

CITY OF DANVILLE, VIRGINIA
ANNUAL COMPREHENSIVE FINANCIAL REPORT
FISCAL YEAR ENDED JUNE 30, 2021



Prepared by:

The Department of Finance
City of Danville, Virginia



CITY OF DANVILLE, VIRGINIA

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INTRODUCTORY SECTION



February 10, 2022

To the Honorable Mayor, Members of the City Council, and the Citizens of the City of Danville:

State law requires all local governments to file, annually with the Auditor of Public Accounts, a detailed statement prepared according to the Auditor's specifications showing the amount of revenues, expenditures, and fund balances of the locality for the preceding fiscal year, accompanied by the locality's audited financial report. Pursuant to the requirement, we hereby issue the Annual Comprehensive Financial Report of the City of Danville, Virginia, for the fiscal year ended June 30, 2021.

The Annual Comprehensive Financial Report consists of management's representations concerning the finances of the City of Danville. The financial reporting entity includes all the funds of the City, as well as all its component units for which the City is financially accountable. Management assumes full responsibility for the completeness and reliability of all the information presented in this report, based upon a comprehensive framework of internal control that has been established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance the financial statements are free of any material misstatements. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner that presents fairly the financial position and results of operations of the various funds and component units of the City of Danville. All disclosures necessary to enable the reader to gain an understanding of the City of Danville's financial activities have been included.

Brown, Edwards & Company, LLP, licensed certified public accountants, has audited the City of Danville's financial statements. The goal of the independent audit is to provide reasonable assurance that the financial statements are free of material misstatement. Tests were made of the City's internal control structure and of its compliance with applicable laws and regulations.

As a recipient of funds from the Federal government, the City of Danville is required to undergo an annual single audit in conformity with the provisions of the newly implemented Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards ("Uniform Guidance"). Information related to this single audit, including a schedule of expenditures of federal awards, the independent auditor's reports on internal controls and compliance with applicable laws and regulations, and a schedule of findings and questioned costs are included in the Compliance section of this report.

Governmental Accounting Standards Board Statement No. 34 requires management to provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). The purpose of the transmittal letter is to complement the MD&A and should be read in conjunction with it. The City's MD&A starts on page 4a of this report.

Profile of the Government

The City of Danville was founded in 1793, chartered in 1830, and is located on the Dan River in the southern part of the state. The City covers an area of approximately 44 square miles and has a population of approximately 42,590.

The City operates under the council-manager form of government. Policymaking and legislative authority is vested in the City Council, which consists of nine members including a mayor and

vice-mayor. Council members are elected at large on a nonpartisan basis to serve four-year terms. The elections are held biennially with five members being elected in one biennium and four in the next. Members of the council elect the Mayor and Vice-Mayor from its membership. The City Council is responsible for passing ordinances, adopting the budget, appointing committee and board members, and hiring the City Manager and City Attorney. The City Manager is the chief executive and is responsible for carrying out the policies and ordinances of City Council, overseeing the day-to-day operations of the City, and appointing department heads. The City provides a full range of services including police and fire protection; sanitation services; the construction and maintenance of highways, streets, and infrastructure; recreational activities; and cultural events. In addition to the general government activities, the City provides mass transit, water and wastewater treatment, gas, fiber network, and electric services. Discretely presented component units are reported in a separate column in the combined financial statements to emphasize they are legally separate from the primary government and to differentiate their financial position and results of operations and cash flows from those of the primary government, including the Danville School Board and the Industrial Development Authority.

The City of Danville's annual budget serves as the foundation for financial planning and control. The object of these controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the City Council. Departments are required to submit requests for appropriations to the Budget Director by mid-December of each year. The Budget Director uses these requests as a starting point for developing a work budget. The City Manager, in conjunction with the budget team, reviews departmental requests along with mandated costs and expected revenues. Once a complete budget is developed, it is presented as a recommended budget to the City Council by April 1 for review and deliberation. After City Council's approval, an introduction budget is released by April 30. The introduction budget contains all changes and amendments made by the City Council during its budget review. It is the introduction budget that is submitted for public hearing. City Council is required to adopt a final budget by June 30 each year.

Activities of the General Fund are included in the annual appropriations budget. Project-length budgets are adopted for management control for the Enterprise and Internal Service Funds. The City Manager has the authority to transfer appropriations within funds. Inter-fund transfers and appropriations from fund balance/net assets require City Council approval. The General Fund is the only governmental fund that has a legally adopted budget; therefore, a budget-to-actual comparison is provided.

Local Economy

Through years of investments in infrastructure, workforce development initiatives, and quality of life amenities, the city of Danville along with the surrounding region is now seeing economic growth and forward momentum. Despite negative impacts from the coronavirus pandemic, overall activity in industrial parks, the River District, and the Schoolfield District have not ceased. Visible signs of ongoing construction and rehabilitation meet the eye of visitors, and although some

delays have occurred, the vitality of revitalization of the city and the Southern Virginia region is still very apparent.

As have many other locations across the nation, Danville has dealt with the demise of several major retailers. It is noteworthy that, despite the loss, sales tax revenue for the City of Danville increased by 18% from fiscal year 2020 to fiscal year 2021. Additionally, sales tax revenue received by the City for the first quarter of FY 2022 exceeded that for Q1 FY 2021. Consumer buying patterns continue to support established discount retailers, online retailers, and wholesale warehouse retailers. To provide more resources for consumer activity, Danville is encouraging its entrepreneurs to establish specialty retail shops. This strategy supports the renovation of older structures throughout the city while simultaneously providing an attraction for retail sales that is critically important to maintain and increase sales tax revenue.

The River District as a market rate residential district continues to perform well. Apartment development is continuing with rental rates consistent with rates in neighboring communities. Occupancy rates remain in the mid-to-upper ninety percent range with waiting lists being the rule. There were 54 new apartments that came online over the last year with 350 additional units in planning or underdevelopment.

In addition to residential growth, the River District continues to attract new commercial interest with 17 new businesses opening over the last year. A major milestone within this district was the announcement of a partnership between The Alexander Company and the Industrial Development Authority of Danville, Virginia (IDA) to redevelop the White Mill. The White Mill is a 650,000 square foot textile manufacturing facility located on the southern banks of the Dan River. The first phase of this project will total \$62.5 million in investment, which is the largest single investment in the River District since redevelopment efforts began in 2011. To compliment this development, the IDA has started making improvements to a pedestrian bridge that once connected this structure to the north banks of the river and will work together with the City to incorporate this bridge into the Riverwalk Trail system.

In 2020, Caesars Entertainment announced that it would pursue an opportunity to establish a casino, hotel, conference center, performance facility, and numerous bars and restaurants on the former Dan River Inc. manufacturing site in the district known locally as Schoolfield. The voters in Danville overwhelmingly passed a referendum during the general election in November 2020 permitting the establishment of a casino within the legal boundaries of the City of Danville. Since the passage of this referendum, the Caesars team has been steadily making progress on this project.

In September of this year, Caesars Entertainment revealed the design of its new resort in the Schoolfield District and announced that it has increased its investment from \$400 million to \$500 million for this project. It has also begun demolition and environmental cleanup on this site, along with finalizing construction plans that are currently being reviewed by the City's Community Development department. Once the development is fully built and Caesars has all the components in full operation, the total tax and fee revenue to the City is estimated to be almost \$40 million dollars annually. Both the City and Caesars have committed to use professional expertise to manage the redevelopment of the areas around the resort site. A vision to beautify the entrance to the city along West Main Street from the city limits to the Schoolfield resort site will, we believe, have a major impact on the attractiveness of Danville to a myriad of prospects.

Danville continues to see an increased level of interest for new commercial and industrial projects. Over the past year, the City of Danville has announced over \$480 million of new investment within local and region industrial parks, the River District, and commercial areas. This includes SOVAH Health's announcement of its plans to invest more than \$12 million to expand its Emergency Room (ER). Walraven, Inc., a global installation company, also announced that it will invest \$7.15 million to relocate its U.S. headquarters and manufacturing operations from Cadillac, Michigan to Danville-Pittsylvania County. MEP Ltd. (MEP), a manufacturer of complex plastic and metal components for the aerospace and defense sectors, also announced its plans to invest \$6.4 million to establish its first U.S. operation in Cyber Park, jointly owned by the City of Danville and Pittsylvania County. In August 2021, Tyson Foods, Inc., one of the world's largest food companies, announced that it will invest \$300 million to establish a manufacturing facility in Cane Creek Centre, an industrial park jointly owned by the City of Danville and Pittsylvania County. A target identified by the City Council of Danville is to grow the population of the City. This target is supported by two other targets of the Council: improved public education and active economic development. Public education is the issue requiring the most immediate improvement to make the economic growth strategy of the City come to fruition. There is work underway to address the problem of school accreditation and the relatively low four-year graduation rate of secondary school students. To achieve the level of excellence that the City desires will require time, creativity, and capital funding. Through the November 2021 public referendum, residents approved a 1% sales tax increase that would generate approximately \$140 million for facility and programmatic improvements within Danville Public Schools (DPS). The local effort has been recognized across Virginia and will ultimately pay dividends in student performance and achievement.

Despite the restrictions on travel that have been imposed by the pandemic, Danville continues to receive inquiries and visits from prospective businesses. There is strong evidence that cooperative economic development between an independent city and the surrounding county will yield superior results to a locale where there is rampant competition between the jurisdictions. With the continued support of public and private leadership from both the City of Danville and Pittsylvania County, the goal of growing a diversified employment base and attracting citizens and businesses who will become contributing members of the region will be realized.

Long Term Financial Planning

The City prepares a five-year Capital Improvements Plan (CIP), with the first-year funding appropriated and the remaining four year for planning purposes only. Project appropriations for the coming year include: General Fund Capital Improvements of \$24,023,988; Sewer and Wastewater Capital Improvements of \$3,550,000; Water and Gas Capital Improvements of \$3,758,050 and Electric and Telecom Capital Improvements of \$8,601,240.

The Regional Industrial Facility Authority (RIFA) resulted from a regional effort between the City of Danville and Pittsylvania County. RIFA is responsible for creating a 330-acre technology park, known as the Cyber Park. The park has state-of-the-art infrastructure for unparalleled reliability including a High Reliability Electrical Distribution System. The Institute for Advanced Learning and Research (IALR) and the Regional Center for Applied Technology and Training (RCATT) anchor the Cyber Park. RIFA constructed the Research Addition, which is being leased to the IALR for private research and development.

Also, part of the Cyber Park are CBN Secure Technologies, Inc.; Electronic Instrumentation and Technology, LLC (EIT); NextGen Aeronautics; Sustainable Energy Technology Center (SNETEC) and Kyocera SGC Tech Hub. CBN opened its high-security production facility in early 2009. This facility produces driver's licenses and identification cards for the Virginia Department of Motor Vehicles. CBN has completed two expansions: first in March 2011 including 25 new jobs and an investment of \$1.1 million and a second expansion in April 2013 that included 25 additional jobs and an investment of \$8.2 million. EIT opened its second facility in Danville and first in the Cyber Park with the construction of a 60,000-square-foot facility. The expansion, completed in May 2012, created 50 new jobs and a capital investment of \$5 million. EIT provides printed circuit boards for military, information technology, and electrical contractors. The EIT Cyber Park facility employs 35 people.

In November 2018, Harlow Group Ltd., a British-based provider of precision engineered, fabricated, machined, and 3D printed additive components, announced its plan to locate its first U.S. precision sheet metal fabrication plant, Harlow Fastech, in the Cyber Park. The company will also establish a U.S. Training Center of Excellence, a new facility with a focus on additive manufacturing in the Cyber Park. Various incentives are being offered in exchange for up to \$8 million in investment by the company and the creation of 49 full-time jobs.

In July 2019, Gefertec LLC entered into an agreement to establish its first North American Application Center for 3D metal printing/additive manufacturing within the Institute for Advanced Learning and Research. The project is expected to create eight new jobs and includes \$1.9 million in capital investment. The Tobacco Region Revitalization Commission has committed a Tobacco Region Opportunity Fund (TROF) grant of \$45,000, which would be paid upon performance. Additionally, RIFA will cover the cost of two years of temporary space at the Institute for Advanced Learning and Research. The company will launch at IALR before moving to a permanent space in Danville/Pittsylvania County in the future.

Making Everything Possible, LLC, a maker of plastic and metal components, announced its plans to relocate to the Cyber Park in June 2021. The company plans to make capital investments totaling \$7.24 million and create 45 full-time jobs between the Start-Up Center and Production Facility. The company will have the option to purchase the land where its production facility is located around or after September 2022.

In September 2017, Unison Ltd., a United Kingdom based manufacturer of electronically actuated pipe bending and automation machinery announced its plan to open its first U.S. manufacturing in Cane Creek Centre. The company plans a capital investment of \$5.2 million in equipment and facility and create 35 new jobs in the first three years and an additional 55 new jobs in five years.

In October 2019, Morgan Olson L.L.C., a maker of walk-in van bodies, announced its intention to purchase a building owned by IKEA Factory and locate a new assembly operation in that Cane Creek Centre site. Morgan Olson is a wholly owned subsidiary of J. B. Poindexter & Co, Inc., a diversified manufacturing company headquartered in Houston, Texas. The \$57.8 million investment is expected to generate 703 new jobs.

Just Greens, LLC (doing business as AeroFarms) announced in April 2020 that it will establish and operate a vegetable growing and processing facility in Cane Creek Centre. AeroFarms will invest \$42 million to build their largest, most sophisticated indoor vertical farm to date and create 92 new jobs.

In June 2021, Walraven, Inc., a global installation company known for mechanical, plumbing, fire, seismic, and electrical applications, announced its plans to relocate to the Authority's Cane Creek Centre. Across the U.S. the company will manufacture and market pipe supports, struts, and accessories designed for U.S. plumbing and mechanical applications. Walraven plans to make capital investments of at least \$7.15 million for a new facility and create 46 new jobs.

Another collaborative effort of RIFA is the creation of the Southern Virginia Megasite at Berry Hill, formerly known as Berry Hill Industrial Park, located west of Danville in the Berry Hill community of Pittsylvania County. RIFA regards this Tier 5 Certified Mega Site project to be the next stage in its economic development effort to transform the region and its work force. The park has approximately 3,500 acres and is the largest site in Virginia and fifth largest on the East Coast. RIFA is working in connection with Eden and Rockingham County, North Carolina, to extend the sewer line to the state border where the City will continue this line to the site. This arrangement is a true partnership between localities in two states as residents of North Carolina will likely become employees of the future plants. RIFA received a \$6 million Tobacco Commission Mega Site grant in 2012 to grade approximately 400 acres on two sites, so clients can be shown "shovel ready" sites. RIFA has now obtained the necessary permits from federal and state regulatory agencies and has begun grading of a large site.

Utility Financial Solutions completed the comprehensive biennial rate and cost of service study for fiscal years 2022/2023. The consultant recommended changes to most customer charges to increase revenue to cover fixed costs. The electric power cost adjustment factor changed to offset the increases in the customer charges and to provide a net decrease in customer rates. This was possible due to lower power supply costs from new solar generation and an expiring purchase power block. During fiscal year 2021, the purchase gas adjustment trended with the gas commodity cost and staff now can take advantage of the market gas pricing or make short-term hedges.

Contractor crews completed construction of substation upgrade projects at Kentuck and Whitmell substations. The Kentuck project was completed in October 2021 and the Whitmell project was completed in December 2021. Electric Engineering is preparing for new services to announced economic development projects at Aerofarms, Caesars, Tyson Foods, and additional facility for the Institute for Advanced Learning and Research.

In 2007, Danville Utilities entered a rolling 20-year natural gas contract with MuniGas that has provided a discount on our wholesale gas purchases. This discount produced a cost savings of \$1,012,695.12 in fiscal year 2021, which was in turn passed on to the customers.

During FY 2021, the Water & Gas Division installed new gas mains in part of two phases of a 20 phase multi-year project. Both City crews and hired contractors completed this extensive work. New water mains or main segments were installed in conjunction with the gas mains in these two areas when deemed necessary.

Replacement of priority infrastructure equipment continues at the City's Northside Wastewater Treatment Plant (NSWWTP). Replacement equipment includes, a new blower, influent pumps and return activated sludge pumps. In addition, the conversion from gaseous chlorine to sodium hypochlorite was completed in October 2021 by Inframark. Staff is working on several capital planning items to replace bar screens, eliminate stormwater outfalls, rehab both primary and secondary clarifiers, and replace pumps as needed.

The use of the Dan River reservoir as a secondary storage of raw water in the event of source water contamination or high turbidity is being redesigned. This redesign accompanies the lower costs that were identified in the initial engineered plans and bid. Staff anticipates the project to be sent out for bid in FY 2023. The water treatment plant capacity is 18 MGD and current production is an average of 4.67 MGD.

The nDanville fiber to the home expansion continued in FY2021. Future expansions will continue each year as funds allow until all Danville Utilities customers have access to fiber optic broadband. The nDanville network currently has two service providers and is continuing to grow as commercial and residential customers sign up for service. The two service providers are offering a combination of television, telephone, and high-speed internet at speeds higher than the competition, but at lower rates. More projects are being engineered and planned in this year's budget which will allow the region to remain competitive with the broadband capabilities of other metropolitan areas.

Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Danville for its annual comprehensive financial report, for the fiscal year ended June 30, 2020. This was the thirty-fifth consecutive year the City of Danville has received this prestigious award. To be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

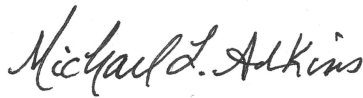
A Certificate of Achievement is valid for a period of one year only. We believe that our current annual comprehensive financial report continues to meet the Certificate of Achievement Program's requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

The timely preparation for this Annual Comprehensive Financial Report was made possible by the dedicated service of the entire staff of the Finance Department. Each member of the department has our sincere appreciation for their assistance and contributions in the preparation of this report. Credit must also be given to the leadership of the governing City Council and their support for maintaining sound financial management.

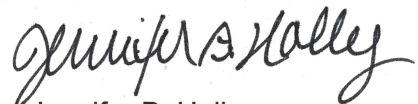
Respectfully submitted,



Kenneth F. Larking
City Manager



Michael L. Adkins
Chief Financial Officer



Jennifer B. Holley
Deputy Director of Finance



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**City of Danville
Virginia**

For its Comprehensive Annual
Financial Report
For the Fiscal Year Ended

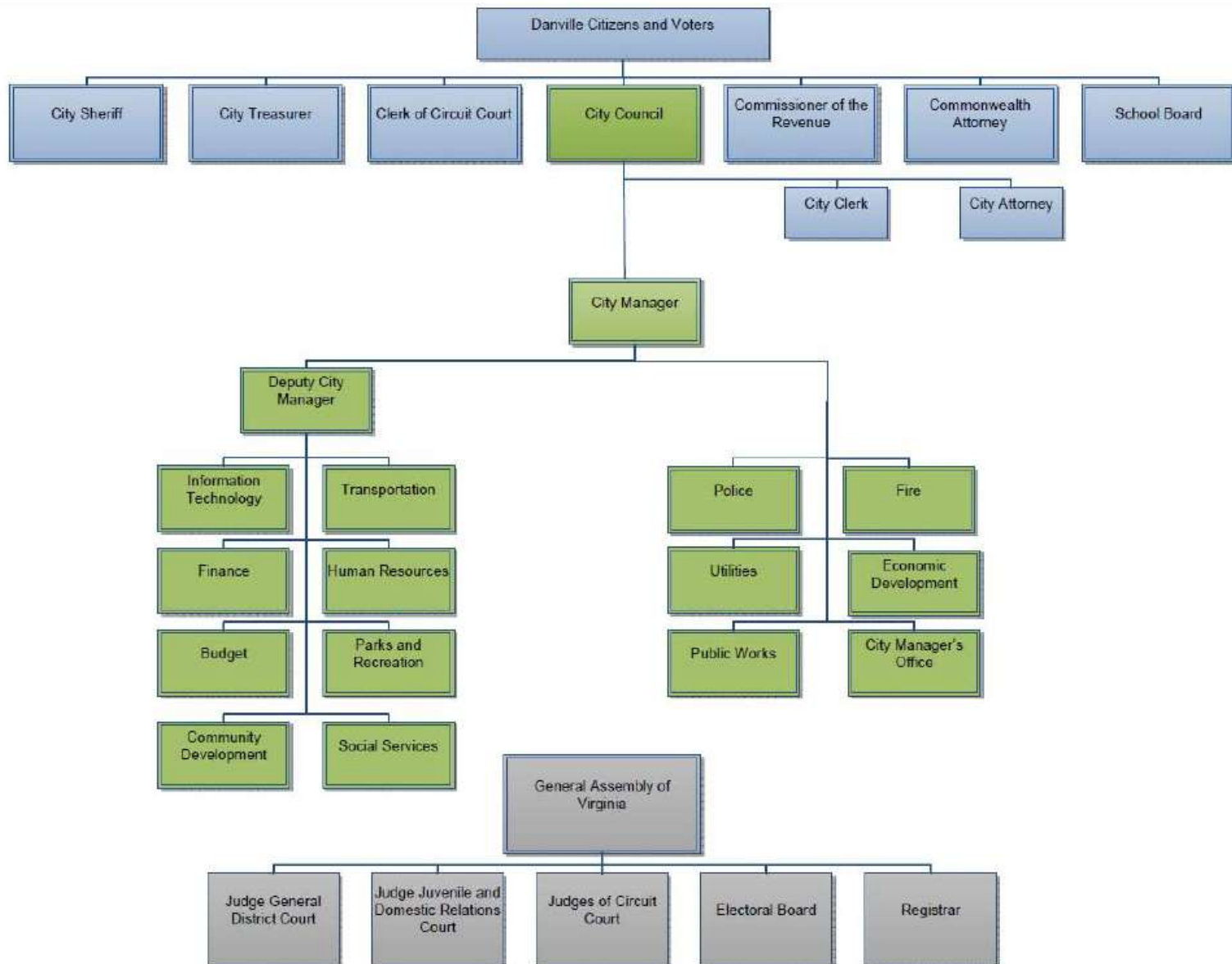
June 30, 2020

Christopher P. Morill

Executive Director/CEO

CITY OF DANVILLE, VIRGINIA

ORGANIZATIONAL CHART



CITY OF DANVILLE, VIRGINIA
DIRECTORY OF PRINCIPAL OFFICIALS

CITY COUNCIL

Alonzo L. Jones – Mayor
Gary P. Miller, MD – Vice Mayor

L.G. “Larry” Campbell, Jr.
Lee J. Vogler
Bryant Hood

Sherman M. Saunders
Madison John Redd Whittle
James Buckner

LEGISLATIVE STAFF

W. Clarke Whitfield, Jr.City Attorney
Susan M. DeMasi City Clerk

ADMINISTRATIVE OFFICIALS

Kenneth F. Larking.....City Manager
Earl B. Reynolds.....Deputy City Manager
Cynthia L. ThomassonBudget Director
Marc D. Adelman Director of Transportation Services
Michael L. Adkins Director of Finance
Richard I. Drazenovich..... Director of Public Works
Kenneth C. Gillie.....Director of Community Development
Inez J. Rodenburg..... Director of Information Technology
David W. Coffey Fire Chief
Scott C. BoothChief of Police
Sara B. Weller Director of Human Resources
William O. SgriniaDirector of Parks, Recreation, and Tourism
Jason C. Grey Director of Utilities
Corrie T. Bobe..... Director of Economic Development
John L. MoodyDirector of Social Services

CONSTITUTIONAL OFFICERS

Michael S. MondulCity Sheriff
Michael J. Newman Commonwealth Attorney
Gerald A. Gibson..... Clerk of Circuit Court
James M. Gillie..... Commissioner of the Revenue
Sheila A. Williamson-Branch.....City Treasurer

CITY OF DANVILLE, VIRGINIA
DIRECTORY OF PRINCIPAL OFFICIALS
(Continued)

SCHOOL BOARD

Crystal Cobbs – Chairwoman
Ty’Quan Graves – Vice Chairwoman

Brandon Atkins
Dr. Philip Campbell
Tyrell Payne

Renee Hughes
Charles McWilliams, III
Keisha Averett

SCHOOL ADMINISTRATIVE OFFICIALS

Dr. Angela HairstonSuperintendent
Dr. Wayne LyleChief Operations Officer
Vacant.....Clerk of School Board
Dr. Natalie Halloran Chief Human Resources Officer
Takiwi Milton-Babalola Chief Academic Officer

EMPLOYEES’ RETIREMENT SYSTEM
BOARD OF TRUSTEES

City Employee Members

D. Joyce Obstler – Chairman – Assistant Director, Information Technology Department
Gina S. Craig – Division Director of Parks & Recreation Administration
Karen A. Black – Chief Engineer, Public Works Department

Citizen Members

Gus S. Dolianitis – Retired, First Citizens Bank
Lenard D. Lackey, Jr. – Retired, Danville/Pittsylvania County Service Board
E. Linwood Wright – Vice-Chairman – Retired, Dan River, Inc.

Ex-Officio Members

Sherman M. Saunders

Kenneth F. Larking

Michael L. Adkins

FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

The Honorable Mayor and Members of City Council
City of Danville, Virginia

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Danville, Virginia (the "City"), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the City'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.

Auditor's 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; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities, and Towns* and the *Specifications for Audits of Authorities, Boards, and Commissions*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards and specifications require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Danville, Virginia, as of June 30, 2021, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Prior Period Adjustment

As described in Note 29 to the financial statements, in 2021 the Schools adopted GASB Statement No. 84, *Fiduciary Activities*. School Fund balance and net position have been restated for the inclusion of School Activity funds now reported as Special Revenue Funds. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, and statistical section 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 is presented for purposes of additional analysis as required by Title 2 *U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and is also not a required part of the basic financial statements.

Other Matters (Continued)

Other Information (Continued)

The combining and individual nonmajor fund 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 combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 10, 2022 on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, 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 results of that testing, and not to provide an opinion on the effectiveness of the City'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 the City's internal control over financial reporting and compliance.

Brown, Edwards & Company, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

Lynchburg, Virginia
February 10, 2022

Management's Discussion and Analysis

The City of Danville, Virginia's (the "City") management presents this discussion and analysis for the purpose of: (a) assisting the reader in understanding significant financial issues, (b) providing an overview of the City's financial activity, and (c) identifying changes in the City's financial position. We encourage readers to read the transmittal letter, the basic financial statements, and the notes to the financial statements along with this discussion and analysis.

In 2021, the City had a restatement of net position, resulting from the adoption of GASB Statement No. 84, Fiduciary Activities and the associated School Activity funds. These funds are now reported as a special revenue fund. For 2021, beginning net position has been restated as discussed in Note 29.

Financial Highlights

Government-wide Financial Statements

- At the close of the fiscal year, the assets and deferred outflows of the City exceeded its liabilities and deferred inflows by \$508,731,419 (total net position – government-wide). Of this amount, \$110,170,493 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.
- The net position of the City's business-type activities, as of June 30, 2021, was \$343,005,553, a decrease of \$10,559,230 from the net position of \$353,564,783 at June 30, 2020. Of the net position, \$67,645,712 is reported as unrestricted, a \$14,137,254 decrease from the unrestricted net position existing at June 30, 2020.
- As of June 30, 2021, the City's governmental activities for government-wide statements reported a net position of \$165,725,866, an increase of \$19,692,660 from a beginning net position of \$146,033,206. A net position of \$42,524,781 at June 30, 2021, is reported as unrestricted and available to meet the government's obligations to citizens and creditors.

Fund Financial Statements

- As of the close of the current fiscal year, the City's governmental funds reported a combined ending fund balance of \$93,314,168, an increase of \$23,439,493 in comparison to the fund balance at June 30, 2020 of \$69,874,675. Thirty-seven percent of the total fund balance at June 30, 2021, \$34,237,458, is available for spending at the government's discretion (unassigned fund balance).
- At the end of the current fiscal year, the unassigned fund balance for the General Fund was thirty-four percent of total fund expenditures.

Governmental fund statements utilize the current financial resources measurement focus and modified accrual basis of accounting, which focuses on transactions and events that affect the financial resources available for current spending during the period and reflect near-term inflows or outflows of cash. Government-wide statements and proprietary fund statements use the economic resources measurement focus and accrual basis of accounting, which focuses on transactions and events that affect total economic resources; i.e., increase or decrease in net position during the period regardless of the timing of the related cash inflows or outflows. Governmental fund statements do not include capital or other long-term assets that are not available to finance current period expenditures nor do they include long-term liabilities that will not use current resources. These items must be added (assets) or deducted (liabilities) to/from the fund balances of governmental funds to obtain the net position of the governmental activities for government-wide reporting. In addition, the assets and liabilities of internal service funds are included in the governmental activities in the statement of activities, and the combined governmental fund balances from the fund financial statements must be adjusted accordingly. All of these factors add another \$72,411,698 to the combined balances of governmental funds when converting to net position of governmental activities. The reconciliation presented on pages 9 and 11 of this report offer summarized details of the conversion from governmental fund statements to government-wide statements for governmental activities.

The combined fund balances of the governmental funds report a total fund balance of \$93,314,168 and an unassigned fund balance of \$34,237,458. Government-wide net position for governmental activities report a total net position of \$165,725,866 and an unrestricted net position of \$42,524,781.

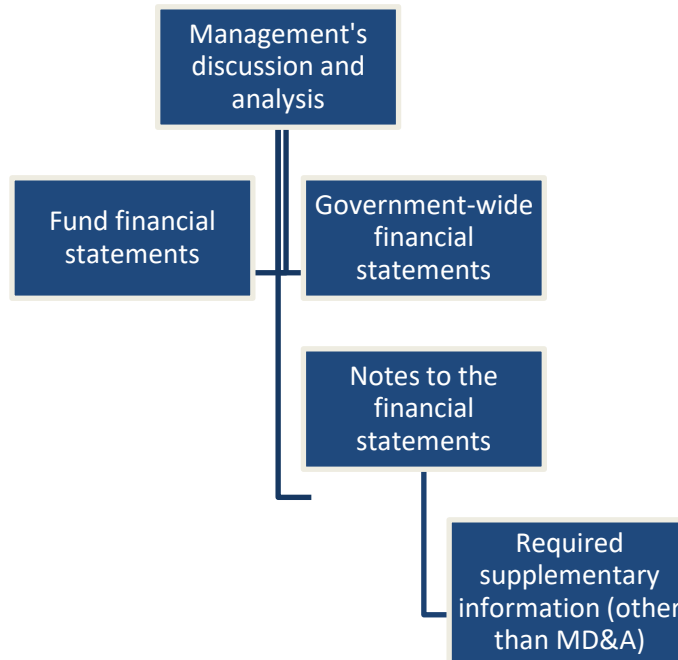
The conversion from fund balance, other than unassigned, to restricted net position can be shown as follows:

Non-spendable, restricted, committed, and assigned fund balance (fund statement)	\$ 59,076,710
Non-spendable inventory and prepaid items	(1,071,089)
Budget Stabilization, committed for fund statements	(3,000,000)
Encumbrances that do not meet GASB Statement 34 definition of restricted	<u>(3,290,880)</u>
Restricted net position – governmental activities	<u><u>\$ 51,714,741</u></u>

The Statement of Net Position – Enterprise Funds does not require a conversion to the Statement of Net Position Government-wide reporting of Business-type Activities because enterprise funds already use the economic resource measurement focus and the accrual basis of accounting. From a management-reporting viewpoint, there are significant differences in the reporting of fund balance. These differences in reporting the composition of fund balance between the government-wide statements for business-type activities and the fund statements for enterprise funds are discussed in the Business-type Activities section of the Government-wide financial analysis discussion.

Overview of the Financial Statements

The following is a narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2021. This discussion and analysis is intended to serve as an introduction to the City's basic financial statements, which have the following components: (a) management's discussion and analysis (MD&A), (b) government-wide financial statements, (c) fund financial statements, and (d) notes to the basic financial statements.



Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the City's finances using the accrual basis of accounting, similar to the accounting found in private sector businesses. Government-wide financial reporting consists of two statements: the Statement of Net Position and the Statement of Activities.

The Statement of Net Position

The Statement of Net Position presents information on all the City's assets, deferred outflows, liabilities, and deferred inflows. The difference between assets and liabilities is reported as net position. Net position is presented in three categories: net investment in capital assets, restricted, and unrestricted. Over time, the increases or decreases in the City's net position can be an indicator as to whether the financial position of the City is improving or deteriorating. To accurately use changes in net position as an indicator of the City's overall health, the underlying factors contributing to the increase or decrease must be analyzed, as well as other nonfinancial factors (such as changes in the property tax base and the condition of infrastructure and other fixed assets).

The Statement of Activities

The Statement of Activities presents information showing how the net position changed during the year. As mentioned earlier, government-wide statements use the accrual basis of accounting. Therefore, changes in net position are recognized when an underlying event occurs regardless of the timing of the related cash flow. As a result, revenues and expenses are reported in this statement for some items that will not impact cash flows until future fiscal periods. In the Statement of Net Position and the Statement of Activities, the City of Danville is divided into three types of activities:

Governmental Activities – Most of the City's basic services are reported here: Police, Fire, Economic Development, Recreation, Social Services, Community Development, and General Administration. These activities are supported primarily by property taxes, other local taxes, state and federal grants, and contributions from the City's Utility Department (Wastewater, Water, Gas, Electric, and Telecommunications).

Business-Type Activities – The City has eight business-type activities: (1) Wastewater, (2) Water, (3) Gas, (4) Electric, (5) Telecommunications, (6) Transportation, (7) Sanitation, and (8) Cemetery Operations. The City charges a fee to customers to cover all or most of the cost associated with providing these services.

Component Units – The City of Danville has two component units: (1) the Danville Public School System and (2) the Industrial Development Authority. While these represent legally separate entities, the City of Danville is financially accountable for them. These component units are presented in separate columns on the government-wide statements to emphasize that they are legally separate from the primary government.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Danville, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with legal requirements. The City of Danville has three types of funds:

Governmental Funds

The Governmental Funds report essentially the same functions as the governmental activities in the government-wide financial statements. The governmental fund financial statements focus on the near-term cash inflows and outflows and the amount of spendable resources available at the end of the fiscal year. This information is useful when evaluating the City's near-term financing needs. Because the focus of the fund statements is narrower than that of the government-wide statements, it is useful to compare the information presented in both the fund and the government-wide statements. A reconciliation of the fund statements to the government-wide statements is provided to facilitate this comparison.

The City of Danville maintains seven individual governmental funds. Information is presented separately in the Balance Sheet-Governmental Funds and in the Statement of Revenues, Expenditures, and Changes in Fund Balances-Governmental Funds for the General Fund, the Community Development Fund, and the Capital Projects Fund. These funds are considered major funds. The Virginia Department of Transportation (VDOT) Fund, Economic Development Fund, and the Cemetery Maintenance Fund are considered non major funds. The data for these three funds are combined in a single column for the Balance Sheet-Governmental Funds and the Statement of Revenues, Expenditures, and Changes in Fund Balances- Governmental Funds.

Proprietary Funds

The City of Danville maintains two types of proprietary funds: (a) utility enterprise funds and (b) internal service funds. Enterprise funds are used to report the same functions as the business-type activities in the government-wide financial statements. Wastewater, Water, Gas, and Electric are presented on the statements individually as major funds. Telecommunications, Transportation, Sanitation, and Cemetery Operations are combined as non-major funds. Enterprise funds are used to account for operations: (1) that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is the cost of providing goods or services to the general public on a continuing basis to be financed or recovered primarily through user charges or (2) where the governing body has decided that periodic determination of net income is appropriate for accountability purposes.

Internal service funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the City, or to other governments on a cost reimbursement basis. The City of Danville has three internal service funds providing services to other City departments as follows:

1. Motorized Equipment – acquires and maintains all vehicles used by the various departments of the City. The Fire Department purchases and maintains large equipment independent of motorized equipment.
2. Central Services – provides office supplies and printing services for all of the City's departments.
3. Insurance – provides general insurance coverage to all City departments, including areas such as workers' compensation where the City is completely self-insured, and insurance coverage purchased from outside insurance companies.

Fiduciary Funds

Fiduciary funds are used to report assets held in a trustee or custodian capacity for others and cannot be used to support the government's own programs. The City of Danville maintains two fiduciary funds: a Pension Trust Fund; and a Custodial fund, the Veterans Memorial Fund.

The Employees' Retirement System of the City of Danville functions as an investment and administrative agent for the City's retirement plan. These activities are excluded from the government-wide financial statements because the City cannot use these assets to finance its operations.

The Veterans Memorial Fund accounts for money held in trust to complete a memorial to our local veterans. This activity is also excluded from the government-wide financial statements because the City cannot use these assets to finance its operations.

Notes to the financial statements

The notes to the financial statements are an integral part of the statements and should be read in conjunction with the basic financial statements, Management's Discussion and Analysis, and the other required supplementary information.

Government-wide Financial Analysis

City of Danville
Summary Statement of Net Position
June 30, 2021

	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
Current and other assets	\$173,943,690	\$108,156,562	\$110,265,675	\$101,405,723	\$284,209,365	\$209,562,285
Capital assets	117,685,679	111,460,427	310,730,979	320,319,629	428,416,658	431,780,056
Total assets	\$291,629,369	\$219,616,989	\$420,996,654	\$421,725,352	\$712,626,023	\$641,342,341
Deferred outflows	\$8,350,192	\$17,226,068	\$2,612,204	\$5,554,692	\$10,962,396	\$22,780,760
Long-term liabilities outstanding	\$68,106,496	\$62,596,642	\$58,864,520	\$57,195,216	\$126,971,016	\$119,791,858
Other liabilities	35,943,283	18,010,769	15,283,196	15,788,196	51,226,479	33,798,965
Total liabilities	\$104,049,779	\$80,607,411	\$74,147,716	\$72,983,412	\$178,197,495	\$153,590,823
Deferred inflows	\$30,203,916	\$10,202,440	\$6,455,589	\$731,849	\$36,659,505	\$10,934,289
Net position:						
Net investment in capital assets	\$71,486,344	\$65,948,718	\$264,357,029	\$271,781,817	\$335,843,373	\$337,730,535
Restricted for grants & contributions	4,804,999	5,305,627	-	-	4,804,999	5,305,627
Restricted for cemetery perpetual care	2,922,222	2,889,147	-	-	2,922,222	2,889,147
Net Pension Asset	43,987,520	9,509,646	11,002,812	-	54,990,332	9,509,646
Unrestricted	42,524,781	62,380,068	67,645,712	81,782,966	110,170,493	144,163,034
Total net position	\$165,725,866	\$146,033,206	\$343,005,553	\$353,564,783	\$508,731,419	\$499,597,989

The City's combined net position at June 30, 2021 of \$508,731,419 represents an increase of \$9,133,430 from the combined net position at June 30, 2020. Twenty-two percent of total net position (\$110,170,493) is unrestricted and available for providing services to the citizens of the City of Danville and satisfying creditors. Sixty-six percent of total net position is invested in capital assets (land, buildings, machinery, and equipment); less any related outstanding debt used to acquire these assets. These assets are used in providing services to the citizens; consequently, these assets are not available for future spending. Although the City of Danville's investment in capital assets is reported net of related outstanding debt, it should be noted that the resources needed to repay this debt must be provided from other sources. The net pension asset accounts for eleven percent of the total net position. The remaining one percent of net position (\$7,727,221) is restricted for other special projects (grants and the perpetual care of the municipal cemetery). The composition of net position at June 30, 2021 was as follows: Unrestricted net position – 22%, Net investment in capital assets – 66%, Net Pension Asset – 11%, Restricted for special projects (grants) and cemetery care – 1%. For the City as a whole, unrestricted net position decreased \$33,992,541.

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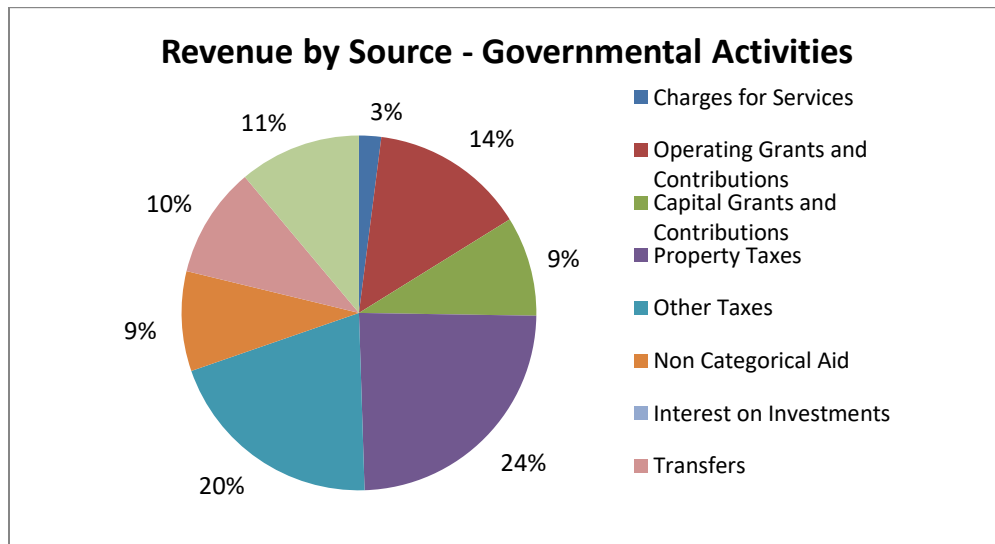
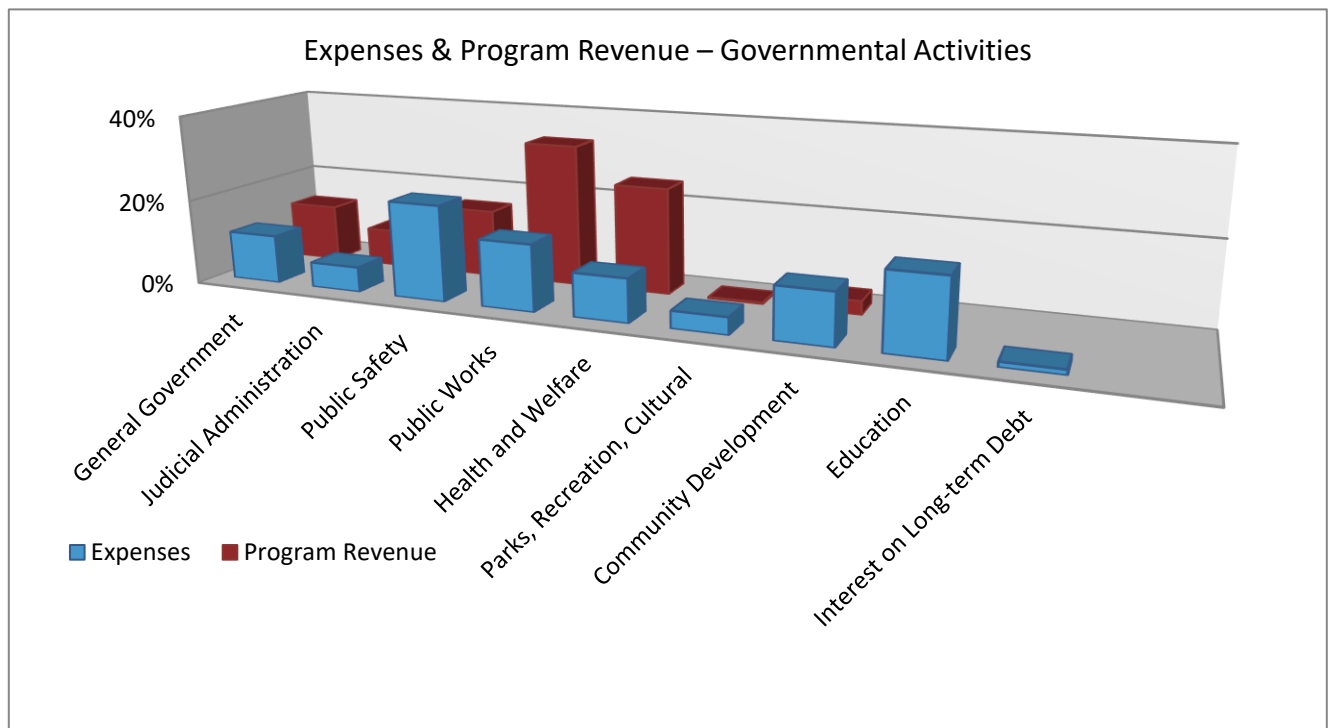
City of Danville
Changes in Net Position
Year Ended June 30, 2021

	Governmental Activities		Business-type Activities		Total Primary Government	
	2021	2020	2021	2020	2021	2020
Revenues:						
Program Revenues:						
Charges for Services	\$ 3,441,914	\$ 4,117,958	\$ 157,418,104	\$ 159,439,927	\$ 160,860,018	\$ 163,557,885
Operating Grants and Contributions	21,213,937	20,481,613	3,182,949	2,257,220	24,396,886	22,738,833
Capital Grants and Contributions	13,860,293	18,874,161	-	-	13,860,293	18,874,161
General Revenues:						
Real Estate and Personal Property	35,493,262	34,870,542	-	-	35,493,262	34,870,542
Other Taxes (See Exhibit 2 for detail)	29,883,261	26,925,721	-	-	29,883,261	26,925,721
Interest on Investments	449,971	1,325,447	610,471	1,885,307	1,060,442	3,210,754
Non-categorical state and federal aid	13,238,756	6,576,160	-	-	13,238,756	6,576,160
Casino Proceeds	15,000,000	-	-	-	15,000,000	-
Miscellaneous	898,986	913,074	1,104,728	2,527,425	2,003,714	3,440,499
Total Revenues	<u>\$ 133,480,380</u>	<u>\$ 114,084,676</u>	<u>\$ 162,316,252</u>	<u>\$ 166,109,879</u>	<u>\$ 295,796,632</u>	<u>\$ 280,194,555</u>
Expenses:						
General Government	\$ 14,685,247	\$ 8,872,032	\$ -	\$ -	\$ 14,685,247	\$ 8,872,032
Judicial Administration	7,593,233	7,306,607	-	-	7,593,233	7,306,607
Public Safety	28,895,902	33,838,376	-	-	28,895,902	33,838,376
Public Works	20,047,568	24,663,507	-	-	20,047,568	24,663,507
Health and Welfare	13,052,084	13,829,605	-	-	13,052,084	13,829,605
Parks, Recreation, and Culture	5,165,411	4,980,594	-	-	5,165,411	4,980,594
Community Development	15,454,375	7,510,057	-	-	15,454,375	7,510,057
Education (payment to school district)	22,732,887	24,862,582	-	-	22,732,887	24,862,582
Interest on Long Term Debt	1,514,013	1,817,377	-	-	1,514,013	1,817,377
Wastewater	-	-	10,134,185	6,818,946	10,134,185	6,818,946
Water	-	-	6,586,154	6,282,189	6,586,154	6,282,189
Gas	-	-	16,783,255	17,523,404	16,783,255	17,523,404
Electric	-	-	114,769,890	114,687,535	114,769,890	114,687,535
Transportation	-	-	3,513,869	3,888,397	3,513,869	3,888,397
Telecommunication	-	-	905,935	1,031,982	905,935	1,031,982
Sanitation	-	-	3,899,232	4,221,395	3,899,232	4,221,395
Cemetery Operations	-	-	929,962	1,028,604	929,962	1,028,604
Total Expenses	<u>\$ 129,140,720</u>	<u>\$ 127,680,737</u>	<u>\$ 157,522,482</u>	<u>\$ 155,482,52</u>	<u>\$ 286,633,202</u>	<u>\$ 283,163,189</u>
Subtotal Revenue over Expenses	<u>\$ 4,339,660</u>	<u>\$ (13,596,061)</u>	<u>\$ 4,793,770</u>	<u>\$ 10,627,427</u>	<u>\$ 9,133,430</u>	<u>\$ (2,968,634)</u>
Transfers	15,353,000	15,088,370	(15,353,000)	(15,088,370)	-	-
Increase/(Decrease) in Net Position	19,692,660	1,492,309	(10,559,230)	(4,460,943)	9,133,430	(2,968,634)
Beginning Net Position	146,033,206	142,725,767	353,564,783	358,025,726	499,597,989	500,751,493
Effect of Restatement	-	1,815,130	-	-	-	1,815,130
Ending Net Position	<u>\$ 165,725,866</u>	<u>\$ 146,033,206</u>	<u>\$ 343,005,553</u>	<u>\$ 353,564,783</u>	<u>\$ 508,731,419</u>	<u>\$ 499,597,989</u>

Governmental Activities

Governmental activities increased the City of Danville's net position by \$19,962,660. Revenues (including transfers) from governmental activities totaled \$148,833,380 with Property Taxes 24%, Other Taxes 20%, Operating Grants and Contributions 14%, Capital Grants and Contributions 9%, and Transfers 10%, representing 77% of the City's revenues. Expenses for governmental activities totaled \$129,140,720, of which 29% was supported from program revenues and the remaining 71% from general revenues. Expenses for Public Safety 22%, Education 18%, Community Development 12%, Health & Welfare 10%, General Government 11%, and Public Works 16%, make up 89% of the total governmental expenses for the fiscal year.

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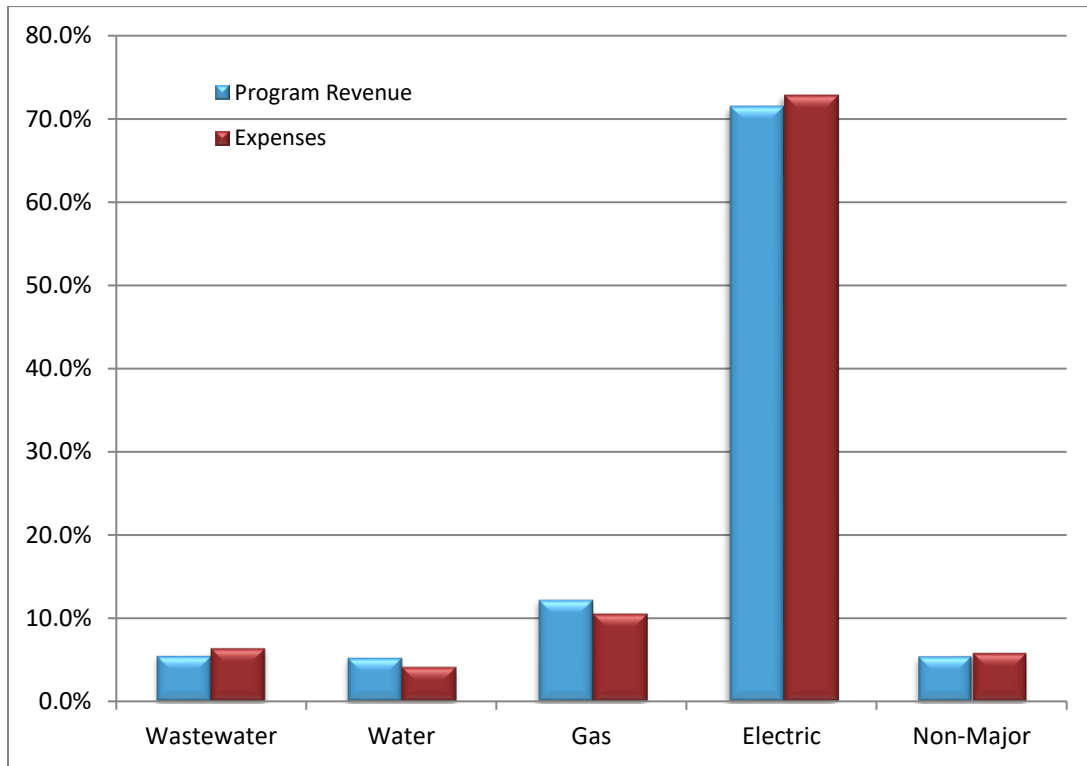


Business-type Activities

Business-type activities decreased the City's net position by \$10,559,230 compared to last year's decrease in net position of \$4,460,943. At June 30, 2021, total net position was \$343,005,553 of which \$264,357,029 represented investments in capital assets, \$11,002,812 was restricted for the net pension asset, and \$67,645,712 was unrestricted. GASB Statement 34 requires that restricted assets have external restrictions imposed (grantors, contributions, and debt covenants). Revenues for business-type activities were \$162,316,252 of which 97% was from Charges for Services. For further examination of the enterprise funds, please refer to the Enterprise Funds section of the Financial Analysis of the Fund Financial Statements found on page 4m.

(Continued)

Expenses and Program Revenue – Business Type Activities



Financial Analysis of the Fund Financial Statements

Governmental Funds

Governmental funds reported a combined ending fund balance of \$93,314,168, an increase of \$23,439,493 when compared with the combined fund balance at June 30, 2020 of \$69,874,675. The fund balance in the Capital Projects Fund, also known as Construction In Progress (CIP), increased \$17,021,222. Of the \$10,677,320 expended in the CIP fund, \$4,441,518 was expended on blight removal and improvements to public buildings and grounds. \$2,100,964 was expended for school improvements. Funds of \$1,381,605 were expended for streets, parking lot, and park improvements and construction within the City's developing River District. \$1,625,358 was expended for various equipment purchases and information technology upgrades, \$989,906 was expended for improvements at the municipal airport.

Thirty-seven percent (\$34,237,458) of the combined governmental funds balance is unassigned fund balance, which is available for spending at the government's discretion. Fifty-nine percent (\$55,083,399) of the combined fund balance is not available for new spending, because it has already been restricted, committed, or assigned to specific future expenditures. The remaining four percent (\$3,993,311) of fund balance is not spendable as it represents inventories or prepaid expenses (\$1,071,089) and investments for the perpetual care of the municipal cemetery (\$2,922,222).

(Continued)

The General Fund, which is the chief operating fund of the City, reports a combined fund balance at June 30, 2021 of \$47,090,492. This is an increase of \$3,779,403 compared to last year's fund balance of \$43,311,089. The General Fund reported an unassigned fund balance of \$34,237,458, an increase of \$1,022,681 from the June 30, 2020 unassigned fund balance of \$33,214,777. The adopted budget for the General Fund included drawing \$3,957,610 from fund balance in FY 2021. The ability of the General Fund to generate cash on demand can be calculated by comparing both the unassigned fund balance and total fund balance to total funds expended. Unassigned fund balance represents 34% of total General Fund expenditures while total fund balance represents 46% of total fund expenditures. When transfers out of \$7,147,993 are added to expenditures, then unassigned fund balance is 32% percent of expenditures and transfers out. The following table represents General Fund support shown as transfers out:

Support of CIP Projects	\$3,965,679
Support of Regional Industrial Facility Authority	280,810
Support of Economic Development	1,660,950
Support of Grants	1,240,554
	\$7,147,993

The increase in fund balance of \$3,779,403 was \$13,885,352 more than the final budgeted decrease of \$10,105,949. The difference resulted from \$12,480,264 unexpended budgeted expenditures, and a surplus of \$1,405,088 in revenue realized above budget. Unexpended budget of \$4,436,978 was encumbered at June 30, 2021.

Some key factors of unexpended appropriations are as follows:

- City Support of Public Schools had an unexpended balance of \$7,566,749. Danville City Schools pulls local funding as needed and is allowed to carry unspent funding forward for future years. The unencumbered portion of this amount is reserved as a carryforward for fiscal 2022.
- Public Safety expenditures came in \$1,692,511 under budget primarily due a decrease in the purchase of equipment and services and supplies by adult and juvenile detention, police, fire and the jail.
- The \$246,102 negative budget variance in non-departmental expenditures arose from increased claims for the City's group health insurance offset by an increase in the incurred but not reported liability for FY 2021.
- Savings in the Health and Welfare sector of \$1,007,592 reflect lower utilization of Social Service programs. A corresponding decrease in Intergovernmental Revenue is noted as well.
- Expenditures that were encumbered and remained unexpended at June 30, 2021 amounted to \$4.4 million.

Key factors of the surplus revenue are as follows:

- The primary source of unrealized revenue resulted from lower than expected utilization of Social Service programs. This gave rise to unrealized revenue of \$1,147,169 in the Intergovernmental Revenue category. A corresponding variance can also be seen in expenditures for Health and Welfare.
- General Property Tax collections were \$1,230,742 over budget. The primary components of this variance exist in the following areas:

Real Estate	\$	622,632
Personal Property	\$	861,807
Regional Partnership	\$	-313,166
Penalties & Interest	\$	59,469

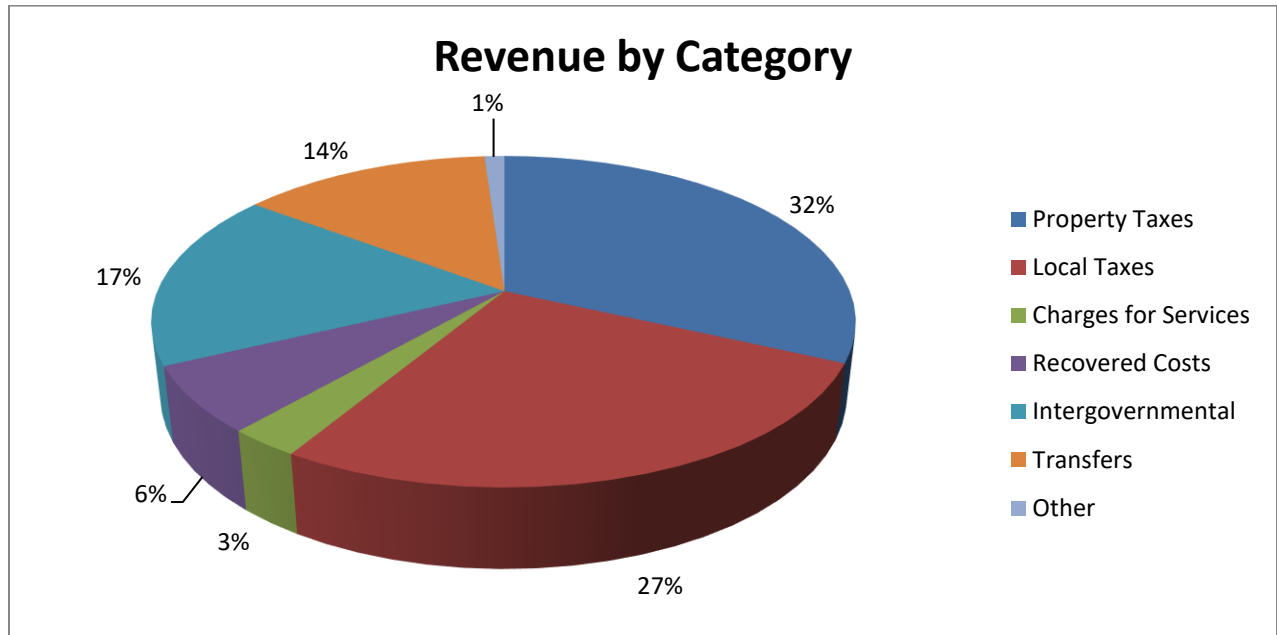
- Real Estate tax collections overall performed over budget in FY2021 due to the continued aggressive collection of delinquent taxes along with successful collection of current year taxes. Following an increase in the tax rate of personal property of \$.10 per \$100 of assessed value, personal property collections exceeded budget by \$861,807.
- Other Local Taxes were ahead of the final budget by \$1,988,742. Almost every category of local tax revenue exceeded budgeted expectations, while the remaining categories were close to budgeted expectations. The primary components of this positive variance relate to local sales tax, prepared meals tax, recordation fees and motor vehicle taxes. Most categories of local tax revenue exceeded pre-pandemic levels. Local Sales Taxes were collected at 112% of budget, Hotel Taxes were at 99% of budget, and Prepared Meals Tax collections also exceeded estimates at 104% of budget. Areas contributing to the budget variance include:

Sales Tax	\$	1,138,877
Prepared Meals Tax	\$	381,682
Recordation Tax	\$	211,854
Business Licenses	\$	163,194
Others	\$	93,136

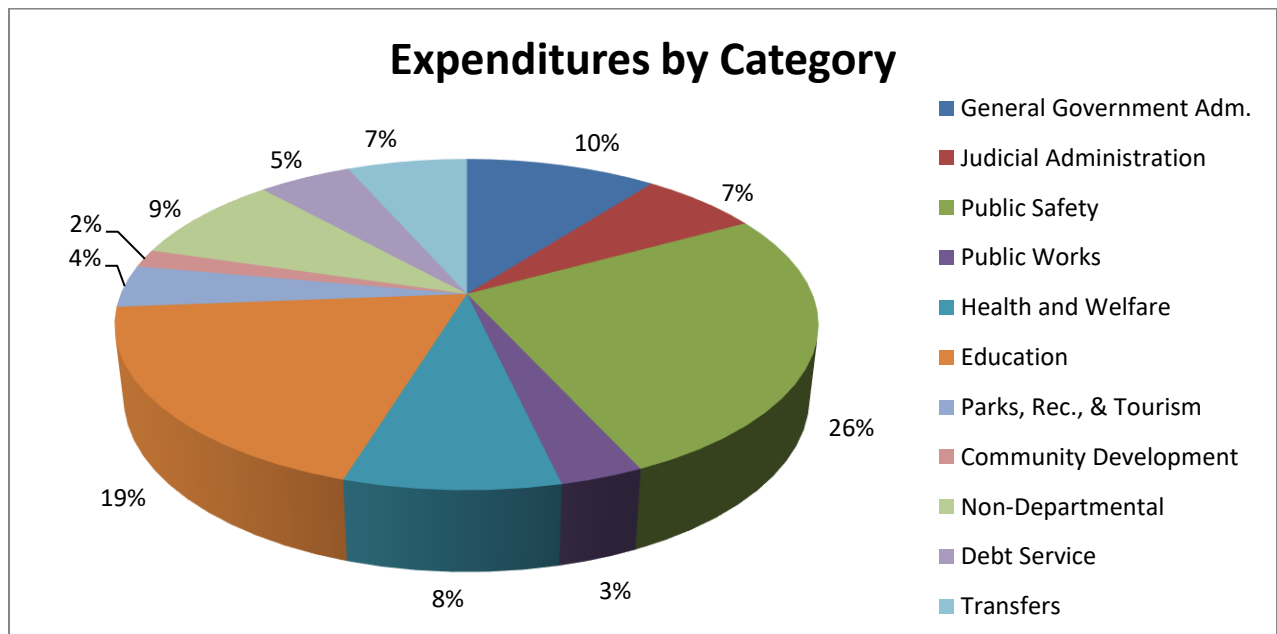
- Revenue from the use of property and money under performed budget as a result of decreasing interest rates coupled with unrealized losses in bond investments when the investments were adjusted to market value at June 30. The under-realization in the Charges for Services category is a result of less utilization at both the adult detention and juvenile detention facilities.

(Continued)

The following graph depicts General Fund revenue by categories as a percent of total revenues for fiscal year ending June 30, 2021. Total revenues are \$112,283,916 including transfers in of \$15,353,000.



The next graph shows General Fund expenditures by category as a percent of total expenditures for fiscal year ending June 30, 2021. Total expenditures are \$108,504,513, including transfers out of \$7,147,993.



(Continued)

Enterprise Funds

Enterprise Funds reported a combined ending net position of \$343,005,553; a decrease of \$10,559,230 compared to a combined net position reported at June 30, 2020 of \$353,564,783. Each of the following enterprise funds contributed to the overall decrease with increases (decreases) as follows: Wastewater Fund, (\$1,793,815); Water Fund, \$1,158,173; Gas Fund, (\$100,053); Electric Fund, (\$10,069,277); Transportation Fund \$498,392; Sanitation Fund, (\$70,140) Telecommunications Fund,(\$246,347); and the Cemetery Operations Fund, \$63,837. FY 2021 revenues from all sources combined, excluding contributed capital and transfers in, decreased \$6,358,691 when compared to the previous fiscal year ended June 30, 2020. The details of this net decrease in revenue result from the following:

Grants	\$ 925,729.00
Recovered Costs	\$ (948,222.00)
Jobbing Income	\$ (1,265,508.00)
Interest Income and Market Value Adjustments	\$ (1,274,836.00)
Sales/Rentals/Gain on Disposals	\$ (1,774,031.00)
Charges for Services	\$ (2,021,823.00)

Charges for Services decreased in the Electric Fund by \$2,486,489 primarily due to the seasonal rate effect of the Power Cost Adjustment rate, combined with a 4.7% decrease in Commercial and Industrial consumption deemed to be largely pandemic related. A prior year administrative change in the Power Cost Adjustment, which allows for the recording of a regulatory asset that represents purchased power costs that have not yet been billed to the customers, included establishing a separate rate for high load factor customers. Purchased power costs decreased \$518,368 in FY 2021 with an increase in metered energy purchased (6,439,000 kilowatt hours) for the year. The net increase in metered energy included 46,900,000 additional kilowatt hours from behind-the-meter hydro and solar sources than in the prior fiscal year. While the Wastewater Fund remained virtually unchanged from the prior year with an increase of \$80,618 in Charges for Services, the Water Fund experienced a decrease of \$182,297 primarily due to the composition and manufacturing requirements of the industrial customer base. An increase of \$248,477 in Gas revenue resulted from increased consumption of 10% overall in the residential, commercial, industrial and municipal customer classes primarily as a result of transitioning out of operating limitations imposed by the pandemic. Non-major Funds (Transportation, Sanitation, Cemetery, and Telecommunication) experienced a combined increase in revenues of \$317,868.

The decrease in the interest income and market value adjustment category resulted from downward changes in the market value in the current fiscal year versus prior fiscal year. Income before contributions and transfers for all enterprise funds combined decreased \$5,833,657 from the prior year, primarily due to the significant decrease in revenue associated with the pandemic within the major enterprise funds, the market value adjustment in investments and a loss on the disposal of fixed assets in the Electric Fund.

The Utilities contributed \$15,353,000 in transfers to the General Fund for fiscal year ending June 30, 2021. Enterprise Funds' net position of \$343,005,553 includes \$67,645,712 unrestricted, \$11,002,812 restricted for net pension asset, and \$264,357,029 net investment in capital assets.

(Continued)

General Budgetary Highlights

City of Danville
General Fund Budget
Year Ended June 30, 2021

	Original Budget	Amended Budget	Actual
Revenues, Transfers, and Other Financial Sources			
Taxes	\$ 74,422,340	\$ 74,920,289	\$ 77,472,546
Intergovernmental	\$ 20,438,490	\$ 20,605,539	\$ 19,458,370
Transfers and Other	\$ 15,353,000	\$ 15,353,000	\$ 15,353,000
Total	\$ 110,213,830	\$ 110,878,828	\$ 112,283,916
Expenditures, Transfers, and Other Financial Uses			
Expenditures	\$ 107,179,640	\$ 113,836,784	\$ 101,356,520
Transfers and Other	\$ 6,991,800	\$ 7,147,993	\$ 7,147,993
Total	\$ 114,171,440	\$ 120,984,777	\$ 108,504,513
Change in Fund Balance	\$ (3,957,610)	\$ (10,105,949)	\$ 3,779,403

Differences between the City's original operating budget for expenditures and transfers and the final amended budget resulted from carryforwards and prior year encumbrances of \$6,148,339 and additional appropriations totaling \$830,481:

Appropriations with matching revenue:

Police, Sheriff and Recreation Extra Pay	\$ 352,515
Jail Canteen Scanner	\$ 134,000
Fire Insurance Recoveries	\$ 65,042
Parks and Recreation Donations and Recoveries	\$ 56,153
Fire Donations and Recoveries	\$ 23,717
Airport Insurance Recovery	\$ 20,575
Police and Commonwealth Attorney - Forfeited Funds	\$ 13,928
Sheriff Bullet-proof Vests	\$ 10,754
Fire Hazmat Reimbursement	\$ 8,368
IT Additional Revenue	\$ 8,230
Pittsylvania County Training Reimbursement	\$ 2,110
Housing and Community Development Recovery	\$ 2,000
Police Donations and Recoveries	\$ 1,623
Emergency Communications VDEM reimbursement	\$ 274
	<u>\$ 699,288</u>

Appropriations without matching revenue:

Summer Youth Jobs Program	\$131,193
---------------------------	-----------

As explained on pages 4j and 4k, intergovernmental revenues underperformed budget, resulting in a negative budget variance for FY 2021 revenues. The positive budget variance in expenditures resulted primarily from delayed transfers to the Danville City School System. The school funds have been encumbered and will be transferred during fiscal 2022 as needed. Budget savings were also realized through personnel vacancies, decreased utilization of social service programs as well as pandemic related reduction in services.

(Continued)

Capital Assets and Debt Administration

Capital Assets

As of June 30, 2021, the City of Danville's capital assets investment for its governmental and business-type activities amounts to \$428,416,658 (net of accumulated depreciation). Capital assets include land, buildings and improvements, machinery and equipment, park facilities, roads, highways, and bridges. For further analysis of capital assets, please refer to note 11 in the notes to the financial statements.

Major capital asset events during the current fiscal year included the following:

- Improvements exceeding \$1.8 million were made to the infrastructure, such as streets, parking lots, and various public buildings, parks, trails, and facilities throughout the City. This amount was spent on improvements was spent for various public buildings, parks, trails, and facilities throughout the City. The City also spent \$980,000 on Airport improvements.
- Approximately \$1 million was spent to purchase public safety vehicles and equipment.

City of Danville
Capital Assets (net of depreciation)
June 30, 2021

	Governmental Activities	Business-type Activities	Total
Land	\$ 20,353,034	\$ 1,402,653	\$ 21,755,687
Building & Improvements	36,815,421	280,400,265	317,215,686
Machinery & Equipment	10,070,806	20,280,257	30,351,063
Infrastructure	30,515,288	-	30,515,288
Construction in Progress	19,931,130	8,647,804	28,578,934
Total	\$ 117,685,679	\$ 310,730,979	\$ 428,416,658

Long-term debt

At the end of the current fiscal year, the City of Danville had total outstanding general obligation debt of \$98,976,421 and no revenue bonded debt.

City of Danville's Outstanding Debt
Bonds and Related Loans

	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
General Obligation Bonds	\$ 47,939,470	\$ 45,896,814	\$ 51,036,951	\$ 49,697,330	\$ 98,976,421	\$ 95,594,144
Total	\$ 47,939,470	\$ 45,896,814	\$ 51,036,951	\$ 49,697,330	\$ 98,976,421	\$ 95,594,144

(Continued)

During fiscal year 2021, the City of Danville issued \$11,395,000 in General Obligation Public Improvement and Refunding Series 2020A, and \$3,635,000 in Refunding Bonds, Series 2020B. The Series 2020A was issued to use proceeds of \$6,500,000 to finance capital expenditures for general governmental projects, such as capital expenditures for improvements to various public buildings and grounds, and \$5,800,000 to finance the cost of electric substation and transformer upgrades. Series 2020A also refunded the 2010A bond issue in the amount of \$293,442. Series 2020B refunded the 2012B bond issue in the amount of \$3,582,162.

The City of Danville's debt management policy states that debt supported by General Fund tax revenue will not exceed 3.0% of total taxable assessed value of property within City limits. For the purposes of calculating this ratio, assessed value includes real property and personal property. At June 30, 2021, debt to assessed value was 1.66%.

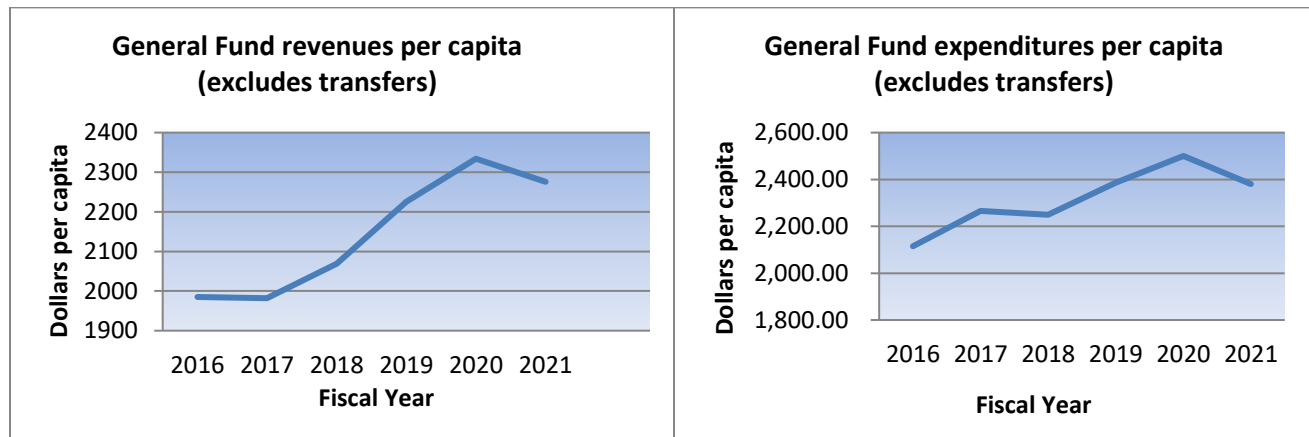
Additional information on the City of Danville's long-term debt can be found in note 12 of the notes to the financial statements.

Economic Factors and Next Year's Budget and Rates

- As of September 30, 2021, the average unemployment rate for the City of Danville was 4.8%, which is a decrease from a rate of 7.7% at September 30, 2020. This compares to the Commonwealth's average unemployment rate of 2.7% and the national average rate of 4.9% at September 30, 2021.
- Danville continues to make economic development a priority in its effort to reduce unemployment. In FY 2019, Danville's Community Development Entity was awarded \$35 million of New Market Tax Credits. In 2014, the City was awarded \$20 million and dedicated this to the up fit of the River District tower. This project has opened its doors to several medical practices and most recently to a dining establishment that features outdoor deck seating overlooking the Dan River. Successful deployment of the tax credits will potentially lead to additional allocations of credits for future projects.
- During fiscal year 2021, management continued its goal to stabilize and lower utility rates for electric services charged to its consumers despite congestion charges incurred during past winters. The Power Cost Adjustment utilized by Danville Utilities will allow these costs, along with increasing operating costs, to be recovered through gradual, small rate increases over the next few years.
- Danville has an estimated population of 42,590, based on the 2010 census. The most recent data shows per capita income of \$36,301 for the Danville Metropolitan Area, a decrease of \$752 from FY 2020 and \$59,657 for the Commonwealth of Virginia.
- Danville is located in the southern region of the United States. According to the consumer price index, Danville and the southern region have a lower cost of living compared to other regions in the United States.

Primary revenue sources for the City's General Fund are property taxes, sales taxes, business and occupational licenses, meals taxes, state revenues, and contributions from the City's Utility Departments. In establishing the budget, historical and trend data are analyzed. In addition to analyzing historical data, economic indicators and the impact the economy will have on the historical data is taken into consideration. Throughout the year, management monitors revenues and economic indicators to determine if they are on target with the analysis used to develop the budget.

Other Financial Indicators



General Fund revenues and expenditures per capita have both trended upward over the last five years despite the economic downturn over previous years. Notwithstanding the estimated population increase in 2021, the historical overall increase in revenue and expenditures per capita were partially attributable to a declining population. Revenues have increased 16.4% over the five year period. Expenditures increased from 2017 to 2020, primarily in the areas of general government and non-departmental. While Danville's population has shown decreases over the past years, it has begun to increase. It is anticipated that through the economic development efforts, and downtown revitalization, the City will continue to see population increases in the following years.

Requests for Information

This financial report is designed to provide a general overview of the City of Danville's finances. Separately issued audited financial statements are available for the City's component units. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City of Danville, Chief Finance Officer, 427 Patton Street, Danville, Virginia 24541.

BASIC FINANCIAL STATEMENTS

CITY OF DANVILLE, VIRGINIA

STATEMENT OF NET POSITION

June 30, 2021

	Primary Government			Component Units	
	Governmental Activities	Business-Type Activities	Totals	Danville Public Schools	Industrial Development Authority
ASSETS					
Cash and investments (Note 2)					
Unrestricted	\$ 64,713,589	\$ 68,152,681	\$ 132,866,270	\$ 1,521,534	\$ 8,175,145
Restricted	30,366,078	9,063,505	39,429,583	-	9,958,749
Cash and investments – held by fiscal agents/escrow	114,300	-	114,300	-	-
Receivables, net (Note 4)	17,650,435	18,064,892	35,715,327	290,676	69,894
Due from primary government (Note 9)	-	-	-	2,105,858	718,812
Due from other governments (Note 5)	14,888,959	672,696	15,561,655	4,740,673	-
Prepays and other	769,154	-	769,154	180,548	-
Inventories	423,461	3,309,089	3,732,550	90,363	-
Loans receivable, net (Note 7)	927,637	-	927,637	-	3,276,817
Net pension asset (Note 16)	43,987,520	11,002,812	54,990,332	-	-
Due from primary government, long-term (Note 9)	-	-	-	-	13,559,000
Net investment in sales-type leases (Note 10)	-	-	-	-	277,269
Property held for sale	102,557	-	102,557	-	1,292,430
Capital assets: (Note 11)					
Non-depreciable	40,284,164	10,050,457	50,334,621	2,176,690	5,604,703
Depreciable, net	77,401,515	300,680,522	378,082,037	17,736,823	20,137,538
Total assets	291,629,369	420,996,654	712,626,023	28,843,165	63,070,357
DEFERRED OUTFLOWS OF RESOURCES					
Deferred outflows of resources related to pensions (Note 16)	6,312,767	1,133,014	7,445,781	18,480,317	-
Deferred outflows related to other postemployment benefits (Notes 21 and 22)	1,258,760	-	1,258,760	1,833,517	-
Deferred loss on refunding	778,665	1,479,190	2,257,855	-	-
Total deferred outflows of resources	8,350,192	2,612,204	10,962,396	20,313,834	-
LIABILITIES					
Accounts payable	2,918,030	10,561,851	13,479,881	1,656,590	321,386
Accrued payroll and related liabilities	1,144,174	-	1,144,174	3,497,981	-
Accrued interest	564,713	684,921	1,249,634	63,824	28,323
Due to component unit (Note 9)	16,383,670	-	16,383,670	-	-
Due to other governments	279,950	-	279,950	-	-
Refundable deposits	190,960	4,036,424	4,227,384	-	-
Unearned grants	14,461,786	-	14,461,786	66,642	19,548
Long-term liabilities:					
Due within one year (Note 12)	8,285,260	5,354,833	13,640,093	1,059,074	1,076,433
Due in more than one year:					
Net pension liability (Note 16)	3,590,661	-	3,590,661	61,597,754	-
Net other postemployment benefit liability (Notes 21 and 22)	7,005,877	-	7,005,877	8,788,164	-
Other long-term liabilities (Note 12)	49,224,698	53,509,687	102,734,385	4,372,417	22,102,131
Total liabilities	104,049,779	74,147,716	178,197,495	81,102,446	23,547,821
DEFERRED INFLOWS OF RESOURCES					
Taxes and business licenses (Note 14)	5,965,524	-	5,965,524	-	-
Deferred inflows of resources related to pensions (Note 16)	22,673,877	5,649,835	28,323,712	5,308,828	-
Deferred inflows related to other postemployment benefits (Note 22)	1,564,515	-	1,564,515	478,444	-
Energy cost adjustment (Note 6)	-	805,754	805,754	-	-
Total deferred inflows of resources	30,203,916	6,455,589	36,659,505	5,787,272	-
NET POSITION					
Net investment in capital assets	71,486,344	264,357,029	335,843,373	16,205,513	14,391,562
Restricted for:					
Net pension asset	43,987,520	11,002,812	54,990,332	-	-
Revolving loan fund	-	-	-	-	3,000,000
Nonexpendable:					
Cemetery perpetual care	2,922,222	-	2,922,222	-	-
Expendable:					
Grants and forfeiture funds	4,804,999	-	4,804,999	-	-
Unrestricted	42,524,781	67,645,712	110,170,493	(53,938,232)	22,130,974
Total net position	\$ 165,725,866	\$ 343,005,553	\$ 508,731,419	\$ (37,732,719)	\$ 39,522,536

The Notes to Financial Statements are an integral part of this statement.

EXHIBIT 2

CITY OF DANVILLE, VIRGINIA

STATEMENT OF ACTIVITIES
Year Ended June 30, 2021

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position				
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Component Units	
					Governmental Activities	Business-Type Activities	Total	Danville Public Schools	Industrial Development Authority
Primary Government:									
Governmental activities:									
General government	\$ 14,685,247	\$ 523,450	\$ 3,608,902	\$ 1,053,821	\$ (9,499,074)		\$ (9,499,074)		
Judicial administration	7,593,233	2,784,496	587,088	-	(4,221,649)		(4,221,649)		
Public safety	28,895,902	2,290	6,139,010	-	(22,754,602)		(22,754,602)		
Public works	20,047,568	-	-	12,806,472	(7,241,096)		(7,241,096)		
Health and welfare	13,052,084	-	9,593,004	-	(3,459,080)		(3,459,080)		
Parks, recreation, and cultural	5,165,411	131,678	8,611	-	(5,025,122)		(5,025,122)		
Community development	15,454,375	-	1,277,322	-	(14,177,053)		(14,177,053)		
Education	22,732,887	-	-	-	(22,732,887)		(22,732,887)		
Interest and issuance costs on long-term debt	1,514,013	-	-	-	(1,514,013)		(1,514,013)		
Total governmental activities	129,140,720	3,441,914	21,213,937	13,860,293	(90,624,576)		(90,624,576)		
Business-type activities:									
Wastewater	10,134,185	8,845,226	-	-		\$ (1,288,959)	(1,288,959)		
Water	6,586,154	8,442,625	-	-		1,856,471	1,856,471		
Gas	16,783,255	19,684,418	-	-		2,901,163	2,901,163		
Electric	114,769,890	114,862,650	-	-		92,760	92,760		
Transportation	3,513,869	292,158	3,182,949	-		(38,762)	(38,762)		
Telecommunications	905,935	732,906	-	-		(173,029)	(173,029)		
Sanitation	3,899,232	3,750,865	-	-		(148,367)	(148,367)		
Cemetery operations	929,962	807,256	-	-		(122,706)	(122,706)		
Total business-type activities	157,522,482	157,418,104	3,182,949	-		3,078,571	3,078,571		
Total primary government	\$ 286,663,202	\$ 160,860,018	\$ 24,396,886	\$ 13,860,293	(90,624,576)	3,078,571	(87,546,005)		
Component units:									
Danville Public Schools	\$ 86,136,682	\$ 184,701	\$ 36,025,659	\$ -	-	-	-	\$ (49,926,322)	\$ -
Industrial Development Authority	6,626,063	1,007,499	-	-	-	-	-	-	(5,618,564)
Total component units	\$ 92,762,745	\$ 1,192,200	\$ 36,025,659	\$ -	-	-	-	(49,926,322)	(5,618,564)
General revenues:									
Real estate and personal property taxes					35,493,262	-	35,493,262	-	-
Other taxes:									
Sales and use					10,234,317	-	10,234,317	-	-
Business and other licenses					5,467,754	-	5,467,754	-	-
Utility					930,704	-	930,704	-	-
Hotel and meals					10,631,384	-	10,631,384	-	-
Recordation and bank stock					1,400,539	-	1,400,539	-	-
Auto license and recordation					1,218,563	-	1,218,563	-	-
Contributions from City					-	-	-	22,688,376	12,917,940
Noncategorical state and federal aid					13,238,756	-	13,238,756	24,427,230	88,411
Investment income					449,971	610,471	1,060,442	33,264	171,612
Casino proceeds					15,000,000	-	15,000,000	-	-
Gain on sale of assets					81,826	-	81,826	-	1,316,557
Miscellaneous					817,160	1,104,728	1,921,888	1,438,089	2,520,194
Transfers					15,353,000	(15,353,000)	-	-	-
Total general revenues and transfers					110,317,236	(13,637,801)	96,679,435	48,586,959	17,014,714
Change in net position					19,692,660	(10,559,230)	9,133,430	(1,339,363)	11,396,150
Net position – beginning, as restated (Note 29)					146,033,206	353,564,783	499,597,989	(36,393,356)	28,126,386
Net position – ending					\$ 165,725,866	\$ 343,005,553	\$ 508,731,419	\$ (37,732,719)	\$ 39,522,536

The Notes to Financial Statements are an integral part of this statement.

CITY OF DANVILLE, VIRGINIA

**BALANCE SHEET –
GOVERNMENTAL FUNDS
June 30, 2021**

	General	Community Development	Capital Projects	Special Revenue	Nonmajor Governmental Funds	Total
ASSETS						
Cash and investments	\$ 33,260,154	\$ 6,208	\$ 17,732,057	\$ -	\$ 9,416,764	\$ 60,415,183
Cash and investments – restricted	251,505	-	8,178,960	16,031,809	5,903,804	30,366,078
Cash and investments – held by fiscal agents	64,300	-	-	-	-	64,300
Receivables, net						
Taxes	14,110,035	-	-	-	-	14,110,035
Accounts	2,607,616	-	-	-	-	2,607,616
Other	920,862	-	11,502	-	-	932,364
Due from other funds	9,781,617	-	-	-	-	9,781,617
Due from other governments	3,129,663	273,728	2,462,579	9,022,989	-	14,888,959
Prepays	769,154	-	-	-	-	769,154
Inventories	301,935	-	-	-	-	301,935
Loans receivable, net	-	927,637	-	-	-	927,637
Total assets	\$ 65,196,841	\$ 1,207,573	\$ 28,385,098	\$ 25,054,798	\$ 15,320,568	\$ 135,164,878
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES						
Liabilities:						
Accounts payable	\$ 1,181,899	\$ 132,186	\$ 271,086	\$ 958,834	\$ 120,275	\$ 2,664,280
Accrued payroll and related liabilities	1,144,174	-	-	-	-	1,144,174
Due to other funds	-	261,040	-	7,358,563	-	7,619,603
Due to component unit	2,082,193	-	23,665	-	156,812	2,262,670
Due to other governments	279,950	-	-	-	-	279,950
Unearned grants	-	-	-	14,461,786	-	14,461,786
Refundable deposits	190,960	-	-	-	-	190,960
Total liabilities	4,879,176	393,226	294,751	22,779,183	277,087	28,623,423
Deferred inflows of resources:						
Unavailable revenue	13,227,173	114	-	-	-	13,227,287
Fund balances:						
Nonspendable	1,071,089	-	-	-	2,922,222	3,993,311
Restricted	253,394	-	8,178,960	1,570,023	2,981,582	12,983,959
Committed	7,143,542	-	14,873,689	-	-	22,017,231
Assigned	4,385,009	814,233	5,037,698	705,592	9,139,677	20,082,209
Unassigned	34,237,458	-	-	-	-	34,237,458
Total fund balances	47,090,492	814,233	28,090,347	2,275,615	15,043,481	93,314,168
Total liabilities, deferred inflows of resources, and fund balances	\$ 65,196,841	\$ 1,207,573	\$ 28,385,098	\$ 25,054,798	\$ 15,320,568	\$ 135,164,878

The Notes to Financial Statements are an integral part of this statement.

CITY OF DANVILLE, VIRGINIA

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
June 30, 2021**

Total fund balances – governmental funds		\$ 93,314,168
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		
Capital assets at historical cost	\$ 229,919,841	
Property held for sale	102,557	
Accumulated depreciation	<u>(112,234,162)</u>	
		117,788,236
Financial statement elements related to pensions are applicable to future periods and, therefore, are not reported in the funds.		
Net pension asset	43,987,520	
Deferred outflows of resources related to pensions	6,312,767	
Deferred inflows of resources related to pensions	(22,673,877)	
Net pension liability	<u>(3,590,661)</u>	
		24,035,749
Financial statement elements related to other postemployment benefits are applicable to future periods and, therefore, are not reported in the funds.		
Net other postemployment benefit liability	(7,005,877)	
Net other postemployment benefit deferred outflows	1,258,760	
Net other postemployment benefit deferred inflows	<u>(1,564,515)</u>	
		(7,311,632)
Certain other assets are also not available to pay for current period expenditures and, therefore, are reported as deferred inflows in the funds.		
Deferred taxes	6,090,780	
Other receivables	<u>1,170,983</u>	
		7,261,763
The assets, deferred outflows, liabilities, and deferred inflows of internal service funds are included in governmental activities in the Statement of Net Position.		
Internal service fund net position – Exhibit 8	5,238,950	
Less: internal service fund capital assets	(2,711,832)	
Less: internal service fund net pension asset	(966,798)	
Less: internal service fund deferred outflows related to pensions	(99,556)	
Add: internal service fund deferred inflows related to pensions	496,442	
Add: internal service fund accrued interest	25	
Add: internal service fund long-term liabilities	<u>97,357</u>	
		2,054,588
Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.		
Long-term liabilities	(57,509,958)	
Due to component unit – IDA	(14,121,000)	
Accrued interest	(564,713)	
Deferred loss on refunding	<u>778,665</u>	
		(71,417,006)
Total net position – governmental activities		<u><u>\$ 165,725,866</u></u>

The Notes to Financial Statements are an integral part of this statement.

CITY OF DANVILLE, VIRGINIA

**STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES –
GOVERNMENTAL FUNDS
Year Ended June 30, 2021**

	General	Community Development	Capital Projects	Special Revenue	Nonmajor Governmental Funds	Total
REVENUES						
Property taxes	\$ 35,746,442	\$ -	\$ -	\$ -	\$ -	\$ 35,746,442
Other local taxes	30,105,742	-	-	-	-	30,105,742
Fines and forfeitures	291,892	-	-	-	-	291,892
Permits, privilege fees, and regulatory licenses	227,984	-	-	-	-	227,984
Revenue from use of money and property	406,128	-	-	-	14,551	420,679
Charges for services	3,150,022	-	-	-	-	3,150,022
Miscellaneous	293,667	159,534	-	2,047	72,014	527,262
Contributions	3,500	-	1,468,022	627,747	-	2,099,269
Casino proceeds (Note 32)	-	-	15,000,000	-	-	15,000,000
Recovered costs	7,247,169	-	237,435	7,203	30,436	7,522,243
Intergovernmental	19,458,370	1,634,623	1,881,296	13,237,801	11,469,649	47,681,739
Total revenues	96,930,916	1,794,157	18,586,753	13,874,798	11,586,650	142,773,274
EXPENDITURES						
Current:						
General government	11,365,262	-	532,678	6,464,135	436,690	18,798,765
Judicial administration	7,094,844	-	-	227,010	-	7,321,854
Public safety	28,368,548	-	3,948,892	899,605	-	33,217,045
Public works	3,513,922	-	2,573,284	2,647,196	11,274,160	20,008,562
Health and welfare	9,062,253	-	-	4,121,743	-	13,183,996
Education	20,599,440	-	2,100,964	32,483	-	22,732,887
Parks, recreation, and cultural	4,465,591	-	491,972	361,055	-	5,318,618
Community development	1,900,600	1,929,935	891,020	291,337	679,641	5,692,533
Nondepartmental	9,445,878	-	-	-	-	9,445,878
Debt service:						
Principal	3,998,093	-	-	-	96,251	4,094,344
Interest	1,542,089	-	-	-	-	1,542,089
Bond issuance costs	-	-	138,510	-	-	138,510
Total expenditures	101,356,520	1,929,935	10,677,320	15,044,564	12,486,742	141,495,081
Excess (deficiency) of revenues over (under) expenditures	(4,425,604)	(135,778)	7,909,433	(1,169,766)	(900,092)	1,278,193
OTHER FINANCING SOURCES (USES)						
Bond issuance	-	-	7,481,262	-	-	7,481,262
Premium on bonds	-	-	795,918	-	-	795,918
Net payments related to refunded debt	-	-	(1,468,880)	-	-	(1,468,880)
Transfers in	15,353,000	-	2,306,489	1,243,554	3,600,950	22,503,993
Transfers out	(7,147,993)	-	(3,000)	-	-	(7,150,993)
Total other financing sources	8,205,007	-	9,111,789	1,243,554	3,600,950	22,161,300
Net change in fund balances	3,779,403	(135,778)	17,021,222	73,788	2,700,858	23,439,493
FUND BALANCES – Beginning	43,311,089	950,011	11,069,125	2,201,827	12,342,623	69,874,675
FUND BALANCES – Ending	\$ 47,090,492	\$ 814,233	\$ 28,090,347	\$ 2,275,615	\$ 15,043,481	\$ 93,314,168

The Notes to Financial Statements are an integral part of this statement.

CITY OF DANVILLE, VIRGINIA

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF THE GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2021**

Net change in fund balances – total governmental funds \$ 23,439,493

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

Governmental funds report outlays for capital assets as expenditures. However, in the Statement of Activities the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense. The components of capital outlay, depreciation expense, and other various transactions involving capital assets are as follows:

Outlays for capital assets	\$	12,674,389	
Book value of capital assets disposed		(4,022)	
Depreciation		(6,452,494)	
			6,217,873

Transactions involving debt principal and cash flows relating to other long-term items are expenditures in the governmental funds, however these transactions increase or decrease long-term items in the Statement of Net Position.

Principal payments on long-term debt and capital leases	4,094,344		
Bonds refunded	1,468,880		
Bond proceeds	(7,481,262)		
Premium on new bonds issued	(795,918)		
Amortization of premium	211,645		
Amortization of deferred loss	(37,537)		
Change in accrued interest	(7,419)		
			(2,547,267)

Governmental funds report pension contributions as expenditures. However, in the Statement of Activities the cost of pension benefits earned net of employee contributions is reported as pension expense.

Change in pension related assets, liabilities, and deferred inflows/outflows.			4,229,368
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Governmental funds report other postemployment benefits contributions as expenditures. However, in the Statement of Activities the cost of other postemployment benefits earned net of employee contributions is reported as other postemployment benefits expense.

Change in other postemployment benefits related assets, liabilities, and deferred inflows/outflows.			(24,970)
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Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Change in obligation to IDA	(9,579,000)		
Change in Tobacco Commission obligation payable	25,334		
Change in workers' compensation	(726,830)		
Change in compensated absences	(428,495)		
			(10,708,991)

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.

(475,601)

The net of internal service funds is reported with governmental activities.

(437,245)

Total change in net position – governmental activities			\$ 19,692,660
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The Notes to Financial Statements are an integral part of this statement.

CITY OF DANVILLE, VIRGINIA

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET TO ACTUAL – GENERAL FUND
Year Ended June 30, 2021**

	Budgeted Amounts			Variances with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES				
Property taxes	\$ 34,515,700	\$ 34,515,700	\$ 35,746,442	\$ 1,230,742
Other local taxes	28,117,000	28,117,000	30,105,742	1,988,742
Fines and forfeitures	345,550	345,550	291,892	(53,658)
Permits, privilege fees, and regulatory licenses	242,190	242,190	227,984	(14,206)
Revenue from use of money and property	734,500	734,500	406,128	(328,372)
Charges for services	3,897,330	3,910,066	3,150,022	(760,044)
Miscellaneous	135,400	189,692	297,167	107,475
Recovered costs	6,434,670	6,865,591	7,247,169	381,578
Intergovernmental	20,438,490	20,605,539	19,458,370	(1,147,169)
Total revenues	94,860,830	95,525,828	96,930,916	1,405,088
EXPENDITURES				
Current:				
General government	11,643,500	12,158,588	11,365,262	793,326
Judicial administration	7,148,170	7,427,708	7,094,844	332,864
Public safety	30,528,420	30,061,059	28,368,548	1,692,511
Public works	3,647,290	3,696,301	3,513,922	182,379
Health and welfare	10,093,650	10,069,845	9,062,253	1,007,592
Education	22,924,530	28,166,189	20,599,440	7,566,749
Parks, recreation, and cultural	5,150,190	5,232,008	4,465,591	766,417
Community development	2,138,960	2,245,960	1,900,600	345,360
Nondepartmental	8,325,580	9,199,776	9,445,878	(246,102)
Debt service:				
Principal	4,016,820	4,016,820	3,998,093	18,727
Interest	1,562,530	1,562,530	1,542,089	20,441
Total expenditures	107,179,640	113,836,784	101,356,520	12,480,264
Deficiency of revenues under expenditures	(12,318,810)	(18,310,956)	(4,425,604)	13,885,352
OTHER FINANCING SOURCES (USES)				
Transfers in	15,353,000	15,353,000	15,353,000	-
Transfers out	(6,991,800)	(7,147,993)	(7,147,993)	-
Total other financing sources	8,361,200	8,205,007	8,205,007	-
Net change in fund balance	\$ (3,957,610)	\$ (10,105,949)	\$ 3,779,403	\$ 13,885,352

The Notes to Financial Statements are an integral part of this statement.

CITY OF DANVILLE, VIRGINIA

STATEMENT OF NET POSITION –
PROPRIETARY FUNDS

June 30, 2021

	Enterprise Funds						Internal Service Funds
	Wastewater	Water	Gas	Electric	Nonmajor Enterprise Funds	Total	
ASSETS							
CURRENT ASSETS							
Cash and investments	\$ 9,343,617	\$ 11,618,863	\$ 14,253,145	\$ 29,153,096	\$ 3,783,960	\$ 68,152,681	\$ 4,298,406
Cash and investments – held by fiscal agents	-	-	-	-	-	-	50,000
Receivables, net	1,154,951	361,057	1,663,711	14,833,808	51,365	18,064,892	420
Due from other governments	-	-	-	-	672,696	672,696	-
Inventories	-	493,255	582,234	2,018,716	214,884	3,309,089	121,526
Total current assets	10,498,568	12,473,175	16,499,090	46,005,620	4,722,905	90,199,358	4,470,352
NONCURRENT ASSETS							
Cash and investments – restricted	-	-	-	9,063,505	-	9,063,505	-
Net pension asset	824,548	1,538,618	1,072,827	4,497,469	3,069,350	11,002,812	966,798
Capital assets:							
Non-depreciable	1,428,443	2,082,952	158,517	5,871,313	509,232	10,050,457	-
Depreciable, net	50,267,061	35,148,778	40,916,955	162,005,122	12,342,606	300,680,522	2,711,832
Total noncurrent assets	52,520,052	38,770,348	42,148,299	181,437,409	15,921,188	330,797,296	3,678,630
Total assets	63,018,620	51,243,523	58,647,389	227,443,029	20,644,093	420,996,654	8,148,982
DEFERRED OUTFLOWS OF RESOURCES							
Deferred outflows related to pensions	84,908	158,439	110,474	463,126	316,067	1,133,014	99,556
Deferred loss on refunding	117,069	112,040	61,933	1,188,148	-	1,479,190	-
Total deferred outflows of resources	201,977	270,479	172,407	1,651,274	316,067	2,612,204	99,556

(Continued)

The Notes to Financial Statements are an integral part of this statement.

CITY OF DANVILLE, VIRGINIA

STATEMENT OF NET POSITION –
PROPRIETARY FUNDS

June 30, 2021

	Enterprise Funds					Nonmajor Enterprise Funds	Internal Service Funds
	Wastewater	Water	Gas	Electric		Total	
LIABILITIES							
CURRENT LIABILITIES							
Accounts payable	\$ 549,735	\$ 367,690	\$ 1,107,669	\$ 8,352,625	\$ 184,132	\$ 10,561,851	\$ 253,750
Accrued interest	28,791	27,588	15,263	613,263	16	684,921	25
Due to other funds	-	-	-	-	-	-	2,162,014
Refundable deposits	-	-	-	4,016,424	20,000	4,036,424	-
Long-term liabilities – due within one year	375,456	524,356	209,105	3,843,835	402,081	5,354,833	91,511
Total current liabilities	953,982	919,634	1,332,037	16,826,147	606,229	20,638,029	2,507,300
NONCURRENT LIABILITIES							
Long-term liabilities – due in more than one year	1,480,458	1,401,618	830,512	48,674,618	1,122,481	53,509,687	5,846
Total noncurrent liabilities	1,480,458	1,401,618	830,512	48,674,618	1,122,481	53,509,687	5,846
Total liabilities	2,434,440	2,321,252	2,162,549	65,500,765	1,728,710	74,147,716	2,513,146
DEFERRED INFLOWS OF RESOURCES							
Deferred inflows related to pensions	423,397	790,065	550,886	2,309,406	1,576,081	5,649,835	496,442
Energy cost adjustment	-	-	140,822	664,932	-	805,754	-
Total deferred inflows of resources	423,397	790,065	691,708	2,974,338	1,576,081	6,455,589	496,442
NET POSITION							
Net investment in capital assets	49,956,658	35,551,095	40,175,034	126,209,783	12,464,459	264,357,029	2,672,943
Restricted for:							
Net pension asset	824,548	1,538,618	1,072,827	4,497,469	3,069,350	11,002,812	966,798
Unrestricted	9,581,554	11,312,972	14,717,678	29,911,948	2,121,560	67,645,712	1,599,209
	\$ 60,362,760	\$ 48,402,685	\$ 55,965,539	\$ 160,619,200	\$ 17,655,369	\$ 343,005,553	\$ 5,238,950

The Notes to Financial Statements are an integral part of this statement.

CITY OF DANVILLE, VIRGINIA

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION –
PROPRIETARY FUNDS
Year Ended June 30, 2021**

	Enterprise Funds						Internal Service Funds
	Wastewater	Water	Gas	Electric	Nonmajor Enterprise Funds	Total	
OPERATING REVENUES							
Charges for services	\$ 8,845,226	\$ 8,442,625	\$ 19,684,418	\$ 114,862,650	\$ 5,583,185	\$ 157,418,104	\$ 5,649,770
OPERATING EXPENSES							
Purchased power and gas	-	-	12,064,193	89,436,078	-	101,500,271	-
Production	-	-	-	440,342	-	440,342	-
Transmission	2,863,874	1,846,812	-	1,416,041	-	6,126,727	-
Engineering	-	227,010	235,169	821,514	-	1,283,693	-
Distribution	1,593,624	794,025	623,724	4,801,483	-	7,812,856	-
Services	106,819	56,154	50,288	-	7,950,988	8,164,249	-
Depreciation	1,958,103	1,609,668	1,556,838	8,296,111	1,292,445	14,713,165	837,484
Meters/regulators	-	81,711	89,006	354,552	-	525,269	-
General and administrative	3,533,700	1,893,542	1,932,308	5,272,288	-	12,631,838	5,422,459
Total operating expenses	10,056,120	6,508,922	16,551,526	110,838,409	9,243,433	153,198,410	6,259,943
Operating income (loss)	(1,210,894)	1,933,703	3,132,892	4,024,241	(3,660,248)	4,219,694	(610,173)
NONOPERATING REVENUES (EXPENSES)							
Sales income	-	-	80,884	-	166,519	247,403	-
Jobbing income, net	34,499	127,770	-	(328,389)	-	(166,120)	-
Recovered costs	4,983	11,626	316	-	38,842	55,767	61,914
Gain (loss) on disposal of capital assets	-	20,851	(190,764)	(2,043,079)	33,040	(2,179,952)	81,825
Other income (expense)	-	-	(2,832)	-	42,027	39,195	-
Federal and state grants	-	-	-	-	3,182,949	3,182,949	-
Other contributions	63,691	-	-	-	479,680	543,371	-
Net change in the fair value of investments	(11,385)	(12,848)	(15,793)	(42,126)	(7,483)	(89,635)	(4,183)
Interest income	109,116	104,603	119,707	309,699	56,981	700,106	33,475
Interest expense	(78,065)	(77,232)	(38,133)	(1,560,013)	(5,565)	(1,759,008)	(103)
Total nonoperating revenues (expenses)	122,839	174,770	(46,615)	(3,663,908)	3,986,990	574,076	172,928
Income (loss) before transfers	(1,088,055)	2,108,473	3,086,277	360,333	326,742	4,793,770	(437,245)
Transfers out	(705,760)	(950,300)	(3,186,330)	(10,429,610)	(81,000)	(15,353,000)	-
Change in net position	(1,793,815)	1,158,173	(100,053)	(10,069,277)	245,742	(10,559,230)	(437,245)
TOTAL NET POSITION – Beginning	62,156,575	47,244,512	56,065,592	170,688,477	17,409,627	353,564,783	5,676,195
TOTAL NET POSITION – Ending	\$ 60,362,760	\$ 48,402,685	\$ 55,965,539	\$ 160,619,200	\$ 17,655,369	\$ 343,005,553	\$ 5,238,950

The Notes to Financial Statements are an integral part of this statement.

CITY OF DANVILLE, VIRGINIA

**STATEMENT OF CASH FLOWS –
PROPRIETARY FUNDS
Year Ended June 30, 2021**

	Enterprise Funds		
	Wastewater	Water	Gas
OPERATING ACTIVITIES			
Received from customers	\$ 8,727,164	\$ 8,483,066	\$ 20,307,240
Received from interfund services	-	-	-
Payments to suppliers for goods and services	(7,091,458)	(3,737,751)	(13,716,882)
Payments to employees for services	(792,151)	(1,085,515)	(1,032,114)
Payments to internal service fund for interfund services	(223,073)	(34,494)	(91,209)
Nonoperating revenue (expense)	39,482	139,396	78,368
Net cash provided by (used in) operating activities	659,964	3,764,702	5,545,403
NONCAPITAL FINANCING ACTIVITIES			
Advances from other funds	-	-	-
Transfers to other funds	(705,760)	(950,300)	(3,186,330)
Operating grants received	-	-	-
Net cash provided by (used in) noncapital financing activities	(705,760)	(950,300)	(3,186,330)
CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition of capital assets	(2,208,419)	(2,256,193)	(1,672,142)
Principal payments on long-term debt (including capital lease)	(333,334)	(359,700)	(123,149)
Proceeds from bond issuance	-	-	-
Interest payments on long-term debt	(86,107)	(70,707)	(41,558)
Cash proceeds from disposal of capital assets	-	20,934	20,934
Proceeds from capital lease	-	-	-
Other contributions	63,691	-	-
Net cash provided by (used in) capital and related financing activities	(2,564,169)	(2,665,666)	(1,815,915)
INVESTING ACTIVITIES			
Interest on investments	109,116	104,603	119,707
Net activity in investment securities	(11,385)	(12,848)	(15,793)
Net cash provided by investing activities	97,731	91,755	103,914
Net increase (decrease) in cash and investments	(2,512,234)	240,491	647,072
CASH AND CASH EQUIVALENTS			
Beginning	11,855,851	11,378,372	13,606,073
Ending	\$ 9,343,617	\$ 11,618,863	\$ 14,253,145

(Continued)

The Notes to Financial Statements are an integral part of this statement.

EXHIBIT 10

Enterprise Funds			Internal Service Funds
Electric	Nonmajor Enterprise Funds	Total	
\$ 120,775,001	\$ 5,664,714	\$ 163,957,185	\$ -
-	-	-	5,660,080
(99,249,475)	(4,114,004)	(127,909,570)	(4,186,217)
(4,518,268)	(3,598,228)	(11,026,276)	(934,174)
(280,150)	(728,909)	(1,357,835)	(275,610)
(328,389)	85,669	14,526	61,914
16,398,719	(2,690,758)	23,678,030	325,993
-	24,086	24,086	498,020
(10,429,610)	(81,000)	(15,353,000)	-
-	3,344,668	3,344,668	-
(10,429,610)	3,287,754	(11,984,246)	498,020
(9,031,109)	(890,786)	(16,058,649)	(844,864)
(5,504,115)	(146,429)	(6,466,727)	(37,679)
8,278,050	-	8,278,050	-
(1,877,165)	(1,730)	(2,077,267)	(2,576)
8,659,350	52,964	8,754,182	81,825
-	294,175	294,175	-
-	479,680	543,371	-
525,011	(212,126)	(6,732,865)	(803,294)
309,699	56,981	700,106	33,475
(42,126)	(7,483)	(89,635)	(4,183)
267,573	49,498	610,471	29,292
6,761,693	434,368	5,571,390	50,011
31,454,908	3,349,592	71,644,796	4,298,395
\$ 38,216,601	\$ 3,783,960	\$ 77,216,186	\$ 4,348,406

CITY OF DANVILLE, VIRGINIA

**STATEMENT OF CASH FLOWS –
PROPRIETARY FUNDS
Year Ended June 30, 2021**

	Enterprise Funds		
	Wastewater	Water	Gas
RECONCILIATION TO EXHIBIT 8			
Cash and investments	\$ 9,343,617	\$ 11,618,863	\$ 14,253,145
Cash and investments – held by fiscal agents	-	-	-
Cash and investments – restricted	-	-	-
	<u>\$ 9,343,617</u>	<u>\$ 11,618,863</u>	<u>\$ 14,253,145</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES			
Operating income (loss)	\$ (1,210,894)	\$ 1,933,703	\$ 3,132,892
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Depreciation charged to operations	1,958,103	1,609,668	1,556,838
Pension expense net of employer contributions	(115,449)	(160,019)	10,458
Landfill postclosure care	-	-	-
Nonoperating revenue, net	39,482	139,396	78,368
Change in noncash employee benefits charged to operations	-	-	12,321
Change in operating assets and liabilities	-	-	-
Change in receivables	(118,062)	40,441	622,822
Change in inventories	-	78,381	34,712
Change in accounts payable	106,784	123,132	96,992
Change in refundable deposits	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
Net cash provided by (used in) operating activities	<u>\$ 659,964</u>	<u>\$ 3,764,702</u>	<u>\$ 5,545,403</u>

The Notes to Financial Statements are an integral part of this statement.

EXHIBIT 10

Enterprise Funds			Internal Service Funds
Electric	Nonmajor Enterprise Funds	Total	
\$ 29,153,096	\$ 3,783,960	\$ 68,152,681	\$ 4,298,406
-	-	-	50,000
9,063,505	-	9,063,505	-
<u>\$ 38,216,601</u>	<u>\$ 3,783,960</u>	<u>\$ 77,216,186</u>	<u>\$ 4,348,406</u>
\$ 4,024,241	\$ (3,660,248)	\$ 4,219,694	\$ (610,173)
8,296,111	1,292,445	14,713,165	837,484
(57,142)	(321,579)	(643,731)	(105,252)
-	(90,000)	(90,000)	-
(328,389)	85,669	14,526	61,914
49,163	-	61,484	-
-	798	798	4,258
5,695,020	67,509	6,307,730	10,310
(500,186)	(34,789)	(421,882)	(6,058)
(997,430)	(30,563)	(701,085)	133,510
217,331	-	217,331	-
<u>\$ 16,398,719</u>	<u>\$ (2,690,758)</u>	<u>\$ 23,678,030</u>	<u>\$ 325,993</u>

CITY OF DANVILLE, VIRGINIA

STATEMENT OF FIDUCIARY NET POSITION –
FIDUCIARY FUNDS

June 30, 2021

	Pension Trust Fund Employees' Retirement Plan	Custodial Fund Veterans' Memorial Fund
ASSETS		
Cash	\$ 32,584	\$ 1,219
Accrued interest and dividends	411,285	-
Investments – at fair value:		
Common stocks and common stock funds	142,116,649	-
Corporate bonds and bond funds	39,014,287	-
Foreign stock funds	31,563,707	-
U.S. Government bond funds	29,407,604	-
Real estate funds	39,709,536	-
Real estate – timberland and timberland funds	7,119,001	-
Temporary cash investments	5,890,579	-
Private equity funds	10,176,161	-
Other	700	-
Total investments	304,998,224	-
Total assets	305,442,093	1,219
LIABILITIES		
Accounts payable	247,445	-
Total liabilities	247,445	-
NET POSITION		
Restricted for:		
Pensions	305,194,648	-
Individuals, organizations, and other governments	-	1,219
Total net position	\$ 305,194,648	\$ 1,219

The Notes to Financial Statements are an integral part of this statement.

CITY OF DANVILLE, VIRGINIA

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION –
FIDUCIARY FUNDS
Year Ended June 30, 2021**

	Employees’ Retirement Plan	Veterans’ Memorial Fund
ADDITIONS		
Contributions		
Employer contributions	\$ 3,853,028	\$ -
Member contribution	196,518	-
	<u>4,049,546</u>	<u>-</u>
Investment earnings		
Net increase in fair value of investments	55,972,321	-
Interest	1,678,211	-
Dividends	1,896,800	-
	<u>59,547,332</u>	<u>-</u>
Total investment income	59,547,332	-
Less – investment expenses	<u>(947,759)</u>	<u>-</u>
Net investment income	<u>58,599,573</u>	<u>-</u>
Total additions	<u>62,649,119</u>	<u>-</u>
DEDUCTIONS		
Benefits paid to participants	15,191,863	-
Refunds to former members	171,135	-
Payments to benefit individuals	-	1,154
Administrative expenses	148,991	-
	<u>15,511,989</u>	<u>1,154</u>
Total deductions	<u>15,511,989</u>	<u>1,154</u>
Change in net position	47,137,130	(1,154)
NET POSITION, Beginning	<u>258,057,518</u>	<u>2,373</u>
NET POSITION, Ending	<u><u>\$ 305,194,648</u></u>	<u><u>\$ 1,219</u></u>

The Notes to Financial Statements are an integral part of this statement.

CITY OF DANVILLE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

Note 1. Summary of Significant Accounting Policies

A. Financial Reporting Entity

The City of Danville (the “City”), located in southwest Virginia at the North Carolina border, was founded in 1793 and chartered in 1830. The City covers an area of approximately 44 square miles and has a population of approximately 43,000. The accompanying financial statements present the government and its component units, which are legally separate entities for which the City is financially accountable.

Primary Government: The City is governed under the City Manager-Council form of government. The City engages in a comprehensive range of municipal services, including general government administration, public safety and administration of justice, education, health, welfare, housing and human service programs, transportation and environmental services, planning, community development and recreation, cultural, library, and historic activities.

Discretely Presented Component Units: Danville Public Schools (“DPS” or the “Schools”) is organized as an independently governed school system for operating the public schools of the City. The Schools are fiscally dependent on the City and are prohibited from issuing bonded debt without approval of City council. The City is legally obligated to provide financial support to the Schools by State Law of the Commonwealth of Virginia. Annually the State superintendent provides the City with the amount of the Required Local Effort (RLE). In addition, major capital improvements are financed with long-term debt issued by the City.

The Industrial Development Authority of Danville (the “IDA”) was created as a political subdivision of the Commonwealth of Virginia by ordinance of the City Council pursuant to provisions of the Industrial Revenue Bond Act of the *Code of Virginia* (1950), as amended. Seven directors appointed by the City Council of Danville govern the IDA. The City provides the majority of the IDA’s funding. The IDA operates as a component unit solely for the purpose of economic development for the City. It is authorized to acquire, own, lease, and dispose of properties to the end that such activities may promote industry and develop trade by inducing enterprises to locate and remain in Virginia.

Complete financial statements for each of the component units may be obtained at the entities’ offices:

Danville Public Schools
P.O. Box 9600
Danville, Virginia 24543

Industrial Development Authority of Danville
P.O. Box 3300
Danville, Virginia 24543

(Continued)

CITY OF DANVILLE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

Note 1. Summary of Significant Accounting Policies (Continued)

A. Financial Reporting Entity (Continued)

Jointly Governed Organizations: City Council, in conjunction with the Board of Supervisors of Pittsylvania County, Virginia (the “County”), established Danville-Pittsylvania Community Services (“DPCS”) in 1972 to implement the provisions of Chapter 10 of Title 37.1 of the *Code of Virginia* (1950), as amended. The primary function of DPCS is the establishment and operation of behavioral health services, developmental disability services, and substance abuse prevention programs within the City and County. Seven members of the fifteen-member board of directors are appointed by City Council, and the County’s Board of Supervisors appoints the remaining eight members. The Board of Directors approves its own budget and maintains oversight of all programs. Most of the funding for DPCS comes from state and federal grants, as well as from charges for services. The City and County provide some financial assistance, but DPCS is not financially dependent on the City or the County. While not a component unit of the City or the County, DPCS is considered to be a jointly governed organization since neither the City nor the County has determinable ongoing financial interests in, or responsibilities for, DPCS. For the year ended June 30, 2021, the City provided \$497,553 in funding for DPCS.

In 2001, the Danville-Pittsylvania Regional Industrial Facility Authority (the “Facility Authority”) was created by ordinance of the Board of Supervisors of Pittsylvania County, Virginia, and the City Council of Danville, Virginia, to promote and further the purposes of the Virginia Regional Industrial Facilities Act, Chapter 64, Title 15.2 of the *Code of Virginia* (1950), as amended (Facility Act). The Facility Authority is an entity jointly owned by the City of Danville and Pittsylvania County and is a political subdivision of the Commonwealth of Virginia. The Facility Authority is empowered, among other things, to borrow money to pay the costs of real estate and all improvements located in industrial parks intended to be occupied by manufacturing, warehousing, distribution, office, or other commercial enterprise. In addition, the Facility Authority is authorized under the Facility Act to issue revenue bonds to finance facilities for such enterprises and to refund such bonds. The Facility Authority has no taxing power. For the year ended June 30, 2021 the City provided approximately \$3,950,000 in funding to the Facility Authority. The City has a moral obligation to continue to provide funding to the Facility Authority both for debt service as well as ongoing construction projects.

B. Basis of Presentation

Government-Wide Statements: The statement of net position and the statement of activities report all of the nonfiduciary activities of the primary government and its component units. These statements include the financial activities of the overall government. These statements distinguish between the *governmental* and *business-type* activities of the City. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

(Continued)

CITY OF DANVILLE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

Note 1. Summary of Significant Accounting Policies (Continued)

B. Basis of Presentation (Continued)

The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the City and for each function of the City's governmental activities. *Direct expenses* are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. *Program revenues* include (a) fees and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as *general revenues*.

Fund Financial Statements: The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund equity, revenues and expenditures, or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are spent and the means by which spending activities are controlled. The various fund categories and fund types presented in the financial statements are described below:

Governmental Fund Types

The City reports the following major governmental funds:

General Fund: The General Fund is the primary operating fund of the City. It accounts for all financial resources except those required to be accounted for in another fund.

Community Development Fund: The Community Development Fund is a special revenue fund that accounts for all financial resources used for the growth of the City through state, federal, and local grants and donations. Special revenue funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes other than debt service or capital projects.

Capital Projects Fund: The Capital Projects Fund accounts for financial resources that are restricted, committed, or assigned to expenditures for capital outlays including the acquisition or construction of capital facilities and other capital assets, other than those financed by proprietary funds.

Special Revenue Fund: The Special Revenue Fund accounts for and reports the proceeds of miscellaneous revenue sources that are restricted or committed to expenditures for specified purposes other than debt service or capital projects.

The City reports the following nonmajor governmental funds:

Special Revenue Funds: These funds consist of the Virginia Department of Transportation, and Economic Development Funds.

(Continued)

CITY OF DANVILLE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

Note 1. Summary of Significant Accounting Policies (Continued)

B. Basis of Presentation (Continued)

Governmental Fund Types (Continued)

Permanent Fund: A permanent fund is used to report resources that are legally restricted to the extent that only the earnings, and not principal, may be used for purposes that support the government's program. The Cemetery Maintenance Fund is considered a permanent nonmajor fund. Earnings are used for maintenance of the City's cemetery, which is accounted for in the nonmajor cemetery enterprise fund.

Proprietary Fund Types

Enterprise Funds: Enterprise Funds account for operations (a) that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expense incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. The City's major enterprise funds consist of the Wastewater, Water, Gas, and Electric funds.

The City's nonmajor enterprise funds consist of the Transportation, Sanitation, Telecommunication, and Cemetery Operations funds.

Internal Service Funds: Internal Service Funds account for the financing of goods or services provided by one department or other departments or agencies of the City on a cost-reimbursement basis. The Internal Service Funds are included in governmental activities for government-wide reporting purposes. The excess revenue or expenses for the funds are allocated to the appropriate functional activity. Internal service funds consist of the Motorized Equipment, Central Services, and Insurance funds.

Fiduciary Fund Types

Pension Trust Fund: The Pension Trust Fund accounts for assets held by the City in a trustee capacity for the City Employees' Retirement Plan.

Custodial Fund: The Custodial Fund accounts for assets held by the City as an agent or custodian for others. This fund consists of the Veterans' Memorial Fund.

Interfund Activity: During the course of operations the City has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements, such that only net amounts due between governmental and business-type activities are shown as internal balances.

Further, certain activity occurs during the year involving transfers of resources between funds. In the fund financial statements these amounts are reported at gross amounts as transfers in and out. Certain eliminations are made in the preparation of the government-wide financial statements.

(Continued)

CITY OF DANVILLE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

Note 1. Summary of Significant Accounting Policies (Continued)

C. Measurement Focus and Basis of Accounting

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary 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. 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 City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period for most non-grant revenues. Reimbursement basis grants are recognized as revenue when all eligibility requirements are met and are considered available if they are collected within one year of the end of the current fiscal period. 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.

Intergovernmental revenues, consisting principally of categorical aid from federal and state agencies, are recognized when earned or at the time of the specific expenditure. Sales, communication, and public utility taxes, which are collected by the Commonwealth of Virginia and public utilities, respectively, and subsequently remitted to the City, are recognized as revenues and receivables when measurable and available.

Proprietary fund types utilize the accrual basis of accounting. Revenues are recognized when earned, including unbilled utility receivables, and expenses are recognized when incurred. Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund’s principal ongoing operations. The principal operating revenues of the enterprise funds and of the City’s internal service funds are charges to customers for sales and services. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Fiduciary funds, including the Pension Trust Fund, utilize the accrual basis of accounting.

(Continued)

CITY OF DANVILLE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

Note 1. Summary of Significant Accounting Policies (Continued)

D. Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position/Fund Balance

- **Cash and cash equivalents**

All highly liquid investments (including restricted assets) with a maturity of three months or less when purchased are considered cash equivalents.

- **Investments**

Certificates of deposit and investments in SNAP and LGIP as discussed in Note 2 are reported at amortized cost. Other investments are stated at fair value.

- **Receivables**

Receivables are presented net of an allowance for doubtful accounts, which is calculated using historical collection data and specific account analysis. Demolition receivables consist of costs incurred to clean up certain properties; such amounts are billed to property owners and secured by a lien on the property. The City has included a 97% reserve for such amounts in the allowance for doubtful accounts. Incentive grant funds recoverable from recipients reflect amounts advanced under incentive grants where the recipient has failed to meet the grant requirements and the City has become liable to the Tobacco Commission for the funds. The City has recorded a reserve for 100% of these accounts.

- **Inventories**

Primary Government

Inventories in the General Fund consist of supplies, valued using the average cost method, and are reported using the consumption method, in which an expenditure is reported when the supplies are removed from inventory and used. Inventories in the Enterprise Funds consist primarily of parts held for repairs or construction, and are valued using the average cost method.

Component Units

Inventories for the Schools consist of various consumable supplies and food. Food commodities received from the United States Department of Agriculture (USDA) are carried at the value assigned by USDA.

(Continued)

CITY OF DANVILLE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

Note 1. Summary of Significant Accounting Policies (Continued)

D. Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position/Fund Balance
(Continued)

- **Property Held For Sale**

Property held for sale by the City and IDA is recorded at the lower of cost or market. Cost is determined by the acquisition price, if purchased, or at estimated fair value at the date of gift, if donated. Costs of property improvements are capitalized.

- **Capital Assets**

Capital outlays are recorded as capital assets to the extent the City's capitalization threshold is met. Infrastructure has been capitalized retroactively to 1980. The capitalization threshold for purchased or constructed capital assets is \$5,000, except that the infrastructure threshold is \$100,000. All capital assets are valued at historical cost or estimated historical cost if actual cost is not available. The City does not capitalize historical treasures or works of art. The City maintains many items and buildings of historical significance. The City does not require that the proceeds from the sale of historical treasures or works of art be used to acquire other items for the collection. Donated capital assets, donated works of art and similar items, and capital assets received in a service concession arrangement are reported at acquisition value rather than fair value.

Maintenance, repairs, and minor equipment are charged to operations when incurred. Expenditures that materially change capacities or extend useful lives of capital assets are capitalized. Upon sale or retirement of land, buildings, and equipment, the cost and related accumulated depreciation, if applicable, are eliminated from the respective accounts, and any resulting gain or loss is included in current year's operations.

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

	<u>City</u>	<u>DPS</u>	<u>IDA</u>
Buildings	40 years	40 years	40 years
Furniture and other equipment	3-20 years	5-10 years	15-40 years
Infrastructure	20-50 years	-	-

(Continued)

CITY OF DANVILLE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

Note 1. Summary of Significant Accounting Policies (Continued)

**D. Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position/Fund Balance
(Continued)**

- **Pensions and Other Postemployment Benefits (OPEB)**

For purposes of measuring all financial statement elements related to pension and OPEB plans, information about the fiduciary net position of the City's Plans and the additions to/deductions from the City's Plans' net fiduciary position have been determined on the same basis as they were reported by the Virginia Retirement System (the "VRS") or the Employees' Retirement System of the City of Danville, Virginia (the "ERS"). 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.

- **Deferred Outflows/Inflows of Resources**

In addition to assets, the statements that present net position report a separate section for *deferred outflows of resources*. These items represent a consumption of net position that applies to future periods and so will *not* be recognized as an outflow of resources (expense) until then. In addition to liabilities, the statements that present financial position report a separate section for *deferred inflows of resources*. These items represent an acquisition of net position that applies to future periods and so will *not* be recognized as an inflow of resources (revenue) until that time. The City and Schools have the following items that qualify for reporting as deferred inflows or outflows:

- Deferred loss on refunding. A deferred loss on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. Due to the relationship with outstanding debt, these deferred outflows are included in the calculation of net position, net investment in capital assets.
- Contributions subsequent to the measurement date for pensions and OPEB are always a deferred outflow; this will be applied to the net pension or OPEB liability in the next fiscal year.
- Differences between expected and actual experience for economic/demographic factors as well as changes in actuarial assumptions in the measurement of the total pension or OPEB liabilities. These differences will be recognized in pension or OPEB expense over the expected average remaining service life of all employees provided with benefits in the plans and may be reported as a deferred inflow or outflow as appropriate.
- Difference between projected and actual earnings on pension and OPEB plan investments. This difference will be recognized in pension or OPEB expense over a closed five year period and may be reported as a deferred outflow or inflow as appropriate.
- At the government-wide level, the City reports deferred inflows for unearned property taxes, which are billed and/or collected but intended to fund future years.

(Continued)

CITY OF DANVILLE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

Note 1. Summary of Significant Accounting Policies (Continued)

**D. Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position/Fund Balance
(Continued)**

- **Deferred Outflows/Inflows of Resources (Continued)**

- Unavailable revenue is reported only in the governmental funds balance sheet for receivables not collected within 60 days of year end. These amounts are deferred and recognized as inflows of resources in the period that the amounts become available.
- Changes in proportion and differences between employer contributions and proportionate share of employer contributions in the Virginia Retirement System's teacher cost sharing pool or OPEB cost sharing pool plans. This difference is deferred and recognized in expense over the average remaining service life of the employees who are subject to the plan, and may be reported as a deferred outflow or inflow as appropriate.

- **Compensated Absences and Other Employee Benefits**

Expenditures for self-insured group hospitalization and workers' compensation claims in governmental funds are recorded when the liability has been incurred. Compensated absences are reported in governmental funds only when they are due. In enterprise funds, both the expenses and the liabilities are recorded as the benefits are earned. All liabilities, current and long-term, are recorded in the government-wide statements.

- a. **Vacation Pay**

The City's policy regarding vacation pay allows for the unlimited accumulation of unused benefits. Unused vacation is paid upon termination or retirement of employment up to the City's limits, which vary depending on employee classification. Such amounts are recorded as liabilities in the governmental fund financial statements when they have matured as a result of employee resignations and retirements. In proprietary funds, both the expenses and the liabilities are recorded as benefits as earned. All vacation pay is accrued when incurred in the government-wide financial statements. Each operating fund is responsible for covering its share of vacation pay liability. The DPS allows for the accumulation of vacation pay that may be used by employees upon retirement, but is not paid at termination.

- b. **Sick Pay**

At the City accumulated sick leave benefits earned but unpaid at the end of the fiscal year are recorded as a liability at the balance sheet date to the extent they are not subject to payout limitations. Accumulated sick leave is paid to employees upon retirement at a rate of \$1.50 per hour up to a maximum of 960 hours (\$1,440 per employee). Up to one year of unused sick leave may be applied to total service years upon retirement for purposes of calculation of pension benefits. Sick leave is not paid to employees upon termination.

(Continued)

CITY OF DANVILLE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

Note 1. Summary of Significant Accounting Policies (Continued)

**D. Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position/Fund Balance
(Continued)**

- **Compensated Absences and Other Employee Benefits (Continued)**

- b. Sick Pay (Continued)**

The DPS records accrued sick leave at a rate of \$15 a day. Sick leave is only paid out upon retirement or death, therefore, the DPS only accrues sick leave for employees 50 years of age or older.

- c. Group Health Insurance**

All permanent employees of the City, including elected officials and their staff, are eligible to participate in the City's group insurance program. The City contributes between 74% – 93.5% of the premium for active participating employees, dependent upon the plan the employee selects. The City is self-insured for group health insurance with the exception of \$225,000 in stop loss coverage per individual occurrence, and aggregate stop loss coverage of 125% after approximately \$12 million.

- d. Workers' Compensation**

The City is self-insured for all workers' compensation claims. Liabilities related to reported claims are estimated on a case-by-case review of all outstanding claims by an independent claims agent.

- **Long-Term Debt**

For governmental fund types, bond premiums or discounts as well as issuance costs are recognized during the current period. Bond proceeds and any premiums and discounts are reported as an other financing source. Issuance costs, even if withheld from the actual net proceeds received, are reported as debt service expenditures. For enterprise funds and on the government-wide financial statements bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method, which is not materially different from the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Issuance costs are expensed in the year of issue.

- **Net Position/Fund Balance**

Net position in government-wide and proprietary financial statements is classified as net investment in capital assets, restricted, and unrestricted. Restricted net position reflects constraints on resources that are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through state statutes.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

(Continued)

CITY OF DANVILLE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

Note 1. Summary of Significant Accounting Policies (Continued)

D. Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position/Fund Balance (Continued)

- **Net Position/Fund Balance (Continued)**

In the fund financial statements, 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 – includes amounts associated with inventories, prepaids, long-term loans, and notes receivable.

Restricted – includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation.

Committed – includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the highest level of decision making authority – City Council. These committed amounts cannot be used for any other purpose unless City Council removes or changes the specified use by taking the same type of action it employed to previously commit those amounts. Committed fund balance also includes contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned – includes amounts intended to be used by the City for specific purposes but which do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. Assignments are made through the budget process and periodic financial reviews with the joint approval of the City Manager and the Director of Finance.

Unassigned – consists of the residual amounts in the City's General Fund.

The City has a revenue spending policy that provides guidance for programs with multiple revenue sources. The Director of Finance will use resources in the following hierarchy: bond proceeds, federal funds, state funds, local non-City funds, and City funds. For purposes of fund balance classification expenditures are to be spent from restricted fund balance first, followed by committed fund balance, then assigned fund balance, and lastly unassigned fund balance. The Director of Finance has the authority to deviate from this policy if it is considered in the best interest of the City.

The City has a policy to maintain a minimum unassigned fund balance within its General Fund of not less than 20% of operating revenues. If fiscal year end results show an increase to the unassigned fund balance, half of this increase will be as added to the City's budget stabilization balance. In 2012, City Council created a budget stabilization policy which is intended to sustain future service levels if General Fund revenues decline by more than 1.00%. Use of the funds require action by City Council, and draws from the fund are to be accompanied by cost-saving measures. The balance may not exceed 5.00% of the previous year's General Fund revenues.

(Continued)

CITY OF DANVILLE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

Note 1. Summary of Significant Accounting Policies (Continued)

D. Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position/Fund Balance (Continued)

- **Regulatory Assets and Deferred Inflows**

The City's Electric and Gas Funds apply regulatory accounting principles to certain power and gas costs, which result in regulatory assets or deferred inflows. City statutes provide that the City Utilities, over time, will adjust customers' electric and natural gas bills, for changes between expected and actual costs of purchased gas and power.

E. Estimates

Management uses estimates and assumptions in preparing its financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent liabilities, and reported revenue, expenditures, and expenses. Actual results could differ from these estimates.

F. Budgetary Information

Prior to April 1, the City Manager submits to City Council a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means to finance them. After a public hearing has been conducted to obtain taxpayer comments, the budget is legally adopted through passage of an ordinance prior to July 1, of each year.

The legal level of budgetary control is effective at the fund level. The City Manager is authorized to transfer budgeted amounts within each fund. Transfers between funds require City Council approval.

An annual operating budget is adopted for only the General Fund. All budgets are presented on the modified accrual basis of accounting. Effective budgetary control is achieved for the Capital Projects Fund and Special Revenues Funds on a project-by-project or per grant basis when funding sources become available.

Budgets are adopted for management control for the Enterprise and Internal Services Funds. The restrictions on transfer of budgeted amounts for governmental funds also apply to the Enterprise and Internal Service Funds, except in the Gas and Electric Funds. Amounts in those funds budgeted for the purchase of natural gas and electric power may be increased to the extent that actual revenues exceed the original budgeted revenue.

All appropriations lapse at year end except appropriations within the Capital Projects Fund and Special Revenue Funds, which are continued until completion of the applicable projects or grants, even when such projects or grants extend beyond one fiscal year.

(Continued)

CITY OF DANVILLE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

Note 1. Summary of Significant Accounting Policies (Continued)

G. Fair Value Measurements

The City categorizes its fair value measurements within the fair value hierarchy established by accounting principles generally accepted in the United States of America (GAAP). The hierarchy is based on the valuation inputs used to measure the fair value of the asset and are described as follows:

- Level 1 inputs are quoted prices in active markets for identical assets;
- Level 2 inputs are significant other observable inputs; bond valued by a pricing service that uses matrix price;
- Level 3 inputs are significant unobservable inputs.

Note 2. Deposits and Investments

Deposits

Deposits with banks are covered by the Federal Deposit Insurance Corporation (FDIC) and collateralized in accordance with the Virginia Security for Public Deposits Act (the “Act”) Section 2.2-4400 et. seq. of the *Code of Virginia*. Under the Act, banks and savings institutions holding public deposits in excess of the amount insured by the FDIC must pledge collateral to the Commonwealth of Virginia Treasury Board. Financial institutions may choose between two collateralization methodologies and depending upon that choice, will pledge collateral that ranges in amount from 50% to 130% of excess deposits. Accordingly, all deposits are considered fully collateralized.

Investments

Investment Policy

In accordance with state statutes, the current investment policy (the “Policy”) of the City authorizes investments in obligations of the United States and agencies thereof, commercial paper, repurchase agreements which are collateralized with securities that are approved for direct investment, the Virginia State Non-Arbitrage Program (SNAP) or other authorized Arbitrage Investment Management programs, and the State Treasurer’s Local Government Investment Pool (the Virginia LGIP). SNAP is overseen by the Treasurer of Virginia and the State Treasury Board. Pursuant to Sec. 2.1-234.7 of the *Code of Virginia*, the Treasury Board of the Commonwealth sponsors the LGIP and has delegated certain functions to the State Treasurer. The carrying values of the position in LGIP and SNAP are the same as the value of the pool shares (i.e., both maintain a stable net asset value of \$1 per share in accordance with GASB No. 79). The Policy specifies that no investment may have a maturity greater than one year from date of purchase, unless matched to a specific cash flow.

The City’s investments are subject to credit risk, concentration of credit risk, interest rate risk, and custodial risk as described below. The City’s investments are not subject to foreign currency risk.

(Continued)

CITY OF DANVILLE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

Note 2. Deposits and Investments (Continued)

Investments (Continued)

Credit Risk

As required by state statute, the Policy requires that commercial paper have a short-term debt rating of no less than “A-1” or “P-1” (or its equivalent) from Moody’s Investors Service or Standard & Poor’s. Corporate notes and certificate of deposits maturing in more than one year shall be defined as rated by Standards & Poor’s no lower than “AA” or by Moody’s as no lower than “Aa.” Certificates of deposit maturing in less than one year must have a short-term debt rating of at least “A-1” by Standard & Poor’s or “P-1” by Moody’s Investors Service.

Although state statute does not impose credit standards on repurchase agreement counterparties, bankers’ acceptances, or money market mutual funds, the City has established stringent credit standards for these investments to minimize portfolio risk.

Concentration of Credit Risk

The Policy establishes limitations on portfolio composition by issuer in order to control concentration of credit risk. The Policy establishes limitations on the holdings on non-U.S. government obligations. The maximum percentage of the portfolio (book value at the date of acquisition) permitted for commercial paper and corporate notes are 35% of the portfolio.

Interest Rate Risk

As a means of limiting exposure to fair value losses arising from rising interest rates, the Policy limits the investment of operating funds to investments with a stated maturity of no more than five years from the date of purchase.

Custodial Credit Risk

The Policy requires that all investment securities purchased by the City be held by the City or by a third-party custodial agent who may not otherwise be counterparty to the investment transaction. As of June 30, all of the City’s investments are held in a custodian’s trust department in the City’s name.

(Continued)

CITY OF DANVILLE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

Note 2. Deposits and Investments (Continued)

Investments (Continued)

The City's investments consist of the following:

	<u>Carrying Value</u>	<u>Weighted Average Maturity (Years)</u>
Municipal non-taxable bonds	\$ 6,531,037	2.45
Municipal taxable bonds	7,090,374	2.13
U.S. government bonds	10,953,220	5.01
State bonds	4,137,855	3.77
Certificates of deposit	82,500,000	0.79
LGIP	5,417,844	N/A
SNAP	17,242,465	N/A
	<u>\$ 133,872,795</u>	

City investments by credit rating consist of the following:

<u>Rating (Moody's or S&P)</u>	<u>Carrying Value</u>
AA	\$ 1,486,939
AA+	12,512,905
AAA	14,712,642
AAAm	22,660,309
Unrated	82,500,000
	<u>\$ 133,872,795</u>

LGIP and SNAP have been rated as AAAm by Standard & Poor's.

CITY OF DANVILLE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

Note 2. Deposits and Investments (Continued)

Investments (Continued)

Fair Value

The City categorizes its investment fair value measurements within the fair value hierarchy established by GAAP as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments by fair value level				
State bonds	\$ -	\$ 4,137,855	\$ -	\$ 4,137,855
Municipal bonds	-	13,621,411	-	13,621,411
U.S. government bonds	-	10,953,220	-	10,953,220
	<u>\$ -</u>	<u>\$ 28,712,486</u>	<u>\$ -</u>	<u>\$ 28,712,486</u>

Cash and investments are reflected in the financial statements as follows:

		<u>Component Units</u>	
	<u>Primary Government</u>	<u>Danville Public Schools</u>	<u>Industrial Development Authority</u>
Deposits and investments:			
Demand deposits	\$ 38,358,758	\$ 765,968	\$ 18,133,894
Cash on hand	64,300	1,175	-
Money market fund – held by custodian in escrow	114,300	-	-
Bonds	28,712,486	-	-
Certificates of deposit	82,500,000	-	-
LGIP	5,417,844	754,391	-
SNAP	17,242,465	-	-
	<u>\$ 172,410,153</u>	<u>\$ 1,521,534</u>	<u>\$ 18,133,894</u>
Statement of net position:			
Cash and investments – unrestricted	\$ 132,866,270	\$ 1,521,534	\$ 8,175,145
Cash and investments – restricted	39,429,583	-	9,958,749
Cash held by custodian in escrow	114,300	-	-
	<u>\$ 172,410,153</u>	<u>\$ 1,521,534</u>	<u>\$ 18,133,894</u>

(Continued)

CITY OF DANVILLE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

Note 2. Deposits and Investments (Continued)

Investments (Continued)

Restricted cash at June 30, 2021, consisted of:

	<u>Primary Government</u>
Unspent bond proceeds	\$ 17,242,464
Unspent grants	19,013,392
Cemetery perpetual care	2,922,222
State and federal forfeiture funds	<u>251,505</u>
	<u><u>\$ 39,429,583</u></u>

Employees' Retirement System Investments

All investments of the Employees' Retirement System (the "System") are to adhere to the Board of Trustees Statement of Policy and Guidelines adopted on August 13, 1997, as amended. The Investment Consultant and the Executive Secretary of the Board will review compliance with these policies and guidelines on a regular basis. They shall report to the Trustees on a timely basis any violations, exceptions, required reports, and/or requests made by the investment managers with respect to the stated policies.

In accordance with these guidelines, investments are reported at fair value. Temporary cash investments are reported at cost, which approximates fair value. Each advisor has been apportioned funds assuming that they will be fully invested in his assigned sector with no more than 5-10% in cash equivalents. Securities traded on national or international exchanges are valued at quoted market prices as of the date of the statement of plan net position. The fair value of the real estate investment and the real estate – timberland investment is based on an independent appraisal. Certain of the System's investments are held with partnerships or other common funds where value is reported on a net asset value (NAV) per share, and is estimated by the fund manager.

Based on an asset study completed in 2015, the Trustees implemented the following asset deployment (based upon market value) to best achieve the long-term goals of the System in terms of compound total rate of return and assumed risk:

Domestic Equities	30%
Bonds	30
International Equities	10
Emerging Markets	10
Real Estate	10
Real Estate – Timber	5
Private Equity	5

(Continued)

CITY OF DANVILLE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

Note 2. Deposits and Investments (Continued)

Employees' Retirement System Investments (Continued)

This target mix has been chosen for the aggregate total portfolio. From time to time, the actual mix will fluctuate based on market conditions, performance, and cash flow considerations. However, it is desired that the fluctuations be kept to a minimum. From time to time, the Trustees may redeploy assets among the managers to balance the portfolio in accordance with the above target. As the portfolio grows, additional specialties may be used in addition to the ones above. The aggregation of domestic and international equities will be considered as part of the total equity allocation and real estate will be considered as part of the bond allocation for these purposes.

For the year ended June 30, 2021, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 23.48%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Interest Rate Risk

The System had the following investments subject to interest rate risk as of June 30, 2021:

Investment Type	Fair Value	Investment Maturities (in years)			
		Less than 1	1 – 6	6 – 10	More than 10
Corporate bonds	\$ 38,807,595	\$ 1,704,045	\$ 22,855,794	\$ 5,178,613	\$ 9,069,143
Government backed CMOs	9,463,241	-	-	-	9,463,241
Government bonds	19,632,357	961,715	159,586	14,531,769	3,979,287
Non-government backed CMOs	206,692	-	-	-	206,692
Government agencies	312,006	-	-	-	312,006
		<u>\$ 2,665,760</u>	<u>\$ 23,015,380</u>	<u>\$ 19,710,382</u>	<u>\$ 23,030,369</u>
Temporary cash investments	<u>5,890,579</u>				
Total – subject to interest rate risk	<u>\$ 74,312,470</u>				

These investments are included on the statement of fiduciary net position as:

Temporary cash investments	\$ 5,890,579
Corporate bonds and bond funds	39,014,287
U.S. government bonds	<u>29,407,604</u>
	<u>\$ 74,312,470</u>

The System's investment policy does not limit investment maturities.

(Continued)

CITY OF DANVILLE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

Note 2. Deposits and Investments (Continued)

Employees' Retirement System Investments (Continued)

Credit Risk

The System's formal investment policy requires a minimum rating of A by Standard & Poor's for any corporate bond at the time the bond is acquired.

The System's exposure to credit risk as of June 30, 2021 is as follows:

Investment Type/Rating	AAA	AA	A	BBB	U.S. Government Guaranteed	Not rated	Total
Non-government backed CMOS	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 206,692	\$ 206,692
Government agencies	-	-	312,006	-	-	-	312,006
Government backed CMOS	-	-	-	-	9,463,241	-	9,463,241
Government bond funds	-	-	-	-	18,109,124	1,523,233	19,632,357
Corporate bond funds	1,376,716	3,611,609	19,015,801	14,803,469	-	-	38,807,595
Short-term investments	-	-	-	-	-	5,890,579	5,890,579
	<u>\$ 1,376,716</u>	<u>\$ 3,611,609</u>	<u>\$ 19,327,807</u>	<u>\$ 14,803,469</u>	<u>\$ 27,572,365</u>	<u>\$ 7,620,504</u>	<u>\$ 74,312,470</u>

Concentration of Credit Risk

The System's formal policy limits investments in any corporate entity to 5.00% of the outstanding shares in a company or 15 times the average daily trading volume for that stock. The policy prohibits any one corporate bond holding from exceeding 10% of the portfolio, at market value. The policy also limits total bond holdings in any corporation to 10% of the long-term indebtedness of that corporation.

The System did not have any single investment over 5.00% of the total investments of the system.

Foreign Currency Risk

All foreign investments are valued in United States dollars. The asset allocation policy of the System allows the managers to invest in equity securities of any developed country provided that no more than 20% of the total assets are in any one developed country except Japan where the maximum is 25%.

Unfunded Commitments

The System had non-marketable alternative investments that have associated unfunded commitments at June 30, 2021. These investments were in private equity, which had a fair value of \$10,176,161 and unfunded commitments of \$2,570,511 at June 30, 2021.

Unfunded commitments are drawn down throughout the life of the investment based on the cash needs of each individual limited partnership or real estate manager. Limited partnerships with unfunded commitments generally have remaining lives of 4 to 10 years.

(Continued)

CITY OF DANVILLE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

Note 2. Deposits and Investments (Continued)

Employees' Retirement System Investments (Continued)

Fair Value

The System categorizes its fair value measurements within the fair value hierarchy established by GAAP. The System has the following recurring fair value measurements as of June 30, 2021:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments by fair value level				
Equity securities				
Domestic equity funds	\$ 142,116,649	\$ -	\$ -	\$ 142,116,649
International equity funds	31,563,707	-	-	31,563,707
	<u>173,680,356</u>	<u>-</u>	<u>-</u>	<u>173,680,356</u>
Total equity securities				
Debt securities				
Corporate bond funds	-	38,807,595	-	38,807,595
U.S. government bond funds	-	19,945,063	-	19,945,063
Collateralized mortgage obligation	-	9,669,933	-	9,669,933
	<u>-</u>	<u>68,422,591</u>	<u>-</u>	<u>68,422,591</u>
Total debt securities				
	<u>-</u>	<u>68,422,591</u>	<u>-</u>	<u>68,422,591</u>
Total investments by fair value level	<u>\$ 173,680,356</u>	<u>\$ 68,422,591</u>	<u>\$ -</u>	<u>242,102,947</u>
Investments measured at NAV				
Real estate				
Real estate funds				39,709,536
Real estate funds – timberland				<u>7,119,001</u>
Total real estate funds				46,828,537
Private equity funds				<u>10,176,161</u>
Total investments measured at NAV				<u>57,004,698</u>
Total investments measured at fair value				<u>\$ 299,107,645</u>

(Continued)

CITY OF DANVILLE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

Note 2. Deposits and Investments (Continued)

Employees' Retirement System Investments (Continued)

Fair Value (Continued)

Securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. Debt securities classified in Level 2 of the fair value hierarchy are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices.

Equity securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities.

Government bonds, corporate bonds, and collateralized mortgage obligations classified in Level 2 of the fair value hierarchy are valued on the basis of evaluated prices provided by independent pricing services when such prices are believed to reflect the fair value of such securities. Such prices may be determined by taking into account a security's price, yield, maturity, call feature, rating, or institutional-size trading in similar groups of securities and developments related to specific securities.

Investments Measured at NAV

Investments measured at NAV per share are as follows:

	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency (If Currently Eligible)</u>	<u>Redemption Notice Period</u>
Real estate funds	\$ 39,707,536	\$ -	Not eligible	N/A
Real estate funds – timberland	7,119,001	-	Not eligible	N/A
Private equity funds	<u>10,176,161</u>	<u>2,570,511</u>	Not eligible	N/A
Total investments measured at NAV	<u>\$ 57,004,698</u>	<u>\$ 2,570,511</u>		

Real estate funds. This type includes open-end diversified core real estate commingled funds which primarily invests in institutional quality industrial, multi-family, office, and retail properties located throughout the U.S. The fair values of the investments have been determined using NAV per share (or its equivalent) based on valuations from the fund managers using appraisals from independent appraisers, using various valuation methods, including the income approach, cost basis approach and discounted cash flow method. In most cases, a combination of these methods is used.

(Continued)

CITY OF DANVILLE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

Note 2. Deposits and Investments (Continued)

Investments Measured at NAV (Continued)

Real estate funds – timberland. This type includes two funds which were established to invest and reinvest assets of members primarily in interests in real property, which is to be timberland and timber; contracts or agreements for the cutting and/or use of timber on timberland; and in such other assets as deemed appropriate to establish proper portions of liquid assets for the Funds. The fair values of the investments have been determined using NAV per share (or its equivalent) based on valuations from the fund managers which uses appraisals from independent appraisers which determine the value using cost approach, sales comparison approach or income approach.

Private equity funds. This type includes three closed-end commingled funds that take private ownership of companies. The fair values of the investments have been determined using the NAV per share (or its equivalent) of the ERS's ownership interest in partners' capital. All of the investments are generally considered to be illiquid investments. Distributions from each fund will be received as the underlying investments of the funds are liquidated. It is expected that the underlying assets of the funds will have a life from 6 to 12 years from inception. It is also possible for the investments to be sold in the secondary market.

Note 3. Property Taxes

The City levies real estate taxes on all real property on a fiscal year basis, at a rate enacted by the City Council on the assessed value of property (except public utility property) as determined by the Director of Real Estate Assessments of the City. The Commonwealth of Virginia assesses public utility property. Neither the City nor the Commonwealth of Virginia imposes a limitation on the tax rate. All property is assessed at 100% of fair market value and reassessed each year as of July 1 at which time property taxes attach as an enforceable lien. The Director of Real Estate Assessments, by authority of City ordinance, prorates billings for property where construction is incomplete as of July 1, but completed during the year. Any taxes paid after the due date are subject to a 10% penalty. Real estate taxes are billed in equal semi-annual installments due December 5 and June 5. The tax rate effective for fiscal year 2021 was \$0.84 per \$100 of assessed value.

Personal property tax assessments on tangible business property and all motor vehicles are based on 100% of fair market value of the property as of January 1 of each year. For a vehicle, the tax may be prorated for the length of time the vehicle is in the City. Personal property taxes do not create a lien on property. Interest at the rate of 10% per annum is added to the delinquent tax and penalty. The taxes receivable balance at June 30, 2021 includes amounts not yet received from the January 1, 2021 levy due June 5, 2021. Personal property taxes are billed in equal semi-annual installments due June 5 and December 5. The tax rate for fiscal year 2021 was \$3.60 for motor vehicles and tangible property and \$1.50 for machinery and tools per \$100 of assessed value. Under the provisions of the Personal Property Tax Relief Act of 1998, the state's share of the local personal property tax payment is an annual amount of \$3,593,576.

(Continued)

CITY OF DANVILLE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

Note 4. Receivables

Receivables consist of the following:

			<u>Component Units</u>	
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Danville Public Schools</u>	<u>Industrial Development Authority</u>
Receivables				
Taxes and licenses	\$ 16,262,250	\$ -	\$ -	\$ -
Accounts	291,281	22,342,541	-	69,894
Demolition	4,628,627	-	-	-
Public works	557,553	-	-	-
Juvenile detention	311,729	-	-	-
Accrued interest	920,862	-	-	-
Miscellaneous	212,498	-	290,676	-
	23,184,800	22,342,541	290,676	69,894
Less: allowance for doubtful accounts	(5,534,365)	(4,277,649)	-	-
Net receivables	<u>\$ 17,650,435</u>	<u>\$ 18,064,892</u>	<u>\$ 290,676</u>	<u>\$ 69,894</u>

Note 5. Due From Other Governments

Amounts due from other governments consist of the following:

			<u>Component Unit</u>
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Danville Public Schools</u>
Federal and state funding:			
Airport runway	\$ 1,008,491	\$ -	\$ -
CDBG grant	140,473	-	-
Hurricane Michael relief	7,443,760	-	-
Riverside improvements	-	-	-
Transportation operations	-	651,536	-
Education grants	-	-	4,740,673
State compensation board funding	429,860	-	-
Comprehensive service act funding	645,119	-	-
Social services funding	512,752	-	-
Cares grants	236,958	-	-
Other miscellaneous state and federal grants	863,117	21,160	-
Sales and communication taxes	2,143,125	-	-
DPRIFA true-up	1,465,304	-	-
	<u>\$ 14,888,959</u>	<u>\$ 672,696</u>	<u>\$ 4,740,673</u>

(Continued)

CITY OF DANVILLE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

Note 6. Energy Cost Adjustments

The City's Electric and Gas Funds apply regulatory accounting principles to certain power and gas costs, which result in regulatory assets or deferred inflows. City statutes provide that the City utilities, over time, will adjust customers' electric and natural gas bills for changes between expected and actual costs of purchased gas and power.

Energy cost adjustments at June 30 consist of wholesale costs in the Gas and Electric Funds that have been passed on to consumers, but are expected to be recovered by the consumers through future rate differentials. These rate differentials are primarily accomplished through the City's power cost adjustment (PCA) rate component.

Note 7. Loans Receivable

The City provides several types of housing loans to low income citizens within the City through awards from the U.S. Department of Housing and Urban Development (HUD). Substantially all of the loans, except for those below \$3,000 in amount, are secured by a first or second deed of trust on the related real estate. These loans consist of the following:

Deferred loans – no monthly principal payments are due. The full amount of the loan becomes due if the house is no longer occupied as primary residence by the designated owner. No interest is charged on these loans.

Low interest loans – these loans are generally amortized over 10 years if under \$5,000 or over 20 years if over \$5,000. The loans bear interest at 4.00% to 6.00% and the maximum loan amount is \$40,000.

Forgivable loans – no interest is charged and 20% of the principal balance is forgiven at each anniversary date of the loan. The maximum forgivable loan amount is \$30,000 for houses under 1,400 square feet and \$40,000 for houses over 1,400 square feet.

Revitalization loans – As part of blight removal and revitalization efforts the City may rehabilitate a property through repair, demolition, or new construction, and then deed the property to the Danville Redevelopment Housing Authority (DRHA). The property must then be sold to qualified low income buyers, often through rent-to-own arrangements, and proceeds are returned to the City for similar reinvestments.

CITY OF DANVILLE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

Note 7. Loans Receivable (Continued)

Loans receivable consist of the following:

Revitalization loans	\$ 265,376
Deferred loans	337,814
Low interest loans	677,107
Forgivable loans	<u>1,916,707</u>
	3,197,004
Less: allowance for doubtful accounts	<u>(2,269,367)</u>
	<u><u>\$ 927,637</u></u>

Note 8. Interfund Balances and Activity

Balances due to/from other funds consist of the following:

	Due To (Fund)	
	General Fund	Total
Due From (Fund)		
Community Development	\$ 261,040	\$ 261,040
Motorized Equipment	1,871,536	1,871,536
Central Services	290,478	290,478
Special Revenue	<u>7,358,563</u>	<u>7,358,563</u>
	<u><u>\$ 9,781,617</u></u>	<u><u>\$ 9,781,617</u></u>

Interfund receivables and payables arise primarily to provide short-term advances to other funds as needed. The General Fund may serve as a purchaser or source of liquidity for other funds in the normal course of operations.

(Continued)

CITY OF DANVILLE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

Note 8. Interfund Balances and Activity (Continued)

Transfers between funds for the current year were as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>	<u>Net Transfers</u>
Governmental Funds:			
General Fund	\$ 15,353,000	\$ (7,147,993)	\$ 8,205,007
Capital Projects Fund	2,306,489	(3,000)	2,303,489
Economic Development Fund	3,600,950	-	3,600,950
Special Revenue Fund	1,243,554	-	1,243,554
	<u>\$ 22,503,993</u>	<u>\$ (7,150,993)</u>	<u>\$ 15,353,000</u>
Enterprise Funds:			
Wastewater Fund	\$ -	\$ (705,760)	\$ (705,760)
Water Fund	-	(950,300)	(950,300)
Gas Fund	-	(3,186,330)	(3,186,330)
Electric Fund	-	(10,429,610)	(10,429,610)
Telecommunication Fund	-	(81,000)	(81,000)
	<u>\$ -</u>	<u>\$ (15,353,000)</u>	<u>\$ (15,353,000)</u>

Transfers from the General Fund to the Capital Projects Fund represent the City's budgeted pay-as-you-go funding for capital projects.

Transfers from the General Fund to the Special Revenue Fund represent City funds required to match grant program resources.

Transfers from the General Fund to the Economic Development Fund represent the City's support of ongoing economic development activity.

Transfers from the Enterprise Funds are received by the General Fund, and represent contributions from these funds to support the City's operations.

(Continued)

CITY OF DANVILLE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

Note 9. Balances Between City and Component Units

Due to/from balances between the City and its component units are as follows:

	<u>Due From</u>	<u>Due To</u>
Primary Government:		
Governmental Activities	\$ 16,383,670	\$ -
Component Units:		
Danville Public Schools	\$ -	\$ 2,105,858
Danville Industrial Development Authority – payable	-	156,812
Danville Industrial Development Authority – loan	-	14,121,000
	-	16,383,670
Less: long-term portion	-	(13,559,000)
Current portion	\$ -	\$ 2,824,670

On September 1, 2013, the IDA issued a taxable revenue bond in the amount of \$7,160,000. As part of the debt issuance documents, the City has agreed to appropriate annual payments to the IDA for debt service. This bond was refunded in fiscal year 2017 and again in 2021. The new interest rate for the bond is 1.49% and is scheduled to be paid off in fiscal year 2028.

In May 2021, the IDA issued a taxable Public Facility Lease Revenue Note in the amount of \$10 million, the proceeds of which were placed in unspent bond proceeds. As part of the debt issuance documents, the City has agreed to appropriate annual payments to the IDA for debt service, therefore upon the consummation of this agreement the IDA recognized a \$10 million receivable from the City and a corresponding amount of economic development revenue from the City.

The IDA also has \$156,812 receivable from the City for property maintenance at June 30, 2021.

These amounts are due in the following installments:

<u>Year Ending</u> <u>June 30,</u>	<u>Due From</u> <u>City To IDA</u>	
	<u>Principal</u>	<u>Interest</u>
2022	\$ 718,812	\$ 223,309
2023	571,000	214,898
2024	580,000	206,361
2025	588,000	197,689
2026	10,597,000	175,223
2027-2031	1,223,000	20,562
	<u>\$ 14,277,812</u>	<u>\$ 1,038,042</u>

(Continued)

CITY OF DANVILLE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

Note 10. Component Unit IDA Leases

The IDA has operating leases to local companies with various terms and renewal options. These businesses have received incentives through the IDA to locate, expand, or remain in the Danville area. Lease payments are based on the principal loan balance the IDA owes on the individual properties. These leases have remaining terms of 3-5 years with option to extend between 8-15 years.

Future estimated minimum payments receivable under the operating leases are as follows:

Year Ending June 30,	
2022	\$ 470,174
2023	223,130
2024	131,925
2025	99,150
2026	99,150
2027-2031	<u>288,563</u>
	<u><u>\$ 1,312,092</u></u>

The IDA has also entered into certain sales-type leases, under which the lease payments are accounted for as a long-term receivable and the gain or loss on the sale of the underlying property has been recognized at the time of the lease agreement. Minimum future lease payments due under the sales-type leases are as follows:

Year Ending June 30,	
2022	\$ 33,900
2023	33,900
2024	33,900
2025	33,900
2026	33,900
Thereafter	<u>187,775</u>
	357,275
Less unearned income	<u>(80,006)</u>
Net investment in sales-type leases	<u><u>\$ 277,269</u></u>

(Continued)

CITY OF DANVILLE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

Note 11. Capital Assets

Changes in capital assets were as follows:

Governmental Activities	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not depreciated:				
Land	\$ 20,353,034	\$ -	\$ -	\$ 20,353,034
Construction in progress	13,486,492	6,860,732	(416,094)	19,931,130
Total capital assets, not depreciated	33,839,526	6,860,732	(416,094)	40,284,164
Capital assets, depreciated:				
Buildings	59,733,412	3,940,549	-	63,673,961
Infrastructure	75,123,245	90,610	-	75,213,855
Furniture and other equipment	48,466,461	3,444,131	(1,162,731)	50,747,861
Total capital assets, depreciated	183,323,118	7,475,290	(1,162,731)	189,635,677
Less accumulated depreciation:				
Buildings	(25,217,700)	(1,640,840)	-	(26,858,540)
Infrastructure	(41,695,892)	(3,002,675)	-	(44,698,567)
Furniture and other equipment	(38,788,625)	(2,646,463)	758,033	(40,677,055)
Total accumulated depreciation	(105,702,217)	(7,289,978)	758,034	(112,234,162)
Total City capital assets, depreciated, net	77,620,901	185,312	(404,698)	77,401,515
Assets transferred from DPS*	77,837,094	-	-	77,837,094
Less accumulated depreciation	(77,837,094)	-	-	(77,837,094)
Total assets transferred from DPS, net	-	-	-	-
Total capital assets, depreciated, net	77,620,901	185,312	(404,698)	77,401,515
Governmental activities capital assets, net	\$ 111,460,427	\$ 7,046,044	\$ (820,792)	\$ 117,685,679

- * The Virginia Assembly permits the local option of creating a tenancy in common with the local school board when a city or county issues bonds for acquisition, construction, or improvement of public school property. As a result, certain school buildings purchased with the City's general obligation bonds are reported as part of the City's capital assets.

(Continued)

CITY OF DANVILLE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

Note 11. Capital Assets (Continued)

Governmental Activities

Depreciation, not including \$837,484 reported in the internal service funds, was charged to government functions as follows:

General government administration	\$ 1,282,503
Judicial administration	80,425
Public safety	1,444,506
Public works	3,117,984
Health and welfare	32,143
Parks, recreation, and cultural	342,511
Community development	152,422
	<u>\$ 6,452,494</u>

<u>Business-Type Activities</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets, not depreciated:				
Land	\$ 1,478,743	\$ 108,991	\$ (185,081)	\$ 1,402,653
Construction in progress	19,322,148	12,985,173	(23,659,517)	8,647,804
	<u>20,800,891</u>	<u>13,094,164</u>	<u>(23,844,598)</u>	<u>10,050,457</u>
Total capital assets, not depreciated				
Capital assets, depreciated:				
Buildings and infrastructure	484,116,095	25,043,502	(33,302,529)	475,857,068
Furniture and other equipment	81,513,023	1,580,499	(3,202,903)	79,890,619
	<u>565,629,118</u>	<u>26,624,001</u>	<u>(36,505,432)</u>	<u>555,747,687</u>
Total capital assets, depreciated				
Less accumulated depreciation:				
Buildings and infrastructure	(206,008,074)	(12,031,967)	22,583,238	(195,456,803)
Furniture and other equipment	(60,102,306)	(2,681,198)	3,173,142	(59,610,362)
	<u>(266,110,380)</u>	<u>(14,713,165)</u>	<u>25,756,380</u>	<u>(255,067,165)</u>
Total accumulated depreciation				
Total capital assets, depreciated, net	<u>299,518,738</u>	<u>11,910,836</u>	<u>(10,749,052)</u>	<u>300,680,522</u>
Business-type activities capital assets, net	<u>\$ 320,319,629</u>	<u>\$ 25,005,000</u>	<u>\$ (34,593,650)</u>	<u>\$ 310,730,979</u>

(Continued)

CITY OF DANVILLE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

Note 11. Capital Assets (Continued)

Component Unit – Danville Public Schools

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets, not depreciated:				
Land	\$ 2,176,690	\$ -	\$ -	\$ 2,176,690
Total capital assets, not depreciated	<u>2,176,690</u>	<u>-</u>	<u>-</u>	<u>2,176,690</u>
Capital assets, depreciated:				
Buildings	59,871,533	1,801,388	-	61,672,921
Furniture and other equipment	<u>10,591,967</u>	<u>1,114,348</u>	<u>(88,133)</u>	<u>11,618,182</u>
Total capital assets, depreciated	<u>70,463,500</u>	<u>2,915,736</u>	<u>(88,133)</u>	<u>73,291,103</u>
Less accumulated depreciation:				
Buildings	(45,944,566)	(951,651)	-	(46,896,217)
Furniture and other equipment	<u>(7,657,994)</u>	<u>(1,083,479)</u>	<u>83,410</u>	<u>(8,658,063)</u>
Total accumulated depreciation	<u>(53,602,560)</u>	<u>(2,035,130)</u>	<u>83,410</u>	<u>(55,554,280)</u>
Capital assets depreciated, net	<u>16,860,940</u>	<u>880,606</u>	<u>(4,723)</u>	<u>17,736,823</u>
Total capital assets, net	<u>\$ 19,037,630</u>	<u>\$ 880,606</u>	<u>\$ (4,723)</u>	<u>\$ 19,913,513</u>

(Continued)

CITY OF DANVILLE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

Note 11. Capital Assets (Continued)

Component Unit – Industrial Development Authority

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets, not depreciated:				
Land	\$ 9,753,971	\$ 203,990	\$ (5,962,655)	\$ 3,995,306
Construction in progress	680,408	956,979	(27,990)	1,609,397
	<u>10,434,379</u>	<u>1,160,969</u>	<u>(5,990,645)</u>	<u>5,604,703</u>
Capital assets, depreciated:				
Building	26,424,839	8,656,337	(10,954,613)	24,126,563
Equipment	75,000	-	-	75,000
	<u>26,499,839</u>	<u>8,656,337</u>	<u>(10,954,613)</u>	<u>24,201,563</u>
Less accumulated depreciation	<u>(3,841,954)</u>	<u>(627,460)</u>	<u>405,389</u>	<u>(4,064,025)</u>
	<u>22,657,885</u>	<u>8,028,877</u>	<u>(10,549,224)</u>	<u>20,137,538</u>
Total capital assets, net	<u>\$ 33,092,264</u>	<u>\$ 9,189,846</u>	<u>\$ (16,539,869)</u>	<u>\$ 25,742,241</u>

(Continued)

CITY OF DANVILLE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

Note 12. Long-Term Liabilities

Following is a summary of the changes in long-term liabilities:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
<u>Governmental Activities</u>					
General obligation bonds	\$ 45,896,814	\$ 7,481,262	\$ (5,438,606)	\$ 47,939,470	\$ 4,271,703
Bond premiums	2,832,474	795,918	(181,423)	3,446,969	-
Capital leases	293,141	-	(124,760)	168,381	101,853
Tobacco commission obligation (Note 25)	112,000	-	(25,334)	86,666	43,333
Compensated absences	3,072,495	3,338,830	(2,908,528)	3,502,797	3,152,517
Workers' compensation	1,638,845	1,006,982	(280,152)	2,365,675	715,854
	<u>\$ 53,845,769</u>	<u>\$ 12,622,992</u>	<u>\$ (8,958,803)</u>	<u>\$ 57,509,958</u>	<u>\$ 8,285,260</u>
<u>Business-Type Activities</u>					
General obligation bonds	\$ 49,697,330	\$ 7,548,738	\$ (6,209,117)	\$ 51,036,951	\$ 4,243,051
Bond premiums	4,696,249	729,312	(426,424)	4,999,137	-
Capital leases	843,182	294,175	(257,610)	879,747	223,690
Landfill postclosure costs (Note 13)	990,000	-	(90,000)	900,000	90,000
Compensated absences	811,042	880,395	(856,112)	835,325	752,433
Workers' compensation	157,413	124,644	(68,697)	213,360	45,659
	<u>\$ 57,195,216</u>	<u>\$ 9,577,264</u>	<u>\$ (7,907,960)</u>	<u>\$ 58,864,520</u>	<u>\$ 5,354,833</u>

Compensated absences and workers' compensation, for governmental activities, are typically paid from the General Fund.

Tobacco Commission Obligation

The City, in conjunction with the IDA, has noted that certain grant recipients are not performing under their agreements with the City and Tobacco Commission. In accordance with the grant agreements, the City is liable to the Tobacco Commission up to the full amount of the Tobacco Commission funds provided in the original award. The City reached an agreement to repay these funds to the Tobacco Commission over four years, and will attempt to recover the funds from the grant recipients.

(Continued)

CITY OF DANVILLE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

Note 12. Long-Term Liabilities (Continued)

General Obligation Public Improvement Bonds, Series 2020

On December 8, 2020, the City issued \$11,395,000 (less \$220,154 in underwriting fees and other issuance costs) of General Obligation Public Improvement and Refunding Bonds, Series 2020A, consisting of new money and refunding the 2010A bond issue in the amounts of \$11,145,000 and \$250,000, respectively. On December 8, 2020, the City also issued \$3,635,000 (less \$82,778 in underwriting fees and other issuance costs) of General Obligation Public Improvement Bonds, Series 2020B, refunding the 2012B bond issue. The City issued the Bonds to finance capital expenditures for general governmental projects, to refund the aforementioned bonds, and pay the costs of issuing the bonds. The bonds issued created a cash flow savings of \$293,442.

The following schedule represents all long-term debt of the City:

<u>Description</u>	<u>Original Issue</u>	<u>Annual Amount</u>	<u>Interest Rate</u>	<u>Maturity</u>	<u>Outstanding June 30, 2021</u>
General Obligation Bonds					
School Series 2001B – G.W.	\$ 6,512,513	\$ 296,369 – 371,160	3.10 – 5.10 %	07/15/2021	\$ 371,160
School Series 2001B – Langston	5,210,006	237,088 – 296,928	3.10 – 5.10	07/15/2021	296,928
School Series 2001A – Loan	2,500,000	125,000	3.10 – 5.10	07/15/2021	125,000
General Improvement					
Refunding 2009B	13,895,000	775,000 – 2,515,000	3.80 – 6.09	03/01/2022	825,000
General Improvement					
Refunding 2012A	6,395,000	860,000 – 1,215,000	2.70 – 3.50	03/01/2026	5,535,000
General Improvements and					
Refunding 2012B	7,170,000	210,000 – 670,000	2.00 – 4.00	03/01/2032	400,000
General Improvement 2013A	6,360,000	60,000 – 535,000	2.00 – 5.00	07/01/2038	405,000
General Improvement 2015A	9,845,000	350,000 – 665,000	2.00 – 3.375	08/01/2035	7,985,000
General Improvements and					
Refunding 2015B	10,565,000	260,000 – 1,170,000	3.00 – 5.00	08/01/2029	8,880,000
General Obligation 2016	19,830,000	125,000 – 1,415,000	2.824	03/01/2039	15,060,000
General Improvements and					
Refunding 2017B	18,310,000	375,000 – 1,560,000	3.00 – 5.00	09/01/2037	17,125,000
Qualified Zone Academy Bonds					
2016	1,600,000	106,667	N/A	12/01/2032	1,173,333
General Improvement 2018	7,015,000	215,000-500,000	3.50 – 5.00	09/01/2038	6,575,000
General Improvement 2019A	11,595,000	365,000-800,000	2.50 – 5.00	09/01/2039	11,230,000
General Improvements and					
Refunding 2019B	8,470,000	480,000-595,000	2.50 – 5.00	03/01/2037	8,000,000
General Improvements and					
Refunding 2020A	11,395,000	385,000-725,000	2.00 – 5.00	09/01/2040	11,395,000
General Improvement					
Refunding 2020B	<u>3,635,000</u>	10,000-655,000	1.00 – 1.75	03/01/2032	<u>3,595,000</u>
	<u>\$ 150,302,519</u>				<u>\$ 98,976,421</u>
Capital leases	<u>\$ 1,911,271</u>	\$ 48,099 – 54,561	2.82 – 4.29 %	12/31/2026	<u>\$ 1,048,128</u>

(Continued)

CITY OF DANVILLE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

Note 12. Long-Term Liabilities (Continued)

Debt service for future years is as follows:

Year Ending June 30,	General Obligation Bonds					
	Governmental Activities		Business-Type Activities		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2022	\$ 4,271,703	\$ 1,583,495	\$ 4,243,051	\$ 1,888,820	\$ 8,514,754	\$ 3,472,315
2023	3,385,475	1,419,641	3,556,191	1,696,245	6,941,666	3,115,886
2024	3,425,468	1,298,093	3,781,199	1,534,831	7,206,667	2,832,924
2025	3,566,847	1,163,200	3,959,820	1,357,874	7,526,667	2,521,074
2026	3,708,373	1,023,070	4,153,293	1,173,924	7,861,666	2,196,994
2027-2031	15,316,621	3,464,998	17,323,379	3,700,583	32,640,000	7,165,581
2032-2036	12,129,023	1,493,835	10,372,644	1,563,487	22,501,667	3,057,322
2037-2041	2,135,960	228,604	3,647,374	272,749	5,783,334	501,356
	<u>\$ 47,939,470</u>	<u>\$ 11,674,936</u>	<u>\$ 51,036,951</u>	<u>\$ 13,188,513</u>	<u>\$ 98,976,421</u>	<u>\$ 24,863,452</u>

Year Ending June 30,	Capital Leases			
	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2022	\$ 101,853	\$ 6,259	\$ 223,690	\$ 32,121
2023	66,528	2,588	226,496	30,558
2024	-	-	164,745	19,003
2025	-	-	172,746	11,002
2026	-	-	92,070	2,594
	<u>\$ 168,381</u>	<u>\$ 8,847</u>	<u>\$ 879,747</u>	<u>\$ 95,278</u>

(Continued)

CITY OF DANVILLE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

Note 12. Long-Term Liabilities (Continued)

Component Unit Obligations

A summary of the changes in long-term liabilities reported by DPS and the IDA is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
DPS					
Compensated absences	\$ 1,540,965	\$ 718,417	\$ (709,000)	\$ 1,550,382	\$ 713,000
Lease purchase agreement	3,912,000	-	(204,000)	3,708,000	220,000
Entering retirement in phases plan	328,517	-	(155,408)	173,109	126,074
	<u>\$ 5,781,482</u>	<u>\$ 718,417</u>	<u>\$ (1,068,408)</u>	<u>\$ 5,431,491</u>	<u>\$ 1,059,074</u>
IDA					
Notes payable	\$ 10,642,738	\$ 10,336,449	\$ (12,020,623)	\$ 8,958,564	\$ 514,433
Revolving loan fund – USDA	99,000	-	-	99,000	-
Bonds payable	4,542,000	14,184,000	(4,605,000)	14,121,000	562,000
	<u>\$ 15,283,738</u>	<u>\$ 24,520,449</u>	<u>\$ (16,625,623)</u>	<u>\$ 23,178,564</u>	<u>\$ 1,076,433</u>

DPS – Lease Purchase Agreement

An equipment lease purchase agreement was executed on October 18, 2017 in the amount of \$4,242,000 to finance the energy performance contract for the purpose of the purchase and installation of specified energy saving equipment designed to save energy and reduce related costs for identified property and buildings owned by the Schools. The Schools recorded a liability for this agreement at the time it was executed. The obligation bears interest at 2.295% with principal and interest due annually from October 2018 through October 2032.

Aggregate maturities are as follows:

Year Ending June 30,	Lease Purchase Agreement	
	Principal	Interest
2022	\$ 220,000	\$ 85,099
2023	236,000	80,050
2024	253,000	74,633
2025	271,000	68,827
2026	289,000	62,608
2027-2031	1,297,000	180,226
2032-2035	1,142,000	53,428
	<u>\$ 3,708,000</u>	<u>\$ 604,871</u>

(Continued)

CITY OF DANVILLE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

Note 12. Long-Term Liabilities (Continued)

IDA

The annual requirements to amortize long-term debt and related interest are as follows:

Fiscal Year	Bonds Payable			Notes from Direct Borrowings		
	Principal	Interest	Total	Principal	Interest	Total
2022	\$ 562,000	\$ 223,309	\$ 785,309	\$ 514,433	\$ 370,727	\$ 885,160
2023	571,000	214,898	785,898	537,313	347,846	885,159
2024	580,000	206,361	786,361	1,364,592	324,113	1,688,705
2025	588,000	197,689	785,689	1,675,010	274,243	1,949,253
2026	10,597,000	175,223	10,772,223	1,145,607	192,614	1,338,221
2027-2031	1,223,000	20,562	1,243,562	2,605,613	549,442	3,155,055
2032-2036	-	-	-	1,115,996	48,188	1,164,184
2037-2041	-	-	-	-	-	-
	<u>\$ 14,121,000</u>	<u>\$ 1,038,042</u>	<u>\$ 15,159,042</u>	<u>\$ 8,958,564</u>	<u>\$ 2,107,173</u>	<u>\$ 11,065,737</u>

Note 13. Landfill Postclosure Costs

The City closed its former landfill site in 1993. In accordance with federal and state laws, the City placed a final cover on this site and was required to perform certain maintenance and monitoring functions for a minimum of ten years after closure. The presence of certain contaminants has been detected in the groundwater on adjacent property, and the City is subject to a corrective action plan that requires continued monitoring of the site until at least 2031. Management estimates that remaining postclosure monitoring costs will be approximately \$900,000 as of June 30, 2021, which has been recorded as a liability in the Sanitation Fund. Actual costs may be higher due to inflation, changes in technology, changes in regulations, or other unforeseen circumstances.

Note 14. Unavailable/Unearned Revenue

The components of unavailable/unearned revenues in the City's governmental activities and governmental funds are as follows:

Taxes receivable – unavailable	\$ 6,090,780
Deferred taxes – unearned	5,865,584
Advanced collections – unearned	114
Prepaid business licenses – unearned	99,826
Other receivables – unavailable	<u>1,170,983</u>
Total unavailable/unearned revenue – governmental funds	13,227,287
Less deferrals for unavailability	<u>(7,261,763)</u>
Deferred inflows – statement of net position	<u>\$ 5,965,524</u>

(Continued)

CITY OF DANVILLE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

Note 15. Fund Balances

Fund balances are classified as nonspendable, restricted, committed, assigned and/or unassigned 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.

	General Fund	Community Development Fund	Capital Projects Fund	Special Revenue	Nonmajor Governmental Funds	Total
Nonspendable:						
Prepays	\$ 769,154	\$ -	\$ -	\$ -	\$ -	\$ 769,154
Inventories	301,935	-	-	-	-	301,935
Cemetery perpetual care	-	-	-	-	2,922,222	2,922,222
Total nonspendable	<u>1,071,089</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,922,222</u>	<u>3,993,311</u>
Restricted for:						
Unspent bond proceeds	-	-	8,178,960	-	-	8,178,960
Police	33,613	-	-	-	-	33,613
Commonwealth Attorney	102,057	-	-	-	-	102,057
Fire department equipment and supplies	117,724	-	-	-	-	117,724
Other grants	-	-	-	1,570,023	2,981,582	4,551,605
Total restricted	<u>253,394</u>	<u>-</u>	<u>8,178,960</u>	<u>1,570,023</u>	<u>2,981,582</u>	<u>12,983,959</u>
Committed to:						
Capital projects	-	-	14,873,689	-	-	14,873,689
Stabilization	3,000,000	-	-	-	-	3,000,000
Sheriff – Project Lifesaver	115	-	-	-	-	115
Schools	4,143,427	-	-	-	-	4,143,427
Total committed	<u>7,143,542</u>	<u>-</u>	<u>14,873,689</u>	<u>-</u>	<u>-</u>	<u>22,017,231</u>
Assigned to:						
General administration	241,777	-	1,670,275	-	-	1,912,052
Public safety	465,699	-	53,312	-	-	519,011
Public works	15,396	-	2,928,015	-	-	2,943,411
Health and welfare	50,780	-	-	-	-	50,780
Education	3,323,320	-	-	-	-	3,323,320
Parks, recreation, and cultural	58,252	-	303,186	-	-	361,438
Community development	229,785	814,233	82,910	705,592	9,139,677	10,972,197
Total assigned	<u>4,385,009</u>	<u>814,233</u>	<u>5,037,698</u>	<u>705,592</u>	<u>9,139,677</u>	<u>20,082,209</u>
Unassigned	<u>34,237,458</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>34,237,458</u>
Total fund balance	<u>\$ 47,090,492</u>	<u>\$ 814,233</u>	<u>\$ 28,090,347</u>	<u>\$ 2,275,615</u>	<u>\$ 15,043,481</u>	<u>\$ 93,314,168</u>

(Continued)

CITY OF DANVILLE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

Note 16. Summary of Pension Related Matters

The City and the Schools participate in several employee pension plans as described in Notes 17-20. Following is a summary of key pension-related financial statement elements lifted from those notes.

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total Primary Government</u>	<u>Danville Public Schools</u>
Net pension asset	\$ 43,987,520	\$ 11,002,812	\$ 54,990,332	\$ -
Deferred outflows of resources:				
Differences between expected and actual experience:				
Danville ERS	\$ 3,362,784	\$ 841,154	\$ 4,203,938	\$ -
VRS	129,213	-	129,213	14,244
Net difference between projected and actual earnings on pension plan				
VRS	772,894	-	772,894	256,207
VRS teacher cost sharing plan	-	-	-	4,671,844
Change in actuarial assumptions:				
Danville ERS	1,166,821	291,860	1,458,681	-
VRS	244,852	-	244,852	65,976
VRS teacher cost sharing plan	-	-	-	4,192,840
Pension contributions subsequent to measurement date:				
VRS teacher cost sharing plan	-	-	-	6,127,637
VRS	636,203	-	636,203	106,726
Changes in proportion and related differences – VRS teacher cost sharing plan	-	-	-	3,044,843
	<u>\$ 6,312,767</u>	<u>\$ 1,133,014</u>	<u>\$ 7,445,781</u>	<u>\$ 18,480,317</u>
Net pension liability	<u>\$ 3,590,661</u>	<u>\$ -</u>	<u>\$ 3,590,661</u>	<u>\$ 61,597,754</u>

(Continued)

CITY OF DANVILLE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

Note 16. Summary of Pension Related Matters (Continued)

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total Primary Government</u>	<u>Danville Public Schools</u>
Deferred inflows of resources:				
Difference between expected and actual experience:				
VRS teacher cost sharing plan	\$ -	\$ -	\$ -	\$ 3,600,291
ERS	2,030,715	507,949	2,538,664	-
VRS	86,715	-	86,715	120,611
Net difference between projected and actual earnings on pension plan investments:				
Danville ERS	20,556,447	5,141,886	25,698,333	-
Changes in proportion and related differences – VRS teacher cost sharing plan	-	-	-	1,587,926
	<u>\$ 22,673,877</u>	<u>\$ 5,649,835</u>	<u>\$ 28,323,712</u>	<u>\$ 5,308,828</u>
 Pension expense (benefit):				
Danville ERS	\$ 2,078,439	\$ (643,730)	\$ 1,434,709	\$ -
VRS teacher cost sharing plan	-	-	-	6,533,239
VRS	926,440	-	926,440	168,059
	<u>\$ 3,004,879</u>	<u>\$ (643,730)</u>	<u>\$ 2,361,149</u>	<u>\$ 6,701,298</u>

Note 17. Danville Employees' Retirement System

Plan Description

The Employees' Retirement System of the City of Danville, Virginia (ERS), a single-employer defined benefit plan, was established on January 1, 1946, and was placed under the management of the Board of Trustees for the purpose of providing retirement, disability, and death benefits for full-time permanent employees in accordance with Chapter 32 of the *Danville City Code*. The City makes contributions to the ERS, which acts as administrator. As such, the ERS functions as an investment and administrative agent for the City with respect to the plan. The ERS is a fiduciary fund and is included in this report as a pension trust fund.

(Continued)

CITY OF DANVILLE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

Note 17. Danville Employees' Retirement System (Continued)

Plan Description (Continued)

The retirement allowance for a public safety employee consists of an annuity equal to the amount provided by the contributions of the member up to the time of his or her retirement, plus a pension which will total an amount equal to 1/50th or 2.00% of the final three-year average salary multiplied by the number of years of creditable service. A public safety employee, with at least five years of service, may retire early after reaching the age of 55 and receive reduced benefits. Effective September 1, 2018, for public safety employees, the benefit multiplier changed from 2.00% to 2.20%.

Pension provisions include disability benefits whereby a member who becomes totally and permanently incapacitated and who has completed five years of creditable service is eligible to receive a disability retirement allowance. The allowance begins at the time of the disability and is based on creditable service to date and a projection of creditable service assuming no disability. The allowance is offset by any workers' compensation benefits if the disability is work related.

If, after five years of service, an active member should die at any time prior to retirement, a retirement allowance shall be payable to either the spouse, minor child, or parent of the member. Such retirement allowance will be continued during the lifetime of such person, or in the case of a minor child, until such time as the child dies or attains majority. For members employed prior to October 1, 1991, the beneficiary may elect to receive as a lump sum the member's accumulated contributions, with interest, in lieu of any other benefits under the ERS.

Employees Covered by Benefit Terms

As of the July 1, 2020 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	<u>Members</u>
Inactive members:	
Terminated vested members	325
Retired members	<u>719</u>
Total inactive members	1,044
Active members	<u>933</u>
Total covered employees	<u><u>1,977</u></u>

(Continued)

CITY OF DANVILLE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

Note 17. Danville Employees' Retirement System (Continued)

Contributions

Contributions made by the City on behalf of active members are established by the City of Danville, based on actuarial estimates (performed annually on July 1) of future plan benefits to be paid. Since March 1, 1979, employees' contributions have been paid by the City. Contributions for employees hired after September 30, 1991 are considered to be 100% City contributions. These contributions, like the City's portion of pre-October 1, 1991 employees, vest after five years of creditable service. The contribution rate made on behalf of active members is currently 5.315% of compensation for general employees and 16.089% of compensation for public safety employees. Contributions to the pension plan from the City were \$3,853,028 and \$3,608,286 for the years ended June 30, 2021 and 2020, respectively.

Employees hired after September 1, 2019 are required to make contributions to the plan. The contribution rate made by active members is currently 2.66% of compensation for general employees and 5% of compensation for public safety employees.

The portion of contributions to the plan made by the City on behalf of members' vests immediately with the employees. The remainder of the contributions vests after five years of creditable service.

Prior to 2013, the City generally awarded cost-of-living adjustments (COLAs) to retirees, and an expectation for COLAs was included in assumptions used to calculate the actuarial accrued liability. In 2012, the City Council approved an ordinance to state that retirees will no longer receive COLAs, effective July 1, 2013. On the same date, the City Council adopted a resolution to approve a new retiree bonus policy. The retiree bonus policy calls for a one-time bonus for retirees each year that certain criteria are met. In no case would the retiree bonus exceed 50% of a retiree's monthly benefit. The bonuses will be funded directly from the City's budget, and must be approved by City Council when bonus criteria are met. Council may choose to follow, modify, or ignore the bonus policy. The first such bonus, totaling \$415,000, was awarded in the fall of 2014, and was recognized as a contribution into the plan for the year ending June 30, 2015. The most recent bonus was issued in June 2019, and was for \$259,890. No retiree bonuses were issued for 2021.

Measurement Date

The City's net pension asset was measured as of June 30, 2021. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation performed as of July 1, 2020, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2021.

(Continued)

CITY OF DANVILLE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

Note 17. Danville Employees' Retirement System (Continued)

Actuarial Assumptions

The total pension liability in the City's Retirement Plan was based on an actuarial valuation as of July 1, 2020, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2021.

Inflation	2.75%
Salary increases, including inflation	5.75% for the first 15 years; 3.75% after Police/Fire
Investment rate of return	7.00%, net of pension plan investment expense, including inflation
Mortality: Healthy and Disabled Lives	
RP-2000 Mortality Table.	
Disability:	
PR-2000 Disabled Table.	

The actuarial assumptions used in the July 1, 2020 valuation were based on the results of actuarial experience analysis during the 2000 to 2010 time period. The next assumption review is scheduled for the July 1, 2021 valuation date.

Actuarial Cost Method

The method of valuation used for pension benefits is called the Entry Age Normal Method. Under this method, investment gains and losses are smoothed over five years, and an open 30 year level dollar amortization of unfunded liability is used while the funding ratio is near or above 100%.

Employees Included in the Calculations

All regular, full-time employees on the valuation date are included in the calculations. Former employees or their survivors who are entitled to an immediate or deferred benefit under the provisions of the plan as indicated by the employee data are also included.

CITY OF DANVILLE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

Note 17. Danville Employees' Retirement System (Continued)

Actuarial Assumptions (Continued)

Employees Included in the Calculations (Continued)

Retirement Age:

General Employees	
Age	Probability of Retirement
55-59	0.045
60-61	0.083
62	0.107
63-64	0.137
65-69	0.250
70+	1.000
Policemen and Firemen	
Age	Probability of Retirement
55-57	0.637
58-59	0.110
60-64	0.251
65+	1.000

Future Post-Retirement Cost-of-Living Increases: None

Pension Plan Fiduciary Net Position

Detailed information about the Employees' Retirement System of the City of Danville, Virginia's Fiduciary Net Position is available in the separately issued 2021 Annual Comprehensive Financial Report (Annual Report). A copy of the 2021 ERS ACFR may be downloaded from the City's website at <http://www.danville-va.gov/360/Employees-Retirement-System-Board> or by writing to the Finance Director, 427 Patton Street, Danville, VA 24541.

CITY OF DANVILLE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

Note 17. Danville Employees' Retirement System (Continued)

Long-Term Expected Rate of Return

The long-term expected rate of return on pension 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 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. This is then modified through a Monte-Carlo simulation process, by which a (downward) risk adjustment is applied to the baseline expected return. The risk adjustment may also reflect the City's selection of a more conservative assumption. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2021, and the final investment return assumption, are summarized in the following table:

Asset Class (Strategy)	Arithmetic Long-Term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return
Domestic Equity	5.80 %	40.00 %
International Equity	6.15	10.00
Fixed Income – U.S. Investment Grade	1.35	30.00
Private Equity/Timber	7.00	10.00
Real Estate	4.85	10.00
Cash Equivalents	0.20	0.00
Total weighted average real return	4.53	<u>100.00 %</u>
Inflation	2.75	
Total Return without Adjustment	7.25	
Risk Adjustment	(0.27)	
Total Expected Return	<u>7.00 %</u>	

Discount Rate

The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that City contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the pension plan's 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.

(Continued)

CITY OF DANVILLE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

Note 17. Danville Employees' Retirement System (Continued)

Changes in Net Pension Asset

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Asset (a) – (b)
Balances at June 30, 2020	<u>\$ 245,937,802</u>	<u>\$ 258,057,518</u>	<u>\$ (12,119,716)</u>
Changes for the year:			
Service cost	4,548,310	-	4,548,310
Interest	17,005,417	-	17,005,417
Differences between expected and actual experience	(1,924,215)	-	(1,924,215)
Contributions – employer	-	3,853,028	(3,853,028)
Contributions – employee	-	196,518	(196,518)
Change in benefit terms	-	-	-
Net investment income	-	58,599,573	(58,599,573)
Benefit payments, including refunds of employee contributions	(15,362,998)	(15,362,998)	-
Administrative expenses	<u>-</u>	<u>(148,991)</u>	<u>148,991</u>
Net changes	<u>4,266,514</u>	<u>47,137,130</u>	<u>(42,870,616)</u>
Balances at June 30, 2021	<u><u>\$ 250,204,316</u></u>	<u><u>\$ 305,194,648</u></u>	<u><u>\$ (54,990,332)</u></u>

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

The following presents the net pension asset of the City's ERS plan using the discount rate of 7.00%, as well as what the City's net pension asset would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current rate:

	1.00% Decrease (6.00%)	Current Discount Rate (7.00%)	1.00% Increase (8.00%)
City's net pension asset	<u><u>\$ 26,869,340</u></u>	<u><u>\$ 54,990,332</u></u>	<u><u>\$ 78,674,815</u></u>

(Continued)

CITY OF DANVILLE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

Note 17. Danville Employees' Retirement System (Continued)

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

For the year ended June 30, 2021, the City recognized pension expense for the ERS of \$1,434,709. At June 30, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to the ERS from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 4,203,938	\$ 2,538,664
Change in assumptions	1,458,681	-
Net difference between projected and actual earnings on pension plan investments	-	25,698,333
	<u>\$ 5,662,619</u>	<u>\$ 28,236,997</u>

In future years, the above deferred outflows and inflows will be recognized as a reduction to pension expense as follows:

Year Ending June 30,	Reduction to Pension Expense
2022	\$ (4,392,999)
2023	(4,480,744)
2024	(5,129,525)
2025	(8,571,110)
Thereafter	-

Note 18. Virginia Retirement System

Plan Description

All constitutional officers that are full-time, salaried permanent employees of the City, (the "Political Subdivision") are automatically covered by the VRS Retirement Plan upon employment. This plan is an agent multiple-employer plan administered by the Virginia Retirement System (the "System") along with plans for other employer groups in the Commonwealth of Virginia. Members earn one month of service credit for each month they are employed and for which they and their employer pay contributions to VRS. The *Code of Virginia*, as amended, assigns the authority to establish and amend benefit provisions to the Virginia General Assembly. The System issues a publicly available annual comprehensive financial report for VRS. A copy of that report may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2020-annual-report.pdf>.

(Continued)

CITY OF DANVILLE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

Note 18. Virginia Retirement System (Continued)

Plan Description (Continued)

The System administers three different benefit structures for covered employees – Plan 1, Plan 2, and Hybrid. Each of these benefit structures has a different eligibility criteria. The specific information for each plan is as follows:

Plan 1 – Plan 1 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service, and average final compensation at retirement using a formula. Employees are eligible for Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.

- **Hybrid Opt-In Election** – VRS non-hazardous duty covered Plan 1 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014. The Hybrid Retirement Plan's effective date for eligible Plan 1 members who opted in was July 1, 2014. If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan. Members who were eligible for an optional retirement plan (ORP) and had prior service under Plan 1 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 1 or ORP.
- **Retirement Contributions** – Employees contribute 5.00% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some political subdivisions elected to phase in the required 5.00% member contribution but all employees will be paying the full 5.00% by July 1, 2016. Member contributions are tax-deferred until they are withdrawn as part of a retirement benefit or as a refund. The employer makes a separate actuarially determined contribution to VRS for all covered employees. VRS invests both member and employer contributions to provide funding for the future benefit payment.
- **Creditable Service** – Creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.
- **Vesting** – Vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members become vested when they have at least five years (60 months) of creditable service. Vesting means members are eligible to qualify for retirement if they meet the age and service requirements for their plan. Members also must be vested to receive a full refund of their member contribution account balance if they leave employment and request a refund. Members are always 100% vested in the contributions that they make.
- **Calculating the Benefit** – The Basic Benefit is calculated based on a formula using the member's average final compensation, a retirement multiplier, and total service credit at retirement. It is one of the benefit payout options available to a member at retirement. An early retirement reduction factor is applied to the Basic Benefit if the member retires with a reduced retirement benefit or selects a benefit payout option other than the Basic Benefit.

(Continued)

CITY OF DANVILLE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

Note 18. Virginia Retirement System (Continued)

Plan Description (Continued)

Plan 1 (Continued)

- **Average Final Compensation** – A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.
- **Service Retirement Multiplier** – The retirement multiplier is a factor used in the formula to determine a final retirement benefit. The retirement multiplier for members is 1.70%.
- **Normal Retirement Age** – Age 65.
- **Earliest Unreduced Retirement Eligibility** – Age 65 with at least five years (60 months) of creditable service or at age 50 with at least 30 years of creditable service.
- **Earliest Reduced Retirement Eligibility** – Age 55 with at least five years (60 months) of creditable service or age 50 with at least 10 years of creditable service.
- **Cost-of-Living Adjustment (COLA) in Retirement** – The Cost-of-Living Adjustment (COLA) matches the first 3.00% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 4.00%) up to a maximum COLA of 5.00%.
- **Eligibility** – For members who retire with an unreduced benefit or with a reduced benefit with at least 20 years of creditable service, the COLA will go into effect on July 1 after one full calendar year from the retirement date. For members who retire with a reduced benefit and who have less than 20 years of creditable service, the COLA will go into effect on July 1 after one calendar year following the unreduced retirement eligibility date.
- **Exceptions to COLA Effective Dates** – The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances:
 - The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013.
 - The member retires on disability.
 - The member retires directly from short-term or long-term disability under the Virginia Sickness and Disability Program (VSDP).
 - The member is involuntarily separated from employment for causes other than job performance or misconduct and is eligible to retire under the Workforce Transition Act or the Transitional Benefits Program.
 - The member dies in service and the member's survivor or beneficiary is eligible for a monthly death-in-service benefit. The COLA will go into effect on July 1 following one full calendar year (January 1 to December 31) from the date the monthly benefit begins.
- **Disability Coverage** for members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.70% on all service, regardless of when it was earned, purchased, or granted.

(Continued)

CITY OF DANVILLE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

Note 18. Virginia Retirement System (Continued)

Plan Description (Continued)

Plan 1 (Continued)

- **Purchase of Prior Service** – Members may be eligible to purchase service from previous public employment, active duty military service, an eligible period of leave or VRS refunded service as creditable service in their plan. Prior creditable service counts toward vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. When buying service, members must purchase their most recent period of service first. Members also may be eligible to purchase periods of leave without pay.

Plan 2 – Plan 2 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service, and average final compensation at retirement using a formula. Employees are eligible for Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.

- **Hybrid Opt-In Election** – Eligible Plan 2 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014. The Hybrid Retirement Plan's effective date for eligible Plan 2 members who opted in was July 1, 2014. If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan. Members who were eligible for an optional retirement plan (ORP) and have prior service under Plan 2 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 2 or ORP.
- **Retirement Contributions** – Employees contribute 5.00% of their compensation each month to their member contribution account through a pre-tax salary reduction.
- **Creditable Service** – Same as Plan 1.
- **Vesting** – Same as Plan 1.
- **Calculating the Benefit** – See definition under Plan 1.
- **Average Final Compensation** – A member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.
- **Service Retirement Multiplier** – Same as Plan 1 for service earned, purchased, or granted prior to January 1, 2013. For members the retirement multiplier is 1.65% for creditable service earned, purchased, or granted on or after January 1, 2013.
- **Normal Retirement Age** – Normal Social Security retirement age.
- **Earliest Unreduced Retirement Eligibility** – Normal Social Security retirement age with at least five years (60 months) of creditable service or when their age and service equal 90.

(Continued)

CITY OF DANVILLE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

Note 18. Virginia Retirement System (Continued)

Plan Description (Continued)

Plan 2 (Continued)

- **Earliest Reduced Retirement Eligibility** – Age 60 with at least five years (60 months) of creditable service.
- **Cost-of-Living Adjustment (COLA) in Retirement** – The Cost-of-Living Adjustment (COLA) matches the first 2.00% increase in the CPI-U and half of any additional increase (up to 2.00%), for a maximum COLA of 3.00%.
 - **Eligibility** – Same as Plan 1.
 - **Exceptions to COLA Effective Dates** – Same as Plan 1.
- **Disability Coverage** – Same as Plan 1 except that the retirement multiplier is 1.65%.
- **Purchase of Prior Service** – Same as Plan 1.

Hybrid Retirement Plan – The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan. Most members hired on or after January 1, 2014 are in this plan, as well as Plan 1 and Plan 2 members who were eligible and opted into the plan during a special election window. The defined benefit is based on a member's age, creditable service, and average final compensation at retirement using a formula. The benefit from the defined contribution component of the plan depends on the member and employer contributions made to the plan and the investment performance of those contributions. In addition to the monthly benefit payment payable from the defined benefit plan at retirement, a member may start receiving distributions from the balance in the defined contribution account, reflecting the contributions, investment gains or losses, and any required fees.

- **Eligible Members** – Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes political subdivision employees; members in Plan 1 or Plan 2 who elected to opt into the plan during the election window held January 1 through April 30, 2014; the plan's effective date for opt-in members was July 1, 2014.
- **Non-Eligible Members** – Some employees are not eligible to participate in the Hybrid Retirement Plan. They include political subdivision employees who are covered by enhanced benefits for hazardous duty employees and those employees eligible for an optional retirement plan (ORP) must elect the ORP plan or the Hybrid Retirement Plan. If these members have prior service under Plan 1 or Plan 2, they are not eligible to elect the Hybrid Retirement Plan and must select Plan 1 or Plan 2 (as applicable) or ORP.

(Continued)

CITY OF DANVILLE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

Note 18. Virginia Retirement System (Continued)

Plan Description (Continued)

Hybrid Retirement Plan (Continued)

- **Retirement Contributions** – A member’s retirement benefit is funded through mandatory and voluntary contributions made by the member and the employer to both the defined benefit and the defined contribution components of the plan. Mandatory contributions are based on a percentage of the employee’s creditable compensation and are required from both the member and the employer. Additionally, members may choose to make voluntary contributions to the defined contribution component of the plan, and the employer is required to match those voluntary contributions according to specified percentages.
- **Creditable Service** –
 - **Defined Benefit Component:** Under the defined benefit component of the plan, creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member’s total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.
 - **Defined Contributions Component:** Under the defined contribution component, creditable service is used to determine vesting for the employer contribution portion of the plan.
- **Vesting** –
 - **Defined Benefit Component:** Defined benefit vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members are vested under the defined benefit component of the Hybrid Retirement Plan when they reach five years (60 months) of creditable service. Plan 1 or Plan 2 members with at least five years (60 months) of creditable service who opted into the Hybrid Retirement Plan remain vested in the defined benefit component.
 - **Defined Contributions Component:** Defined contribution vesting refers to the minimum length of service a member needs to be eligible to withdraw the employer contributions from the defined contribution component of the plan. Members are always 100% vested in the contributions that they make. Upon retirement or leaving covered employment, a member is eligible to withdraw a percentage of employer contributions to the defined contribution component of the plan, based on service. After two years, a member is 50% vested and may withdraw 50% of employer contributions. After three years, a member is 75% vested and may withdraw 75% of employer contributions. After four or more years, a member is 100% vested and may withdraw 100% of employer contributions. Distribution is not required by law until age 70½.

(Continued)

CITY OF DANVILLE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

Note 18. Virginia Retirement System (Continued)

Plan Description (Continued)

Hybrid Retirement Plan (Continued)

- **Calculating the Benefit –**
 - **Defined Benefit Component:** See definition under Plan 1.
 - **Defined Contribution Component:** The benefit is based on contributions made by the member and any matching contributions made by the employer, plus net investment earnings on those contributions.
- **Average Final Compensation –** Same as Plan 2 for the defined benefit component of the plan.
- **Service Retirement Multiplier –** The retirement multiplier for the defined benefit component is 1.00%. For members who opted into the Hybrid Retirement Plan from Plan 1 or Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans.
- **Normal Retirement Age –**
 - **Defined Benefit Component:** Same as Plan 2.
 - **Defined Contribution Component:** Members are eligible to receive distributions upon leaving employment, subject to restrictions.
- **Earliest Unreduced Retirement Eligibility –**
 - **Defined Benefit Component:** Normal Social Security retirement age and have at least five years (60 months) of creditable service or when their age and service equal 90.
 - **Defined Contribution Component –** Members are eligible to receive distributions upon leaving employment, subject to restrictions.
- **Earliest Reduced Retirement Eligibility –**
 - **Defined Benefit Component –** Members may retire with a reduced benefit as early as age 60 with at least five years (60 months) of creditable service. This is not applicable to hazardous duty employees.
 - **Defined Contribution Component –** Members are eligible to receive distributions upon leaving employment, subject to restrictions.
- **Cost-of-Living Adjustment (COLA) in Retirement**
 - **Defined Benefit Component –** Same as Plan 2.
 - **Defined Contribution Component –** Not Applicable.
 - **Eligibility –** Same as Plan 1 and 2.
 - **Exceptions to COLA Effective Dates –** Same as Plan 1 and 2.

(Continued)

CITY OF DANVILLE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

Note 18. Virginia Retirement System (Continued)

Plan Description (Continued)

Hybrid Retirement Plan (Continued)

- **Disability Coverage** – Employees of political subdivisions (including Plan 1 and Plan 2 opt-ins) participate in the Virginia Local Disability Program (VLDP) unless their local governing body provides an employer-paid comparable program for its members. Hybrid members (including Plan 1 and Plan 2 opt-ins) covered under VLDP are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.
- **Purchase of Prior Service** –
 - **Defined Benefit Component** – Same as Plan 1, with the following exceptions:
 - Hybrid Retirement Plan members are ineligible for ported service.
 - The cost for purchasing refunded service is the higher of 4.00% of creditable compensation or average final compensation.
 - Plan members have one year from their date of hire or return from leave to purchase all but refunded prior service at approximate normal cost. After that one-year period, the rate for most categories of service will change to actuarial cost.
 - **Defined Contribution Component** – Not Applicable.

Employees Covered by Benefit Terms

As of the June 30, 2019 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	<u>Members</u>
Inactive members or their beneficiaries currently receiving benefits	<u>91</u>
Inactive members:	
Vested inactive members	18
Non-vested inactive members	54
Inactive members active elsewhere in VRS	<u>60</u>
Total inactive members	<u>132</u>
Active members	<u>129</u>
Total covered employees	<u><u>352</u></u>

(Continued)

CITY OF DANVILLE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

Note 18. Virginia Retirement System (Continued)

Contributions

The contribution requirement for active employees is governed by §51.1-145 of the *Code of Virginia*, as amended, but may be impacted as a result of funding options provided to political subdivisions by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement.

The political subdivision's contractually required contribution rate for the year ended June 30, 2021 was 11.15% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the political subdivision were \$617,858 and \$625,011 for the years ended June 30, 2021 and 2020, respectively.

Net Pension Liability

The net pension liability is calculated separately for each employer and represents that particular employer's total pension liability determined in accordance with GASB Statement No. 68, less that employer's fiduciary net position. For political subdivisions, the net pension liability was measured as of June 30, 2020. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2019 rolled forward to the measurement date of June 30, 2020.

Actuarial Assumptions

The total pension liability for General Employees in the Political Subdivision's Retirement Plan was based on an actuarial valuation as of June 30, 2019, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2020.

Inflation	2.50%
General Employees – Salary increases, including inflation	3.50 – 5.35%
Public Safety Employees with hazardous duty benefits – Salary increases, including inflation	3.50 – 5.35%
Investment rate of return	6.75%, net of pension plan investment expense, including inflation*

(Continued)

CITY OF DANVILLE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

Note 18. Virginia Retirement System (Continued)

Actuarial Assumptions (Continued)

- * Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment rate for GASB purposes of slightly more than the assumed 6.75%. However, since the difference was minimal, and a more conservative 6.75% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 6.75% to simplify preparation of pension liabilities.

Mortality rates: General employees – 15 to 20% of deaths are assumed to be service related. Public Safety Employees – 45% to 70% of deaths are assumed to be service related. Mortality is projected using the applicable RP-2014 Mortality Table Projected to 2020 with various set backs or set forwards for both males and females.

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study are as follows:

General Employees – Largest 10 – Non-Hazardous Duty and All Others (Non 10 Largest): Update mortality table; lowered retirement rates at older ages, changed final retirement from 70 to 75; adjusted withdrawal rates to better fit experience at each year age and service through 9 years of service; lowered disability rates, no change to salary scale, increased rate of line of duty disability from 14% to 20% (Largest 10) or 15% (All Others), and decreased discount rate from 7.00% to 6.75%.

Public Safety Employees – Largest 10 – Hazardous Duty and All Others (Non 10 Largest): Update mortality table; lowered retirement rate at older ages; adjusted rates of withdrawal and disability to better fit experience; changes to line of duty rates, no changes to salary scale, and decreased discount rate from 7.00% to 6.75%.

Long-Term Expected Rate of Return

The long-term expected rate of return on pension System investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension System 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. The target asset allocation and best estimate of arithmetic real rates of return for each major asset class are summarized in the following table:

(Continued)

CITY OF DANVILLE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

Note 18. Virginia Retirement System (Continued)

Long-Term Expected Rate of Return (Continued)

Asset Class (Strategy)	Target Allocation	Arithmetic Long-Term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return
Public Equity	34.00 %	4.65 %	1.58 %
Fixed Income	15.00	0.46	0.07
Credit Strategies	14.00	5.38	0.75
Real Assets	14.00	5.01	0.70
Private Equity	14.00	8.34	1.17
MAPS – Multi-Asset Public Strategies	6.00	3.04	0.18
PIP – Private Investment Partnership	3.00	6.49	0.19
Total	100.00 %		4.64
	Inflation		2.50
	*Expected arithmetic nominal return		7.14 %

- * The above allocation provides for a one-year return of 7.14%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected rate of return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 7.11%, including expected inflation of 2.50%. On October 10, 2019, the VRS Board elected a long-term rate of 6.75% which is roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation. More recent capital market assumptions compiled for the FY2020 actuarial valuations, provide a median return of 6.81%.

Discount Rate

The discount rate used to measure the total pension liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Consistent with the phased-in funding provided by the General Assembly for state and teacher employer contributions, political subdivisions were also provided with an opportunity to use an alternate employer contribution rate. For the year ended June 30, 2020, the alternate rate was the employer contribution rate used in the fiscal year 2012 or 100% of the actuarially determined employer contribution rate from the June 30, 2017 actuarial valuations, whichever is greater. From July 1, 2020 on, participating employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

(Continued)

CITY OF DANVILLE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

Note 18. Virginia Retirement System (Continued)

Changes in Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) – (b)
Balances at June 30, 2019	\$ 28,141,188	\$ 25,904,655	\$ 2,236,533
Changes for the year:			
Service cost	665,657	-	665,657
Interest	1,848,442	-	1,848,442
Benefit changes	-	-	-
Differences between expected and actual experience	201,399	-	201,399
Assumption changes	-	-	-
Contributions – employer	-	605,862	(605,862)
Contributions – employee	-	283,651	(283,651)
Net investment income	-	489,428	(489,428)
Benefit payments, including refunds of employee contributions	(1,513,711)	(1,513,711)	-
Refunds of employee contributions	-	-	-
Administrative expenses	-	(16,990)	16,990
Other changes	-	(581)	581
Net changes	1,201,787	(152,341)	1,354,128
Balances at June 30, 2020	\$ 29,342,975	\$ 25,752,314	\$ 3,590,661

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

The following presents the net pension liability of the political subdivision using the discount rate of 6.75%, as well as what the political subdivision's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (5.75%) or one percentage point higher (7.75%) than the current rate:

	1.00% Decrease (5.75%)	Current Discount Rate (6.75%)	1.00% Increase (7.75%)
Political subdivision's net pension liability	\$ 6,809,696	\$ 3,590,661	\$ 885,598

(Continued)

CITY OF DANVILLE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

Note 18. Virginia Retirement System (Continued)

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

For the year ended June 30, 2021, the City recognized pension expense of \$926,440. At June 30, 2021, the political subdivision reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 129,213	\$ 86,715
Change in assumptions	244,852	-
Net difference between projected and actual earnings on pension plan investments	772,894	-
Contributions subsequent to measurement date	636,203	-
Total	<u>\$ 1,783,162</u>	<u>\$ 86,715</u>

The \$636,203 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 June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	Increase to Pension Expense
2022	\$ 248,471
2023	301,393
2024	262,884
2025	247,496

Pension Plan Data

Information about the VRS Political Subdivision Retirement Plans is also available in the separately issued VRS 2020 Annual Comprehensive Financial Report (Annual Report). A copy of the 2020 VRS Annual Report may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2020-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

(Continued)

CITY OF DANVILLE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

Note 19. Virginia Retirement System – School Nonprofessional Employees

Nonprofessional employees at Danville Public Schools also participate in the Virginia Retirement System. The plan descriptions and actuarial assumptions are substantively the same as those described in Note 18.

Employees Covered by Benefit Terms

As of the June 30, 2019 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	Members
Inactive members or their beneficiaries currently receiving benefits	47
Inactive members:	
Vested inactive members	3
Non-vested inactive members	16
Inactive members active elsewhere in VRS	6
Total inactive members	25
Active members	66
Total covered employees	138

Contributions

The school division's contractually required contribution rate for the year ended June 30, 2021 was 4.26% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017.

Contributions to the pension plan from the school division were \$106,726 and \$90,525 for the years ended June 30, 2021 and June 30, 2020, respectively.

(Continued)

CITY OF DANVILLE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

Note 19. Virginia Retirement System – School Nonprofessional Employees (Continued)

Changes in Net Pension Liability (Asset)

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) – (b)
Balances at June 30, 2019	\$ 8,626,891	\$ 8,698,181	\$ (71,290)
Changes for the year:			
Service cost	204,705	-	204,705
Interest	566,894	-	566,894
Changes in assumptions	-	-	-
Differences between expected and actual experience	(185,806)	-	(185,806)
Contributions – employer	-	72,809	(72,809)
Contributions – employee	-	107,505	(107,505)
Net investment income	-	164,621	(164,621)
Benefit payments, including refunds of employee contributions	(456,911)	(456,911)	-
Refunds of employee contributions	-	-	-
Administrative expenses	-	(5,724)	5,724
Other changes	-	(193)	193
Net changes	128,882	(117,893)	246,775
Balances at June 30, 2020	\$ 8,755,773	\$ 8,580,288	\$ 175,485

Sensitivity of the Net Pension Liability (Asset) to Changes in the Discount Rate

The following presents the net pension liability of the school division using the discount rate of 6.75%, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (5.75%) or one percentage point higher (7.75%) than the current rate:

	1.00% Decrease (5.75%)	Current Discount Rate (6.75%)	1.00% Increase (7.75%)
School division's net pension liability (asset)	\$ 1,105,030	\$ 175,485	\$ (614,623)

(Continued)

CITY OF DANVILLE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

Note 19. Virginia Retirement System – School Nonprofessional Employees (Continued)

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

For the year ended June 30, 2021, the school division recognized pension expense (benefit) of \$168,059. At June 30, 2021, the school division reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 14,244	\$ 120,611
Change in assumptions	65,976	-
Net difference between projected and actual earnings on pension plan investments	256,207	-
Employer contributions subsequent to the measurement date	106,726	-
Total	<u>\$ 443,153</u>	<u>\$ 120,611</u>

The \$106,726 reported as deferred outflows of resources related to pensions resulting from the school division's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	Increase to Pension Expense
2022	\$ 19,071
2023	25,863
2024	88,287
2025	82,595

(Continued)

CITY OF DANVILLE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

Note 19. Virginia Retirement System – School Nonprofessional Employees (Continued)

Pension Plan Data

Information about the VRS Political Subdivision Retirement Plans is also available in the separately issued VRS 2020 Annual Comprehensive Financial Report (Annual Report). A copy of the 2020 VRS Annual Report may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2020-annual-report.pdf>, or by writing to the System’s Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Payables to the Pension Plan

At June 30, 2021, approximately \$10,352 was payable to the Virginia Retirement System for the legally required contributions related to June 2021 payroll.

Note 20. Defined Benefit Pension Plan – Teacher Cost Sharing Plan

General Information about the Teacher Cost Sharing Plan

Plan Description

All full-time, salaried permanent (professional) employees of Virginia public school divisions, including Danville Public Schools, (the “School Division”), are automatically covered by the VRS Teacher Retirement Plan upon employment. This multiple employer, cost sharing plan is administered by the Virginia Retirement System (the “System”) along with plans for other employer groups in the Commonwealth of Virginia. Members earn one month of service credit for each month they are employed and for which they and their employers pay contributions to VRS. Members are eligible to purchase prior service, based on specific criteria as defined in the *Code of Virginia*, as amended. Eligible prior service that may be purchased includes prior public service, active military service, certain periods of leave, and previously refunded service.

The System administers three different benefit structures for covered employees in the VRS Teacher Retirement Plan – Plan 1, Plan 2, and Hybrid. The provisions and features of the plans, as well as all actuarial assumptions, are substantially the same as those referenced in Note 18.

Contributions

The contribution requirement for active employees is governed by §51.1-145 of the *Code of Virginia*, as amended, but may be impacted as a result of funding provided to school divisions by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement. Each school division’s contractually required contribution rate for the year ended June 30, 2021 was 16.59% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employee during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the school division were \$6,127,637 and \$5,856,953 for the years ended June 30, 2021 and June 30, 2020, respectively.

(Continued)

CITY OF DANVILLE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

Note 20. Defined Benefit Pension Plan – Teacher Cost Sharing Plan (Continued)

General Information about the Teacher Cost Sharing Plan (Continued)

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

At June 30, 2021, the school division reported a liability of \$61,422,269 for its proportionate share of the Net Pension Liability. The Net Pension Liability was measured as of June 30, 2020 and the total pension liability used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date. The school division's proportion of the Net Pension Liability was based on the school division's actuarially determined employer contributions to the pension plan for the year ended June 30, 2020 relative to the total of the actuarially determined employer contributions for all participating employers. For the year ended June 30, 2021, the school division's proportion was 42.21% as compared to 42.31% at June 30, 2020.

For the year ended June 30, 2021, the school division recognized pension expense of \$6,533,239. Since there was a change in proportionate share between measurement dates, a portion of the pension expense was related to deferred amounts from changes in proportion and from differences between employer contributions and the proportionate share of employer contributions.

At June 30, 2021, the school division reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 3,600,291
Change in assumptions	4,192,840	-
Net difference between projected and actual earnings on pension plan investments	4,671,844	-
Changes in proportion and differences between Employer contributions and proportionate share of contributions	3,044,843	1,587,926
Employer contributions subsequent to the measurement date	6,127,637	-
Total	<u>\$ 18,037,164</u>	<u>\$ 5,188,217</u>

(Continued)

CITY OF DANVILLE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

Note 20. Defined Benefit Pension Plan – Teacher Cost Sharing Plan (Continued)

General Information about the Teacher Cost Sharing Plan (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

The \$6,127,637 reported as deferred outflows of resources related to pensions resulting from the school division's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the year ended June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	Increase (Reduction) to Pension Expense
2022	\$ 92,914
2023	1,962,392
2024	2,787,165
2025	1,956,628
2026	(77,789)

Net Pension Liability

The net pension liability (NPL) is calculated separately for each system and represents that particular system's total pension liability determined in accordance with GASB Statement No. 67, less that system's fiduciary net position. As of June 30, 2020, NPL amounts for the VRS Teacher Employee Retirement Plan is as follows (amounts expressed in thousands):

	Teacher Employee Retirement Plan
Total pension liability	\$ 51,001,855
Plan fiduciary net position	<u>36,449,229</u>
Employers' net pension liability (asset)	<u>\$ 14,552,626</u>
Plan fiduciary net position as a percentage of the total pension liability	71.47%

The total pension liability is calculated by the System's actuary, and each plan's fiduciary net position is reported in the System's financial statements. The net pension liability is disclosed in accordance with the requirements of GASB Statement No. 67 in the System's notes to the financial statements and required supplementary information.

(Continued)

CITY OF DANVILLE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

Note 20. Defined Benefit Pension Plan – Teacher Cost Sharing Plan (Continued)

General Information about the Teacher Cost Sharing Plan (Continued)

Sensitivity of the School Division's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the school division's proportionate share of the net pension liability of the school division using the discount rate of 6.75%, as well as what the school division's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (5.75%) or one percentage point higher (7.75%) than the current rate:

	1.00% Decrease (5.75%)	Current Discount Rate (6.75%)	1.00% Increase (7.75%)
School division's proportionate share of the VRS Teacher Employee Retirement plan net pension liability	\$ 90,120,263	\$ 61,422,269	\$ 37,685,400

Pension Plan Fiduciary Net Position

Detailed information about the VRS Teacher Retirement Plan's Fiduciary Net Position is available in the separately issued VRS 2020 Annual Comprehensive Financial Report (Annual Report). A copy of the 2020 VRS Annual Report may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2020-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Payables to the Pension Plan

At June 30, 2021, approximately \$229,050 was payable to the Virginia Retirement System for the legally required contributions related to June 2021 payroll.

Note 21. Other Postemployment Benefits – Local Plan

Plan Description

The City is a single, non-participating employer of the State's Line of Duty Act (LODA), and therefore, directly funds the cost of benefits provided under LODA. Eligible public safety employees and volunteers of the City who are disabled or killed in the line of duty and their eligible family members are included under the LODA plan.

(Continued)

CITY OF DANVILLE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

Note 21. Other Postemployment Benefits – Local Plan (Continued)

Benefits Provided

The City continues to pay the LODA health benefit plan premiums for any claimant and/or eligible spouse and family member to the Department of Health Resources and Management (DHRM), Virginia; pays death benefit of \$100,000 (if death occurs as a direct result of performing duty; amount may vary for other causes of death) to eligible family members, funeral benefits (if requested); any administrative fees associated with the LODA claims and retroactive health insurance premium reimbursements, if applicable.

Effective July 1, 2017, benefits are not covered upon eligibility for Medicare due to age, income greater than pre-disability income, surviving spouses who remarry. Existing participants with a death or disability eligibility date prior to July 1, 2017 and current/existing spouses who remarry prior to July 1, 2017 are grandfathered.

Employees Covered by Benefit Terms

The number of participants at July 1, 2019 was as follows:

Retirees currently receiving benefits	19
Active participants *	<u>321</u>
Total	<u><u>340</u></u>

* Includes 83 Danville Life Saving Crew members.

Total OPEB Liability

The City's total OPEB liability of \$7,005,877 was measured as of June 30, 2021 and was determined based on an actuarial valuation performed as of July 1, 2019.

Actuarial Assumptions and Other Inputs

The total OPEB liability was determined using the following assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.75%
Salary increases, including inflation	3.00%
Healthcare cost trend rates	6.00% Initial, 4.25% Ultimate
Retirees' share of benefit-related costs	Same as Health Care Trend
Actuarial cost method	Entry Age Normal

(Continued)

CITY OF DANVILLE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

Note 21. Other Postemployment Benefits – Local Plan (Continued)

Actuarial Assumptions and Other Inputs (Continued)

Participation: 30% of the eligible active population are assumed to be eligible for LODA disability benefits.

Active Crew Members: Age and gender information was provided by the City for 83 Active Crew Members. Date of hire was assumed to be at age 30, or current age less one year, if younger than 30.

The demographic assumptions below are based on an experience study conducted for the City's public safety employees. The same assumptions were applied to all active participants for the valuation.

Retirement Rates:

<u>Age</u>	<u>Assumed Rate</u>
50-55	5.00%
56	6.30
57	7.80
58	9.80
59	12.20
60	15.30
61	19.10
62	23.80
63	29.80
64	37.30
65+	100.00

Disability Rates:

<u>Age</u>	<u>Assumed Rate</u>	
	<u>Male</u>	<u>Female</u>
25	0.12%	0.20%
35	0.20	0.32
45	0.40	0.60
55	1.44	1.96
60	3.60	4.84
65	0.00	0.00

Mortality rates: RP-2000 Tables with one-year setback for males and one year set forward for females projected to 2025 using Scale BB. For pre-retirement deaths, 75% of these rates are used. For disabled members, the RP-2000 disabled tables are used.

The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study performed on July 1, 2019 for the City's public safety employees. The same assumptions were applied to all participants.

(Continued)

CITY OF DANVILLE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

Note 21. Other Postemployment Benefits – Local Plan (Continued)

Changes in the Total OPEB Liability

Balance at June 30, 2020	\$ 6,514,340
Changes for the year:	
Service cost	142,310
Interest	159,981
Benefit changes	-
Differences between expected and actual experience	-
Assumption or other input changes	444,382
Benefit payments	(255,136)
Other changes	-
Net changes	491,537
Balance at June 30, 2021	\$ 7,005,877

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (0.92%) or one percentage point higher (2.92%) than the current discount rate:

	1.00% Decrease (0.92%)	Current Discount Rate (1.92%)	1.00% Increase (2.92%)
Total OPEB liability	\$ 8,041,105	\$ 7,005,877	\$ 6,191,060

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the total OPEB liability, as well as what the City's total OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower (3.25%) or one percentage point higher (5.25%) than the current healthcare cost trend rates:

	1.00% Decrease (3.25%)	Current Ultimate Trend Rate (4.25%)	1.00% Increase (5.25%)
Total OPEB liability	\$ 6,140,963	\$ 7,005,877	\$ 8,097,758

(Continued)

CITY OF DANVILLE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

Note 21. Other Postemployment Benefits – Local Plan (Continued)

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2021, the City recognized OPEB expense of \$280,106. At June 30, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 1,564,515
Change in assumptions	1,258,760	-
Net difference between projected and actual earnings on OPEB plan investments	-	-
Total	<u>\$ 1,258,760</u>	<u>\$ 1,564,515</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending June 30,	Reduction to OPEB Expense
2022	\$ (22,185)
2023	(22,185)
2024	(22,185)
2025	(22,185)
2026	(22,185)
Thereafter	(194,830)

(Continued)

CITY OF DANVILLE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

Note 22. Other Postemployment Benefits Liability – Virginia Retirement System Plans – Schools

In addition to their participation in the pension plans offered through the Virginia Retirement System (VRS), the Schools also participate in various cost-sharing and agent multi-employer other postemployment benefit plans, described as follows.

Plan Descriptions

Group Life Insurance Program

All full-time teachers and other employees are automatically covered by the VRS Group Life Insurance (GLI) Program upon employment.

In addition to the Basic Group Life Insurance Benefit, members are also eligible to elect additional coverage for themselves as well as a spouse or dependent children through the Optional Group Life Insurance Program. For members who elect the optional group life insurance coverage, the insurer bills employers directly for the premiums. Employers deduct these premiums from members' paychecks and pay the premiums to the insurer. Since this is a separate and fully insured program, it is not included as part of the GLI Program OPEB.

Specific information for the GLI is available at <https://www.varetire.org/members/benefits/life-insurance/basic-group-life-insurance.asp>

Teacher Employee Health Insurance Credit Program

All full time, salaried permanent (professional) employees of public school divisions are automatically covered by the VRS Teacher Employee Health Insurance Credit (HIC) Program. Members earn one month of service credit toward the benefit for each month they are employed and for which their employer pays contributions to VRS. The health insurance credit is a tax-free reimbursement in an amount set by the General Assembly for each year of service credit against qualified health insurance premiums retirees pay for single coverage, excluding any portion covering the spouse or dependents. The credit cannot exceed the amount of the premiums and ends upon the retiree's death.

Specific information about the Teacher HIC is available at <https://www.varetire.org/retirees/insurance/healthinscredit/index.asp>

The GLI and Teacher HIC are administered by the VRS along with pensions and other OPEB plans, for public employer groups in the Commonwealth of Virginia. Both of these plans are considered multiple employer, cost sharing plans.

CITY OF DANVILLE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

Note 22. Other Postemployment Benefits Liability – Virginia Retirement System Plans – Schools (Continued)

Contributions

Contributions to the VRS OPEB programs were based on actuarially determined rates from actuarial valuations as of June 30, 2017. The actuarially determined rates were expected to finance the cost of benefits earned by employees during the year, with an additional amount to fund any unfunded accrued liability. Specific details related to the contributions for the VRS OPEB programs are as follows:

Group Life Insurance Program

Governed by:	<i>Code of Virginia</i> 51.1-506 and 51.1-508 and may be impacted as a result of funding provided to school divisions and governmental agencies by the Virginia General Assembly.
Total rate:	1.34% of covered employee compensation. Rate allocated 60/40; 0.80% employee and 0.54% employer. Employers may elect to pay all or part of the employee contribution.
June 30, 2021 Contribution – general employees	\$10,584
June 30, 2021 Contribution – teachers	\$201,102
June 30, 2020 Contribution – general employees	\$10,438
June 30, 2020 Contribution – teachers	\$198,344

Teacher Health Insurance Credit Program

Governed by:	<i>Code of Virginia</i> 51.1-1401(E) and may be impacted as a result of funding provided to school divisions by the Virginia General Assembly.
Total rate:	1.21% of covered employee compensation.
June 30, 2021 Contribution	\$447,080
June 30, 2020 Contribution	\$448,252

(Continued)

CITY OF DANVILLE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

**Note 22. Other Postemployment Benefits Liability – Virginia Retirement System Plans – Schools
(Continued)**

OPEB Liabilities, OPEB Expense, and Deferred Inflows and Outflows of Resources Related to OPEB

The net OPEB liabilities were measured as of June 30, 2020 and the total OPEB liabilities used to calculate the net OPEB liabilities were determined by actuarial valuations as of that date. The covered employer's proportion of the net OPEB liabilities were based on the covered employer's actuarially determined employer contributions for the year ended June 30, 2020 relative to the total of the actuarially determined employer contributions for all participating employers.

Group Life Insurance Program

General Employees

June 30, 2021 proportionate share of liability	\$ 193,585
June 30, 2020 proportion	0.01160%
June 30, 2019 proportion	0.01151%
June 30, 2021 expense	\$ 11,796

Teachers

June 30, 2021 proportionate share of liability	\$ 3,036,948
June 30, 2020 proportion	0.18200%
June 30, 2019 proportion	0.18300%
June 30, 2021 expense	\$ 132,108

Teacher Health Insurance Credit Program

June 30, 2021 proportionate share of liability	\$ 5,557,631
June 30, 2020 proportion	0.42603%
June 30, 2019 proportion	0.42705%
June 30, 2021 expense	\$ 479,793

Since there was a change in proportionate share between measurement dates, a portion of the OPEB expense above was related to deferred amount from changes in proportion.

CITY OF DANVILLE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

**Note 22. Other Postemployment Benefits Liability – Virginia Retirement System Plans – Schools
(Continued)**

**OPEB Liabilities, OPEB Expense, and Deferred Inflows and Outflows of Resources Related to
OPEB (Continued)**

Group Life Insurance Program – General School Employees

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 12,417	\$ 1,738
Change in assumptions	9,681	4,042
Net difference between projected and actual earnings on OPEB plan investments	5,815	-
Changes in proportion	20,914	2,202
Employer contributions subsequent to the measurement date	10,584	-
	<u>\$ 59,411</u>	<u>\$ 7,982</u>

Group Life Insurance Program – Teachers

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 194,792	\$ 27,277
Change in assumptions	151,882	63,413
Net difference between projected and actual earnings on OPEB plan investments	91,227	-
Changes in proportion	187,065	91,839
Employer contributions subsequent to the measurement date	201,102	-
	<u>\$ 826,068</u>	<u>\$ 182,529</u>

(Continued)

CITY OF DANVILLE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

Note 22. Other Postemployment Benefits Liability – Virginia Retirement System Plans – Schools
(Continued)

OPEB Liabilities, OPEB Expense, and Deferred Inflows and Outflows of Resources Related to OPEB (Continued)

Teacher Health Insurance Credit Program

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 74,220
Change in assumptions	109,867	30,365
Net difference between projected and actual earnings on OPEB plan investments	24,629	-
Changes in proportion	366,462	183,348
Employer contributions subsequent to the measurement date	447,080	-
	<u>\$ 948,038</u>	<u>\$ 287,933</u>

The deferred outflows of resources related to OPEB resulting from the Schools' contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending June 30,	Increase to OPEB Expense		
	Group Life Insurance Program – General Employees	Group Life Insurance Program – Teachers	Teacher Health Insurance Credit Program
2022	\$ 7,330	\$ 62,040	\$ 24,658
2023	8,972	87,803	27,100
2024	10,966	119,846	26,282
2025	10,515	135,360	39,526
2026	2,904	35,237	64,936
Thereafter	158	1,151	30,523

(Continued)

CITY OF DANVILLE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

Note 22. Other Postemployment Benefits Liability – Virginia Retirement System Plans – Schools (Continued)

Actuarial Assumptions and Other Inputs

The total OPEB liability was determined using the following assumptions based on an actuarial valuation date of June 30, 2019, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2020:

Inflation	2.50%
Salary increases, including inflation:	
• Locality – general employees	3.50 – 5.35%
• Teachers	3.50 – 5.95%
Healthcare cost trend rates:	
• Under age 65	7.25 – 4.75%
• Ages 65 and older	5.375 – 4.75%
Investment rate of return, net of expenses, including inflation	6.75%

Mortality rates used for the various VRS OPEB plans are the same as those used for the actuarial valuations of the VRS pension plans.

Net OPEB Liabilities

The net OPEB liabilities represent each program's total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of June 30, 2020, net OPEB liability amounts for the various VRS OPEB programs are as follows (amounts expressed in thousands):

	<u>Group Life Insurance Program</u>	<u>Teacher Employee HIC OPEB Plan</u>
Total OPEB Liability	\$ 3,523,937	\$ 1,448,676
Plan fiduciary net position	1,855,102	144,160
Employers' net OPEB liability (asset)	1,668,835	1,304,516
Plan fiduciary net position as a percentage of total OPEB liability	52.64%	9.95%

The total liability is calculated by the VRS actuary and each plan's fiduciary net position is reported in the VRS financial statements. The net OPEB liability is disclosed in accordance with the requirements of GASB Statement No. 74 in the VRS notes to the financial statements and required supplementary information.

CITY OF DANVILLE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

Note 22. Other Postemployment Benefits Liability – Virginia Retirement System Plans – Schools (Continued)

The long-term expected rate of return on VRS investments was determined using a log-normal distribution analysis.

Discount Rate

The discount rate used to measure the GLI and HIC OPEB liabilities was 6.75%, because the expectation is that all future benefit payments will be funded by the Plans' fiduciary net position.

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

The following presents the net OPEB liabilities of the Schools, as well as what the Schools' net OPEB liabilities would be if it were calculated using a discount rate that is one percentage point lower (5.75%) or one percentage point higher (7.75%) than the current discount rate:

	1.00% Decrease (5.75%)	Current Discount Rate (6.75%)	1.00% Increase (7.75%)
GLI Net OPEB liability – general employees	\$ 254,482	\$ 193,585	\$ 144,130
GLI Net OPEB liability – teachers	3,992,301	3,036,948	2,261,112
Teacher HIC Net OPEB liability	6,221,189	5,557,631	4,993,655

OPEB Plan Fiduciary Net Position

Information about the various VRS OPEB plan fiduciary net position is available in the separately issued VRS 2020 Annual Comprehensive Financial Report (Annual Report). A copy of the 2020 VRS Annual Report may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2020-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Payables to the OPEB Plan – Schools

At June 30, 2021, the following amounts were payable to the Virginia Retirement System for the legally required contributions related to June 2021 payroll.

• Group Life Insurance – general employees	\$ 2,185
• Group Life Insurance – teachers	11,334
• Teacher Employee Health Insurance Credit	14,086

CITY OF DANVILLE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

**Note 22. Other Postemployment Benefits Liability – Virginia Retirement System Plans – Schools
(Continued)**

Following is a summary of key financial statement elements lifted from the Schools' OPEB plans described above.

	<u>Danville Public Schools</u>
Deferred outflows of resources	
OPEB contributions subsequent to measurement date:	
GLI – general employees	\$ 10,584
GLI – teachers	201,102
HIC – teachers	447,080
Changes in proportion and related differences – cost sharing plans:	
GLI – general employees	20,914
GLI – teachers	187,065
HIC – teachers	366,462
Changes in assumptions:	
GLI – general employees	9,681
GLI – teachers	151,882
HIC – teachers	109,867
Net difference between projected and actual earnings on OPEB plan investments:	
GLI – general employees	5,815
GLI – teachers	91,227
HIC – teachers	24,629
Difference between expected and actual experience:	
GLI – general employees	12,417
GLI – teachers	194,792
	<u>\$ 1,833,517</u>
Net OPEB liability:	
GLI – general employees	\$ 193,585
GLI – teachers	3,036,948
HIC – teachers	5,557,631
	<u>\$ 8,788,164</u>
Deferred inflows of resources:	
Difference between expected and actual experience:	
GLI – general employees	\$ 1,738
GLI – teachers	27,277
HIC – teachers	74,220
Changes in assumptions:	
GLI – general employees	4,042
GLI – teachers	63,413
HIC – teachers	30,365

(Continued)

CITY OF DANVILLE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

Note 22. Other Postemployment Benefits Liability – Virginia Retirement System Plans – Schools (Continued)

**Danville
Public Schools**

Deferred inflows of resources: (Continued)

Changes in proportion and related differences – cost sharing plans:

GLI – general employees	\$ 2,202
GLI – teachers	91,839
HIC – teachers	<u>183,348</u>
	<u><u>\$ 478,444</u></u>

Note 23. Service Contracts

Power Purchase Contracts – American Municipal Power

The City purchases substantially all of its power through American Municipal Power, Inc. (AMP) through contracts described below. AMP has issued debt to fund the various projects, and although this is not directly an obligation of the City, the related agreements are “take-or-pay” contracts, under which the City is obligated to purchase a minimum amount of power.

AMP Fremont Energy Center (86 Members)

On July 28, 2011, AMP acquired from FirstEnergy Generation Corporation (“FirstEnergy”) the Fremont Energy Center (“AFEC”), a combined cycle, natural gas fueled electric generating plant, then nearing completion of construction and located in Fremont, Sandusky County, Ohio. Following completion of the commissioning and testing, AMP declared AFEC to be in commercial operation as of January 20, 2012. AFEC has a capacity of 512 MW (unfired)/67MW (fired) and consists of two combustion turbines, two heat recovery steam generators and one steam turbine and condenser.

AMP subsequently sold a 5.16% undivided ownership interest in AFEC to the Michigan Public Power Agency and entered into a power sales contract with the Central Virginia Electric Cooperative for the output associated with a 4.15% undivided ownership interest in AFEC. The output of AFEC associated with the remaining 90.69% undivided ownership interest (the “90.69% Interest”) is sold to AMP Members pursuant to a take-or-pay power sales contract with 86 of its Members (the “AFEC Power Sales Contract”).

In 2012, to provide permanent financing for the 90.69% Interest, AMP issued, in two series, \$546,085,000 of its AMP Fremont Energy Center Project Revenue Bonds (the “2012 AFEC Bonds”), consisting of taxable and tax-exempt obligations. The AFEC Bonds are net revenue obligations of AMP, secured by a master trust indenture and payable from amounts received by AMP under the AFEC Power Sales Contract. In 2017, AMP issued bonds (the “AFEC Refunding Bonds” and, together with the 2012 AFEC Bonds, the “AFEC Bonds”) to refund a portion of the 2012 AFEC Bonds. As of June 30, 2021, \$468,135,000 aggregate principal amount of AFEC Bonds was outstanding.

(Continued)

CITY OF DANVILLE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

Note 23. Service Contracts (Continued)

Power Purchase Contracts – American Municipal Power (Continued)

AMP Fremont Energy Center (AFEC) (86 members) (Continued)

In April 2021, AMP executed a Gas Supply Contract (the “Gas Supply Contract”) with Tennergy Corporation (“Tennergy”) under the terms of which Tennergy will provide a portion of the natural gas made available to Tennergy under the terms of a Prepaid Natural Gas Sales Agreement (“Prepaid Natural Gas Sales Agreement”) between Tennergy and a subsidiary of Morgan Stanley. Under the Gas Supply Contract, AMP receives the benefit of a discount from market index gas priced.

The City of Danville has executed a take-or-pay power sales contract with AMP for 37,300 kW or 8.03% of capacity and associated energy from the AFEC facility.

Combined Hydroelectric Projects (79 Members)

AMP owns and operates three hydroelectric projects, the Cannelton, the Smithland and the Willow Island hydroelectric generating facilities (the “Combined Hydroelectric Projects”), all on the Ohio River, with an aggregate generating capacity of approximately 208 MW. Each of the Combined Hydroelectric Projects is in commercial operation and consists of run-of-the-river hydroelectric generating facilities on existing Army Corps dams and includes associated transmission facilities. AMP holds the licenses from FERC for the Combined Hydroelectric Projects.

To provide financing for, or refinance certain obligations incurred in respect of, the Combined Hydroelectric Projects, AMP has issued ten series of its Combined Hydroelectric Projects Revenue Bonds (the “Combined Hydroelectric Bonds”), in an original aggregate principal amount \$2,483,845,000 and consisting of taxable, tax-exempt and tax advantaged obligations (Build America Bonds, Clean Renewable Energy Bonds and New Clean Renewable Energy Bonds). The Combined Hydroelectric Bonds are secured by a master trust indenture and payable from amounts received by AMP under a take-or-pay power sales contract with 79 of its Members.

As of June 30, 2021, \$2,120,512,059 aggregate principal amount of the Combined Hydroelectric Bonds and approximately \$10.7 million aggregate principal amount of subordinate obligations, consisting of notes evidencing draws on the Line of Credit, were outstanding under the indenture securing the Combined Hydroelectric Bonds.

In August 2017, AMP filed a lawsuit against Voith Hydro, Inc. (“Voith”), the supplier of major powerhouse equipment, including the turbines and generators for the Combined Hydroelectric Projects and the Meldahl Project.

The City of Danville has executed a take-or-pay power sales contract with AMP for 22,084 kW or 10.62% of capacity and associated energy from the Combined Hydroelectric Facilities.

(Continued)

CITY OF DANVILLE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

Note 23. Service Contracts (Continued)

Power Purchase Contracts – American Municipal Power (Continued)

Meldahl Hydroelectric Project (48 Members)

AMP owns and, together with the City of Hamilton, Ohio, an AMP Member, developed and constructed a 108.8 MW, three-unit hydroelectric generation facility on the Captain Anthony Meldahl Locks and Dam, an existing Army Corps dam on the Ohio River, and related equipment and associated transmission facilities (the “Meldahl Project”). The Meldahl Project is operated by the City of Hamilton.

In order to finance the construction of the Meldahl Project and related costs, AMP issued seven series of its Meldahl Hydroelectric Project Revenue Bonds (“Meldahl Bonds”) in an original aggregate principal amount of \$820,185,000 consisting of taxable, tax-exempt and tax advantaged obligations (Build America Bonds, Clean Renewable Energy Bonds and New Clean Renewable Energy Bonds). The Meldahl Bonds are secured by a master trust indenture and payable from amounts received by AMP under a take-or-pay power sales contract with 48 of its Members.

As of June 30, 2021, \$655,050,000 aggregate principal amount of the Meldahl Bonds and approximately \$0.7 million aggregate principal amount of subordinate obligations, consisting of notes evidencing draws on the Line of Credit, were outstanding under the indenture securing the Meldahl Bonds.

The City of Danville has executed a take-or-pay power sales contract with AMP for 5,039 kW or 4.80% of capacity and associated energy from the Meldahl hydro facility.

Greenup Hydroelectric Project (47 Members)

In connection with the development of the Meldahl Project, Hamilton agreed to sell and AMP agreed to purchase a 48.6% undivided ownership interest (the “AMP Interest”) in the Greenup Hydroelectric Facility. On May 11, 2016, AMP issued \$125,630,000 aggregate principal amount of its Greenup Hydroelectric Project Revenue Bonds, Series 2016A (the “Greenup Bonds”) and, with a portion of the proceeds thereof, acquired the AMP Interest. The Greenup Bonds are secured by a separate power sales contract that has been executed by the same Members (with the exception of Hamilton, which retained title to a 51.4% ownership interest in the Greenup Hydroelectric Facility) that executed the Meldahl Power Sales Contract. As of June 30, 2021, \$120,600,000 aggregate principal amount of the Greenup Bonds was outstanding.

The City of Danville has executed a take-or-pay power sales contract with AMP for 3,299 kW or 9.67% of capacity and associated energy from the Greenup facility.

CITY OF DANVILLE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

Note 23. Service Contracts (Continued)

Power Purchase Contracts – American Municipal Power (Continued)

Prairie State Energy Campus (68 Members)

On December 20, 2007, AMP acquired a 23.26% undivided ownership interest (the “PSEC Ownership Interest”) in the Prairie State Energy Campus (“PSEC”), a two unit, supercritical coal-fired power plant designed to have a net rated capacity of approximately 1,582 MW and associated facilities in southwest Illinois. The PSEC Ownership Interest is held by AMP 368 LLC, a single-member Delaware limited liability company (“AMP 368 LLC”). AMP is the owner of the sole membership interest in AMP 368 LLC. Construction of the PSEC commenced in October 2007. Unit 1 of the PSEC commenced operations in the second quarter of 2012 and Unit 2 of the PSEC commenced operations in the fourth quarter of 2012.

From July 2008 through September 2010, AMP issued five series of Prairie State Energy Campus Revenue Bonds (collectively, the “Initial Prairie State Bonds”) to finance PSEC project costs and PSEC related expenses. The Initial Prairie State Bonds consist of tax-exempt, taxable and tax advantaged Build America Bonds issued in the original aggregate principal amount of \$1,696,800,000. In 2015, 2017, and 2019, AMP issued bonds (the “Prairie State Refunding Bonds” and, together with the Initial Prairie State Bonds, the “Prairie State Bonds”) to refund all of the callable tax-exempt Initial Prairie State Bonds issued in 2008 and 2009, certain of callable outstanding Initial Prairie State Bonds issued as Build America Bonds and certain of the bonds issued in 2015 to refund the Initial Prairie State Bonds. As of June 30, 2021, AMP had \$1,439,610,000 aggregate principal amount of Prairie State Bonds outstanding.

AMP sells the power and energy from the PSEC Ownership Interest pursuant to a take-or-pay power sales contract (the “Prairie State Power Sales Contract”) with 68 Members (the “Prairie State Participants”). The Prairie State Bonds are net revenue obligations of AMP, secured by a master trust indenture, payable primarily from the payments to be made by the Prairie State Participants under the terms of the Prairie State Power Sales Contract. The capacity factor for the Prairie State Energy Campus for the fiscal year ending December 31, 2021 was 81.4%.

The City of Danville executed a take-or-pay power sales contract with AMP for 49,760 kW or 13.52% of capacity and associated energy from the Prairie State facility.

Litigation Relating to Combined Hydroelectric and Meldahl Projects

On August 14, 2017, AMP filed a lawsuit in the U.S. District Court for the Southern District of Ohio against Voith Hydro, Inc. (“Voith”), which was the supplier of major powerhouse equipment, including the turbines and generators for the Combined Hydroelectric Projects and the Meldahl Project. In the lawsuit, AMP alleges, among other things that Voith failed to deliver equipment on a timely basis and that certain of the equipment delivered was materially defective, causing significant delays. AMP has alleged proven damages of at least \$40 million.

(Continued)

CITY OF DANVILLE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

Note 23. Service Contracts (Continued)

Power Purchase Contracts – American Municipal Power (Continued)

Litigation Relating to Combined Hydroelectric and Meldahl Projects (Continued)

On October 16, 2017, Voith filed its answer, denying each of AMP's claims, and asserting two counterclaims seeking the payment of amounts it claims are due under the contract, amounts currently held by AMP as purported liquidated damages and \$40 million in damages, plus interest and legal fees. On December 1, 2017, AMP filed its answer to the Voith counterclaims, denying all liability to Voith.

As part of the initial disclosures, AMP listed 70 potential witnesses and \$90 million in gross damages, while Voith listed over 100 potential witnesses and \$65 million in gross damages. A scheduling order has been established which provides for an October 31, 2022 trial date.

Natural Gas Purchase Contracts – MuniGas

In 2007, the City entered into an agreement to purchase all natural gas for distribution to City customers through Municipal Gas Acquisition and Supply Corporation ("MuniGas"). Although the contract requires the City to source all gas purchases through this contract, it is not a take-or-pay contract and does not include minimum purchase requirements. The contract expires in 2027 but may be extended by mutual agreement.

Other Power Purchase Contracts

Schoolfield Hydro

In January 2016, a twenty year agreement between the City of Danville and STS Hydropower was finalized for the 4.55 megawatts generated at the Schoolfield dam located in Danville, Virginia. Both City Council and Utility Commission unanimously approved moving forward with this project. The agreement starts on December 1, 2016 and will expire on November 30, 2036. The terms include a \$63.50/megawatt hour rate with a 1.75% annual escalation. This generation represents approximately 1.00% of Danville's peak load.

Kentuck Solar

In May 2016, a twenty-five year agreement between the City of Danville and Washington Gas and Light was finalized for the construction of a 6-megawatt solar farm in Ringgold, Virginia within the Danville Utilities footprint. Both City Council and Utility Commission unanimously approved moving forward with this project. The agreement started upon the constructing and commissioning of the facility, which went online March 2018. The terms include a fixed \$72.51/megawatt hour rate with no annual escalation. This generation represents approximately 1.5% of Danville's peak load.

(Continued)

CITY OF DANVILLE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

Note 23. Service Contracts (Continued)

Future Service Contracts

Whitmell Solar

In September 2018, a twenty-five year agreement between the City of Danville and Turning Point Energy was finalized for the construction of a 10-megawatt solar farm in Whitmell Virginia within the Danville Utilities footprint. Both City Council and Utility Commission unanimously approved moving forward with this project. The agreement commenced upon the constructing and commissioning of the facility in August 2020. This generation represents approximately 24,000 mWh and 2.5% of Danville's peak load.

Ringgold Solar

In September 2018, a twenty-five year agreement between the City of Danville and Strata Solar was finalized for the construction of a 12-megawatt solar farm in Ringgold, Virginia within the Danville Utilities footprint. Both City Council and Utility Commission unanimously approved moving forward with this project. The agreement commenced upon the constructing and commissioning of the facility in November 2020. This generation represents approximately 28,000 mWh and 3% of Danville's peak load.

Note 24. Commitments and Contingencies

Litigation

The City, DPS, and the IDA are contingently liable with respect to lawsuits and other claims, which arise in the ordinary course of operations. It is the opinion of City management and the City Attorney that any losses not covered by insurance, which may ultimately be incurred as a result of the suits and claims, will not be material to the financial position of the City or its component units.

Grant programs

The City and DPS participate in a number of grant programs. Although the City and DPS have been audited in accordance with the provisions of the Uniform Guidance, these programs remain subject to financial and compliance audits by the grantors or their representatives. Such audits could lead to requests for reimbursements to the grantor agency for expenditures disallowed under terms of the grant. Based on prior experience, management believes such disallowances, if any, will not be significant.

(Continued)

CITY OF DANVILLE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

Note 24. Commitments and Contingencies (Continued)

Construction contracts

The City has several construction and similar contracts in progress at June 30, 2021. The uncompleted portion of these contracts represents financial commitments that were not yet liabilities at June 30, 2021, and consist of the following:

Contracts in progress	\$ 38,730,056
Less: paid or recorded as liabilities	<u>(26,165,222)</u>
Remaining commitment	<u><u>\$ 12,564,834</u></u>

Arbitrage

The City has certain debt instruments subject to arbitrage regulations. As of June 30, 2021, the arbitrage estimate was zero.

Encumbrance commitments

The City had the following outstanding encumbrances, which include certain of the construction contracts in progress above, as of June 30, 2021.

<u>Major Funds</u>	
General Fund	\$ 4,436,978
City Capital Projects Fund	5,080,614
Special Revenue Fund	<u>992,310</u>
Total encumbrances	<u><u>\$ 10,509,902</u></u>

Take-or-pay contracts

The City has entered into several take-or-pay contracts as described in Note 23, which require the City to purchase certain minimum amounts of power. The City could incur losses if the City were unable to use or resell any portion of the purchases to which it has committed.

Moral obligations

The IDA has several moral obligations for debt service in place for various organizations within the Danville, Virginia area. The total debt outstanding related to these moral obligations is approximately \$6,500,000.

As discussed in Note 1, the City has a moral obligation for debt service at the Danville-Pittsylvania Regional Facility Authority. Total debt outstanding at the Facility Authority is approximately \$837,500 with a final maturity of 2025; the City and Pittsylvania County each provide equal funding for the debt service.

(Continued)

CITY OF DANVILLE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

Note 25. Incentive Grants

The City, often in conjunction with the Authority, has awarded performance grants to companies within the City to foster economic development. Disbursements under these grants vary based on the performance requirements and period in which the company has to perform. During the current fiscal year, the City awarded approximately \$1,325,000 in new grants and paid approximately \$755,500 in such grant funds for awards for current and prior years from the Economic Development Fund. Additional performance grants, for which performance requirements have not yet been substantially met, total approximately \$5,200,000, and will be funded by the City through the Authority.

In fiscal year 2017, the Authority, the City, and the Commonwealth of Virginia entered into a performance agreement with Overfinch for the location of a facility in the City of Danville, Virginia. The Authority will lease to Overfinch a facility suitable for its operations. Overfinch can choose to remain in this facility or have the Authority build a new facility on a certain parcel of land. No decision has been reached on that construction. Overfinch's capital investment requirements vary based on the option chosen for the facility, however, the job requirements remain the same. During fiscal year 2021, Overfinch was operating in the leased facility and was considered delinquent with its performance requirements.

In fiscal year 2021, the Authority, the City, and the Commonwealth of Virginia entered into a performance agreement with Litehouse, Inc., for expanding operations and up-fitting buildings located within the City of Danville, Virginia.

In addition to those agreements previously described, the Authority also has multiple performance grants outstanding under which funds have been paid to the companies involved, but the performance period is not yet complete. Should a company fail to perform under the terms of the agreement, all or part of the funds awarded could become due and payable to the Authority. The Authority would then owe funds to the City, which may also owe certain funds back to the various granting authorities. Ultimate repayment responsibility rests with the City for these funds. Total outstanding grants with respect to which the City is contingently liable total approximately \$86,666 for funds from the Tobacco Commission.

CITY OF DANVILLE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

Note 26. Risk Management

Primary government

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. It is the policy of the City to retain risks of losses in those areas where it believes it is more economical to manage its risks internally and account for any health and workers' compensation claims settlement in the General Fund. The City also maintains an insurance fund to account for insurance transactions other than health insurance and workers' compensation. The City is self-insured for all workers' compensation claims, comprehensive and collision for vehicles which cost less than \$100,000, property damage up to a deductible of \$10,000, and employee liability to the extent that it is not covered by another policy. Exceptions to the self-insurance program are made when insurance coverage is available and when premiums are cost effective. The City is covered by property/casualty insurance policies on real and personal property (except vehicles) and the following liability insurance policies: public entity and public officials excess liability, medical and dental malpractice liability, voting booths, special events, vacant buildings, volunteer liability, nonowned aircraft liability, and commercial crime. The City maintains a blanket surety bond on all City workers who handle funds and excess amounts of insurance on key officials. There were no material reductions in insurance coverage from coverage in the prior fiscal year nor did settlements exceed coverage for any of the past three fiscal years.

The City is also self-insured for health insurance claims, as described in Note 1.

One City employee is covered by a surety bond.

The fleet insurance and commercial general liability insurance is provided under a pooled agreement with the Virginia Municipal Liability Pool (the "Pool"), a public entity risk pool. If the Pool should be in a deficit condition, it may levy an additional pro-rata assessment to members of the Pool, which may not exceed twice the members' annual contributions. The Pool agreement does not address the question of member liability in case of a deficit condition. Claims have not exceeded coverage in any of the previous three years, and there were no reductions in coverage from the previous year.

Workers' compensation claims liabilities include an amount for claims that have been incurred but not reported to date. Liabilities are determined using a combination of actual claims experience and actuarially determined amounts and include incremental claims, adjustment expense, and estimated recoveries. An independent contractor processes the public liability claims and the City records a provision and liability in the entity-wide statements for an estimate of incurred but not reported claims.

CITY OF DANVILLE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

Note 26. Risk Management (Continued)

Primary government (Continued)

Self-Insurance

Changes in the estimated claims payable for workers' compensation and health insurance are as follows for the past three years:

		<u>Beginning of Year</u>	<u>Changes in Claims and Reserves</u>	<u>Claim Payments</u>	<u>End of Year</u>
Workers' compensation	2021	\$ 1,796,259	\$ 4,290,221	\$ 3,507,445	\$ 2,579,035
	2020	2,160,097	1,970,445	2,334,283	1,796,259
	2019	2,753,317	385,753	978,973	2,160,097
Health insurance	2021	\$ 790,967	\$ 9,380,735	\$ 9,469,507	\$ 702,195
	2020	642,844	7,445,997	7,297,874	790,967
	2019	528,726	7,478,282	7,364,164	642,844

Component Unit – Danville Public Schools

DPS are a member of the School Systems of Virginia Group Self-Insurance Association (the "Association"), a public entity risk pool for workers' compensation insurance. All members of the Association have agreed to assume any liability under the Virginia Workers' Compensation Act of any and all members. The Association has operated at a profit and has declared dividends on a regular basis since the Schools entered the pool in 1982. The Schools have elected to have the Association hold the Board's dividends as a reserve against possible future claims. At June 30, 2021, the cumulative amount held in escrow amounted to \$260,154. This amount is included on the Statement of Net Position with other receivables. During the current fiscal year, the Schools paid \$204,736 in workers' compensation claims.

Note 27. New Accounting Standards

The Governmental Accounting Standards Board (GASB) has issued the following Statements which are not yet effective. The effective dates below are updated based on **Statement No. 95, Postponement of the Effective Dates of Certain Authoritative Guidance** due to the COVID-19 pandemic.

In June 2017, The GASB issued **Statement No. 87, Leases**. This Statement establishes standards of accounting and financial reporting for leases by lessees and lessors. The requirements of this Statement are effective for fiscal years beginning after June 15, 2021.

(Continued)

CITY OF DANVILLE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

Note 27. New Accounting Standards (Continued)

In August 2018, the GASB issued **Statement No. 90**, *Majority Equity Interests*, an amendment of GASB Statements No. 14 and No. 61. This Statement improves the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and improves the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value.

For all other holdings of a majority equity interest in a legally separate organization, a government should report the legally separate organization as a component unit, and the government or fund that holds the equity interest should report an asset related to the majority equity interest using the equity method. This Statement establishes that ownership of a majority equity interest in a legally separate organization results in the government being financially accountable for the legally separate organization and, therefore, the government should report that organization as a component unit.

This Statement also requires that a component unit in which a government has a 100 percent equity interest account for its assets, deferred outflows of resources, liabilities, and deferred inflows of resources at acquisition value at the date the government acquired a 100 percent equity interest in the component unit. Transactions presented in flows statements of the component unit in that circumstance should include only transactions that occurred subsequent to the acquisition.

The requirements should be applied retroactively, except for the provisions related to (1) reporting a majority equity interest in a component unit and (2) reporting a component unit if the government acquires a 100 percent equity interest. Those provisions should be applied on a prospective basis.

In May 2019, the GASB issued **Statement No. 91**, *Conduit Debt Obligations*. This Statement provides a single method of reporting conduit debt obligations by issuers and eliminates diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. The requirements of this Statement are effective for reporting periods beginning after December 15, 2021.

In January 2020, the GASB issued **Statement No. 92**, *Omnibus*. This Statement enhances comparability in accounting and financial reporting and improves the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. Certain requirements of this Statement are effective immediately and others for reporting periods beginning after June 15, 2021.

CITY OF DANVILLE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

Note 27. New Accounting Standards (Continued)

In March 2020, the GASB issued **Statement No. 93**, *Replacement of Interbank Offered Rates*. This Statement addresses accounting and financial reporting implications that result from the replacement of an IBOR. The removal of LIBOR as an appropriate benchmark interest rate is effective for reporting periods ending after December 31, 2022. All other requirements of this Statement are effective for reporting periods beginning after June 15, 2021.

In March 2020, the GASB issued **Statement No. 94**, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. This Statement improves financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). The requirements of this Statement are effective for reporting periods beginning after June 15, 2022.

In May 2020, the GASB issued **Statement No. 96**, *Subscription-Based Information Technology Arrangements*. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). The requirements of this Statement are effective for reporting periods beginning after June 15, 2022.

In June 2020, the GASB issued **Statement No. 97**, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans – an Amendment of GASB Statements No. 14 and No. 84, and a Supersession of GASB Statement No. 32*. This Statement provides a more consistent financial reporting of defined contribution pension plans, defined contribution OPEB plans, and other employee benefit plans, while mitigating the costs associated with reporting those plans. Certain requirements of this Statement are effective immediately and others for reporting periods beginning after June 15, 2021.

Management has not determined the effects these new GASB Statements may have on prospective financial statements.

Note 28. Tax Abatements

The City has real estate tax abatement agreements with 77 individuals or businesses who have constructed or renovated property within the City limits as of June 30, 2021. These agreements are structured in accordance with the State's Economic Development Assistance Program. The abatements are available for residents, hotel, or commercial structures. For all three abatements, the structure must be no less than 50 years old, be accessed by a Real Estate Assessor prior to rehabilitation, and the structure may remain the same after rehabilitation to continue to qualify for the abatement. The exemption shall begin on July 1 of the tax year following completion of the rehabilitation or renovation and will run with the real estate for a period of no longer than 15 years for residential structures and 5 years for hotel and commercial structure. Hotel and commercial exemptions follow a 5 year descending abatement rate starting at 100% and descending 20% each year for the next 5 years. There is a \$50 fee for residential structures and \$100 fee for hotel and commercial structures for the City to process each application for the abatement, and each qualifying rehabilitation or renovation must occur within two years of the application's acceptance.

(Continued)

CITY OF DANVILLE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

Note 28. Tax Abatements (Continued)

The four largest tax abatement agreements as of June 30, 2021 are as follows:

<u>Application No.</u>	<u>Agreement Date</u>	<u>Years Remaining</u>	<u>Abatement Percentage</u>	<u>Lost Real Estate Taxes In Fiscal Year 2021</u>
074	07/01/2010	4	\$0.84/\$100	\$ 2,357
109	07/01/2018	12	\$0.84/\$100	1,531
070	07/01/2008	2	\$0.84/\$100	24,996
071	07/01/2009	3	\$0.84/\$100	5,351

Total revenue losses for the year ended June 30, 2021 for all 77 individuals and businesses participating in the real estate abatements were approximately \$80,400. Projected future losses for all current abatement agreements is approximately \$212,917.

Note 29. Prior Period Restatement

In 2021 the Schools adopted GASB Statement No. 84, *Fiduciary Activities*. In accordance with this standard the School Activity funds, which previously were not included in these financial statements, are now reported as a special revenue fund. Fund balance and net position have been restated for the balance of those funds as of July 1, 2020, as follows:

	<u>Schools – Governmental Activities Net Position</u>
Beginning balance, as previously reported	\$ (36,798,449)
Inclusion of School Activity funds	<u>405,093</u>
Beginning balance, as restated	<u><u>\$ (36,393,356)</u></u>

Note 30. Subsequent Event

Subsequent to year end, the City has approved issuance of \$8,295,000 of General Obligation Public Improvement Bonds, Series 2021, consisting entirely of new money. The premium for these bonds is \$935,709. The City will be issuing the Bonds to finance capital expenditures for general governmental projects.

CITY OF DANVILLE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

Note 31. COVID-19 Uncertainty

On January 30, 2020, the World Health Organization (“WHO”) announced a global health emergency because of a new strain of coronavirus (the “COVID-19 outbreak”) and the risks to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally.

The City’s operations are heavily dependent on the ability to raise taxes, assess fees, and access the capital markets. Additionally, access to grants and contracts from federal and state governments may decrease or may not be available depending on appropriations. The outbreak may have a continued material adverse impact on economic and market conditions, triggering a period of global economic slowdown. This situation has depressed the tax bases and other areas in which the City received revenue during fiscal year 2021. As such, our financial condition and liquidity could be negatively impacted for the fiscal year 2022.

The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude the pandemic will have on the City’s financial condition, liquidity, and future results of operations. Management is actively monitoring the impact of the global situation on its financial condition, liquidity, operations, suppliers, industry, and workforce. Given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread, the City is not able to estimate the effects of the COVID-19 outbreak on its results of operations, financial condition, or liquidity for future fiscal years.

Note 32. Casino

On November 3, 2020, a referendum was passed by the citizens of Danville that allows Caesar’s Entertainment to build a casino resort in the City. The City has entered into a Comprehensive Casino Development Agreement with Caesars. The agreement will result in Caesars construction of a \$500 million resort casino with completion and opening anticipated in late 2023. The agreement also required Caesars to make a lump sum payment of \$15 million to the City upon passage of the referendum, as well as purchasing the Schoolfield campus from the City’s Industrial Development Authority for \$5 million. The agreement establishes an ongoing minimum gaming fee to the City. Each year, Caesars will pay the City the greater of \$5 million or 2.5% of net gaming revenue, up to \$200 million, plus 6% of net gaming revenue between \$200 million and \$400 million, plus 10% of net gaming revenue above \$400 million. In addition, there will be a pass through of state gaming taxes and taxes related to real estate, business personal property, lodging, prepared meals, and retail sales. It is anticipated that within three years of operation, the new annually recurring revenues to the City will be in excess of \$30 million.



REQUIRED SUPPLEMENTARY INFORMATION

CITY OF DANVILLE, VIRGINIA

**REQUIRED SUPPLEMENTARY INFORMATION –
SCHEDULE OF CHANGES IN NET PENSION ASSET AND RELATED RATIOS –
DANVILLE EMPLOYEES' RETIREMENT SYSTEM
June 30, 2021**

	Fiscal Year		
	2021	2020	2019
Total Pension Liability			
Service cost	\$ 4,548,310	\$ 4,373,375	\$ 4,205,168
Interest on total pension liability	17,005,417	16,186,089	15,946,626
Changes in benefit terms	-	-	-
Difference between expected and actual experience	(1,924,215)	6,022,813	(2,498,233)
Changes in assumptions	-	-	-
Benefit payments, including refunds of employee contributions	(15,362,998)	(14,752,377)	(14,061,024)
Net change in total pension liability	4,266,514	11,829,900	3,592,537
Total pension liability – beginning	245,937,802	234,107,902	230,515,365
Total pension liability – ending	250,204,316	245,937,802	234,107,902
Plan Fiduciary Net Position			
Contributions – employer	3,853,028	3,608,286	4,782,997
Contributions – employee	196,518	50,823	-
Net investment income	58,599,573	6,973,812	16,641,621
Benefit payments, including refunds of employee contributions	(15,362,998)	(14,752,377)	(14,061,024)
Administrative expenses	(148,991)	(127,589)	(121,916)
Other	-	-	-
Net change in plan fiduciary net position	47,137,130	(4,247,045)	7,241,678
Plan fiduciary net position – beginning	258,057,518	262,304,563	255,062,885
Plan fiduciary net position – ending	305,194,648	258,057,518	262,304,563
Net pension asset – ending	\$ (54,990,332)	\$ (12,119,716)	\$ (28,196,661)
Plan fiduciary net position as a percentage of total pension liability (asset)	122%	105%	112%
Covered payroll	\$ 45,228,296	\$ 43,872,041	\$ 42,945,709
Net pension liability (asset) as a percentage of covered payroll	-122%	-28%	-66%

This schedule is intended to show information for 10 years. Since 2014 was the first year for this presentation, no earlier data is available. However, additional years will be included as they become available.

The Notes to Required Supplementary Information are an integral part of this statement.

EXHIBIT 13

Fiscal Year				
2018	2017	2016	2015	2014
\$ 4,043,430	\$ 4,089,280	\$ 3,400,557	\$ 3,259,684	\$ 3,141,494
15,757,522	14,637,265	13,747,122	12,984,495	12,480,764
5,636,323	-	-	-	-
256,405	1,681,266	6,118,120	2,432,640	-
-	5,105,391	-	-	-
(12,716,164)	(12,200,073)	(11,623,173)	(11,594,274)	(10,380,124)
12,977,516	13,313,129	11,642,626	7,082,545	5,242,134
217,537,849	204,224,720	192,582,094	185,499,549	180,257,415
230,515,365	217,537,849	204,224,720	192,582,094	185,499,549
3,276,604	2,857,851	2,937,843	3,998,392	5,849,278
-	-	-	-	-
16,591,445	25,415,340	645,251	5,204,202	38,756,248
(12,716,164)	(12,200,073)	(11,623,173)	(11,594,274)	(10,380,124)
(86,903)	(111,095)	(125,428)	(143,714)	(109,411)
-	-	-	-	-
7,064,982	15,962,023	(8,165,507)	(2,535,394)	34,115,991
247,997,903	232,035,880	240,201,387	242,736,781	208,620,790
255,062,885	247,997,903	232,035,880	240,201,387	242,736,781
\$ (24,547,520)	\$ (30,460,054)	\$ (27,811,160)	\$ (47,619,293)	\$ (57,237,232)
111%	114%	114%	125%	131%
\$ 43,151,947	\$ 43,309,556	\$ 42,444,501	\$ 39,745,625	\$ 38,027,568
-57%	-70%	-66%	-120%	-151%

CITY OF DANVILLE, VIRGINIA

**REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PENSION CONTRIBUTIONS –
DANVILLE EMPLOYEES' RETIREMENT SYSTEM
June 30, 2021**

Year Ended June 30,	Actuarially Determined Contribution	Contributions in Relation to Actuarially Determined Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
2021	\$ 3,612,142	\$ 3,853,028	\$ (240,886)	\$ 45,228,296	8.52 %
2020	4,043,361	3,608,286	435,075	43,872,041	8.22
2019	4,712,599	4,782,997	(70,398)	42,945,709	11.14
2018	4,078,291	3,276,604	801,687	43,151,947	7.59
2017	2,857,851	2,857,851	-	43,309,556	6.60
2016	2,937,843	2,937,843	-	42,444,501	6.92
2015	3,583,779	3,998,392	(414,613)	39,745,625	10.06
2014	6,228,799	5,849,278	379,521	38,027,568	15.38
2013	5,295,468	5,280,687	14,781	36,804,751	14.35
2012	5,073,189	4,929,208	143,981	36,767,568	13.41

The Notes to Required Supplementary Information are an integral part of this statement.



CITY OF DANVILLE, VIRGINIA

**REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS –
VIRGINIA RETIREMENT SYSTEM – CONSTITUTIONAL OFFICERS
June 30, 2021**

	Plan Year		
	2020	2019	2018
Total Pension Liability			
Service cost	\$ 665,657	\$ 640,791	\$ 630,259
Interest on total pension liability	1,848,442	1,812,343	1,749,249
Difference between expected and actual experience	201,399	(238,743)	(105,720)
Changes in assumptions	-	729,708	-
Benefit payments, including refunds of employee contributions	(1,513,711)	(1,387,062)	(1,357,830)
Net change in total pension liability	1,201,787	1,557,037	915,958
Total pension liability – beginning	28,141,188	26,584,151	25,668,193
Total pension liability – ending	29,342,975	28,141,188	26,584,151
Plan Fiduciary Net Position			
Contributions – employer	605,862	589,705	590,775
Contributions – employee	283,651	262,020	258,046
Net investment income	489,428	1,640,864	1,734,871
Benefit payments, including refunds of employee contributions	(1,513,711)	(1,387,062)	(1,357,830)
Administrative expenses	(16,990)	(16,411)	(15,097)
Other	(581)	(1,034)	(1,540)
Net change in plan fiduciary net position	(152,341)	1,088,082	1,209,225
Plan fiduciary net position – beginning	25,904,655	24,816,573	23,607,348
Plan fiduciary net position – ending	25,752,314	25,904,655	24,816,573
Net pension liability – ending	\$ 3,590,661	\$ 2,236,533	\$ 1,767,578
Plan fiduciary net position as a percentage of total pension liability	88%	92%	93%
Covered payroll	\$ 5,649,541	\$ 5,431,818	\$ 5,329,915
Net pension liability as a percentage of covered payroll	64%	41%	33%

The plan years above are reported in the entity's financial statements in the fiscal year following the plan year – i.e., plan year 2014 information was presented in the entity's fiscal year 2015 financial report.

This schedule is intended to show information for 10 years. Since fiscal year 2015 (plan year 2014) was the first year for this presentation, no earlier data is available. Additional years will be included as they become available.

The Notes to Required Supplementary Information are an integral part of this statement.

EXHIBIT 15

Plan Year			
2017	2016	2015	2014
\$ 654,365	\$ 638,986	\$ 626,442	\$ 582,704
1,721,851	1,660,705	1,582,601	1,523,713
(377,881)	(66,041)	240,276	-
(260,243)	-	-	-
(1,335,530)	(1,384,752)	(1,282,338)	(1,247,980)
402,562	848,898	1,166,981	858,437
25,265,631	24,416,733	23,249,752	22,391,315
25,668,193	25,265,631	24,416,733	23,249,752
573,824	593,184	591,211	620,933
252,490	243,442	244,259	241,904
2,603,485	366,699	965,809	2,927,045
(1,335,530)	(1,384,752)	(1,282,338)	(1,247,980)
(15,237)	(13,630)	(13,462)	(15,950)
(2,307)	(158)	(201)	154
2,076,725	(195,215)	505,278	2,526,106
21,530,623	21,725,838	21,220,560	18,694,454
23,607,348	21,530,623	21,725,838	21,220,560
\$ 2,060,845	\$ 3,735,008	\$ 2,690,895	\$ 2,029,192
92%	85%	89%	91%
\$ 5,156,900	\$ 4,944,269	\$ 4,906,673	\$ 4,846,949
40%	76%	55%	42%

CITY OF DANVILLE, VIRGINIA

**REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS –
VIRGINIA RETIREMENT SYSTEM – SCHOOLS’ NONPROFESSIONAL EMPLOYEES
June 30, 2021**

	Plan Year		
	2020	2019	2018
Total Pension Liability			
Service cost	\$ 204,705	\$ 190,357	\$ 174,350
Interest on total pension liability	566,894	552,528	546,294
Difference between expected and actual experience	(185,806)	48,564	(140,555)
Changes in assumptions	-	224,954	-
Benefit payments, including refunds of employee contributions	(456,911)	(565,540)	(416,515)
Net change in total pension liability	128,882	450,863	163,574
Total pension liability – beginning	8,626,891	8,176,028	8,012,454
Total pension liability – ending	8,755,773	8,626,891	8,176,028
Plan Fiduciary Net Position			
Contributions – employer	72,809	73,060	79,096
Contributions – employee	107,505	103,220	91,413
Net investment income	164,621	555,378	599,557
Benefit payments, including refunds of employee contributions	(456,911)	(565,540)	(416,515)
Administrative expenses	(5,724)	(5,785)	(5,276)
Other	(193)	(347)	(530)
Net change in plan fiduciary net position	(117,893)	159,986	347,745
Plan fiduciary net position – beginning	8,698,181	8,538,195	8,190,450
Plan fiduciary net position – ending	8,580,288	8,698,181	8,538,195
Net pension liability (asset) – ending	\$ 175,485	\$ (71,290)	\$ (362,167)
Plan fiduciary net position as a percentage of total pension liability	98%	101%	104%
Covered payroll	\$ 2,370,974	\$ 2,249,743	\$ 1,927,099
Net pension liability as a percentage of covered payroll	7%	-3%	-19%

The plan years above are reported in the entity’s financial statements in the fiscal year following the plan year – i.e., plan year 2014 information was presented in the entity’s fiscal year 2015 financial report.

This schedule is intended to show information for 10 years. Since fiscal year 2015 (plan year 2014) was the first year for this presentation, no earlier data is available. Additional years will be included as they become available.

The Notes to Required Supplementary Information are an integral part of this statement.

EXHIBIT 16

Plan Year			
2017	2016	2015	2014
\$ 186,119	\$ 189,058	\$ 186,876	\$ 212,808
519,760	529,082	525,413	494,905
116,563	(478,030)	(322,695)	-
(71,319)	-	-	-
(327,611)	(418,969)	(255,375)	(288,413)
423,512	(178,859)	134,219	419,300
7,588,942	7,767,801	7,633,582	7,214,282
8,012,454	7,588,942	7,767,801	7,633,582
75,562	154,870	156,811	169,720
85,108	87,249	88,856	89,035
902,372	125,624	330,257	986,601
(327,611)	(418,969)	(255,375)	(288,413)
(5,271)	(4,691)	(4,474)	(5,283)
(800)	(55)	(69)	52
729,360	(55,972)	316,006	951,712
7,461,090	7,517,062	7,201,056	6,249,344
8,190,450	7,461,090	7,517,062	7,201,056
\$ (177,996)	\$ 127,852	\$ 250,739	\$ 432,526
102%	98%	97%	94%
\$ 1,763,226	\$ 1,788,926	\$ 2,145,082	\$ 1,778,846
-10%	7%	12%	24%

CITY OF DANVILLE, VIRGINIA

**REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PENSION CONTRIBUTIONS –
VIRGINIA RETIREMENT SYSTEM
June 30, 2021**

Entity Fiscal Year Ended June 30,	Contractually Determined Contribution	Contributions in Relation to Contractually Determined Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
Primary Government – Constitutional Officers					
2021	\$ 617,858	\$ 617,858	\$ -	\$ 5,542,097	11.15 %
2020	625,011	625,011	-	5,649,541	11.06
2019	584,271	584,271	-	5,431,818	10.76
2018	589,197	589,197	-	5,329,915	11.05
2017	572,985	572,985	-	5,156,900	11.11
2016	597,078	597,078	-	4,944,269	12.08
2015	592,339	592,339	-	4,906,673	12.07
Schools – Nonprofessional Employees					
2021	106,726	106,726	-	2,508,185	4.26
2020	90,525	90,525	-	2,370,974	3.82
2019	86,013	86,013	-	2,249,743	3.82
2018	87,044	87,044	-	1,927,099	4.52
2017	75,562	75,562	-	1,763,226	4.29
2016	157,146	157,146	-	1,788,926	8.78
2015	157,999	157,999	-	2,145,082	7.37

This schedule is intended to show information for 10 years. Since 2015 is the first year for this presentation, no earlier data is available. However, additional years will be included as they become available.

CITY OF DANVILLE, VIRGINIA

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER'S SHARE OF NET PENSION LIABILITY –
VRS TEACHER RETIREMENT PLAN
June 30, 2021

School Division Fiscal Year Ended June 30,	Employer's Proportion of the Net Pension Liability	Employer's Proportionate Share of the Net Pension Liability	Employer's Covered Payroll	Employer's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2021	42.21 %	\$ 61,422,269	\$ 37,348,749	164.46 %	71.47 %
2020	42.31	55,684,997	35,879,963	155.20	73.51
2019	38.57	45,360,000	31,410,746	144.41	74.81
2018	39.64	48,745,000	31,339,331	155.54	72.92
2017	41.42	58,050,000	31,568,468	183.89	68.28
2016	42.64	53,666,000	32,356,641	165.86	70.68
2015	44.88	54,235,000	32,833,731	165.18	70.88

This schedule is intended to show information for 10 years. Since 2015 was the first year for this presentation, no earlier data is available. However, additional years will be included as they become available.

The covered payroll amounts above are for the measurement period, which is the twelve months prior to the school division's fiscal year.

CITY OF DANVILLE, VIRGINIA

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PENSION CONTRIBUTIONS –
VRS TEACHER RETIREMENT PLAN
June 30, 2021

Year Ended June 30,	Contractually Required Contribution	Contributions in Relation to Contractually Required Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
2021	\$ 6,127,637	\$ 6,127,637	\$ -	\$ 36,937,510	16.59 %
2020	5,856,953	5,856,953	-	37,348,749	15.68
2019	5,611,419	5,611,419	-	35,879,963	15.64
2018	5,124,075	5,124,075	-	31,410,746	16.31
2017	4,510,278	4,510,278	-	31,339,331	14.39
2016	4,439,145	4,439,145	-	31,568,468	14.06
2015	4,596,302	4,596,302	-	32,356,641	14.21

This schedule is intended to show information for 10 years. Since 2015 was the first year for this presentation, no earlier data is available. However, additional years will be included as they become available.

The covered payroll amounts above are for the school division's fiscal year – i.e., the covered payroll on which required contributions were based for the same year.

CITY OF DANVILLE, VIRGINIA

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS –
LOCAL PLAN – LODA
June 30, 2021

	Primary Government			
	2021	2020	2019	2018
Total OPEB Liability				
Service cost	\$ 142,310	\$ 138,516	\$ 134,483	\$ 130,565
Interest on total OPEB liability	159,981	239,373	255,202	251,270
Changes in benefit terms	-	-	-	-
Difference between expected and actual experience	-	(1,825,267)	-	-
Changes in assumptions	444,382	571,392	463,261	-
Benefit payments	(255,136)	(242,464)	(268,751)	(285,326)
Other	-	100	-	-
Net change in total OPEB liability	491,537	(1,118,350)	584,195	96,509
Total OPEB liability – beginning	<u>6,514,340</u>	<u>7,632,690</u>	<u>7,048,495</u>	<u>6,951,986</u>
Total OPEB liability – ending	<u>\$ 7,005,877</u>	<u>\$ 6,514,340</u>	<u>\$ 7,632,690</u>	<u>\$ 7,048,495</u>
Covered payroll	<u>\$ 11,776,138</u>	<u>\$ 11,958,023</u>	<u>\$ 12,873,319</u>	<u>\$ 12,293,226</u>
Net OPEB liability as a percentage of covered payroll	<u>59%</u>	<u>54%</u>	<u>59%</u>	<u>57%</u>

This schedule is intended to show information for 10 years. Since fiscal year 2018 is the first year for this presentation, no earlier data is available. Additional years will be included as they become available.

CITY OF DANVILLE, VIRGINIA

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER'S SHARE OF NET OPEB LIABILITY
June 30, 2021

Entity Fiscal Year Ended June 30,	Employer's Proportion of the Net OPEB Liability	Employer's Proportionate Share of the Net OPEB Liability	Employer's Covered Payroll	Employer's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability
Schools:					
Virginia Retirement System – Health Insurance Credit – Teachers					
2021	0.4260 %	\$ 5,557,631	\$ 37,348,749	14.88 %	9.95 %
2020	0.4271	5,590,000	35,879,963	15.58	8.97
2019	0.3883	4,930,000	31,410,746	15.70	8.08
2018	0.4000	5,040,000	31,339,331	16.08	7.04
Virginia Retirement System – Group Life Insurance – Non-Teachers					
2021	0.0116	193,585	2,370,974	8.16	52.64
2020	0.0115	187,000	2,249,743	8.31	52.00
2019	0.0102	154,000	1,927,099	7.99	51.22
2018	0.0096	145,000	1,763,226	8.22	48.86
Virginia Retirement System – Group Life Insurance – Teachers					
2021	0.1820	3,036,948	37,348,749	8.13	52.64
2020	0.1830	2,978,000	35,879,963	8.30	52.00
2019	0.1657	2,517,000	31,339,331	8.03	51.22
2018	0.1703	2,564,000	31,568,468	8.12	48.86

This schedule is intended to show information for 10 years. Since 2018 was the first year for this presentation, no earlier data is available. However, additional years will be included as they become available.

CITY OF DANVILLE, VIRGINIA

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF OPEB CONTRIBUTIONS
June 30, 2021

Entity Fiscal Year Ended June 30,	Actuarially Determined Employer Contribution	Actual Employer Contribution	Contribution Deficiency (Excess)	Employer's Covered Payroll	Contributions as a Percentage of Covered Payroll
Schools:					
VRS Health Insurance Credit Teachers					
2021	\$ 447,080	\$ 447,080	\$ -	\$ 36,937,510	1.21 %
2020	448,252	448,252	-	37,348,749	1.20
2019	429,856	429,856	-	35,879,963	1.20
2018	386,288	386,288	-	31,410,746	1.23
VRS Group Life Insurance – Non-Teachers					
2021	10,584	10,584	-	2,508,185	0.42
2020	10,438	10,438	-	2,370,974	0.44
2019	9,978	9,978	-	2,249,743	0.44
2018	8,733	8,733	-	1,927,099	0.45
VRS Group Life Insurance – Teachers					
2021	201,102	201,102	-	36,937,510	0.54
2020	198,344	198,344	-	37,348,749	0.53
2019	189,587	189,587	-	35,879,963	0.53
2018	165,932	165,932	-	31,339,331	0.53

This schedule is intended to show information for 10 years. Since 2018 was the first year for this presentation, no earlier data is available. Additional years will be included as they become available.

The covered payroll amounts above are for the entity's fiscal year – i.e., the covered payroll on which required contributions were based for the same year.

CITY OF DANVILLE, VIRGINIA

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION June 30, 2021

Note 1. Changes of Benefit Terms

Pension

There have been no actuarially material changes to the Virginia Retirement System (the “System”) benefit provisions since the prior actuarial valuation. The 2014 valuation includes Hybrid Retirement Plan members for the first time. The hybrid plan applies to most new employees hired on or after January 1, 2014 and not covered by enhanced hazardous duty benefits. Because this was a new benefit and the number of participants was relatively small, the impact on the liabilities as of the measurement date of June 30, 2019 are not material.

Effective September 1, 2018, for Police and Firemen, in the City’s Employees’ Retirement System, the benefit multiplier is changed from 2.00% to 2.20%. This change was considered substantively in place as of June 30, 2019 and has been recognized in the current year actuarial estimates.

Other Postemployment Benefits (OPEB) – VRS

There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation.

Note 2. Changes of Assumptions

The following changes in actuarial assumptions were made effective June 30, 2019 based on the most recent experience study of the System for the four-year period ended June 30, 2016:

Largest 10 – Non-Hazardous Duty:

- Update mortality table
- Lowered in rates of service retirement
- Update withdrawal rates to better fit experience
- Lowered in rates of disability retirement
- No changes to salary rates
- Increase Line of Duty Disability rates
- Applicable to: Pension, GLI OPEB, and HIC OPEB

Largest 10 – Hazardous Duty/Public Safety Employees:

- Update mortality table
- Lowered rates of retirement at older ages
- Update withdrawal rates to better fit experience
- Increased disability rates
- No changes to salary rates
- Increased Line of Duty Disability rates
- Applicable to: Pension and GLI OPEB

(Continued)

CITY OF DANVILLE, VIRGINIA

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2021

Note 2. Changes of Assumptions (Continued)

All Others (Non 10 Largest) – Non-Hazardous Duty:

- Update mortality table
- Lowered rates of retirement at older ages and changed final retirement from 70 to 75
- Update withdrawal rates to better fit experience
- Lowered disability rates
- No changes to salary rates
- Increased Line of Duty Disability rates from 14% to 20%
- Applicable to: Pension and GLI OPEB

All Others (Non 10 Largest) – Hazardous Duty/Public Safety Employees:

- Update mortality table
- Increased retirement rate at age 50 and lowered rates at older ages
- Update withdrawal rates to better fit experience
- Update disability rates to better fit experience
- No changes to salary rates
- Lowered Line of Duty Disability rates from 60% to 45%
- Applicable to: Pension and GLI OPEB

Teacher Cost-Sharing Pool:

- Update mortality table
- Lowered retirement rates at older ages and changed final retirement from 70 to 75
- Update withdrawal rates to better fit experience
- Update disability rates to better fit experience
- No changes to salary rates
- Applicable to: Pension and GLI OPEB

(Continued)

CITY OF DANVILLE, VIRGINIA

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2021

Note 3. Methods and Assumptions – Employees’ Retirement System

Valuation date:

Actuarially determined contribution rates are calculated as of July 1, two years prior to the end of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal
Amortization method	Level percentage of payroll
Remaining amortization period	30 years
Asset valuation method	Five-year moving average
Inflation	3.00%
Salary increases	4.00%, including inflation
Investment rate of return	7.00%
Retirement age – general employees	3.00% at age 55 increasing to 100% at age 70
Retirement age – police and fire employees	10% at age 55 increasing to 100% at age 60
Mortality	RP-2000 Mortality Table

There have been no material changes to the Danville Employees’ Retirement System’s benefit provisions since the last actuarial valuations except as described in Note 1.

OTHER SUPPLEMENTARY INFORMATION



COMBINING STATEMENTS NONMAJOR GOVERNMENTAL FUNDS

- **Virginia Department of Transportation Fund (VDOT)** – is a special revenue fund that accounts for revenue derived from the Virginia Department of Transportation. These revenues are legally restricted for qualifying expenditures related to street and bridge design, construction, safety, and maintenance.
- **Economic Development Fund** – is a special revenue fund that accounts for the financial resources used for the growth and development of a diversified economic base in the City through state, federal, and local grants.
- **Cemetery Maintenance Fund** – is a permanent fund used to account for funds set aside to provide for the perpetual care of City cemeteries. Only the earnings from the investments of this fund may be expended.

CITY OF DANVILLE, VIRGINIA

COMBINING BALANCE SHEET – NONMAJOR GOVERNMENTAL FUNDS
June 30, 2021

	Special Revenue Funds		Permanent Fund	
	VDOT	Economic Development	Cemetery Maintenance	Total
ASSETS				
Cash and investments	\$ 114,038	\$ 9,302,726	\$ -	\$ 9,416,764
Cash and investments – restricted	2,981,582	-	2,922,222	5,903,804
Total assets	<u>\$ 3,095,620</u>	<u>\$ 9,302,726</u>	<u>\$ 2,922,222</u>	<u>\$ 15,320,568</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 114,038	\$ 6,237	\$ -	\$ 120,275
Due to component unit	-	156,812	-	156,812
Total liabilities	<u>114,038</u>	<u>163,049</u>	<u>-</u>	<u>277,087</u>
FUND BALANCES				
Nonspendable				
Cemetery maintenance	-	-	2,922,222	2,922,222
Restricted	2,981,582	-	-	2,981,582
Assigned	-	9,139,677	-	9,139,677
Total fund balances	<u>2,981,582</u>	<u>9,139,677</u>	<u>2,922,222</u>	<u>15,043,481</u>
Total liabilities and fund balances	<u>\$ 3,095,620</u>	<u>\$ 9,302,726</u>	<u>\$ 2,922,222</u>	<u>\$ 15,320,568</u>

CITY OF DANVILLE, VIRGINIA

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES – NONMAJOR GOVERNMENTAL FUNDS
Year Ended June 30, 2021**

	Special Revenue Funds		Permanent Fund	
	VDOT	Economic Development	Cemetery Maintenance	Total
REVENUES				
Miscellaneous	\$ 1,752	\$ 37,187	\$ 33,075	\$ 72,014
Recovered costs	30,436	-	-	30,436
Revenue from use of money and property	14,551	-	-	14,551
Intergovernmental	11,309,675	159,974	-	11,469,649
Total revenues	11,356,414	197,161	33,075	11,586,650
EXPENDITURES				
General government	-	436,690	-	436,690
Public works	11,274,160	-	-	11,274,160
Payment on capital lease	96,251	-	-	96,251
Community development	-	679,641	-	679,641
Total expenditures	11,370,411	1,116,331	-	12,486,742
Excess (deficiency) of revenues over (under) expenditures	(13,997)	(919,170)	33,075	(900,092)
OTHER FINANCING SOURCES (USES)				
Transfers in	-	3,600,950	-	3,600,950
Total other financing sources (uses)	-	3,600,950	-	3,600,950
Net change in fund balances	(13,997)	2,681,780	33,075	2,700,858
FUND BALANCES				
Beginning	2,995,579	6,457,897	2,889,147	12,342,623
Ending	\$ 2,981,582	\$ 9,139,677	\$ 2,922,222	\$ 15,043,481



COMBINING STATEMENTS NONMAJOR ENTERPRISE FUNDS

- **Transportation** – provides mass transit service throughout the City.
- **Sanitation** – provides for the collection and disposal of solid waste.
- **Cemetery Operations** – provides for burial services and cemetery maintenance.
- **Telecommunications** – provides broadband communication service for the City, Danville Public Schools, as well as certain businesses and homes.

CITY OF DANVILLE, VIRGINIA

COMBINING STATEMENT OF NET POSITION – NONMAJOR ENTERPRISE FUNDS
June 30, 2021

	Transportation	Sanitation	Cemetery Operations	Tele- communications	Total
ASSETS					
CURRENT ASSETS					
Cash and investments	\$ 787,593	\$ 1,887,219	\$ 183,301	\$ 925,847	\$ 3,783,960
Receivables, net	836	-	13,832	36,697	51,365
Due from other governments	672,696	-	-	-	672,696
Inventories	-	-	-	214,884	214,884
Total current assets	1,461,125	1,887,219	197,133	1,177,428	4,722,905
NONCURRENT ASSETS					
Net pension asset	1,243,922	1,222,335	442,319	160,774	3,069,350
Capital assets:					
Non-depreciable	-	509,232	-	-	509,232
Depreciable, net	4,104,927	1,046,793	-	7,190,886	12,342,606
Total noncurrent assets, net	5,348,849	2,778,360	442,319	7,351,660	15,921,188
Total assets	6,809,974	4,665,579	639,452	8,529,088	20,644,093
DEFERRED OUTFLOWS OF RESOURCES					
Deferred outflows related to pensions	128,093	125,870	45,548	16,556	316,067
LIABILITIES					
CURRENT LIABILITIES					
Accounts payable	29,150	122,495	2,505	29,982	184,132
Accrued interest	1	15	-	-	16
Refundable deposits	-	-	-	20,000	20,000
Long-term liabilities – due within one year	66,647	285,747	38,577	11,110	402,081
Total current liabilities	95,798	408,257	41,082	61,092	606,229
NONCURRENT LIABILITIES					
Long-term liabilities – due in more than one year	11,104	1,104,938	5,204	1,235	1,122,481
Total noncurrent liabilities	11,104	1,104,938	5,204	1,235	1,122,481
Total liabilities	106,902	1,513,195	46,286	62,327	1,728,710
DEFERRED INFLOWS OF RESOURCES					
Deferred inflows related to pensions	638,742	627,657	227,126	82,556	1,576,081
Total deferred inflows of resources	638,742	627,657	227,126	82,556	1,576,081
NET POSITION					
Net investment in capital assets	4,104,895	1,168,678	-	7,190,886	12,464,459
Restricted for:					
Net pension asset	1,243,922	1,222,335	442,319	160,774	3,069,350
Unrestricted	843,606	259,584	(30,731)	1,049,101	2,121,560
	\$ 6,192,423	\$ 2,650,597	\$ 411,588	\$ 8,400,761	\$ 17,655,369

CITY OF DANVILLE, VIRGINIA

**COMBINING STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN FUND NET POSITION – NONMAJOR ENTERPRISE FUNDS
Year Ended June 30, 2021**

	<u>Transportation</u>	<u>Sanitation</u>	<u>Cemetery Operations</u>	<u>Tele- communications</u>	<u>Total</u>
OPERATING REVENUES					
Charges for services	\$ 292,158	\$ 3,750,865	\$ 807,256	\$ 732,906	\$ 5,583,185
OPERATING EXPENSES					
Services	2,778,111	3,772,056	929,962	470,859	7,950,988
Depreciation	735,755	121,614	-	435,076	1,292,445
Total operating expenses	3,513,866	3,893,670	929,962	905,935	9,243,433
Operating income (loss)	(3,221,708)	(142,805)	(122,706)	(173,029)	(3,660,248)
NONOPERATING REVENUES (EXPENSES)					
Sales income	4,800	-	161,719	-	166,519
Recovered costs	3,709	35,133	-	-	38,842
Gain (loss) on sale of capital assets	33,232	-	-	(192)	33,040
Other income	14,593	26,834	-	600	42,027
Federal and state grants	3,182,949	-	-	-	3,182,949
Other contributions	479,680	-	-	-	479,680
Interest income	2,115	18,379	28,219	8,268	56,981
Net change in the fair value of investments	(975)	(2,119)	(3,395)	(994)	(7,483)
Interest expense	(3)	(5,562)	-	-	(5,565)
Total nonoperating revenues	3,720,100	72,665	186,543	7,682	3,986,990
Income (loss) before transfers	498,392	(70,140)	63,837	(165,347)	326,742
TRANSFERS					
Transfers in	-	-	-	-	-
Transfers out	-	-	-	(81,000)	(81,000)
Total transfers	-	-	-	(81,000)	(81,000)
Change in net position	498,392	(70,140)	63,837	(246,347)	245,742
NET POSITION – Beginning	5,694,031	2,720,737	347,751	8,647,108	17,409,627
NET POSITION – Ending	\$ 6,192,423	\$ 2,650,597	\$ 411,588	\$ 8,400,761	\$ 17,655,369

CITY OF DANVILLE, VIRGINIA

COMBINING STATEMENT OF CASH FLOWS – NONMAJOR ENTERPRISE FUNDS
Year Ended June 30, 2021

	Transportation	Sanitation	Cemetery Operations	Tele- communications	Total
OPERATING ACTIVITIES					
Received from customers	\$ 291,815	\$ 3,799,486	\$ 798,931	\$ 774,482	\$ 5,664,714
Payments to suppliers for goods and services	(1,311,235)	(2,064,821)	(378,641)	(359,307)	(4,114,004)
Payments to employees for services	(1,584,233)	(1,372,139)	(504,487)	(137,369)	(3,598,228)
Payments to internal service funds for goods and services	(64,792)	(565,842)	(97,689)	(586)	(728,909)
Nonoperating revenue	23,102	61,967	-	600	85,669
Net cash provided by (used in) operating activities	(2,645,343)	(141,349)	(181,886)	277,820	(2,690,758)
NONCAPITAL FINANCING ACTIVITIES					
Advances from other funds	24,086	-	-	-	24,086
Transfers to other funds	-	-	-	(81,000)	(81,000)
Operating grants received	3,182,949	-	161,719	-	3,344,668
Net cash provided by (used in) noncapital financing activities	3,207,035	-	161,719	(81,000)	3,287,754
CAPITAL AND RELATED FINANCING ACTIVITIES					
Proceeds from capital lease	-	294,175	-	-	294,175
Acquisition of capital assets	(403,897)	(294,175)	-	(192,714)	(890,786)
Principal payments on long-term debt	(31)	(146,398)	-	-	(146,429)
Interest payments on long-term debt	(3)	(1,727)	-	-	(1,730)
Cash proceeds from disposal of capital assets	52,964	-	-	-	52,964
Other contributions	479,680	-	-	-	479,680
Net cash provided by (used in) capital and related financing activities	128,713	(148,125)	-	(192,714)	(212,126)
INVESTING ACTIVITIES					
Interest on investments	2,115	18,379	28,219	8,268	56,981
Net activity in investment securities	(975)	(2,119)	(3,395)	(994)	(7,483)
Net cash provided by investing activities	1,140	16,260	24,824	7,274	49,498
Net increase (decrease) in cash and cash equivalents	691,545	(273,214)	4,657	11,380	434,368
CASH AND CASH EQUIVALENTS					
Beginning	96,048	2,160,433	178,644	914,467	3,349,592
Ending	\$ 787,593	\$ 1,887,219	\$ 183,301	\$ 925,847	\$ 3,783,960
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FROM OPERATING ACTIVITIES					
Operating income (loss)	\$ (3,221,708)	\$ (142,805)	\$ (122,706)	\$ (173,029)	\$ (3,660,248)
Adjustments:					
Depreciation charged to operations	735,755	121,614	-	435,076	1,292,445
Pension expense net of employer contributions	(158,813)	(99,699)	(48,731)	(14,336)	(321,579)
Nonoperating revenue, net	23,102	61,967	-	600	85,669
Landfill postclosure care	-	(90,000)	-	-	(90,000)
Change in noncash employee benefits charged to operations	6,709	(10,566)	2,916	1,739	798
Changes in assets and liabilities:					
Change in receivables	(343)	34,601	(8,325)	41,576	67,509
Change in inventories	-	-	-	(34,789)	(34,789)
Change in accounts payable	(30,045)	(16,461)	(5,040)	20,983	(30,563)
Net cash provided by (used in) operating activities	\$ (2,645,343)	\$ (141,349)	\$ (181,886)	\$ 277,820	\$ (2,690,758)

COMBINING STATEMENTS INTERNAL SERVICE FUNDS

- **Motorized Equipment** – acquires and maintains all vehicles used by the various departments of the City.
- **Central Services** – provides office supplies and printing services for all departments of the City.
- **Insurance** – provides general insurance coverage to all City departments, including areas such as workers' compensation where the City is completely self-insured, and insurance coverage purchased from outside insurance companies.

CITY OF DANVILLE, VIRGINIA

COMBINING STATEMENT OF NET POSITION – INTERNAL SERVICE FUNDS
June 30, 2021

	Motorized Equipment	Central Services	Insurance	Total
ASSETS				
CURRENT ASSETS				
Cash and investments	\$ 129	\$ 330	\$ 4,297,947	\$ 4,298,406
Cash and investments – held by fiscal agents	-	-	50,000	50,000
Receivables, net	-	420	-	420
Inventories	-	121,526	-	121,526
Total current assets	129	122,276	4,347,947	4,470,352
NONCURRENT ASSETS				
Net pension asset	828,033	138,765	-	966,798
Capital assets:				
Depreciable, net	2,661,948	49,884	-	2,711,832
Total noncurrent assets	3,489,981	188,649	-	3,678,630
Total assets	3,490,110	310,925	4,347,947	8,148,982
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows related to pensions	85,267	14,289	-	99,556
LIABILITIES				
CURRENT LIABILITIES				
Accounts payable	228,977	14,316	10,457	253,750
Accrued interest	25	-	-	25
Due to other funds	1,871,536	290,478	-	2,162,014
Long-term liabilities – due within one year	86,249	5,262	-	91,511
Total current liabilities	2,186,787	310,056	10,457	2,507,300
NONCURRENT LIABILITIES				
Long-term liabilities – due in more than one year	5,262	584	-	5,846
Total noncurrent liabilities	5,262	584	-	5,846
Total liabilities	2,192,049	310,640	10,457	2,513,146
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows related to pensions	425,187	71,255	-	496,442
Total deferred inflows of resources	425,187	71,255	-	496,442
NET POSITION				
Net investment in capital assets	2,623,059	49,884	-	2,672,943
Restricted for:				
Net pension asset	828,033	138,765	-	966,798
Unrestricted	(2,492,951)	(245,330)	4,337,490	1,599,209
	\$ 958,141	\$ (56,681)	\$ 4,337,490	\$ 5,238,950

CITY OF DANVILLE, VIRGINIA

**COMBINING STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN FUND NET POSITION – INTERNAL SERVICE FUNDS
Year Ended June 30, 2021**

	Motorized Equipment	Central Services	Insurance	Total
OPERATING REVENUES				
Charges for services	\$ 3,045,910	\$ 238,819	\$ 2,365,041	\$ 5,649,770
OPERATING EXPENSES				
Operations	2,793,871	263,547	2,365,041	5,422,459
Depreciation	817,723	19,761	-	837,484
Total operating expenses	3,611,594	283,308	2,365,041	6,259,943
Operating income (loss)	(565,684)	(44,489)	-	(610,173)
NONOPERATING REVENUES (EXPENSES)				
Gain on sale of capital assets	81,825	-	-	81,825
Recoveries and rebates	61,914	-	-	61,914
Net change in the fair value of investments	-	-	(4,183)	(4,183)
Interest income	-	-	33,475	33,475
Interest expense	(103)	-	-	(103)
Total nonoperating revenues	143,636	-	29,292	172,928
Change in net position	(422,048)	(44,489)	29,292	(437,245)
NET POSITION – Beginning	1,380,189	(12,192)	4,308,198	5,676,195
NET POSITION – Ending	\$ 958,141	\$ (56,681)	\$ 4,337,490	\$ 5,238,950

CITY OF DANVILLE, VIRGINIA

COMBINING STATEMENT OF CASH FLOWS – INTERNAL SERVICE FUNDS
Year Ended June 30, 2021

	Motorized Equipment	Central Services	Insurance	Total
OPERATING ACTIVITIES				
Received from interfund services	\$ 3,045,910	\$ 238,869	\$ 2,375,301	\$ 5,660,080
Payments to suppliers for goods and services	(1,736,611)	(95,022)	(2,354,584)	(4,186,217)
Payments to employees for services	(815,984)	(118,190)	-	(934,174)
Payments to internal service funds for goods and services	(159,912)	(115,698)	-	(275,610)
Other	61,914	-	-	61,914
Net cash provided by (used in) operating activities	395,317	(90,041)	20,717	325,993
NONCAPITAL FINANCING ACTIVITIES				
Advances to other funds	408,068	89,952	-	498,020
Net cash provided by noncapital financing activities	408,068	89,952	-	498,020
CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition of capital assets	(844,954)	90	-	(844,864)
Principal payments on long-term debt and capital leases	(37,679)	-	-	(37,679)
Interest payments on long-term debt	(2,576)	-	-	(2,576)
Cash proceeds from disposal of capital assets	81,825	-	-	81,825
Net cash used in capital and related financing activities	(803,384)	90	-	(803,294)
INVESTING ACTIVITIES				
Interest on investments	-	-	33,475	33,475
Net activity in investments	-	-	(4,183)	(4,183)
Net cash provided by investing activities	-	-	29,292	29,292
Net increase in cash and investments	1	1	50,009	50,011
CASH AND CASH EQUIVALENTS				
Beginning	128	329	4,297,938	4,298,395
Ending	\$ 129	\$ 330	\$ 4,347,947	\$ 4,348,406
RECONCILIATION TO EXHIBIT 27				
Cash and investments	\$ 129	\$ 330	\$ 4,297,947	\$ 4,298,406
Cash and investments – held by fiscal agent	-	-	50,000	50,000
	\$ 129	\$ 330	\$ 4,347,947	\$ 4,348,406
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES				
Operating loss	\$ (565,684)	\$ (44,489)	\$ -	\$ (610,173)
Adjustments:				
Depreciation charged to operations	817,723	19,761	-	837,484
Pension expense net of employer contributions	(86,035)	(19,217)	-	(105,252)
Nonoperating revenue, net	61,914	-	-	61,914
Change in noncash employee benefits charged to operations	5,689	(1,431)	-	4,258
Changes in assets and liabilities:				
Change in accounts receivable	-	50	10,260	10,310
Change in inventory	-	(6,058)	-	(6,058)
Change in accounts payable	161,710	(38,657)	10,457	133,510
Net cash provided by (used in) operating activities	\$ 395,317	\$ (90,041)	\$ 20,717	\$ 325,993

STATISTICAL SECTION

This part of the City of Danville’s annual comprehensive financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information say about the government’s overall financial health.

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Tables

Financial Trends..... 1-2, 4-5

These schedules contain trend information to help the reader understand how the government’s financial performance and well-being have changed over time.

Revenue Capacity 3, 6, 8-11

These schedules contain information to help the reader assess the government’s most significant local revenue sources, such as property taxes and charges for utility services.

Debt Capacity 12-15

These schedules present information to help the reader assess the affordability of the government’s current levels of outstanding debt and the government’s ability to issue additional debt in the future.

Demographic and Economic Information..... 16-17

These schedules offer demographic and economic indicators to help the reader understand the environment within which the government’s financial activities take place.

Operating Information.....7, 18

These schedules contain service and infrastructure data to help the reader understand how the information in the government’s financial report relates to the services the government provides and the activities it performs.

Sources: Unless otherwise noted, the information in these schedules is derived from the annual comprehensive financial reports for the relevant year.

TABLE 1

CITY OF DANVILLE, VIRGINIA

NET POSITION BY COMPONENT
LAST TEN FISCAL YEARS
(Unaudited)

	Fiscal Year									
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Governmental activities										
Net investment in capital assets	\$ 43,916,141	\$ 45,906,197	\$ 63,746,102	\$ 62,317,615	\$ 64,049,250	\$ 65,079,988	\$ 67,992,243	\$ 63,575,867	\$ 65,948,718	\$ 71,486,344
Restricted	15,892,978	20,156,434	9,769,912	12,513,267	5,997,424	6,330,399	5,702,756	5,475,647	17,704,420	51,714,741
Unrestricted	53,538,232	59,020,475	55,442,221	104,667,291	114,710,399	98,301,236	82,134,341	73,674,253	62,380,068	42,524,781
Prior Period Adjustment for PPT	-	-	-	3,121,755	3,178,331	3,256,351	4,112,512	-	-	-
Total governmental activities net position	<u>\$ 113,347,351</u>	<u>\$ 125,083,106</u>	<u>\$ 128,958,235</u>	<u>\$ 176,376,418</u>	<u>\$ 181,578,742</u>	<u>\$ 166,455,272</u>	<u>\$ 151,716,828</u>	<u>\$ 142,725,767</u>	<u>\$ 146,033,206</u>	<u>\$ 165,725,866</u>
Business-type activities										
Net investment in capital assets	\$ 215,409,229	\$ 229,150,139	\$ 241,435,018	\$ 243,029,734	\$ 278,554,519	\$ 259,038,283	\$ 264,261,471	\$ 271,666,549	\$ 272,976,091	\$ 264,357,029
Restricted	-	-	-	-	-	-	-	-	-	11,002,812
Unrestricted	86,331,002	84,923,475	84,302,763	104,213,338	105,424,066	100,757,800	95,265,773	86,359,177	80,588,692	67,645,712
Total business-type activities net position	<u>\$ 301,740,231</u>	<u>\$ 314,073,614</u>	<u>\$ 325,737,781</u>	<u>\$ 347,243,072</u>	<u>\$ 383,978,585</u>	<u>\$ 359,796,083</u>	<u>\$ 359,527,244</u>	<u>\$ 358,025,726</u>	<u>\$ 353,564,783</u>	<u>\$ 343,005,553</u>
Primary government										
Net investment in capital assets	\$ 259,325,370	\$ 275,056,336	\$ 305,181,120	\$ 305,347,349	\$ 342,603,769	\$ 324,118,271	\$ 332,253,714	\$ 335,242,416	\$ 338,924,809	\$ 335,843,373
Restricted	51,555,636	20,156,434	9,769,912	12,513,267	5,997,424	6,330,399	5,702,756	5,475,647	17,704,420	62,717,553
Unrestricted	104,206,576	143,943,950	139,744,984	205,758,874	216,956,134	195,802,685	173,287,602	160,033,430	142,968,760	110,170,493
Total primary government net position	<u>\$ 415,087,582</u>	<u>\$ 439,156,720</u>	<u>\$ 454,696,016</u>	<u>\$ 523,619,490</u>	<u>\$ 565,557,327</u>	<u>\$ 526,251,355</u>	<u>\$ 511,244,072</u>	<u>\$ 500,751,493</u>	<u>\$ 499,597,989</u>	<u>\$ 508,731,419</u>

TABLE 2

CITY OF DANVILLE, VIRGINIA

**CHANGES IN NET POSITION
LAST TEN FISCAL YEARS
(Unaudited)**

	Fiscal Year									
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Expenses										
Governmental activities:										
General government	\$ 26,522,291	\$ 27,448,521	\$ 10,985,447	\$ 8,772,098	\$ 9,990,115	\$ 11,658,747	\$ 14,054,318	\$ 14,125,255	\$ 8,872,032	\$ 14,685,247
Judicial administration	5,349,323	6,115,877	6,210,609	5,879,586	6,632,827	7,473,184	7,130,025	6,927,179	7,306,607	7,593,233
Public safety	27,119,838	29,449,843	26,273,320	28,403,082	31,831,428	34,125,023	33,112,404	32,671,287	33,838,376	28,895,902
Public works	12,690,486	10,251,460	10,114,068	15,073,851	18,223,240	19,264,879	19,637,304	27,341,027	24,663,507	20,047,568
Heath and welfare	11,614,813	11,413,162	11,250,069	13,380,667	14,004,567	14,706,753	15,373,215	13,918,408	13,829,605	13,052,084
Parks, recreation, cultural	5,235,582	5,573,523	5,247,916	6,366,189	6,113,481	5,917,655	6,427,242	5,908,886	4,980,594	5,165,411
Community development	4,715,326	3,395,882	21,838,752	6,255,078	3,581,479	13,902,395	8,555,627	9,882,504	7,510,057	15,454,375
Education	21,382,291	21,303,585	20,646,479	18,342,352	17,849,211	21,106,956	22,464,784	24,366,922	24,862,582	22,732,887
Interest on long-term debt	7,235,159	1,339,765	1,552,148	1,382,842	1,489,001	908,884	1,647,524	1,650,236	1,817,377	1,514,013
Total governmental activities expenses	121,865,109	116,291,618	114,118,808	103,855,745	109,715,349	129,064,476	128,402,443	136,791,704	127,680,737	129,140,720
Business-type activities:										
Wastewater	6,761,973	6,411,408	6,328,929	6,447,892	6,531,704	6,428,368	6,506,025	6,558,007	6,818,946	10,134,185
Water	5,541,327	5,562,611	5,352,732	5,494,478	5,661,330	5,659,141	5,968,830	5,470,700	6,282,189	6,586,154
Gas	17,955,882	19,464,631	22,819,175	20,545,403	17,381,323	17,544,201	18,423,664	19,231,970	17,523,404	16,783,255
Electric	89,185,930	89,532,367	113,273,134	104,497,754	100,626,328	110,071,510	124,458,095	115,840,740	114,687,535	114,769,890
Nonmajor	7,085,616	7,007,241	7,612,881	7,115,373	7,454,373	8,250,051	8,466,146	8,932,305	10,170,378	9,248,998
Total business-type activities expenses	126,530,728	127,978,258	155,386,851	144,100,900	137,655,058	147,953,271	163,822,760	156,033,722	155,482,452	157,522,482
Total primary government expenses	<u>\$ 248,395,837</u>	<u>\$ 244,269,876</u>	<u>\$ 269,505,659</u>	<u>\$ 247,956,645</u>	<u>\$ 247,370,407</u>	<u>\$ 277,017,747</u>	<u>\$ 292,225,203</u>	<u>\$ 292,825,426</u>	<u>\$ 283,163,189</u>	<u>\$ 286,663,202</u>
Program Revenues										
Governmental activities:										
Charges for services:										
General government	\$ 313,908	\$ 1,015,444	\$ 27,316	\$ 47,057	\$ 51,135	\$ 42,530	\$ 11,943	\$ 91,357	\$ 78,209	\$ 523,450
Judicial administration	3,592,835	3,004,455	3,498,685	3,424,310	3,621,618	3,720,856	3,608,340	3,875,264	3,725,332	2,784,496
Public safety	182,461	217,675	10,935	9,313	56,145	3,905	60,958	3,504	3,095	2,290
Public works	-	-	-	-	207,137	203,543	320,110	-	-	-
Health and welfare	-	-	-	-	-	-	-	-	-	-
Parks, recreation, cultural	23,218	31,155	419,975	416,055	394,883	567,403	377,186	384,983	311,322	131,678
Community development	-	-	315	230	-	-	252	364	-	-
Education	-	-	-	-	-	-	-	-	-	-
Operating grants and contributions	41,329,002	45,271,317	19,523,936	19,065,751	17,700,275	19,236,189	20,905,084	20,161,338	20,481,613	21,213,937
Capital grants and contributions	8,702,174	7,927,634	18,332,445	11,661,581	17,651,513	14,842,063	15,093,837	13,224,062	18,874,161	13,860,293
Total governmental activities program revenues	54,143,598	57,467,680	41,813,607	34,624,297	39,682,706	38,616,489	40,377,710	37,740,872	43,473,732	38,516,144

(Continued)

TABLE 2

CITY OF DANVILLE, VIRGINIA

**CHANGES IN NET POSITION
LAST TEN FISCAL YEARS
(Unaudited)**

	Fiscal Year									
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Program Revenues (Continued)										
Business-type activities:										
Charges for services:										
Wastewater	\$ 9,862,984	\$ 9,373,746	\$ 9,410,786	\$ 9,697,361	\$ 9,833,682	\$ 9,693,870	\$ 9,581,368	\$ 9,956,338	\$ 8,764,608	\$ 8,845,226
Water	5,897,749	5,714,753	7,345,579	8,251,968	8,193,551	8,248,139	7,999,919	7,814,555	8,624,922	8,442,625
Gas	21,475,496	23,474,585	26,497,854	23,991,058	20,923,374	20,652,399	21,846,999	23,530,875	19,435,941	19,684,418
Electric	102,304,323	100,176,098	125,670,235	116,039,450	109,239,372	116,922,960	128,282,965	118,360,916	117,349,139	114,862,650
Nonmajor	6,103,392	5,975,111	6,525,644	6,406,305	6,267,362	6,383,133	6,186,451	5,837,550	5,265,317	5,583,185
Operating grants and contributions	1,584,669	1,390,628	1,473,919	1,742,109	1,869,938	3,448,039	2,582,827	2,287,063	2,257,220	3,182,949
Capital grants and contributions	226,283	318,635	268,697	29,772	1,488,142	-	-	-	-	-
Total business-type activities program revenues	147,454,896	146,423,556	177,192,714	166,158,023	157,815,421	165,348,540	176,480,529	167,787,297	161,697,147	160,601,053
Total primary government program revenues	\$ 201,598,494	\$ 203,891,236	\$ 219,006,321	\$ 200,782,320	\$ 197,498,127	\$ 203,965,029	\$ 216,858,239	\$ 205,528,169	\$ 205,170,879	\$ 199,117,197
Net (expense)/revenue										
Governmental activities	\$ (67,721,511)	\$ (58,823,938)	\$ (72,305,201)	\$ (69,231,448)	\$ (70,032,643)	\$ (90,447,987)	\$ (88,024,733)	\$ (99,050,832)	\$ (84,207,005)	\$ (90,624,576)
Business-type activities	20,924,168	18,445,298	21,805,863	22,057,123	20,160,363	17,395,269	12,657,769	11,753,575	6,214,695	3,078,571
Total primary government net expense	\$ (46,797,343)	\$ (40,378,640)	\$ (50,499,338)	\$ (47,174,325)	\$ (49,872,280)	\$ (73,052,718)	\$ (75,366,964)	\$ (87,297,257)	\$ (77,992,310)	\$ (87,546,005)
General Revenues and Other Changes in Net Position										
Governmental activities:										
Taxes										
Property taxes	\$ 26,720,274	\$ 26,758,831	\$ 27,868,180	\$ 27,726,602	\$ 28,516,172	\$ 28,671,078	\$ 32,850,905	\$ 32,446,068	\$ 34,870,542	\$ 35,493,262
Sales taxes	8,109,198	8,101,954	8,082,871	8,419,504	8,491,311	8,765,046	8,886,896	8,929,130	8,851,945	10,234,317
Business licenses	4,704,465	5,512,860	5,833,099	5,344,704	5,300,860	4,976,049	5,084,382	5,277,586	5,271,255	5,467,754
Utility taxes	972,637	984,613	991,780	981,093	965,139	960,635	977,324	960,242	936,355	930,704
Hotel and meals taxes	7,335,791	7,595,830	7,442,989	7,840,067	8,242,667	8,349,183	8,752,196	9,599,166	9,459,346	10,631,384
Recordation and bank stock taxes	901,985	870,757	930,744	1,030,735	992,111	1,021,576	1,105,670	1,061,898	1,205,695	1,400,539
Auto license and recordation taxes	1,086,443	1,090,372	1,120,071	1,113,862	1,150,497	1,162,663	1,109,603	1,149,051	1,201,125	1,218,563
Contributions from Component Unit	-	-	-	3,342,319	-	-	-	-	-	-
Noncategorical state and federal aid	-	-	6,038,488	5,939,560	4,399,809	5,549,708	6,022,182	9,834,014	6,576,160	13,238,756
Investment income	986,545	521,402	1,641,092	1,020,884	1,333,951	632,649	722,805	1,921,725	1,325,447	449,971
Casino proceeds	-	-	-	-	-	-	-	-	-	15,000,000
Gain on sale of assets	-	-	-	-	-	-	-	-	-	81,826
Miscellaneous	2,602,443	1,005,617	1,682,156	613,199	1,267,625	735,941	587,431	1,315,791	913,074	817,160
Transfers	16,431,220	17,234,663	14,548,860	14,533,937	14,631,400	14,578,010	14,995,042	17,565,100	15,088,370	15,353,000
Total governmental activities	69,851,001	69,676,899	76,180,330	77,906,466	75,291,542	75,402,538	81,094,436	90,059,771	85,699,314	110,317,236

(Continued)

TABLE 2

CITY OF DANVILLE, VIRGINIA

**CHANGES IN NET POSITION
LAST TEN FISCAL YEARS
(Unaudited)**

	Fiscal Year									
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
General Revenues and Other Changes in Net Position (Continued)										
Business-type activities:										
Investment income	\$ 1,954,386	\$ 874,230	\$ 1,583,234	\$ 686,097	\$ 1,266,152	\$ 653,635	\$ 821,114	\$ 2,546,152	\$ 1,885,307	\$ 610,471
Miscellaneous	1,553,969	2,145,633	2,823,930	2,230,591	1,176,615	1,110,387	1,247,320	1,763,855	2,527,425	1,104,728
Transfers	(16,431,220)	(17,234,663)	(14,548,860)	(14,533,937)	(14,631,400)	(14,578,010)	(14,995,042)	(17,565,100)	(15,088,370)	(15,353,000)
Total business-type activities	(12,922,865)	(14,214,800)	(10,141,696)	(11,617,249)	(12,188,633)	(12,813,988)	(12,926,608)	(13,255,093)	(10,675,638)	(13,637,801)
Total primary government	<u>\$ 56,928,136</u>	<u>\$ 55,462,099</u>	<u>\$ 66,038,634</u>	<u>\$ 66,289,217</u>	<u>\$ 63,102,909</u>	<u>\$ 62,588,550</u>	<u>\$ 68,167,828</u>	<u>\$ 76,804,678</u>	<u>\$ 75,023,676</u>	<u>\$ 96,679,435</u>
Change in Net Position										
Governmental activities	\$ 2,129,490	\$ 10,852,961	\$ 3,875,129	\$ 8,675,018	\$ 5,258,899	\$ (15,045,449)	\$ (6,930,297)	\$ (8,991,061)	\$ 1,492,309	\$ 19,692,660
Business-type activities	8,001,303	4,230,498	11,664,167	10,439,874	7,971,730	4,581,281	(268,839)	(1,501,518)	(4,460,943)	(10,559,230)
Total primary government	<u>\$ 10,130,793</u>	<u>\$ 15,083,459</u>	<u>\$ 15,539,296</u>	<u>\$ 19,114,892</u>	<u>\$ 13,230,629</u>	<u>\$ (10,464,168)</u>	<u>\$ (7,199,136)</u>	<u>\$ (10,492,579)</u>	<u>\$ (2,968,634)</u>	<u>\$ 9,133,430</u>

TABLE 3

CITY OF DANVILLE, VIRGINIA

GOVERNMENTAL ACTIVITIES TAX REVENUES BY SOURCE
LAST TEN FISCAL YEARS
(Unaudited)

Other Local Taxes									
Fiscal Year	Property Taxes	Sales Taxes	Business License Taxes	Utility Taxes	Hotel and Meals Taxes	Recordation and Bank Stock Taxes	Auto License and Recordation Taxes	Total	Grand Total
2012	\$ 26,720,274	\$ 8,109,198	\$ 4,704,465	\$ 972,637	\$ 7,335,791	\$ 901,985	\$ 1,086,443	\$ 23,110,519	\$ 49,830,793
2013	26,758,831	8,101,954	5,512,860	984,613	7,595,830	870,757	1,090,372	24,156,386	50,915,217
2014	27,868,180	8,082,871	5,833,099	991,780	7,442,989	930,744	1,120,071	24,401,554	52,269,734
2015	27,726,602	8,419,504	5,344,704	981,093	7,840,067	1,030,735	1,113,862	24,729,965	52,456,567
2016	28,516,172	8,491,311	5,300,860	965,139	8,242,667	992,111	1,150,497	25,142,585	53,658,757
2017	28,671,075	8,765,046	4,976,049	960,635	8,349,183	1,021,576	1,162,663	25,235,152	53,906,227
2018	32,850,905	8,886,896	5,084,382	977,324	8,752,196	1,105,670	1,109,603	25,916,071	58,766,976
2019	31,481,463	8,929,130	5,277,586	960,242	9,599,166	1,061,898	1,149,051	26,977,073	58,458,536
2020	34,870,542	8,851,945	5,271,255	936,355	9,459,346	1,205,695	1,201,125	26,925,721	61,796,263
2021	35,493,262	10,234,317	5,467,754	930,704	10,631,384	1,400,539	1,218,563	29,883,261	65,376,523

TABLE 4

CITY OF DANVILLE, VIRGINIA

FUND BALANCES OF GOVERNMENTAL FUNDS

LAST TEN FISCAL YEARS

(Modified Accrual Basis of Accounting)

(Unaudited)

	Fiscal Year									
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
General Fund										
Nonspendable/Restricted/Committed/										
Assigned	\$ 6,473,442	\$ 7,103,594	\$ 7,792,980	\$ 11,016,803	\$ 12,085,518	\$ 8,477,355	\$ 9,452,114	\$ 8,637,651	\$ 10,096,312	\$ 12,853,034
Unassigned	30,690,145	29,013,386	35,078,780	37,048,908	36,907,387	34,498,029	30,066,455	31,302,863	33,214,777	34,237,458
Total general fund	<u>\$ 37,163,587</u>	<u>\$ 36,116,980</u>	<u>\$ 42,871,760</u>	<u>\$ 48,065,711</u>	<u>\$ 48,992,905</u>	<u>\$ 42,975,384</u>	<u>\$ 39,518,569</u>	<u>\$ 39,940,514</u>	<u>\$ 43,311,089</u>	<u>\$ 47,090,492</u>
All other governmental funds										
Nonspendable/Restricted/Committed/Assigned										
Community Development	\$ 55,793	\$ 25,623	\$ 7,625	\$ 3,218,964	\$ 3,208,407	\$ 1,403,384	\$ 1,038,032	\$ 996,139	\$ 950,011	\$ 814,233
Nonspendable/Restricted/Committed/Assigned										
Capital Projects	13,154,663	17,421,894	13,911,991	11,267,939	16,077,177	17,381,778	20,532,007	16,533,237	11,069,125	28,090,347
Restricted/Assigned – Special Revenue	1,109,613	1,434,005	1,361,801	1,622,818	1,722,465	1,353,933	1,416,967	(322,731)	2,201,827	2,275,615
Restricted – VDOT	-	1,474,956	947,450	2,056,622	2,277,197	2,774,096	1,925,505	2,387,746	2,995,579	2,981,582
Assigned – Economic Development	-	2,649,962	1,238,644	2,650,732	4,630,210	5,589,316	6,039,893	6,884,766	6,457,897	9,139,677
Nonspendable – Cemetery Maintenance	2,682,522	2,708,917	2,734,092	2,766,767	2,789,017	2,816,017	2,840,517	2,863,991	2,889,147	2,922,222
Total all other governmental funds	<u>\$ 17,002,591</u>	<u>\$ 25,715,357</u>	<u>\$ 20,201,603</u>	<u>\$ 23,583,842</u>	<u>\$ 30,704,473</u>	<u>\$ 31,318,524</u>	<u>\$ 33,792,921</u>	<u>\$ 29,343,148</u>	<u>\$ 26,563,586</u>	<u>\$ 46,223,676</u>

TABLE 5

CITY OF DANVILLE, VIRGINIA

**CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(Modified Accrual Basis of Accounting)
(Unaudited)**

	Fiscal Year									
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Revenues										
Property taxes	\$ 27,284,133	\$ 27,848,904	\$ 27,754,056	\$ 27,618,077	\$ 28,318,281	\$ 28,596,301	\$ 31,117,992	\$ 33,310,771	\$ 34,153,100	\$ 35,746,442
Local taxes	23,110,519	23,413,891	24,396,546	24,720,732	25,170,039	25,692,229	26,108,521	27,198,315	27,164,991	30,105,742
Fines and forfeitures	589,063	539,186	520,154	487,897	448,600	362,431	353,857	386,050	312,163	291,892
Permits, privilege fees, and regulatory licenses	182,461	217,675	218,083	216,705	292,979	252,914	225,545	210,412	225,428	227,984
Revenue from use of money and property	1,530,398	945,900	1,553,782	882,640	1,280,745	601,472	676,706	1,823,958	1,236,733	420,679
Charges for services	3,572,557	2,561,408	3,411,896	3,376,394	3,643,700	3,972,083	3,839,592	3,794,107	3,614,031	3,150,022
Miscellaneous and contributions	1,258,407	1,167,282	927,694	973,177	2,995,552	1,694,156	1,168,791	2,163,280	1,422,962	17,626,531
Recovered costs	5,779,290	6,003,288	6,313,810	9,029,221	6,262,196	4,343,299	4,843,323	5,610,172	7,445,356	7,522,243
Intergovernmental	40,497,593	46,347,841	43,438,861	35,215,362	37,411,178	38,915,135	41,256,816	42,305,700	45,225,555	47,681,739
Total revenues	103,804,421	109,045,375	108,534,882	102,520,205	105,823,270	104,430,020	109,591,143	116,802,765	120,800,319	142,773,274
Expenditures										
General government	9,349,502	12,894,894	7,848,419	7,699,046	8,260,921	8,171,141	10,149,026	9,618,452	4,145,330	14,336,582
Judicial administration	5,431,560	5,973,866	6,036,322	6,330,493	6,600,180	6,659,891	6,945,317	6,906,259	7,289,435	7,296,255
Public safety	26,649,896	25,235,947	26,889,959	26,858,824	27,373,044	28,787,033	26,483,397	29,114,885	30,289,774	28,757,472
Public works	14,686,446	13,623,926	12,463,018	15,187,957	13,418,094	17,717,684	15,721,592	23,943,335	23,933,775	16,837,505
Health and welfare	11,678,445	11,387,410	11,526,481	13,250,461	13,101,381	13,305,839	13,925,727	13,604,326	13,658,037	13,139,425
Education	22,462,199	22,380,145	18,724,575	16,420,448	16,033,378	17,371,819	21,232,229	24,366,922	24,862,582	22,732,887
Parks, recreation, and cultural	5,023,585	5,288,584	5,203,975	5,442,125	5,578,683	5,977,721	5,353,167	5,344,702	4,441,347	4,807,212
Community development	3,871,343	2,603,250	8,962,080	4,646,975	5,184,253	11,493,236	9,350,202	10,507,510	7,706,322	5,692,533
Nondepartmental	6,390,130	9,148,205	8,037,822	8,963,385	8,955,634	8,955,634	6,835,546	7,238,297	7,031,629	9,445,878
Capital outlay	11,687,731	7,786,891	22,187,029	8,136,643	11,650,717	10,282,330	9,310,880	5,871,705	13,506,417	12,674,389
Debt service										
Principal	4,911,916	2,990,346	1,226,188	1,424,172	1,639,111	3,083,791	3,151,912	3,390,759	3,768,315	4,094,344
Interest	2,323,243	1,340,152	1,129,392	1,316,796	1,391,981	1,459,422	1,594,610	1,552,372	1,578,585	1,542,089
Bond issuance costs	-	-	-	35,847	-	195,466	143,104	120,859	343,072	138,510
Total expenditures	124,465,996	120,653,616	127,617,384	114,787,609	119,195,128	133,461,007	130,196,709	141,580,383	142,554,620	141,495,081
Ratio of debt service to total non-capital expenditures	6.4%	3.8%	2.2%	2.6%	2.8%	3.7%	3.9%	3.6%	4.1%	4.4%
Excess of revenues over (under) expenditures	(20,661,575)	(11,608,241)	(19,082,502)	(12,267,404)	(13,371,858)	(29,030,987)	(20,605,566)	(24,777,618)	(21,754,301)	1,278,193
Other financing sources (uses)										
Transfers in	25,446,671	31,387,755	26,543,687	25,714,460	23,378,370	27,319,325	26,116,794	25,347,100	20,520,420	22,503,993
Transfers out	(9,015,451)	(14,153,092)	(11,994,827)	(11,083,923)	(8,746,970)	(11,241,315)	(11,373,371)	(8,114,609)	(5,432,050)	(7,150,993)
Bonds issued	3,849,550	-	4,123,367	2,953,000	6,380,545	128,991	5,857,369	3,225,000	4,450,879	7,481,262
Refunding bonds issued	-	8,266,227	-	-	-	13,434,012	-	-	4,739,714	-
Payments to refunded bond escrow agent	-	(6,226,490)	-	-	-	900,707	(1,603,440)	-	(5,187,334)	(1,468,880)
Premium on bonds	-	-	-	-	202,598	-	625,796	292,299	1,177,230	795,918
Proceeds from capital lease	-	-	-	-	205,140	(6,914,203)	-	-	261,325	-
Total other financing sources (uses)	20,280,770	19,274,400	18,672,227	17,583,537	21,419,683	23,627,517	19,623,148	20,749,790	20,530,184	22,161,300
Net change in fund balances	<u>\$ (380,805)</u>	<u>\$ 7,666,159</u>	<u>\$ (410,275)</u>	<u>\$ 5,316,133</u>	<u>\$ 8,047,825</u>	<u>\$ (5,403,470)</u>	<u>\$ (982,418)</u>	<u>\$ (4,027,828)</u>	<u>\$ (1,224,117)</u>	<u>\$ 23,439,493</u>

TABLE 6

CITY OF DANVILLE, VIRGINIA

**MAJOR ENTERPRISE FUNDS – CHARGES FOR SERVICES
FOR THE LAST TEN YEARS
(Unaudited)**

Fiscal Year	Electric Fund	Gas Fund	Wastewater Fund	Water Fund	Total Major Enterprise Funds
2011-12	\$ 102,304,323	\$ 21,475,496	\$ 9,862,984	\$ 5,897,749	\$ 139,540,552
2012-13	100,176,098	23,474,585	9,373,746	5,714,753	138,739,182
2013-14	125,670,235	26,497,854	9,410,786	7,345,579	168,924,454
2014-15	116,039,450	23,991,058	9,697,361	8,251,968	157,979,837
2015-16	109,239,372	20,932,374	9,833,682	8,193,551	148,198,979
2016-17	116,922,960	20,652,399	9,693,870	8,248,139	155,517,368
2017-18	128,282,965	21,846,999	9,581,368	7,999,919	167,711,251
2018-19	118,360,916	23,530,875	9,956,338	7,814,555	159,662,684
2019-20	117,349,139	19,435,941	8,764,608	8,624,922	154,174,610
2020-21	114,862,650	19,684,418	8,845,226	8,442,625	151,834,919

TABLE 7

CITY OF DANVILLE, VIRGINIA

FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION
LAST TEN FISCAL YEARS
(Unaudited)

Function	Fiscal Year									
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
General Fund										
General government administration	95	95	99	96	101	93	94	95	107	106
Judicial administration	99	98	110	116	116	121	120	126	126	126
Public safety	394	392	392	392	393	391	393	391	392	392
Public works	106	105	103	101	101	114	113	112	112	113
Health, welfare, and social services	98	99	99	99	99	100	100	102	102	101
Park, recreational, and cultural	49	49	49	52	53	57	59	61	61	61
Community development	17	17	17	17	17	19	18	16	16	16
Total General Fund	858	855	869	873	880	895	897	903	916	915
Wastewater Fund	11	11	11	11	11	11	11	11	11	11
Water Fund	18	18	18	18	18	16	16	16	16	16
Gas Fund	53	52	51	51	50	48	48	48	47	47
Electric Fund	99	99	100	100	100	104	104	104	89	89
Telecommunications Fund	4	4	4	3	4	3	3	3	2	2
Transportation Fund	18	18	18	20	27	28	34	38	38	38
Central Services Fund	3	3	3	3	3	3	4	4	4	4
Motorized Equipment Fund	19	19	19	19	19	19	21	21	21	21
Sanitation Fund	37	30	28	30	29	26	26	27	27	27
Cemetery Fund	16	16	15	15	15	15	15	13	13	13
Total Other Funds	278	270	267	270	276	273	282	285	268	268
Total	1,136	1,125	1,136	1,143	1,156	1,168	1,179	1,188	1,184	1,183

Source: City Council Approved Budget – Authorized Positions

TABLE 8

CITY OF DANVILLE, VIRGINIA

SCHEDULE OF ASSESSED PROPERTY VALUES
FOR THE LAST TEN YEARS
(Unaudited)

Fiscal Year	Assessed Value of Real Property (1)	Tax Rate	Assessed Value of Personal Property (2)	Assessed Value of Machinery and Tools (2)	Assessed Value of Mobile Homes (2)	Assessed Value of Public Service Corp. (2)	Assessed Value of Aircraft (2)	Tax Rate	Total Assessed Value	Total Direct Tax Rate
2012	\$ 2,257,904,600	3.00	\$ 297,930,560	\$ 91,384,107	\$ 4,070,257	\$ 46,789,855	\$ 4,259,000	0.73	\$ 2,702,338,379	3.73
2013	2,232,454,800	3.00	301,421,189	89,409,088	3,889,155	46,254,322	2,488,700	0.73	2,675,917,254	3.73
2014	2,245,455,200	3.00	303,862,061	85,276,081	3,157,546	46,364,169	5,596,700	0.73	2,689,711,757	3.73
2015	2,234,658,900	3.00	314,269,866	88,642,291	3,089,306	46,364,169	5,376,000	0.73	2,692,400,532	3.73
2016	2,240,747,200	3.00	322,874,514	89,676,124	2,825,460	46,578,273	8,061,770	0.73	2,710,763,341	3.73
2017	2,235,165,800	3.00	330,647,557	97,330,638	2,808,748	46,429,405	7,601,044	0.73	2,719,983,192	3.73
2018	2,270,914,500	3.50	340,099,963	112,709,350	3,061,340	49,032,295	7,469,241	0.80	2,783,286,689	4.30
2019	2,261,428,500	3.50	347,473,090	117,196,127	3,025,660	60,222,468	7,040,932	0.80	2,796,386,777	4.30
2020	2,262,959,300	3.60	349,438,279	114,095,791	3,180,324	59,098,352	8,939,000	0.84	2,797,711,046	4.44
2021	2,319,769,100	3.60	385,394,693	109,652,377	3,285,196	61,970,778	7,317,811	0.84	2,887,389,955	4.44

Rate for all years shown:

See note (3) below See note (2) below \$1.50 per \$100 See note (3) below See note (4) below \$0.30 per \$100

(1) Real property assessed on a fiscal year basis.

(2) Personal property assessed on a calendar year basis:

2009 – 2017 \$3.00 per \$100
2018 – 2019 \$3.50 per \$100
2020 - 2021 \$3.60 per \$100

(3) Real property and mobile home tax rates:

2009 – 2017 \$0.73 per \$100
2018 – 2019 \$0.80 per \$100
2020 - 2021 \$0.84 per \$100

(4) Public Service Corp. – Real Property rate as in note (3), Personal Property rate as in note (2).

TABLE 9

CITY OF DANVILLE, VIRGINIA

PRINCIPAL REAL ESTATE TAXPAYERS

CURRENT YEAR AND NINE YEARS AGO

(Unaudited)

Taxpayer	2021			2012		
	Total Assessed Value	Rank	Percentage of Total Assessed Value (1)	Total Assessed Value	Rank	Percentage of Total Assessed Value
Danville Regional Medical Center LLC	\$ 77,847,500	1	3.44%	\$ 75,652,800	1	3.36%
Goodyear Tire and Rubber Company	29,245,500	2	1.29%	32,466,900	2	1.44%
JTI Leaf Services US LLC	22,019,100	3	0.97%	13,673,800	6	0.61%
NAP Coleman Marketplace LLC	18,641,000	4	0.82%	24,536,600	4	1.09%
ITG Brands, LLC	15,659,700	5	0.69%	-		0.00%
Daniel Group Inc.	14,321,000	6	0.63%	18,543,200	5	0.82%
River District Tower LLC	13,776,700	7	0.61%	-		0.00%
Piedmont Lands of Virginia LLC	12,844,800	8	0.57%	-		0.00%
EBI LLC	10,427,300	9	0.46%	10,102,300	10	0.45%
Essel Propack	10,382,500	10	0.46%	-		0.00%
Wal-Mart Real Estate Business Trust	10,149,500	11	0.45%	9,854,500	11	0.44%
Danville Mall LLC (Piedmont Mall LLC)	9,089,300	12	0.40%	25,393,300	3	1.13%
Sams Real Estate Business Trust	8,927,400	13	0.39%	10,108,500	9	0.45%
Pemberton Lofts LLC	8,639,000	14	0.38%	-		0.00%
Dan Shopping Center Inc	8,126,500	15	0.36%	7,069,600	15	0.31%
ITG Brands, LLC	-		0.00%	-		0.00%
Nestle USA Inc. (formerly Carnation Co.)	-		0.00%	10,136,500	8	0.45%
Industrial Development Authority of Danville	-		0.00% (2)	10,593,400	7	0.47%
Centra Health Inc	-		0.00%	-		0.00%
Riverside Shopping Center LP	-		0.00%	-		0.00%
Revenue Properties of Danville LLC	-		0.00%	-		0.00%
Dan River Properties LLC	-		0.00%	-		0.00%
Lorillard Tobacco Company	-		0.00%	8,208,200	12	0.36%
Finlay Interests 5 LTD	-		0.00%	7,961,800	13	0.35%
Marshall, Robert & Margaret D. (Rev Trust)	-		0.00%	7,278,700	14	0.32%
	<u>\$ 270,096,800</u>		<u>11.94%</u>	<u>\$ 271,580,100</u>		<u>12.05%</u>

(1) Total 2021 Assessed Real Estate Value is \$2,319,769,100 for the City of Danville.

(2) Industrial Development Authority of Danville includes Esselpropack only in Fiscal Year 2015.

TABLE 10

CITY OF DANVILLE, VIRGINIA

REAL PROPERTY TAX LEVIES AND COLLECTIONS
FOR THE LAST TEN YEARS
(Unaudited)

Fiscal Year	Tax Rate Per \$100	Original Levy (1)	Collections & Adjustments Thru End of Month in which 2nd Half Tax Due (1)	Percentage of Original Levy Collected in Year of Levy (1)	Uncollected at End of Month in which 2nd Half Tax Due (1)	Percentage of Original Levy Uncollected at End of Month in which 2nd Half Tax Due (1)	Collections & Adjustments in Subsequent Years (1)	Total Collections & Adjustments Thru June 30, 2021	Uncollected Balance June 30, 2021	Percentage of Original Levy Collected June 30, 2021
2012	\$ 0.73	\$ 16,321,848	\$ 15,319,292	93.86 %	\$ 1,002,556	6.14 %	\$ 939,955	\$ 16,259,247	\$ 62,601	99.62 %
2013	0.73	16,165,990	15,204,912	94.05	961,078	5.95	887,541	16,092,453	73,537	99.55
2014	0.73	16,241,177	15,223,541	93.73	1,017,636	6.27	930,109	16,153,650	87,527	99.46
2015	0.73	16,175,657	14,985,466	92.64	1,190,191	7.36	1,084,261	16,069,727	105,930	99.35
2016	0.73	16,226,974	15,323,516	94.43	903,458	5.57	719,019	16,042,535	184,439	98.86
2017	0.73	16,243,600	15,357,140	94.54	886,460	5.46	498,275	15,855,415	388,185	97.61
2018	0.80	18,049,905	16,926,921	93.78	1,122,984	6.22	-	16,926,921	1,122,984	93.78
2019	0.80	17,955,991	17,040,137	94.90	915,854	5.10	-	17,040,137	915,854	94.90
2020	0.84	18,865,804	17,948,051	95.14	917,753	4.86	-	17,948,051	917,753	95.14
2021	0.84	19,419,765	18,554,950	95.55	864,815	4.45	-	18,554,950	864,816	95.55

(1) Real Estate taxes are assessed on a fiscal year basis with 1st half taxes due December 5th and 2nd half taxes due June 5th.

TABLE 11

CITY OF DANVILLE, VIRGINIA

**PERSONAL PROPERTY TAX LEVIES AND COLLECTIONS
FOR THE LAST TEN YEARS
(Unaudited)**

Fiscal Year	Tax Rate Per \$100 (5)	Original Levy (1)	Collections and Adjustments Thru End of Month in which 2nd Half Tax Due (1)	Percentage of Original Levy Collected in Year of Levy (1)	Uncollected at End of Month in which 2nd Half Tax Due (1)	Percentage of Original Levy Uncollected at End of Month in which 2nd Half Tax Due (1)	Collections and Adjustments in Subsequent Years (1)	Total Collections & Adjustments Thru June 30, 2021	Uncollected Balance At June 30, 2021 (2)	Percentage of Original Levy Collected At June 30, 2021
2012	\$ 3.00	\$ 10,330,962	\$ 10,139,346	98.15 %	\$ 191,616 (3)	1.85 %	\$ 101,453	\$ 10,240,799	\$ 90,163	99.13 %
2013	3.00	10,210,303	9,944,695	97.40	265,608 (3)	2.60	167,705	10,112,400	97,903	99.04
2014	3.00	10,560,822	10,271,351	97.26	289,471 (3)	2.74	179,777	10,451,128	109,694	98.96
2015	3.00	10,897,755	10,677,434	97.98	220,322 (4)	2.02	114,850	10,792,283	105,472	99.03
2016	3.00	11,197,466	10,975,442	98.02	222,025 (4)	1.98	87,786	11,063,227	134,239	98.80
2017	3.00	11,183,892	4,094,676	36.61	7,089,216 (3)	63.39	6,944,287	11,038,963	144,929	98.70
2018	3.50	13,362,140	5,200,943	38.92	8,161,197 (3)	61.08	7,700,503	12,901,446	460,694	96.55
2019	3.50	13,546,839	4,986,240	36.81	8,560,599 (3)	63.19	-	4,986,240	8,560,599	36.81
2020	3.60	14,006,837	5,363,605	38.29	8,643,232 (4)	61.71	-	5,363,605	8,643,232	38.29
2021	3.60	15,199,589	5,791,027	38.10	9,408,562 (4)	61.90	-	5,791,027	9,408,562	38.10

(1) Beginning on January 1, 1999, the City has levied taxes on a calendar year basis with 1st half taxes due June 5th and 2nd half taxes due December 5th.

(2) According to state law uncollected personal property taxes are collectible five years following the year of levy.

(3) Personal property tax uncollected reported as of June 30 of subsequent fiscal year.

(4) This includes second half of the tax levy which is not due until December 5th and also the Personal Property Tax Relief Act (PPTRA) funds from the Commonwealth of Virginia. PPTRA funds amounting to \$3,593,576 are received in three installments during July, August, and November each year; therefore, are shown as uncollected at June 30.

(5) Personal property tax rate shown is for personal property which is the largest portion of the tax levy. However, data includes:

Machinery and Tools (\$1.50 per \$100)

Mobile Home (\$0.73 per \$100 for years prior to 2018 and \$0.80 per \$100 effective with FY 2018)

Aircraft (\$0.30 per \$100)

TABLE 12

CITY OF DANVILLE, VIRGINIA

**RATIOS OF BONDED DEBT TO ASSESSED VALUES AND BONDED DEBT PER CAPITA
FOR THE LAST TEN YEARS
(Unaudited)**

Fiscal Year Ended June 30,	Population	Assessed Value	Bonded Debt		Ratio of Bonded Debt To Assessed Value		Bonded Debt Per Capita	
		Real and Personal Property	General Fund Supported	Self- Sustaining Utilities	General Fund Supported	Self- Sustaining Utilities	General Fund Supported	Self- Sustaining Utilities
2012	43,332	\$ 2,702,338,379	\$ 31,756,730	\$ 55,924,755	1.18 %	2.07 %	\$ 732.87	\$ 1,290.61
2013	43,400	2,675,917,254	31,523,096	57,637,831	1.18	2.15	726.34	1,328.06
2014	42,912	2,689,711,757	34,379,976	55,712,660	1.28	2.07	801.17	1,298.30
2015	42,975	2,692,400,532	35,893,854	51,844,337	1.33	1.93	835.23	1,206.38
2016	42,544	2,710,763,341	40,692,518	51,156,794	1.50	1.89	956.48	1,202.44
2017	41,898	2,719,983,192	44,302,180	46,345,271	1.63	1.70	1,057.38	1,106.15
2018	41,358	2,783,286,689	47,086,136	51,863,973	1.69	1.86	1,138.50	1,254.03
2019	40,590	2,796,386,777	45,379,138	47,365,047	1.62	1.69	1,117.99	1,166.91
2020	40,044	2,797,711,046	48,729,288	54,393,579	1.64	1.78	1,216.89	1,358.35
2021	42,590	2,887,389,944	47,939,470	51,036,951	1.66	1.77	1,125.60	1,198.33

TABLE 13

CITY OF DANVILLE, VIRGINIA

**RATIOS OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS
(Unaudited)**

Fiscal Year	Governmental Activities			Business-Type Activities			Total Primary Government	Bond Debt Per Capita	Ratio of Bond Debt to Danville MSA Personal Income (1)
	General Obligation Bonds	Lease Revenue Bonds	Capital Leases	Revenue Bonds	General Obligation Bonds	Capital Leases			
2012	\$ 31,756,730	\$ -	\$ -	\$ 2,862,396	\$ 53,062,359	\$ -	\$ 87,681,485	\$ 2,023	2.70 %
2013	31,523,096	-	-	2,276,945	55,360,887	-	89,160,928	2,054	2.70
2014	34,600,414	-	-	1,683,940	54,764,742	-	91,049,096	2,122	2.70
2015	36,062,098	-	-	1,318,940	51,177,687	-	88,558,725	2,061	2.53
2016	40,692,518	-	102,480	953,940	50,202,854	164,632	92,116,424	2,165	2.59
2017	44,302,180	-	382,310	588,940	45,756,331	133,511	91,163,272	2,176	2.56
2018	47,086,136	-	274,209	223,940	51,640,033	131,498	99,355,816	2,402	2.79
2019	45,384,496	-	162,276	-	47,359,689	198,705	93,105,166	2,294	2.51
2020	45,896,814	-	293,141	-	49,697,330	843,182	96,730,467	2,416	2.47
2021	47,939,470	-	168,381	-	51,036,951	879,747	100,024,549	2,349	2.56

(1) Danville MSA includes Danville and Pittsylvania County.

TABLE 14

CITY OF DANVILLE, VIRGINIA

LEGAL DEBT MARGIN INFORMATION
LAST TEN FISCAL YEARS
(Unaudited)

	Fiscal Year									
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Assessed Value:										
Real property	\$ 2,257,904,600	\$ 2,232,454,800	\$ 2,245,455,200	\$ 2,234,658,900	\$ 2,240,747,200	\$ 2,235,165,800	\$ 2,270,914,500	\$ 2,261,428,500	\$ 2,262,959,300	\$ 2,319,769,100
Public service – real property	46,416,815	45,836,076	46,088,538	46,088,538	46,435,219	46,338,884	48,933,178	60,158,435	45,916,643	61,929,464
Total assessed value	2,304,321,415	2,278,290,876	2,291,543,738	2,280,747,438	2,287,182,419	2,281,504,684	2,319,847,678	2,321,586,935	2,308,875,943	2,381,698,564
Debt limit per state (10% of assessed value – real property)	230,432,142	227,829,088	229,154,374	228,074,744	228,718,242	228,150,468	231,984,768	232,158,694	230,887,594	238,169,856
Gross bond debt	87,657,729	89,137,171	90,094,568	87,738,191	91,849,312	90,647,451	99,355,816	98,406,792	95,599,524	98,976,421
Less bond debt not applicable to limit:										
Revenue bonds	2,862,396	2,276,945	1,683,940	1,318,940	953,940	588,940	223,940	-	-	-
Total debt not applicable to limit	2,862,396	2,276,945	1,683,940	1,318,940	953,940	588,940	223,940	-	-	-
Total net debt applicable to state limit	84,795,333	86,860,226	88,410,628	86,419,251	90,895,372	90,058,511	99,131,876	98,406,792	95,599,524	98,976,421
Legal debt margin per state	\$ 145,636,809	\$ 140,968,862	\$ 140,743,746	\$ 141,655,493	\$ 137,822,870	\$ 138,091,957	\$ 132,852,892	\$ 133,751,902	\$ 135,288,070	\$ 139,193,435
Total net debt applicable to the limit as a percentage of debt limit	36.80%	38.13%	38.58%	37.89%	39.74%	39.47%	42.73%	42.39%	41.41%	41.56%
Total net debt applicable to the limit as a percentage of assessed value	3.68%	3.81%	3.86%	3.79%	3.97%	3.95%	4.27%	4.24%	4.14%	4.16%

TABLE 15

CITY OF DANVILLE, VIRGINIA

SCHEDULE OF UTILITY REVENUE BOND COVERAGE
FOR THE LAST TEN YEARS
(Unaudited)

Fiscal Year Ended June 30,	Gross Revenue (1)		Direct Operating Expenses (2)		Net Revenue Available for Debt Service	Debt Service Requirements (3)			
						Principal	Interest	Total	Coverage
2012	\$	142,677,853	\$	105,695,821	\$ 36,982,032	\$ 578,148	\$ 130,624	\$ 708,772	52.18 %
2013		140,480,644		105,273,005	35,207,638	585,451	108,903	694,354	50.71
2014		170,599,462		131,792,691	38,806,771	593,004	86,932	679,936	57.07
2015		159,980,502		121,029,290	38,951,212	365,000	66,516	431,516	90.27
2016		151,273,918		116,068,950	35,204,968	365,000	52,098	417,098	84.40
2017		157,807,454		126,093,439	31,714,015	365,000	37,681	402,681	78.76
2018		170,299,740		141,059,510	29,240,230	365,000	23,263	388,263	75.31
2019		162,929,973		132,277,681	30,652,292	223,940	8,846	232,786	131.68
2020		156,539,900		130,551,486	25,988,414	-	-	-	0.00
2021		152,822,664		130,534,257	22,288,407	-	-	-	0.00

(1) Total revenue includes interest earned and other miscellaneous revenues.

(2) Total operating expenses exclusive of depreciation.

(3) Includes principal and interest of revenue bonds only. It does not include the general obligation bonds reported in the utility funds.

TABLE 16

CITY OF DANVILLE, VIRGINIA
DEMOGRAPHIC AND ECONOMIC STATISTICS
FOR THE LAST TEN YEARS
(Unaudited)

Year	Population	Danville MSA Per Capita Income	Median Age	Percentage of Population with Bachelor's Degree or Higher	School Enrollment	Danville MSA Personal Income (thousands of \$)	Percentage of Unemployment Rate
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
2012	43,332	\$ 30,587	42.6	16.2 %	6,076	\$ 3,253,086	11.10 %
2013	43,400	31,297	42.6	16.8	6,362	3,307,949	11.00
2014	42,912	32,775	42.6	16.8	6,362	3,467,733	9.80
2015	42,975	33,244	42.6	16.8	6,391	3,501,737	8.60
2016	42,544	34,119	42.6	16.8	6,228	3,557,825	6.10
2017	41,898	34,119	42.6	16.4	5,956	3,557,825	6.50
2018	41,358	35,326	41.5	16.0	5,828	3,659,277	5.30
2019	40,590	37,053	40.6	18.9	5,731	3,705,300	4.90
2020	40,044	36,301	41.1	18.4	5,731	3,912,942	7.70
2021	42,590	36,301	40.9	17.6	5,505	3,912,942	7.30

(1) Source: Weldon Cooper Center for Public Services, University of Virginia estimated population for 2003-2009 and 2011-2020.
U.S. Census Bureau actual count for 2010.

(2) Source: Bureau of Economic Analysis (BEA), U.S. Department of Commerce
Danville MSA includes Danville and Pittsylvania County.

(3) Source: U.S. Census Bureau. Profile of Selected Social characteristics.

(4) Source: U.S. Census Bureau. Profile of Selected Social characteristics.
Percent based on population 25 years and over.

(5) Source: 2010-2011 through Weldon Cooper Center for Public Services, University of Virginia.
2012-2019 provided by Danville City Schools.

(6) Source: Bureau of Economic Analysis (BEA), U.S. Department of Commerce
Danville MSA includes Danville and Pittsylvania County.

(7) Source: Virginia Employment Commission at June 2020.

NOTE: Data is most current available at June 30. Prior years is previously published data.

TABLE 17

CITY OF DANVILLE, VIRGINIA

PRINCIPAL EMPLOYERS
Current Year and Nine Years Ago
(Unaudited)

Employer	2021			2012		
	Employees (1)	Rank	Percentage of Total City Employment (2)	Employees (1)	Rank	Percentage of Total City Employment (2)
Goodyear Tire & Rubber Co.	2,000	1	10.91%	2,250	2	12.56%
Sovah Health – Danville	1,052	2	5.74%	1,294	3	7.22%
Danville City Public Schools	1,051	3	5.74%	-		0.00%
City of Danville	935	4	5.10%	2,381	1	13.29%
Buitoni Food Co	590	5	3.22%	-		0.00%
Roman Eagle Memorial Home	320	6	1.75%	-		0.00%
Averett University	269	7	1.47%	-		0.00%
Essel Propack America	260	8	1.42%	-		0.00%
EBI	250	9	1.36%	550	7	3.07%
Danville Community College	121	10	0.66%	-		0.00%
Telvista	-			780	4	4.35%
Food Lion	-			376	9	2.10%
Swedwood	-			375	10	2.09%
Wal-Mart	-			474	8	2.65%
Nestle Refrigerated Food	-			600	5	3.35%

(1) Source: City of Danville, Office of Economic Development.

(2) Source: Virginia Employment Commission – employed civilian labor force for June 2020 (18,909) and June 2011 (18,033).

TABLE 18

CITY OF DANVILLE, VIRGINIA

OPERATING INDICATORS AND CAPITAL ASSET STATISTICS BY FUNCTION
Last Ten Fiscal Years
(Unaudited)

Date of Incorporation: 1830
Form of Government: Council / Manager
Area in Square Miles: 44

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Number of Employees (Full & Part-Time)	1,222	1,220	1,233	1,210	1,257	1,222	1,227	1,231	1,231	1,197
<u>Name of Government Facilities and Services:</u>										
Miles of streets	318	318	318	318	316	316	316	316	316	316
Number of street lights	8,827	8,827	8,827	8,827	8,340	8,344	8,349	8,349	8,349	8,349
<u>Culture and Recreation:</u>										
Recreation centers	8	8	8	8	7	9	9	9	9	9
Number of parks	12	12	12	12	16	18	18	18	21	21
Park acreage	680	680	680	680	751	922	922	922	843	843
Number of trails	6	6	6	6	6	16	16	19	19	19
Trail mileage	41	41.5	41.5	41.5	46	47	47	49	49	49
Number of athletic fields	22	22	22	22	22	22	22	22	21	21
Athletic field acreage	46	46	46	46	46	46	46	46	48	48
Number of playgrounds	16	14	14	14	20	20	20	20	17	17
Playground acreage	64	64	64	64	1.3	1.3	1.3	1.3	1.3	1.3
Number of outdoor basketball courts	10	10	10	10	10	10	10	15	15	15
Number of tennis courts	19	19	19	19	10	10	10	16	14	14
<u>Fire Protection:</u>										
Number of stations	7	7	7	7	7	7	7	7	7	7
Number of fire personnel and officers	122	123	123	123	121	121	121	121	121	123
Number of calls answered	6,432	6,609	6,703	7,321	8,132	8,419	8,047	8,424	8,415	9,094
Number of inspections conducted	1,042	1,541	1,043	1,288	1,337	1,424	1,223	1,101	784	227
<u>Police Protection:</u>										
Number of stations	2	2	2	2	2	3	3	3	3	3
Number of police officers	133	133	133	131	131	131	131	131	131	130
Number of police vehicles and trailers	56	56	56	56	56	26	63	75	73	78
Number of law violations:										
Criminal arrests	9,188	8,994	7,911	7,196	6,649	4,888	4,911	4,818	2,939	3,703
Traffic violations	7,447	6,224	7,251	8,019	8,083	5,531	6,825	7,460	3,544	4,374
Parking violations	2,537	1,504	1,390	1,395	1,508	1,213	1,387	1,307	507	1,035

(Continued)

TABLE 18

CITY OF DANVILLE, VIRGINIA

OPERATING INDICATORS AND CAPITAL ASSET STATISTICS BY FUNCTION
Last Ten Fiscal Years
(Unaudited)

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
<u>Sewerage System:</u>										
Miles of sanitary sewers	385	386	386	386	394	395	395	395	395	395
Number of treatment plants	1	1	1	1	1	1	1	1	1	1
Number of service connections	16,663	16,335	16,235	16,258	16,296	16,195	16,147	16,147	16,094	16,795
Average daily treatment	6.70	6.51	7.34	7.86	8.40	8.10	8.10	9.64	8.49	7.54
Maximum daily capacity of treatment	24	20	20	20	20	20	20	20	20	20
<u>Water System:</u>										
Miles of water mains	337	340	342	344	346	347	331	331	331	331
Active number of service connections	17,837	17,712	17,780	17,481	17,652	17,374	17,616	16,820	16,838	16,869
Number of fire hydrants	2,073	2,081	2,107	2,107	2,209	2,208	2,079	2,075	2,078	2,080
Average daily consumption - MGD	5.30	4.93	5.19	5.39	4.86	4.98	4.90	4.73	4.67	4.91
Maximum daily capacity of treatment	18	18	18	18	18	18	18	18	18	18
<u>Electric Distribution System:</u>										
Square miles of service	500	500	500	500	500	500	500	500	500	500
Number of distribution stations	17	17	17	17	17	17	17	17	17	17
<u>Facilities and services not included in the primary government:</u>										
<u>Education:</u>										
Number of preschools	1	2	2	2	2	2	2	2	2	2
Number of elementary schools	9	8	6	6	6	6	6	6	6	6
Number of intermediate schools	0	0	0	0	0	0	0	1	1	1
Number of middle schools	3	3	2	2	2	2	2	2	2	2
Number of high schools	2	2	2	2	2	2	2	2	2	2
Number of alternative schools	1	1	1	1	1	1	1	1	1	1
Number of preschool instructors	21	21	21	22	23	23	22	21	21	20
Number of elementary school instructors	251	228	223	216	209	204	198	225	215	212
Number of middle school instructors	125	123	111	107	102	97	88	99	97	95
Number of high school instructors	175	167	152	140	138	131	130	131	151	150
<u>Facilities and services not included in the reporting entity:</u>										
<u>Hospitals:</u>										
Number of hospitals	1	1	1	1	1	1	1	1	1	1
Number of patient beds	290	250	250	250	250	250	250	250	250	250

COMPLIANCE SECTION



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

The Honorable Mayor and Members of City Council
City of Danville, Virginia

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to the financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits for Counties, Cities, and Towns* and the *Specifications for Audits of Authorities, Boards, and Commissions*, issued by the Auditor of the Public Accounts of the Commonwealth of Virginia, the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Danville, Virginia (the "City") as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated February 10, 2022.

Internal Control over Financial Reporting

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

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. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. **We consider the deficiencies described in the accompanying schedule of findings and questioned costs, as Items 2021-001, 2021-005, and 2021-006, to be material weaknesses.**

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. **We consider the deficiency described in the accompanying schedule of findings and questioned costs, as Item 2021-002, to be a significant deficiency.**

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of 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 instances of a noncompliance or other matter identified as Item 2021-004 in the accompanying schedule of findings and questioned costs, that is required to be reported under *Government Auditing Standards*.**

City of Danville, Virginia's Response to Findings

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results 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 City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Brown, Edwards & Company, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

Lynchburg, Virginia
February 10, 2022

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

The Honorable Mayor and Members of City Council
City of Danville, Virginia

Report on Compliance for Each Major Federal Program

We have audited the City of Danville, Virginia's (the "City") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the City's major federal programs for the year ended June 30, 2021. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, the terms, and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City'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 (CFR) 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 the City'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's compliance.

Basis for Qualified Opinion on Coronavirus Relief Fund

As described in the accompanying schedule of findings and questioned costs, the City of Danville, Virginia did not comply with requirements regarding ALN # 21.019 Coronavirus Relief Fund as described in Item 2021-003 for subrecipient monitoring. Compliance with such requirements is necessary, in our opinion, for the City to comply with the requirements applicable to that program.

Report on Compliance for Each Major Federal Program (Continued)

Qualified Opinion on Coronavirus Relief Fund

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, the City of Danville, Virginia, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on Coronavirus Relief Fund for the year ended June 30, 2021.

Unmodified Opinion on Each of the Other Major Federal Programs

In our opinion, the City of Danville, Virginia, 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 other major federal programs for the year ended June 30, 2021.

Other Matters

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

Report on Internal Control over Compliance

Management of the City 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's 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 the 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's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding 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. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

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 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. *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. **We consider the deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as Item 2021-003, to be a material weakness.**

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

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

Brown, Edwards & Company, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

Lynchburg, Virginia
February 10, 2022

CITY OF DANVILLE, VIRGINIA
SUMMARY OF COMPLIANCE MATTERS
June 30, 2021

As more fully described in the Independent Auditor's 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*, we performed tests of the City's compliance with certain provisions of the laws, regulations, contracts, and grants shown below.

STATE COMPLIANCE MATTERS

Code of Virginia

Budget and Appropriation Laws

Cash and Investment Laws

Conflicts of Interest Act

Local Retirement Systems

Debt Provisions

Procurement Laws

Comprehensive Services Act

Uniform Disposition of Unclaimed Property Act

Sheriff Internal Controls

Fire Program Aid to Localities

State Agency Requirements

Education

Social Services

Urban Highway Maintenance

FEDERAL COMPLIANCE MATTERS

Compliance Supplement for Single Audits of State and Local Governments

Provisions and conditions of agreements related to federal programs selected for testing.

CITY OF DANVILLE, VIRGINIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2021

A. SUMMARY OF AUDITOR'S RESULTS

1. The auditor's report expresses an **unmodified opinion** on the financial statements.
2. **Three material weaknesses and one significant deficiency** related to the audit of the financial statements were reported in the Independent Auditor's 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*.
3. **No instances of noncompliance** material to the financial statements, or other matters, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. **One material weakness** relating to the audit of the major federal award programs was reported in the Independent Auditor's Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance.
5. The auditor's report on compliance for the major federal award programs expresses a **qualified opinion**; the report on the remaining programs is unmodified.
6. The audit disclosed **one audit finding relating to major programs**.
7. The major programs of the City are:

Name of Program	Assistance Listing Number
Coronavirus Relief Fund	21.019
Formula Grants for Rural Areas	20.509
Community Development Block Grants – Entitlement Grants Cluster	14.218
Education Stabilization Fund	84.425
Title IV-E – Foster Care	93.658

8. The **threshold for** distinguishing Type A and B programs was **\$871,711**.
9. The City of Danville was **not** determined to be a **low-risk auditee**.

B. FINDINGS – FINANCIAL STATEMENT AUDIT

2021-001: Capital Assets and Related Party Amounts– Material Weakness

Condition:

We proposed and the City recorded a material journal entry as the result of our audit, for approximately \$3.1 million. This entry was deemed material to the financial statements. The City had contributed funds to the Danville Pittsylvania County Regional Industrial Authority (RIFA) and had reported these as construction in progress, when they should have been reported as expenses of the Water Fund and Wastewater Fund.

(Continued)

CITY OF DANVILLE, VIRGINIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2021

B. FINDINGS – FINANCIAL STATEMENT AUDIT (Continued)

2021-001: Capital Assets and Related Party Amounts– Material Weakness (Continued)

Criteria:

Each material account should be reviewed and reconciled and an understanding of the accounting treatment of transactions with related parties should be reached by all parties involved.

Cause:

The departments involved with the capital assets in question did not communicate with each other about the appropriate accounting for the assets.

Effect:

The City's capital assets were overstated.

Recommendation:

Management should perform reconciliations to other related parties to ensure the City has captured the information correctly. In addition, communication between departments and employees is key to ensuring amounts are properly recorded and reported.

Views of Responsible Officials and Planned Corrective Action:

The City will implement improved communication and coordination of capital asset accounting with the City's related agencies to prevent such future errors.

2021-005: Accounting for Grants (Material Weakness)

Condition:

During the current audit, we noted that certain grant revenue related to the American Rescue Plan Act had been reported as \$14.5 million of revenue. This money had not been spent or earned at year-end and should have been reported as unearned grant revenue. This entry was deemed material to the financial statements.

Criteria:

Internal controls should be in place to provide reasonable assurance that grant receivables are properly recorded. In addition, each material account should be reviewed and reconciled to ensure they are properly reflected in the correct accounts.

(Continued)

CITY OF DANVILLE, VIRGINIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2021

B. FINDINGS – FINANCIAL STATEMENT AUDIT (Continued)

2021-005: Accounting for Grants (Material Weakness) (Continued)

Cause:

We noted that there was not an overall process to appropriately monitor the recording of revenue associated with this grant.

Effect:

Absent appropriate controls, errors such as those described above could occur and not be detected along with materially misstating the City's revenue.

Recommendation:

We recommend that the City perform reconciliations of grant revenue and grant expenditures. In addition, communication between departments and employees is key to ensuring amounts are properly recorded and reported. Note that this is a repeat finding from the immediate previous audit, 2020-001.

Views of Responsible Officials and Planned Corrective Action:

The City had accounted for all grant revenues and expenditures but failed to recognize that funds from the American Rescue Plan Act needed to be classified as deferred revenues rather than realized revenues until expended. This oversight has been communicated to staff for future reporting.

2021-002: Credit Card Review – Significant Deficiency

Condition:

Three of the four credit card purchases selected for testing were not reviewed and approved prior to payment. It was noted that these three credit cards were for managers and directors of the City.

Criteria:

All credit card purchases should be reviewed and approved by someone knowledgeable and who has the authority to question purchases that appear to be out of the norm for the City.

Cause:

The City currently does not have a policy for managers and directors to have their credit cards reviewed by someone who has the authority to question transactions.

(Continued)

CITY OF DANVILLE, VIRGINIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2021

B. FINDINGS – FINANCIAL STATEMENT AUDIT (Continued)

2021-002: Credit Card Review – Significant Deficiency (Continued)

Effect:

The lack of these reviews could cause unauthorized purchases and could attract fraud and abuse within the City.

Recommendation:

Management should implement policies that all employees, managers and above, have their credit card transactions reviewed and approved.

Views of Responsible Officials and Planned Corrective Action:

Following the discovery of deficiencies in the approval process for credit card purchases, management reemphasized with departments the existing policy regarding the approval of purchases. Management plans to add additional controls regarding purchases made by credit card.

2021-006: Cafeteria Adjustment (Material Weakness) – Schools

Condition:

During the current year audit, we noted the May State reimbursement for meals was not recorded as a receivable or revenue in the cafeteria fund. This entry was deemed material to the financial statements.

Criteria:

Internal controls should be in place to provide reasonable assurance that receivables are properly recorded. In addition, each material account should be reviewed and reconciled to ensure they are properly reflected in the correct accounts.

Cause:

We noted there is not an overall process to appropriately monitor the School Nutrition recording of revenue associated with the State reimbursement.

Effect:

Absent appropriate controls, errors such as those described above could occur and not be detected along with materially misstating the School's revenue.

(Continued)

CITY OF DANVILLE, VIRGINIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2021

B. FINDINGS – FINANCIAL STATEMENT AUDIT (Continued)

2021-006: Cafeteria Adjustment (Material Weakness) – Schools (Continued)

Recommendation:

We recommend controls be implemented to ensure that all receivables and revenue are appropriately recorded at the end of the period. This should include monitoring of reimbursements be made by parties outside of School Nutrition.

Management's Response:

To address this School Nutrition sends copies of the monthly reimbursements filed to the Finance Department. Finance is tracking the amounts to make sure we receive the reimbursement information from School Nutrition in a timely manner. Finance is also tracking that payments are received from the VDOE in a timely manner.

C. FINDINGS – COMMONWEALTH OF VIRGINIA

2021-004: Commonwealth of Virginia Disclosure Statements

Condition:

One City official filed a statement of economic interest as required by the *Code of Virginia* after the February 1, 2021 deadline and one City official did not file their statement of economic interest during fiscal year 2021.

Recommendation:

Steps should be taken to ensure that these statements are filed and in a timely manner.

Management's Response:

The auditee concurs with the recommendation.

D. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

2021-003: Coronavirus Relief Fund – ALN #21.019, Subrecipient Monitoring, Material Noncompliance and Material Weakness

Condition:

The City did not have any formal agreements with subrecipients regarding use of funds and regulations on funds. Additionally, the City did not document any formal subrecipient monitoring.

(Continued)

CITY OF DANVILLE, VIRGINIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

June 30, 2021

**D. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT
(Continued)**

**2021-003: Coronavirus Relief Fund – ALN #21.019, Subrecipient Monitoring, Material
Noncompliance and Material Weakness (Continued)**

Criteria:

Under the requirements in the Uniform Guidance, all entities are required perform monitoring and have written agreements with all subrecipients.

Cause:

The City does not have a process in place to prepare formal agreements nor policies in place to monitor subrecipient monitoring.

Effect:

The lack of written agreements and monitoring of subrecipients could cause improper Federal funds being allocated.

Recommendation:

Management should draft and implement agreements with subrecipients that details the expectations and criteria of each subrecipient. In addition, policies should be in place to monitor these subrecipients to ensure they are meeting the required criteria and no repayment is necessary.

Views of Responsible Officials and Planned Corrective Action:

The City did have written communication with subrecipients regarding the source and approved use of federal funds but failed to execute a formal agreement. Subrecipient monitoring did occur at the end of the grant period, which included a submission of audited financial statements and a report of grant expenditures from subrecipients to the City. The City will prepare formal agreements for subrecipient awards in the future and establish documented policies for monitoring.

CITY OF DANVILLE, VIRGINIA

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2021**

Federal Granting Agency/ Recipient State Agency/ Grant Program	Assistance Listing Number	Passed- Through to Subrecipients	Federal Expenditures
<u>Primary Government</u>			
DEPARTMENT OF AGRICULTURE			
Passed through Commonwealth of Virginia:			
Department of Juvenile Justice:			
National School Lunch Program	10.555	\$ -	\$ 48,617
Department of Social Services:			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	-	980,683
Total U.S. Department of Agriculture		-	1,029,300
DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Passed through Southern Area Agency for the Aging:			
Special Programs for the Aging – Title III, Part B – Grants for Supportive Services and Senior Centers	93.044	-	29,843
Passed through Virginia Polytechnic Institute and State University			
Minority Health and Health Disparities Research	93.307	-	3,005
Passed through Commonwealth of Virginia:			
Department of Social Services:			
Promoting Safe and Stable Families	93.556	-	39,751
TANF Block Grant	93.558	-	610,571
Refugee and Entrant Assistance State – Administered Programs	93.566	-	1,464
Low Income Home Energy Assistance	93.568	-	101,300
Child Care Development Fund	93.596	-	128,959
Chafee Education and Training Vouchers Program	93.599	-	2,500
Stephanie Tubbs Jones Child Welfare Services Program	93.645	-	314
Foster Care – Title IV-E	93.658	-	835,035
Adoption Assistance	93.659	-	291,267
Social Services Block Grant	93.667	-	483,293
Chafee Foster Care Independence Program	93.674	-	15,313
Unaccompanied Alien Children Program	93.767	-	8,621
Medical Assistance Program	93.778	-	732,853
Total U.S. Department of Health and Human Services		-	3,284,089
DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
Direct Payments:			
Community Development Block Grant Program, Entitlement Grants Cluster	14.218	96,447	870,211
Home Investment Partnership Program	14.239	-	406,671
Community Development Block Grant Program, Special Purpose Grants	14.225	-	517,275
Total U.S. Department of Housing and Urban Development		96,447	1,794,157

(Continued)

CITY OF DANVILLE, VIRGINIA

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2021**

Federal Granting Agency/ Recipient State Agency/ Grant Program	Assistance Listing Number	Passed- Through to Subrecipients	Federal Expenditures
DEPARTMENT OF JUSTICE			
Bureau of Justice Assistance:			
Direct Payments:			
Bulletproof Vest Partnership Program	16.607	\$ -	\$ 10,754
Edward Byrne Memorial Justice Assistance Grant Program	16.738	-	193,605
Public Safety Partnership and Community Policing Grants	16.710	-	84,600
Department of Criminal Justice Services:			
Passed through Commonwealth of Virginia:			
Office for Victims of Crime:			
Crime Victim Assistance	16.575	-	119,242
Community-Based Violence Prevention Program	16.123	-	23,568
Total U.S. Department of Justice		-	431,769
DEPARTMENT OF TRANSPORTATION			
Direct Payments:			
Airport Improvement Program	20.106	-	435,036
Passed through Commonwealth of Virginia:			
<u>Highway Planning and Construction Cluster</u>			
Highway Planning and Construction	20.205	-	140,089
Total Highway and Construction Cluster		-	140,089
Formula Grants for Rural Areas	20.509	-	2,825,595
<u>Highway Safety Cluster</u>			
State and Community Highway Safety	20.600	-	16,080
Alcohol Open Container Requirement	20.607	-	15,298
Total Highway Safety Cluster		-	31,378
Total U.S. Department of Transportation		-	3,432,098
DEPARTMENT OF THE INTERIOR			
Direct Payments:			
United States Environmental Protection Agency			
Brownfields Multipurpose, Assessment, Revolving Loan Fund, and Cleanup Cooperative Agreements	66.818	-	153,967
Passed through Commonwealth of Virginia:			
Department of Historic Resources:			
Historic Preservation Fund Grants-in-Aid	15.904	-	48,695
Total U.S. Department of the Interior		-	202,662

(Continued)

CITY OF DANVILLE, VIRGINIA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2021

Federal Granting Agency/ Recipient State Agency/ Grant Program	Assistance Listing Number	Passed- Through to Subrecipients	Federal Expenditures
DEPARTMENT OF THE TREASURY			
Passed through Commonwealth of Virginia:			
COVID-19 Coronavirus Relief Fund	21.019	\$ 903,750	\$ 6,717,435
COVID-19 Coronavirus State and Local Fiscal Relief Fund	21.027	-	109,640
Total U.S. Department of the Treasury		903,750	6,827,075
NATIONAL ENDOWMENT FOR THE HUMANITIES			
Passed through Commonwealth of Virginia:			
Grants to States	45.310	-	32,483
Total National Endowment for Humanities		-	32,483
DEPARTMENT OF HOMELAND SECURITY			
Passed through Commonwealth of Virginia:			
Department of Homeland Security:			
Disaster Grants – Public Assistance (Presidentially Declared Disasters	97.036	-	1,578,319
Emergency Management Performance Grants	97.042	-	76,817
Homeland Security Grant Program	97.067	-	44,476
Total U.S. Department of Homeland Security		-	1,699,612
Total Federal Awards – City of Danville		1,000,197	18,733,245
<u>Component Unit – Danville Schools</u>			
DEPARTMENT OF AGRICULTURE			
Passed through Commonwealth of Virginia:			
Department of Education:			
<u>Child Nutrition Cluster</u>			
Summer Food Service Program for Children	10.559	-	1,340,619
COVID-19 Summer Food Service Program for Children	10.559	-	1,424,124
National School Lunch Program (Commodities)	10.555	-	236,483
Total Child Nutrition Cluster		-	3,001,226
Total U.S. Department of Agriculture		-	3,001,226
DEPARTMENT OF EDUCATION			
Passed through Commonwealth of Virginia:			
Department of Education:			
Title I – Educationally Deprived Children – LEA	84.010	-	1,971,237
Title I – Detention Home 14	84.013	-	10,166
Rural Education	84.358	-	29,000

(Continued)

CITY OF DANVILLE, VIRGINIA

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2021**

Federal Granting Agency/ Recipient State Agency/ Grant Program	Assistance Listing Number	Passed- Through to Subrecipients	Federal Expenditures
DEPARTMENT OF EDUCATION (Continued)			
Passed through Commonwealth of Virginia: (Continued)			
<u>Special Education Cluster (IDEA)</u>			
Title VI-B – Special Education	84.027	\$ -	\$ 1,218,044
Special Education Preschool Grants	84.173	-	49,734
Total Special Education Cluster (IDEA)		-	1,267,778
Basic Grants to States	84.048	-	205,704
English Language Acquisition State Grants	84.365	-	14,332
Title II – Part A Funds	84.367	-	327,636
School Improvement Grant	84.377	-	278,630
Education Stabilization Fund	84.425	-	2,254,678
Total U.S. Department of Education		-	6,359,161
DEPARTMENT OF THE TREASURY			
Passed through Commonwealth of Virginia:			
COVID-19 Coronavirus Relief Fund	21.019	-	954,608
Total U.S. Department of Treasury			954,608
Total Federal Awards – Danville Schools		-	10,314,995
Total Expenditures of Federal Awards		\$ 1,000,197	\$ 29,048,240

Primary Government

DEPARTMENT OF AGRICULTURE

Passed through Commonwealth of Virginia:

Department of Agriculture and Consumer Services:

W. W. Moore, Jr. Detention Home (Commodities)	10.555	\$ -	\$ 4,743
Summer Feeding Program	10.559	-	4,042
			\$ 8,785

CITY OF DANVILLE, VIRGINIA

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
June 30, 2021

Summary of Significant Accounting Policies

The accompanying Schedule of Expenditures of Federal Awards is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.

Subrecipients

The City provided the following amounts to subrecipients during fiscal year 2021:

<u>Program Title</u>	<u>Assistance Listing Number</u>	<u>Amount</u>
Department of Housing and Urban Development Community Development Block Grant Program	14.218	\$ 96,447
Department of the Treasury Coronavirus Relief Fund	20.019	903,750

Indirect Cost Rate

The City did not elect to utilize the 10 percent de minimis indirect cost rate.

Outstanding Loan Balances

At June 30, 2021, the City had no outstanding loan balances requiring continuing disclosure.

CITY OF DANVILLE, VIRGINIA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended June 30, 2021

A. FINDINGS – FINANCIAL STATEMENT AUDIT

2020-001: Accounting for Grants (Material Weakness)

Condition:

During the current audit we noted that certain grant revenue related to Federal Emergency Management Agency (FEMA) and Highway Maintenance funds expended as part of the Hurricane Michael recovery project was not properly recorded. Receivables related to FEMA had been overstated by approximately \$2,600,000 and those related to Highway Maintenance funds had been understated by approximately \$1,800,000 as of June 30, 2020. Additionally, a receivable of approximately \$1,800,000 related to Highway Maintenance funds had not been recorded for the expenditure of those funds as of June 30, 2019, and the 2019 schedule of expenditures of federal awards did not report the expenditure of those funds. All of these amounts have been corrected in the accompanying financial statements.

Current Status:

It was noted during the fiscal year 2021 audit that this still appears to be a condition as we found a material adjustment related to grant revenue for the American Rescue Plan Act funding. See finding 2021-005 for more details.

B. FINDINGS – COMMONWEALTH OF VIRGINIA

2020-002: VIEW and SNAPET Gift Cards Issued – Department of Social Services

Condition:

We noted instances where gift cards were issued for the VIEW and SNAPET program. Cards issued to participants of these programs should be limited to gas purchases only. Since these cards are gift cards, it is not possible to limit the usage to only gas.

Current Status:

Condition not noted in the current year.

2020-003: Commonwealth of Virginia Disclosure Statements

Condition:

Five City officials filed a statement of economic interest as required by the *Code of Virginia* after the February 1, 2020 deadline, and six officials did not file their statement of economic interest.

CITY OF DANVILLE, VIRGINIA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended June 30, 2021

B. FINDINGS – COMMONWEALTH OF VIRGINIA (Continued)

2020-003: Commonwealth of Virginia Disclosure Statements (Continued)

Current Status:

In the current year, we noted that one official filed their statement of economic interest after the February 1, 2021 deadline and one economic interest was not filed. See current year finding 2021-004 for details.

2020-004: Annual Review of System Access – Department of Social Services

Condition:

The Virginia Department of Social Services requires all local departments of social services to remove system access of terminated employees within three days subsequent to the employee's termination. We noted in our testing that access removal was not completed within three days for three of the five terminated employees tested.

Current Status:

Condition not noted in the current year.