(7,027)</u>	<u>(6,024)</u>	<u>(4,688)</u>	<u>(725)</u>	<u>2,479</u>	<u>-</u>	<u>(330,785)</u>
OTHER FINANCING SOURCES (USES)									
Transfers in	-	-	100,000	-	-	-	-	-	573,200
Transfers out	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>100,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>573,200</u>
Net change in fund balance	584	62,905	92,973	(6,024)	(4,688)	(725)	2,479	-	242,415
FUND BALANCE (DEFICIT), BEGINNING OF YEAR	<u>993</u>	<u>65,957</u>	<u>-</u>	<u>161,679</u>	<u>6,537</u>	<u>886,263</u>	<u>174,398</u>	<u>-</u>	<u>30,321</u>
FUND BALANCE (DEFICIT), END OF YEAR	<u>\$ 1,577</u>	<u>\$ 128,862</u>	<u>\$ 92,973</u>	<u>\$ 155,655</u>	<u>\$ 1,849</u>	<u>\$ 885,538</u>	<u>\$ 176,877</u>	<u>\$ -</u>	<u>\$ 272,736</u>

CITY OF DANVILLE, ILLINOIS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCE
 NONMAJOR GOVERNMENTAL FUNDS
 Year Ended April 30, 2018

	Capital Projects Funds					Debt Service Funds		Total	
	Police Pension	Capital Improvements	Infrastructure Development	Community Reinvestment	IHDA Blight Reduction	IHDA Abandoned Property	2007 Debt Service		2009 Debt Service
REVENUES									
Taxes	\$ 2,635,900	\$ -	\$ 1,224,903	\$ 1,538,311	\$ -	\$ -	\$ -	\$ -	\$ 8,862,767
Intergovernmental	-	683,312	318,894	-	-	5,336	-	-	1,881,024
Charges for services	-	-	-	-	-	-	-	-	50,218
Miscellaneous	-	53,576	12,293	8,477	-	-	780	688	147,784
Total revenues	<u>2,635,900</u>	<u>736,888</u>	<u>1,556,090</u>	<u>1,546,788</u>	<u>-</u>	<u>5,336</u>	<u>780</u>	<u>688</u>	<u>10,941,793</u>
EXPENDITURES									
Public safety	2,856,390	-	-	-	-	-	-	-	6,146,835
Community development	-	93,295	14,775	413,096	101,231	38,629	-	-	2,220,563
Public health and education	-	-	-	-	-	-	-	-	13,306
Capital projects	-	-	1,104,867	313,869	-	-	-	-	1,418,736
Debt service:									
Principal	-	209,310	62,853	151,553	-	-	300,000	245,000	968,716
Interest	-	23,639	5,340	21,861	-	-	65,737	146,839	263,416
Total expenditures	<u>2,856,390</u>	<u>326,244</u>	<u>1,187,835</u>	<u>900,379</u>	<u>101,231</u>	<u>38,629</u>	<u>365,737</u>	<u>391,839</u>	<u>11,031,572</u>
Excess (deficiency) of revenues over expenditures	<u>(220,490)</u>	<u>410,644</u>	<u>368,255</u>	<u>646,409</u>	<u>(101,231)</u>	<u>(33,293)</u>	<u>(364,957)</u>	<u>(391,151)</u>	<u>(89,779)</u>
OTHER FINANCING SOURCES (USES)									
Transfers in	382,100	-	-	-	-	-	365,647	427,451	2,139,424
Transfers out	-	(300,000)	(200,000)	(736,395)	-	-	-	-	(1,627,421)
Total other financing sources (uses)	<u>382,100</u>	<u>(300,000)</u>	<u>(200,000)</u>	<u>(736,395)</u>	<u>-</u>	<u>-</u>	<u>365,647</u>	<u>427,451</u>	<u>512,003</u>
Net change in fund balance	161,610	110,644	168,255	(89,986)	(101,231)	(33,293)	690	36,300	422,224
FUND BALANCE (DEFICIT), BEGINNING OF YEAR	<u>20,213</u>	<u>405,341</u>	<u>705,488</u>	<u>484,653</u>	<u>(12,328)</u>	<u>-</u>	<u>68,134</u>	<u>63,745</u>	<u>4,567,726</u>
FUND BALANCE (DEFICIT), END OF YEAR	<u>\$ 181,823</u>	<u>\$ 515,985</u>	<u>\$ 873,743</u>	<u>\$ 394,667</u>	<u>\$ (113,559)</u>	<u>\$ (33,293)</u>	<u>\$ 68,824</u>	<u>\$ 100,045</u>	<u>\$ 4,989,950</u>

CITY OF DANVILLE, ILLINOIS
COMBINING STATEMENT OF FIDUCIARY NET POSITION
AGENCY FUNDS
April 30, 2018

ASSETS

	<u>Dependent Life Insurance</u>	<u>Civic Center</u>	<u>Evidence Holding</u>	<u>Total</u>
Cash	\$ 1,119	\$ 48,382	\$ 174,921	\$ 224,422
Accounts receivable	<u>-</u>	<u>65,257</u>	<u>-</u>	<u>65,257</u>
TOTAL ASSETS	<u>\$ 1,119</u>	<u>\$ 113,639</u>	<u>\$ 174,921</u>	<u>\$ 289,679</u>

LIABILITIES

Accounts payable	\$ -	10,849	\$ 152,505	\$ 163,354
Due to others	<u>1,119</u>	<u>102,790</u>	<u>22,416</u>	<u>126,325</u>
TOTAL LIABILITIES	<u>\$ 1,119</u>	<u>\$ 113,639</u>	<u>\$ 174,921</u>	<u>\$ 289,679</u>

STATISTICAL DATA

**CITY OF DANVILLE, ILLINOIS
GENERAL PROPERTY TAX INFORMATION
April 30, 2018**

VALUATION AND TAX RATES

A three-year comparison of assessed valuation and tax rates for 2017, 2016, and 2015 follows:

	<u>2017</u>	<u>2016</u>	<u>2015</u>
ASSESSED VALUATIONS	\$ <u>304,578,681</u>	\$ <u>302,552,080</u>	\$ <u>298,835,767</u>
TAX RATES			
Social Security	0.0000	0.0000	0.0000
Illinois Municipal Retirement Fund	0.0000	0.0000	0.0000
Police Pension	0.8328	0.7102	0.7010
Firemen's Pension	0.7779	0.7149	0.7052
Library	0.6352	0.6179	0.6021
General Obligations Debt	<u>0.0000</u>	<u>0.0000</u>	<u>0.0743</u>
TOTAL	<u><u>2.2459</u></u>	<u><u>2.0430</u></u>	<u><u>2.0826</u></u>

SINGLE AUDIT SECTION



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

Mayor and City Council
City of Danville, Illinois

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Danville, Illinois, as of and for the year ended April 30, 2018, 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 12, 2018.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2018-001 and 2018-002 that we consider to be material weaknesses.

Compliance and Other Matters

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

City of Danville Illinois' Responses to Findings

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

Purpose of this Report

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



CliftonLarsonAllen LLP

Danville, Illinois
December 12, 2018



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

Mayor and City Council
City of Danville, Illinois

Report on Compliance for Each Major Federal Program

We have audited the City of Danville, Illinois' compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City of Danville Illinois' major federal programs for the year ended April 30, 2018. 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, 2018.

Report on Internal Control Over Compliance

Management of the City of Danville, Illinois is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City of Danville, Illinois' internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Danville, Illinois' internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified deficiencies in internal control over compliance, described in the accompanying schedule of findings and questioned costs as items 2018-003 and 2018-004, that we consider to be a significant deficiencies.

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

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 12, 2018

CITY OF DANVILLE, ILLINOIS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended April 30, 2018

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 Housing and Urban Development				
Direct Programs				
Community Development Block Grants-Entitlement	14.218		-	5,146
Community Development Block Grants-Entitlement	14.218		-	100,126
Community Development Block Grants-Entitlement	14.218		-	341,655
Community Development Block Grants-Entitlement	14.218		-	215,412
			<u>-</u>	<u>662,339</u>
Total Department of Housing and Urban Development				
Department of Transportation				
Direct Programs				
Federal Transit Formula Grant	*	20.507		125,200
Federal Transit Formula Grant	*	20.507	-	93,691
Federal Transit Formula Grant	*	20.507	-	194,887
Federal Transit Formula Grant	*	20.507	-	351,296
			<u>-</u>	<u>351,296</u>
Subtotal of Federal Transit Cluster			<u>-</u>	<u>765,074</u>
Passed through Illinois Department of Transportation (IDOT)				
Highway Planning and Construction	20.205	700017T0009	-	46,474
Highway Planning and Construction	20.205	800018T0012	-	136,502
			<u>-</u>	<u>182,976</u>
Total passed through IDOT			<u>-</u>	<u>182,976</u>
Total Department of Transportation				
			<u>-</u>	<u>948,050</u>
Environmental Protection Agency				
Direct Programs				
Brownfield Grant	66.818		-	5,408
			<u>-</u>	<u>5,408</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ -</u>	<u>\$ 1,615,797</u>

* Denotes major program

CITY OF DANVILLE, ILLINOIS
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
April 30, 2018

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, 2018. 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, 2018

Section I – Summary of Auditor’s Results

Financial Statements

Type of auditors’ report issued: unmodified opinion

Internal control over financial reporting:

- Material weakness identified? Yes No
- Significant deficiency identified that is not considered to be a material weakness? Yes None reported

Noncompliance material to financial statements noted? Yes No

Federal Awards

Internal control over major programs:

- Material weakness identified? Yes No
- Significant deficiencies identified that are not considered to be material weakness? Yes None reported

Type of auditors’ report issued on compliance for major programs: unmodified opinion

Any audit findings disclosed that are required to be reported in accordance with section 2 CFR 200.516(a)? Yes No

Identification of major programs:

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

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

**CITY OF DANVILLE, ILLINOIS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended April 30, 2018**

Section II – Financial Statement Findings

FINDING NO. 2018-001 – ANNUAL FINANCIAL REPORTING UNDER ACCOUNTING PRINCIPLES GENERALLY ACCEPTED IN THE UNITED STATES OF AMERICA

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

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

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

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

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

Repeat Finding: The finding is a repeat of a finding, in the immediate prior year. Prior year finding was 2017-001.

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 official: There is no disagreement with the finding.

**CITY OF DANVILLE, ILLINOIS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended April 30, 2018**

Section II – Financial Statement Findings (Continued)

FINDING NO. 2018-002 – 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.

Repeat Finding: The finding is a repeat of a finding, in the immediate prior year. Prior year finding was 2017-002.

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 official: There is no disagreement with the finding.

**CITY OF DANVILLE, ILLINOIS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended April 30, 2018**

Section III – Federal Award Findings and Questioned Costs

FINDING NO. 2018-003 – CONTROLS OVER VOUCHER APPROVAL

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

Questioned Costs: None

Criteria or Specific Requirement: According to the City's internal controls, the Comptroller and/or Mayor should approve vouchers prior to payment.

Condition: There was one instance out of 40 where a voucher packet was not approved by the Comptroller or Mayor.

Context: After department head approves the voucher packet for payment, it is sent to the Comptroller for review and approval. There was one instance where the voucher packet was missing the appropriate Comptroller and/or Mayor approvals.

Cause: The noted voucher was dated during the transition time of the prior Comptroller leaving and the new Comptroller taking over. The error was an oversight.

Effect: Reviews and approvals not being performed could lead to payments of fraudulent activities.

Recommendation: Management should review controls in place around the review and approval of vouchers to ensure that vouchers are being properly approved.

Views of responsible official: There is no disagreement with the finding.

**CITY OF DANVILLE, ILLINOIS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended April 30, 2018**

Section III – Federal Award Findings and Questioned Costs (Continued)

FINDING NO. 2018-004 – CONTROLS OVER TIME CARD APPROVAL

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

Questioned Costs: None

Criteria or Specific Requirement: According to the City's internal controls, the Danville Mass Transit Director is required to approve all time cards prior to payment.

Condition: There was one instance out of 40 where an individual's time card was not approved by the Danville Mass Transit Director.

Context: Time sheets are approved by and signed off by the Danville Mass Transit Director and then processed through the City's accounting cycle within the finance department. The Danville Mass Transit Director is responsible for ensuring that only allowable salaries are charged to the federal program. There was one instance where this approval did not occur.

Cause: The noted time sheet was overlooked and not approved.

Effect: Salaries charged to the federal grant program could be understated or overstated.

Recommendation: Management should review controls in place in regards to the review and approval of timecards before they are sent to the city for processing.

Views of responsible official: There is no disagreement with the finding.