

DANVILLE VIRGINIA

CITY GOVERNMENT

ANNUAL COMPREHENSIVE FINANCIAL REPORT



FISCAL YEAR JULY 1, 2022 TO JUNE 30, 2023

CITY OF DANVILLE, VIRGINIA

ANNUAL COMPREHENSIVE FINANCIAL REPORT

FISCAL YEAR ENDED JUNE 30, 2023



Prepared by:

The Department of Finance
City of Danville, Virginia



CITY OF DANVILLE, VIRGINIA

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INTRODUCTORY SECTION





City of Danville

December 21, 2023

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

The Annual Comprehensive Financial Report (ACFR) for the City of Danville, Virginia (City) for the year ended June 30, 2023, is hereby submitted in accordance with Section 15.2-2511 of the Code of Virginia, 1950, as amended. The Code of Virginia requires the City to issue annually a report on its financial position and operations, and that this report be audited by either the state auditor or an independent audit firm of certified public accountants in accordance with generally accepted auditing standards (GAAS). This report has been prepared by the Department of Finance to conform to the standards of financial reporting as established by the Governmental Accounting Standards Board (GASB), generally accepted accounting principles (GAAP) and the Commonwealth of Virginia Auditor of Public Accounts (APA).

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's financial statements. The goal of the independent audit is to provide reasonable assurance that the financial statements are free of material misstatements. The independent audit involved examining, on a test basis, evidence supporting significant estimates made by management; and evaluating the overall financial statement presentation. This examination was conducted using guidelines set forth by GAAS and the Specifications for Audits of Counties, Cities and Towns, issued by the APA. Based upon this audit, the independent auditor concluded that there was a reasonable basis for rendering an unmodified opinion that the City's financial statements for the fiscal year ended June 30, 2023, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

As a recipient of funds, the City of Danville is required to undergo an annual single audit in conformity with the provisions of the U.S. Office of Management and Budget's Uniform Guidance. The standards governing Single Audit engagements set forth in the General Accounting Office's Government Auditing Standards require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government's internal controls and compliance with legal requirements. Special emphasis is placed on internal controls and compliance with legal requirements involving the administration of federal awards. 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 City of Danville

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 42,597.

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 working 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 some 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 10% from fiscal year 2022 to fiscal year 2023. Additionally, sales tax revenue received by the City for the first quarter of FY 2024 actually exceeded that for the first quarter of FY 2023 by 11%. 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.

In 2023, the City, in collaboration with neighboring Pittsylvania County, launched a regional tourism brand that will invite locals and visitors to take a fresh look at Danville and Pittsylvania County and the abundance of activities and offerings now available in hopes to build on the growth and visitation coming to the region ahead of the Casino opening. The fresh new messaging and positioning strategy lean into the region's well-known geographical affiliation with Southside Virginia but also provide a confident, differentiated, and playful new twist highlighting the region's unique personality, rise, and trajectory. The corresponding brand strategy is also highly diversified, allowing a consistent package to be used to promote the region's outdoor recreation, food and beverage, lodging, entertainment, art, history, culture, architecture, festivals, events, agritourism, and more.

In November 2020, the voters in Danville overwhelmingly passed a referendum during the general election permitting the establishment of a casino within the legal boundaries of the City of Danville. The project is estimated to cost about \$650 million and will bring more people to the area, acting as a tourism engine and economic driver to the area. The project will also provide many employment opportunities creating thousands of construction and operational jobs. In November of 2022, Caesars Virginia announced it's plans to open a temporary casino by July of 2023 located right beside the permanent one, which is set to open in 2024. The temporary casino, however, opened earlier than expected in May 2023, creating jobs sooner and allowing employees to gain experience before working in the permanent casino. The early opening of the temporary casino allowed for casino revenue of approximately \$2.6 million to be recognized in the FY2023 financial statements. The City anticipates to receive approximately \$39 million per year in additional revenue from the casino once it is fully operational. This new revenue will be used for transformational projects that will increase people's ability to build their own wealth, provide new opportunities that increase economic development, and lower the poverty and unemployment rate.

In the 2023 budget, City Council maintained current municipal services and included funds to address the priority areas identified during the FY2022 budget process of education, economic development, and public safety. The FY 2023 budget provides the resources necessary to address these and other priority areas that will enable Danville to be more competitive in attracting people, visitors and businesses to our City.

Long Term Financial Planning

Each year the City prepares a five-year Capital Improvements Plan (CIP), with the first-year funding appropriated and the remaining four years for planning purposes only. Included are projects with provisions for blight removal, economic development, River District renovation, construction, replacement or rehabilitation of public facilities, technology infrastructure, major street improvements, equipment replacement, school improvements, and utility infrastructure. Careful consideration is given annually to developing a CIP that is economically feasible, prudent, and will provide long-term benefits for the safety and well-being of the community. The City looks at a combination of funding sources to fund the capital projects, including but not limited to general obligation bonds, state and federal funding, state aid to localities, current revenues, unreserved fund balance, reprogrammed funds, and contribution-in-aid. Project appropriations for the coming year include: General Fund Capital Improvements of \$21,976,234; Sewer and Wastewater Capital Improvements of \$18,050,000; Water and Gas Capital Improvements of \$4,200,000 and Electric Capital Improvements of \$9,500,000.

The City is currently continuing efforts to improve housing and eliminate blight by implementing the strategies recommended in the comprehensive housing study conducted by CZB in 2014. The City's 2014 Comprehensive Housing Market analysis demonstrated that much is needed to be done in order to make Danville a community of choice for individuals and families locating to our area. The CZB housing study made several recommendations to improve the market conditions and reverse the trend that is creating blight and further devaluation of properties. If nothing is done to reverse the trend, the City's housing market will continue to decline and affect every neighborhood. The CIP includes funds for demolition of valueless property, stabilization of important historically significant properties, enhanced code enforcement, establishment of a non-profit community development entity, establishment of a loan loss reserve fund, and redevelopment of the Five Forks commercial area.

The City is currently in the planning and design stage for a new Riverfront Park to be constructed in the heart of the river district, which will provide a unique opportunity to reconnect both residents and visitors to the river, one of Danville's greatest assets. Additionally, the Riverfront Park will be a key driver of redevelopment along the once industrialized riverfront. The park will include playgrounds, a main lawn area for events and concerts, a pier overlook that extends onto the river, and a splash pad fountain. Adjacent to the park is the historic White Mill, which once housed Dan River Mills. Redevelopment of the White Mill building into a multi-use project featuring apartments and commercial spaces is currently underway. The building will include over 150 one to three-bedroom units on the top three floors. The first two floors of the building will be reserved for commercial space. The City is also continuing the "Heart the Park" campaign to engage citizens on ways to improve neighborhood parks throughout the city, while continuing to maintain three regional parks and the nearly 12-mile paved Riverwalk Trail.

The City is also in the planning and design stages for a number of infrastructure improvement projects. These projects include River District Street improvements and landscaping, stormwater improvements, general street improvements, city-wide wayfinding, gateway corridor landscaping, and various other street improvements. Collectively, these projects are estimated to cost approximately \$6.2 million and are being funded through a combination of Virginia Department of Transportation grants, General Fund revenues, and Federal American Rescue Plan funds.

The City is home to the Danville Regional Airport, which is one of the leading general aviation airports on the east coast. The infrastructure includes a primary 5900-foot Precision ILS runway and a 500 by 425-foot south ramp that can accommodate regional jet series aircraft. Infrastructure upgrades are in the planning and design stage to create enough aircraft parking and supporting airport future development which will allow the airport to host the bigger planes that are expected to frequent the area once the Caesars permanent casino opens. The airport projects include corporate hangar site preparation and

construction, design services for rehabilitating closed runway 24 and construction of ramp area, T-hangar roof repairs, south ramp rehabilitation construction, fuel farm expansion, terminal building roof repairs, and T-Hangar roof repairs. Collectively, these projects are estimated to cost approximately \$10 million and are being funded through a combination of state and federal grants, general fund revenues, and bond issuances.

The City provides utilities to the residents of Danville including water, wastewater, gas, electricity, and telecommunications. Upcoming utility projects include sewer line reconstruction and new sewer lines/inflow and infiltration reduction, construct a new wastewater pumping station to expand station capacity, water territory expansion, water line reconstruction to address the replacement of old cast iron pipelines, new expansion of natural gas service to serve current and future industry on the south and east side of the city as well as expand into Pittsylvania County, Cyber Park substation, substation upgrades, and electric system reliability and improvement. Collectively, these projects are estimated to cost approximately \$80.5 million and are being funded through a combination of state grants, utility fund revenues, and bond issuances.

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, 2022. This was the thirty-seventh 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 Finance Department staff. 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



Amy M. Chandler
Deputy Director of Finance



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**City of Danville
Virginia**

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

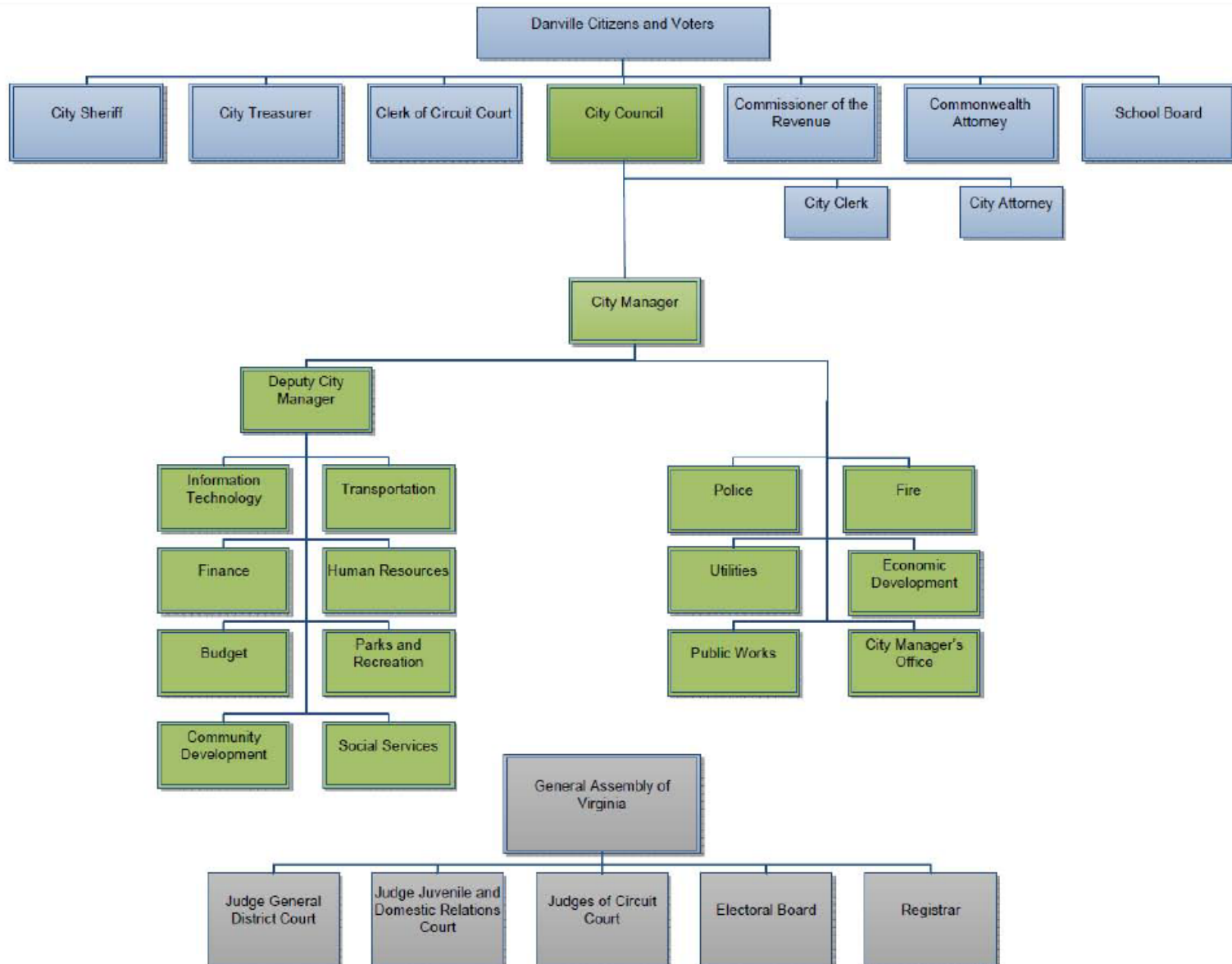
June 30, 2022

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
Barry Mayo

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
Henrietta Weaver, CPA, MAcc Budget 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..... Chief Information Officer
David W. Coffey Fire Chief
Scott C. Booth Chief of Police
Sara B. Weller Director of Human Resources
William O. Sgrinia Director of Parks, Recreation, and Tourism
Jason C. Grey Director of Utilities
Corrie T. Bobe Director of Economic Development
John L. Moody Director of Social Services

CONSTITUTIONAL OFFICERS

Michael S. Mondul City 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

Ty'Quan Graves – Chair
Tyrell Payne – Vice Chair

Keith Silverman
Dr. Philip Campbell
Keisha Averett

Dr. Keith Silverman
Charles McWilliams, III

SCHOOL ADMINISTRATIVE OFFICIALS

Dr. Angela HairstonSuperintendent
Dr. Wayne LyleChief Operations Officer
Victoria Ireson.....Clerk of School Board
Dr. Natalie Halloran Chief Human Resources Officer
Takiwi Milton-Babalola Chief Academic Officer
Andrea Gillus Chief Financial Officer

EMPLOYEES' RETIREMENT SYSTEM
BOARD OF TRUSTEES

City Employee Members

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

Citizen Members

R. Helm Dobbins – Retired, American National Bank
Lenard D. Lackey, Jr. – Retired, Danville/Pittsylvania County Service Board
Edgar Love – Vice President, Davenport & Company, LLC

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 Audit of the Financial Statements

Opinions

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, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

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, 2023, 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.

Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management 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, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Report on the Audit of the Financial Statements (Continued)

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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 be presented to supplement the basic financial statements. Such information is the responsibility of management, and, 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.

Report on the Audit of the Financial Statements (Continued)

Supplementary 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 accompanying combining and individual nonmajor fund financial statements and schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory and statistical sections but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 21, 2023 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
December 21, 2023

Management's Discussion and Analysis

The City of Danville, Virginia's (the "City") management presents this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2023. Please consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages i through v of this report.

Financial Highlights

- The assets and deferred outflows of the City exceeded its liabilities and deferred inflows at the close of the current fiscal year by \$501,418,211 (net position). Of this amount \$132,663,905 (unrestricted net position) may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net position decreased by \$3,419,103.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$231,732,535, an increase of \$38,378 in comparison to the previous year. Approximately 16% of this total amount, \$37,259,038, is unassigned.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$37,259,038, or 33% of total General Fund expenditures.
- The City's total long-term debt increased by \$32 million during the current fiscal year.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements are composed of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition 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, in a manner similar to a private-sector business.

The Statement of Net Position presents information on all the City's assets, liabilities, and deferred inflows/outflows of resources, with the difference 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 presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities).

The governmental activities of the City include general government administration, jail and judicial administration, public safety, public works, health and welfare, education, parks and recreation, and planning and community development. The governmental activities are supported primarily by property taxes, local taxes, state and federal grants, and contributions from the City's Utility Departments (Wastewater, Water, Gas, Electric, and Telecommunications).

The business-type activities of the City include Wastewater, Water, Gas, Electric, Telecommunications, Transportation, Sanitation, and Cemetery Operations. The City charges a fee to customers to cover all or most of the costs associated with providing these services.

The government-wide financial statements include not only the City itself (known as the primary government), but also the legally separate Danville Public Schools and the Industrial Development Authority for which the City is financially accountable. Financial information for these component units is presented in a separate column 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, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental Funds – Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on the near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of the fund statements is narrower than that of the government-wide statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City 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, Community Development Fund, Capital Projects Fund, and Special Revenue Fund, which are considered to be major funds. Data from the other three governmental funds (Virginia Department of Transportation [VDOT], Economic Development, and Cemetery Maintenance) are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements in the other supplementary information of the financial section of this report.

The basic governmental fund financial statements can be found on pages 5 through 11 of this report.

Proprietary Funds – The City maintains two different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its Wastewater, Water, Gas, Electric, Telecommunications, Sanitation, and Cemetery Operations. 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 internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds is provided in the form of combining statements in the other supplementary information part of the financial section of this report. The City 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 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.

The basic proprietary fund financial statements can be found on pages 12 through 16 of this report.

Fiduciary Funds – Fiduciary funds are used to account for resources held for the benefit of parties outside the government. The City maintains two fiduciary funds: a Pension Trust Fund; and an Agency fund, the Veterans Memorial Fund.

The Employees' Retirement System of the City 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.

The basic fiduciary fund financial statements can be found on pages 17 and 18 of this report.

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 19 through 109 of this report.

Required Supplementary Information – In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's progress in funding its obligations to provide pension and postretirement healthcare benefits to its employees. This information is presented immediately following the notes to the financial statements and can be found on pages 110 through 123 of this report.

Other Supplementary Information – This report also presents certain other supplementary information concerning the combining statements referred to earlier regarding nonmajor governmental funds, nonmajor enterprise funds, and internal service funds. This information is presented immediately following the required supplementary information. The combining and individual fund statements and schedules can be found on pages 124 through 131 of this report.

Government-Wide Financial Analysis (Primary Government)

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$501,418,211 at the close of the most recent fiscal year.

The largest portion of the City's net position (71%) reflects its investment in capital assets (e.g., land, buildings, machinery, equipment, and infrastructure), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net position (2%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position, which amounts to \$132,663,905 (27%) may be used to meet the City's ongoing obligations to citizens and creditors.

City of Danville
Summary Statement of Net Position
June 30, 2023

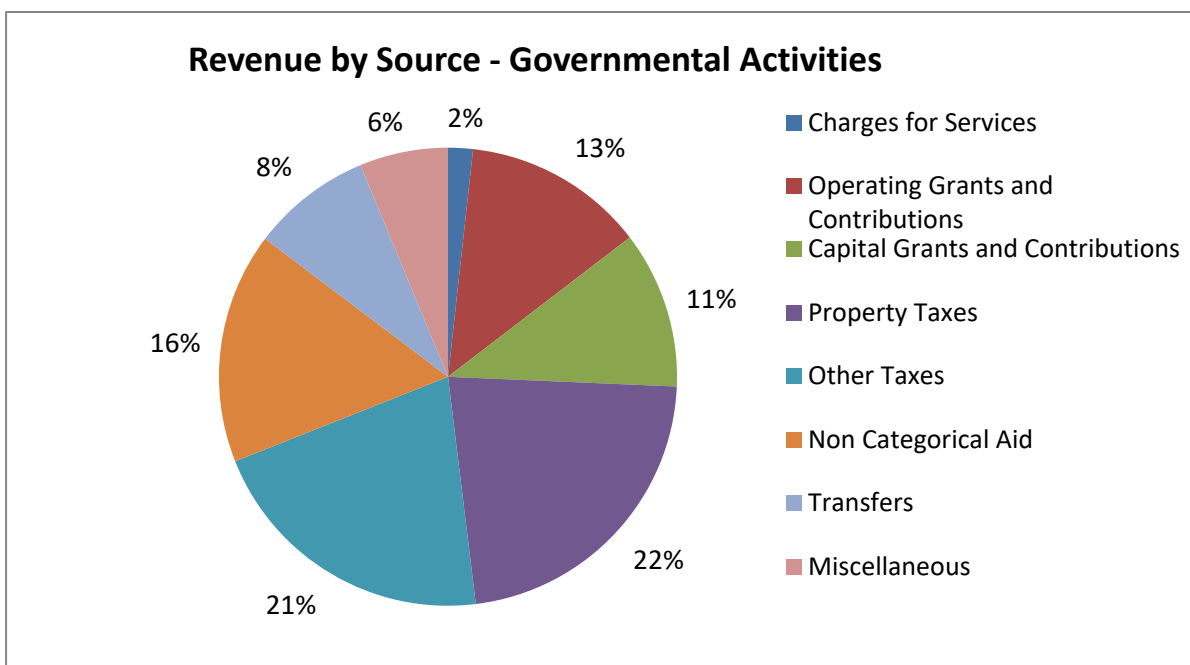
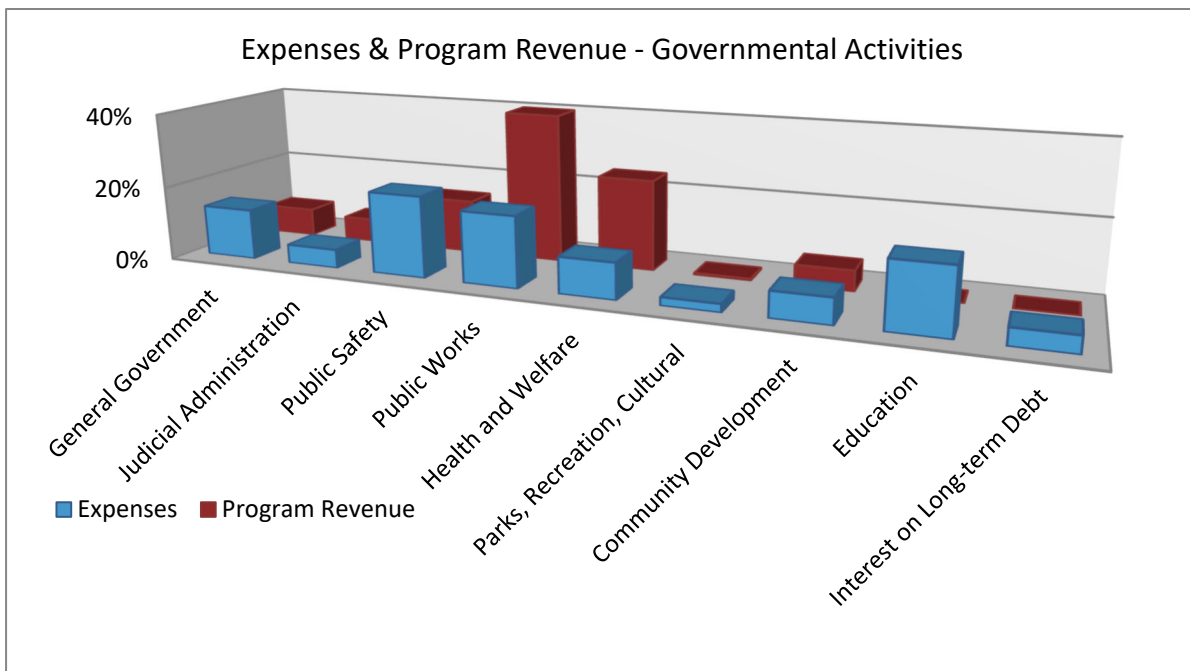
	Governmental Activities		Business-Type Activities		Total	
	2023	2022	2023	2022	2023	2022
Current and other assets	\$282,582,723	\$283,983,021	\$99,259,616	\$94,112,636	\$381,842,339	\$378,095,657
Capital assets	148,425,814	121,905,750	319,551,705	314,421,961	467,977,519	436,327,711
Total assets	<u>\$431,008,537</u>	<u>\$405,888,771</u>	<u>\$418,811,321</u>	<u>\$408,534,597</u>	<u>\$849,819,858</u>	<u>\$814,423,368</u>
Deferred outflows	\$16,925,870	\$22,390,369	\$5,144,827	\$7,258,869	\$22,070,697	\$29,649,238
Long-term liabilities outstanding	\$221,374,038	\$205,222,136	\$69,524,551	\$53,910,516	\$290,898,589	\$259,132,652
Other liabilities	44,806,917	44,775,128	19,832,852	20,081,357	64,639,769	64,856,485
Total liabilities	<u>\$266,180,955</u>	<u>\$249,997,264</u>	<u>\$89,357,403</u>	<u>\$73,991,873</u>	<u>\$355,538,358</u>	<u>\$323,989,137</u>
Deferred inflows	\$12,505,216	\$15,172,830	\$2,428,770	\$514,529	\$14,933,986	\$15,687,359
Net position:						
Net investment in capital assets	\$87,147,016	\$76,699,908	\$270,576,987	\$266,651,747	\$357,724,003	\$343,351,655
Restricted for grants & contributions	2,361,934	1,604,351	-	-	2,361,934	1,604,351
Restricted for community development loans	-	-	-	-	-	-
Restricted for cemetery perpetual care	2,989,224	2,956,665	-	-	2,989,224	2,956,665
Net Pension Asset	4,450,055	6,050,155	1,229,090	1,400,804	5,679,145	7,450,959
Unrestricted	<u>72,300,007</u>	<u>75,797,967</u>	<u>60,363,898</u>	<u>73,234,513</u>	<u>132,663,905</u>	<u>149,032,480</u>
Total net position	<u>\$169,248,236</u>	<u>\$163,109,046</u>	<u>\$332,169,975</u>	<u>\$341,287,064</u>	<u>\$501,418,211</u>	<u>\$504,396,110</u>

The City's net position decreased by \$3,419,103 during the current fiscal year. The main contributing factor of this was a decrease in Business-Type Activities net position of 3% offset by an increase of net position in Governmental Activities of 4% over prior year position. The City continues its current initiative towards lean decision making for all the City's funds in an effort to be good stewards of public resources and to put the City in the best financial position possible.

City of Danville
Changes in Net Position
Year Ended June 30, 2023

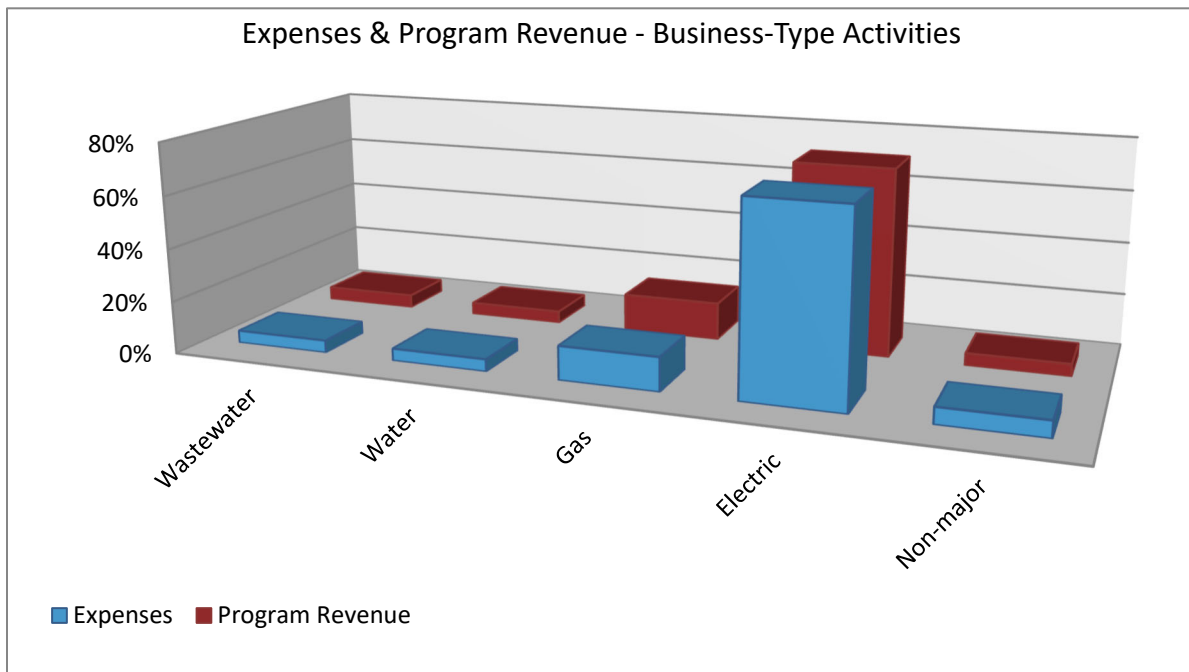
	Governmental Activities		Business-Type Activities		Total Primary Government	
	2023	2022	2023	2022	2023	2022
Revenues:						
Program Revenues:						
Charges for Services	\$ 3,117,891	\$ 2,927,770	\$ 174,014,503	\$ 172,660,157	\$ 177,132,394	\$ 175,587,927
Operating Grants and Contributions	22,922,171	19,596,938	2,565,027	3,209,309	25,487,198	22,806,247
Capital Grants and Contributions	19,782,403	17,380,840	-	-	19,782,403	17,380,840
General Revenues:						
Real Estate and Personal Property	39,926,037	35,834,079	-	-	39,926,037	35,834,079
Other Taxes (See Exhibit 2 for detail)	37,337,633	32,897,597	-	-	37,337,633	32,897,597
Investment income (loss)	6,727,142	(1,090,560)	361,012	(141,735)	7,088,154	(1,232,295)
Non-categorical state and federal aid	29,097,258	13,315,140	-	-	29,097,258	13,315,140
Miscellaneous	4,413,162	1,168,564	3,585,639	2,299,583	7,998,801	3,468,147
Total Revenues	<u>\$ 163,323,697</u>	<u>\$ 122,030,368</u>	<u>\$ 180,526,181</u>	<u>\$ 178,027,314</u>	<u>\$ 343,849,878</u>	<u>\$ 300,057,682</u>
Expenses:						
General Government	\$ 23,527,569	\$ 15,374,516	\$ -	\$ -	\$ 23,527,569	\$ 15,374,516
Judicial Administration	8,707,798	7,950,542	-	-	8,707,798	7,950,542
Public Safety	37,669,601	33,664,401	-	-	37,669,601	33,664,401
Public Works	32,836,105	26,267,844	-	-	32,836,105	26,267,844
Health and Welfare	16,717,355	15,391,936	-	-	16,717,355	15,391,936
Parks, Recreation, and Culture	3,817,048	5,068,197	-	-	3,817,048	5,068,197
Community Development	11,811,522	6,152,436	-	-	11,811,522	6,152,436
Education (payment to school district)	29,965,987	28,792,039	-	-	29,965,987	28,792,039
Interest on Long-Term Debt	7,681,726	1,362,277	-	-	7,681,726	1,362,277
Wastewater	-	-	8,219,591	8,272,403	8,219,591	8,272,403
Water	-	-	8,086,869	6,992,083	8,086,869	6,992,083
Gas	-	-	22,343,693	21,825,732	22,343,693	21,825,732
Electric	-	-	125,057,358	117,447,008	125,057,358	117,447,008
Transportation	-	-	4,288,684	3,957,831	4,288,684	3,957,831
Telecommunication	-	-	958,129	916,951	958,129	916,951
Sanitation	-	-	4,493,294	3,998,902	4,493,294	3,998,902
Cemetery Operations	-	-	1,086,652	957,893	1,086,652	957,893
Total Expenses	<u>\$ 172,734,711</u>	<u>\$ 140,024,188</u>	<u>\$ 174,534,270</u>	<u>\$ 164,368,803</u>	<u>\$ 347,268,981</u>	<u>\$ 304,392,991</u>
Subtotal Revenue over(under) Expenses	<u>\$ (9,411,014)</u>	<u>\$ (17,993,820)</u>	<u>\$ 5,991,911</u>	<u>\$ 13,658,511</u>	<u>\$ (3,419,103)</u>	<u>\$ (4,335,309)</u>
Transfers	15,109,000	15,377,000	(15,109,000)	(15,377,000)	-	-
Increase/(Decrease) in Net Position	5,697,986	(2,616,820)	(9,117,089)	(1,718,489)	(3,419,103)	(4,335,309)
Beginning Net Position, as restated	163,550,250	165,725,866	341,287,064	343,005,553	504,837,314	508,731,419
Ending Net Position	<u>\$ 169,248,236</u>	<u>\$ 163,109,046</u>	<u>\$ 332,169,975</u>	<u>\$ 341,287,064</u>	<u>\$ 501,418,211</u>	<u>\$ 504,396,110</u>

Governmental Activities – Governmental activities increased the City’s net position by \$5,697,986. This increase is primarily attributed to the increase in almost all categories of revenue. Real estate and personal property taxes increased due to an increase in assessed values; other taxes increased reflecting retail sales growth and inflationary effects; investment income increased due to increased interest rates; non-categorical state and federal aid increased primarily due to increased categorical aid for social services programs as well as additional revenue received due to the early opening of the temporary casino.



Business-Type Activities

Business-type activities decreased the City's net position by \$9,117,089. This decrease is primarily attributed to an increase in expenditures, due to increased supply costs, specifically in Gas and Electric due to a spike in natural gas prices along with increased salaries and benefits.



Financial Analysis of the Government's Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds – The focus of the City's governmental fund is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unrestricted fund balance (the total of committed, assigned, and unassigned fund balance) may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

Governmental funds reported a combined ending fund balance of \$231,732,535, an increase of \$38,378 when compared with the combined fund balance at June 30, 2022 of \$231,694,157. Sixteen percent (\$37,259,038) of the combined governmental fund balance is unassigned fund balance, which is available for spending at the government's discretion. Eighty-two percent (\$189,988,880) of the combined fund balance is unavailable for new spending, because it has already been restricted, committed, or assigned to specific future expenditures. The remaining two percent (\$4,484,617) of fund balance is not spendable as it represents inventories or prepaid expenses (\$1,495,393) and investments for the perpetual care of the municipal cemetery (\$2,989,224).

General Fund – The General Fund, which is the chief operating fund of the City, reports a combined fund balance at June 30, 2023 of \$55,062,819. This is an increase of \$8,658,611 compared to last year's fund balance of \$46,404,208. The General Fund reported an unassigned fund balance of \$37,259,038 an increase of \$2,941,167 from the June 30, 2022, unassigned fund balance of \$34,317,871. 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 33% of total General Fund expenditures while total fund balance represents 49% of total fund expenditures. When transfers out of

\$4,052,358 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:

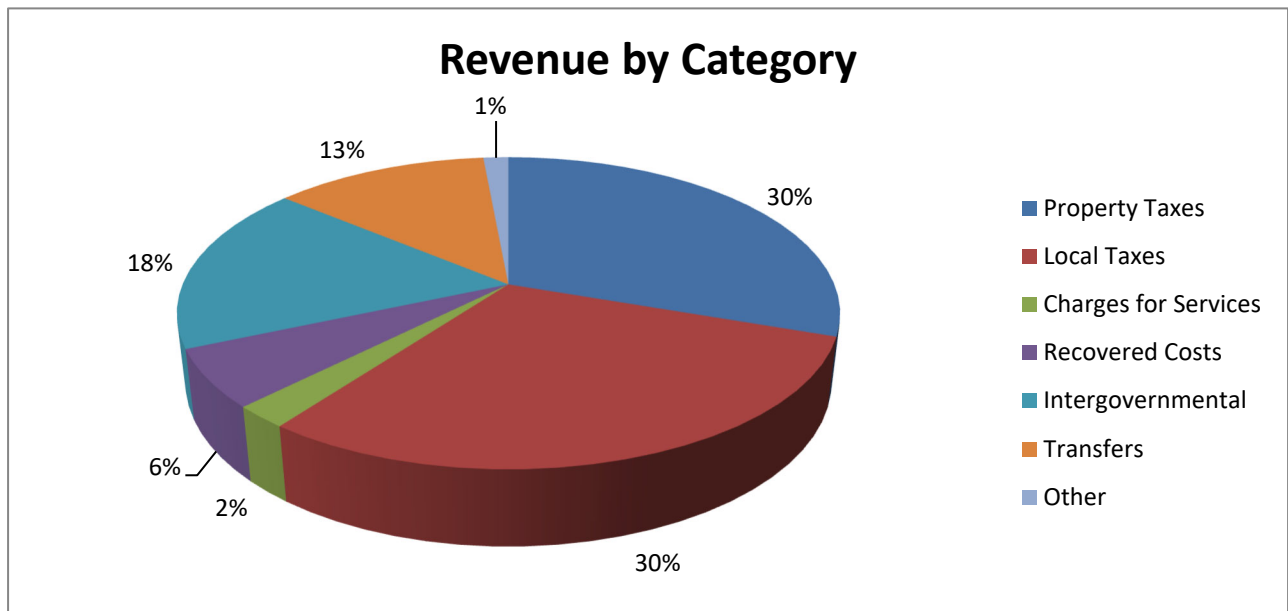
Support of CIP Projects	\$ 2,581,617
Support of Regional Industrial Facility Authority	142,798
Support of Motorized Equipment	512,710
Support of Grants	815,233
Total	<u>\$ 4,052,358</u>

The increase in fund balance of \$8,658,611 was \$9,344,895 more than the fund balance decrease of \$686,284 at June 30, 2022. The difference resulted from an increase in revenues of \$11,086,217 offset by an increase in expenditures of \$1,158,711.

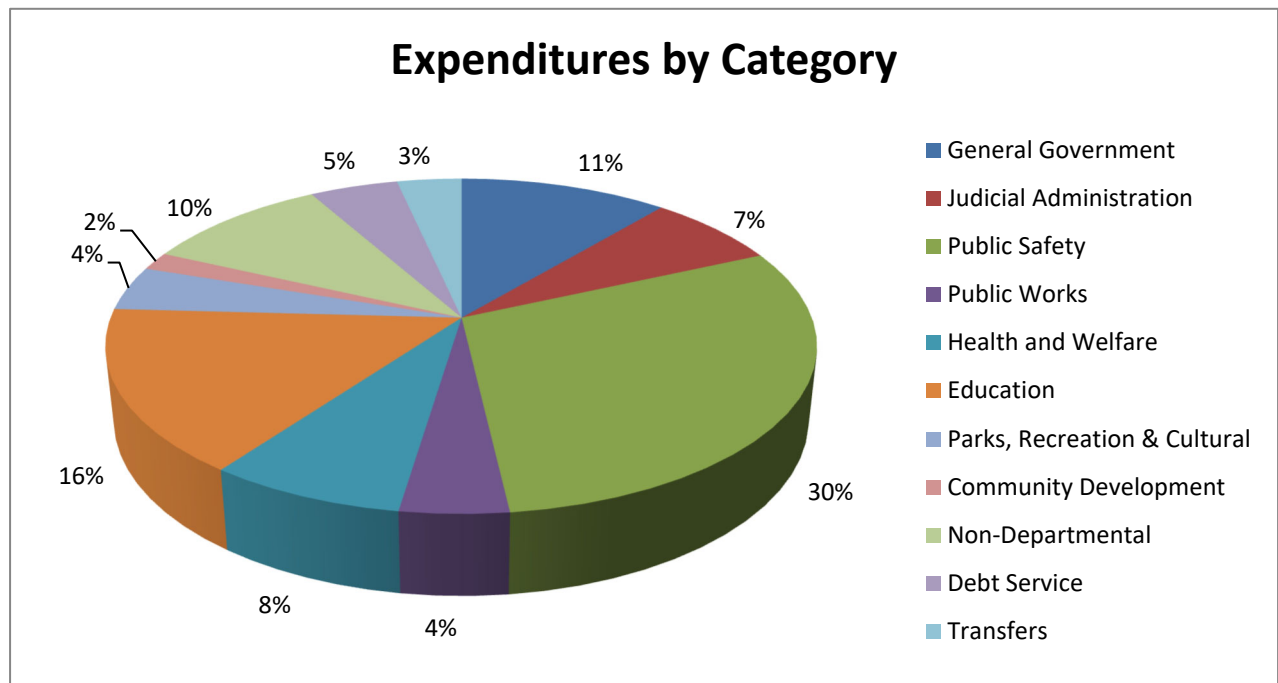
Some key factors of the change in fund balance are as follows:

- Property taxes increased \$1,653,350 primarily from natural growth within the real estate and personal property assessments.
- Other local taxes increased \$4,474,725 from the prior year primarily related to the increase in sales tax, meals tax, and business licenses reflecting retail sales growth and inflationary effects. The early opening of the casino resulted in \$771,523 of additional revenue as well.
- Intergovernmental revenues increased \$2,329,118 from the prior year primarily related to the early opening of the casino resulting in additional revenue from gaming tax of \$1,851,656.
- General government expenditures increased \$2,162,525 from the prior year primarily related to increases in IT related service contracts and IT equipment.
- Public Safety expenditures came in \$4,258,338 over the prior year primarily due to increased salaries and benefits as the City attempted to remain competitive in the tight labor market as well as during the great resignation.
- Nondepartmental expenditures increased \$338,861 primarily due to the increase in health insurance expense due to higher claims in fiscal year 2023.

The following graph depicts General Fund revenue by categories as a percent of total revenues for fiscal year ended June 30, 2023. Total revenues are \$125,842,362 including transfers in of \$15,717,500.



The next graph shows General Fund expenditures by category as a percent of total expenditures for fiscal year ended June 30, 2023. Total expenditures are \$117,183,751, including transfers out of \$4,052,358.



Community Development Fund – The Community Development Fund has a total fund balance of \$738,457, a decrease of \$92,215 from the prior year, of which the entire amount is assigned for various community development projects. Revenues increased \$534,627 primarily related to an increase in revenue received for demolitions as well as new grants received. Expenditures also increased by \$518,281, again primarily due to new grants received, thus increased program expenditures.

Capital Projects Fund – The Capital Projects Fund has a total fund balance of \$29,841,293 a decrease of \$5,696,310 from fiscal year 2022, of which the entire amount is either restricted or committed for various projects. Revenues and other financing sources increased \$18,748,713, primarily attributed to the issuance of debt, issuance of lease, and transfers in. Expenditures and other financing sources increased \$31,451,075 from the prior year primarily related to the new police headquarters, public works projects including improvements to infrastructure and improvements to the airport, and parks, recreation and cultural projects including the addition of splash pads throughout the city.

Special Revenue Fund – The Special Revenue fund has a total fund balance of \$132,050,203, a decrease of \$5,380,377 from the prior year, of which the entire amount is restricted for various projects throughout the City. Revenues and other financing sources decreased \$117,524,934 primarily related to the issuance of bonds during fiscal year 2022. Expenditures and other financing uses increased \$23,010,408 over the prior year primarily related to the capital improvement projects for the City’s public schools as well as transfers out of American Rescue Plan funding to fund various capital projects throughout the City.

Proprietary funds – The City’s proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

The Enterprise funds reported a combined ending net position of \$332,169,975; a decrease of \$9,117,089 compared to a combined net position reported at June 30, 2022 of \$341,287,064. Each of the following enterprise funds contributed to the overall decrease with increases (decreases) as follows: Wastewater Fund, \$202,076; Water Fund, (\$636,150); Gas Fund, \$83,105; Electric Fund, (\$7,297,522); Transportation Fund (\$794,043); Sanitation Fund, (\$339,049); Telecommunications Fund, (\$175,595); and the Cemetery Operations Fund, (\$159,911). FY 2023 revenues from all sources combined, excluding contributed capital and transfers in, increased \$2,567,698 when compared to the previous fiscal year ended June 30, 2022. The details of this net increase in revenue result from the following:

Grants	\$	(644,282)
Recovered Costs	\$	549,432
Jobbing Income	\$	622,356
Interest Income on Market Value Adjustments	\$	502,747
Sales/Rentals/Gain on Disposals	\$	183,099
Charges for Services	\$	1,354,346

Charges for Services increased in the Electric Fund by \$1,922,433 primarily due to the seasonal rate effect of the Power Cost Adjustment rate. 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 increased \$2,085,628 in FY 2023, which is in direct relation to the increase seen in natural gas rates during the early months of FY 2023. While the Wastewater Fund remained virtually unchanged from the prior year with an increase of \$68,733 in Charges for Services, the Water Fund experienced a decrease of \$96,493 primarily due to the composition and manufacturing requirements of the industrial customer base. Gas

revenue also decreased by \$693,801 primarily related to decreased consumption of 42% overall in the industrial customer class primarily as a result of decreased production. Non-major Funds (Transportation, Sanitation, Cemetery, and Telecommunication) remained virtually unchanged from the prior year with a combined increase in revenues of \$153,474.

The increase in the interest income and market value adjustment category resulted from continued upward 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 \$7,666,600 from the prior year, primarily due to the significant increase in expenditures.

The Utilities contributed a total of \$15,509,000 in transfers to the General Fund for fiscal year ended June 30, 2023. Enterprise Funds' net position of \$332,169,975 includes \$60,363,898 unrestricted, \$1,229,090 net pension asset and \$270,576,987 net investment in capital assets.

General Budgetary Highlights

**City of Danville
General Fund Budget
Year Ended June 30, 2023**

	Original Budget	Amended Budget	Actual
Revenues, Transfers, and Other Financial Sources			
Taxes	\$ 80,229,080	\$ 84,184,182	\$ 87,914,330
Intergovernmental	21,206,390	21,466,434	22,062,558
Transfers and Other	17,673,000	17,769,365	15,865,474
Total	119,108,470	123,419,981	125,842,362
Expenditures, Transfers, and Other Financial Uses			
Expenditures	119,595,760	128,349,073	113,131,393
Transfers and Other	1,412,710	4,545,922	4,052,358
Total	121,008,470	132,894,995	117,183,751
Change in Fund Balance	<u>\$ (1,900,000)</u>	<u>\$ (9,475,014)</u>	<u>\$ 8,658,611</u>

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 \$7,575,016 and additional appropriations totaling \$4,300,900:

Appropriations with matching revenue:

Project Lifesavers	\$ 7,726
Forfeited Funds	19,074
Permits and Fees	65,890
Donations - Police, Fire, and Recreation	59,294
Special Pay - Sheriff, Police, and Recreation	467,722
Federal Aid	25,682
State Aid	315,119
Tourism	3,687
Recoveries	280,635
Sale of Equipment	7,366
Recreation Rental Income	14,055
Economic Development Housing Summit Grant	24,650
Riverfront Park	2,500,000
Pay for Performance Plan	600,000
Total Additional Appropriations	<u>\$ 4,390,900</u>

Some key factors of the surplus in revenue are as follows:

- The primary source of the positive variance in revenue resulted from increased assessments in real estate and personal property taxes along with unbudgeted revenue from the early opening of the temporary casino.
- General Property Tax collections were \$1,099,533 over budget. The primary components of this variance exist in the following areas:

Real Estate	\$ 352,892
Personal Property	649,922
Regional Partnership	(91,755)
Penalties & Interest	188,474

- Another contributing factor was the increase of sales tax, meals tax, and business licenses reflecting retail sales growth and inflationary effects. Other Local Taxes were ahead of the final budget by \$2,918,936. 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, business licenses, 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 106% of budget, Business Licenses were at 116% of budget, and Prepared Meals Tax collections also exceeded estimates at 104% of budget. Areas contributing to the budget variance include:

Sales Tax	\$ 666,835
Prepared Meals Tax	479,539
Business Licenses	941,553
Ceasars Minimum Fee	771,523
Others	59,486

Some key factors of unexpended appropriations are as follows:

- City support of Public Schools had an unexpended balance of \$9,390,117. 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 2024.
- Public Safety expenditures came in \$3,286,734 under budget primarily due to a decrease in the purchase of equipment by the police department along with a decrease in services and supplies by adult and juvenile detention.
- The \$1,850,193 negative budget variance in nondepartmental expenditures arose from increased claims for the City's group health insurance.
- Savings in the Health and Welfare sector of \$1,141,454 reflect lower utilization of Social Service programs.

Capital Assets and Debt Administration

Capital Assets

As of June 30, 2023, the City's capital asset investment for its governmental and business-type activities amounts to \$357,724,003 (net of accumulated depreciation/amortization). Capital assets include land, buildings, improvements other than buildings, machinery and equipment, park facilities, roads, highways, bridges, right-to-use leased assets, and construction in progress. The City's total investment in capital assets for the current fiscal year increased \$14,372,348. For further analysis of capital assets, please refer to Note 10 in the notes to the financial statements.

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

- Improvements amounting to \$10.7 million were made to the infrastructure, such as streets, parking lots, and various public buildings, and facilities throughout the City. The City also spent \$6.3 million to upgrade parks, trails, and add splash pads throughout the City.
- Approximately \$1.9 million was spent for the new police headquarters along with approximately \$500,000 for new police vehicles and equipment.

City of Danville
Capital Assets (net of depreciation)
Year Ended June 30, 2023

	Governmental Activities	Business-type Activities	Total
Land	\$ 21,116,937	\$ 1,493,238	\$ 22,610,175
Building & Improvements	39,286,039	279,163,871	318,449,910
Buildings - Leased	9,534,093	-	9,534,093
Machinery & Equipment	13,207,009	18,288,811	31,495,820
Equipment - Leased	1,322,474	934,257	2,256,731
Infrastructure	35,440,594	-	35,440,594
Construction in Progress	28,518,668	19,671,528	48,190,196
Total	<u>\$ 148,425,814</u>	<u>\$ 319,551,705</u>	<u>\$ 467,977,519</u>

Long-Term debt

At the end of the current fiscal year, the City of Danville had total outstanding debt of \$257,660,192 with \$62,316,665 of business-type activities debt supported by the individual funds, resulting in net bonded debt for governmental activities of \$195,343,527. Liabilities of \$6,781,079 for compensated absences and workers' compensation were excluded.

City of Danville
Long-term Debt Obligations
Year Ended June 30, 2023

	Governmental Activities		Business-type Activities		Total	
	2023	2022	2023	2022	2023	2022
General Obligation Bonds	\$ 179,737,290	\$ 178,964,153	\$ 54,507,710	\$ 46,793,901	\$ 234,245,000	\$ 225,758,054
Promissory Note	4,856,791	-	-	-	4,856,791	-
Revenue Bonds	-	-	6,480,000	-	6,480,000	-
Lease Obligations	10,749,446	343,537	608,955	656,057	11,358,401	999,594
Other Long-term Payables	-	43,333	720,000	810,000	720,000	853,333
Total	<u>\$ 195,343,527</u>	<u>\$ 179,351,023</u>	<u>\$ 62,316,665</u>	<u>\$ 48,259,958</u>	<u>\$ 257,660,192</u>	<u>\$ 227,610,981</u>

During fiscal year 2023, the City of Danville issued \$15,710,000 of General Obligation Public Improvement Bonds, Series 2022, consisting of new money to finance capital expenditures for general governmental projects and to pay costs of issuing the bonds. The City also issued \$6,480,000 of Revenue Bonds, consisting of new money to finance capital improvement projects involving the renovation of, and construction of additions to, the City's electric and water distribution infrastructure and to pay costs of issuing the bonds.

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, 2023, debt to assessed value was 1.72%.

Additional information on the City of Danville's long-term debt can be found in Note 11 of the notes to the financial statements.

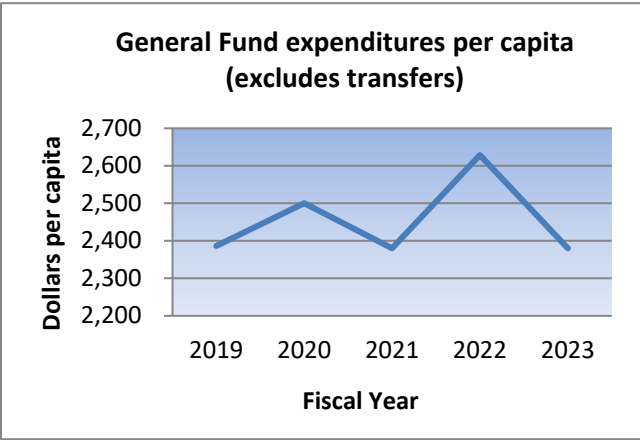
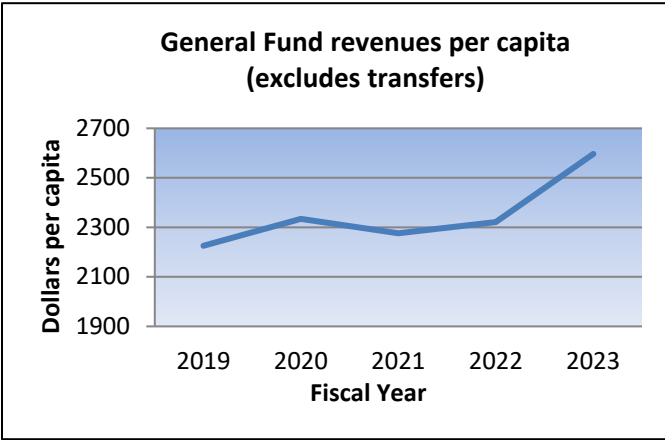
Economic Factors and Next Year's Budget and Rates

The approved \$139 million fiscal year 2024 General Fund budget included the following factors in the preparation and final approval.

- As of September 30, 2023, the average unemployment rate for the City of Danville was 4.8%, which is an increase from a rate of 3.3% at September 30, 2022. This rate was higher than the 3.0% state rate as well as the 3.6% national rate in September 2023.
- Danville continues to make economic, community, and workforce development a priority in its effort to reduce unemployment.
- Natural growth in both real estate assessments and personal property assessments will provide an additional \$1.4 million in revenue compared to fiscal year 2023.
- A total increase in other local tax revenue of \$16.6 million compared to the fiscal year 2023 approved budget. Specifically, this included projected increases in local sales tax revenue of \$437,950, meals tax revenue of \$1,367,220, business license revenue of \$1,370,000, hotel/motel tax revenue of \$442,150, and state and local gaming revenue of \$13,000,000.
- Salary increases based on pay-for-performance for City employees.
- During fiscal year 2024, 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 42,348. The most recent data shows per capita income of \$38,904 for the Danville Metropolitan Area, an increase of \$1,757 over the 2022 figure, but lower than the \$47,210 per capita income 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 per capita have trended upward over the last five years despite the economic downturn over previous years. Revenues have increased 22% over the five-year period. Expenditures per capita decreased from 2022 to 2023, primarily due to a slight decline in population. While Danville’s population trended downward for several years, it has now increased and is remained constant the past few years. It is anticipated that through the economic, community, and workforce development efforts, along with the 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, 2023

	Primary Government			Component Units	
	Governmental Activities	Business-Type Activities	Totals	Danville Public Schools	Industrial Development Authority
ASSETS					
Cash and investments (Note 2)					
Unrestricted	\$ 80,199,614	\$ 57,846,391	\$ 138,046,005	\$ 1,149,809	\$ 4,638,390
Restricted	148,643,805	17,474,873	166,118,678	-	6,779,326
Cash and investments – held by fiscal agents/escrow (Note 2)	116,021	-	116,021	-	-
Receivables, net (Note 4)	19,210,112	16,766,978	35,977,090	294,414	9,387
Due from primary government (Note 9)	-	-	-	583,401	626,564
Due from component unit (Note 9)	2,853,612	-	2,853,612	-	-
Due from other governments (Note 5)	24,220,865	761,027	24,981,892	16,841,015	783,979
Prepays and other	1,140,514	-	1,140,514	219,958	-
Inventories	562,859	5,181,257	5,744,116	73,664	-
Loans receivable, net (Note 7)	894,159	-	894,159	-	3,032,509
Lease and interest receivable (Note 12)	291,107	-	291,107	-	7,663,788
Net pension asset (Note 16)	4,450,055	1,229,090	5,679,145	923,614	-
Due from primary government, long-term (Note 9)	-	-	-	-	12,408,000
Property held for sale	-	-	-	-	1,292,430
Capital assets: (Note 10)					
Non-depreciable	49,635,605	21,164,766	70,800,371	9,847,501	13,509,943
Depreciable, net	98,790,209	298,386,939	397,177,148	21,898,941	20,729,814
Total assets	431,008,537	418,811,321	849,819,858	51,832,317	71,474,130
DEFERRED OUTFLOWS OF RESOURCES					
Deferred outflows of resources related to pensions (Note 16)	15,275,780	3,932,805	19,208,585	12,640,876	-
Deferred outflows related to other postemployment benefits (Notes 21 and 22)	1,042,378	-	1,042,378	1,663,636	-
Deferred loss on refunding	607,712	1,212,022	1,819,734	-	-
Total deferred outflows of resources	16,925,870	5,144,827	22,070,697	14,304,512	-
LIABILITIES					
Accounts payable	11,206,362	14,881,597	26,087,959	4,952,623	2,449,677
Accrued payroll and related liabilities	4,689,743	-	4,689,743	3,463,471	-
Accrued interest	2,277,606	809,512	3,087,118	55,975	25,504
Due to primary government (Note 9)	-	-	-	2,853,612	-
Due to component unit (Note 9)	13,617,965	-	13,617,965	-	-
Refundable deposits	314,267	4,141,743	4,456,010	-	116,823
Unearned grants	12,700,974	-	12,700,974	2,637,480	8,679
Long-term liabilities:					
Due within one year (Note 11)	11,078,293	5,364,714	16,443,007	1,590,165	2,103,542
Due in more than one year:					
Net pension liability (Note 16)	364,027	-	364,027	40,171,214	-
Net other postemployment benefit liability (Notes 21 and 22)	4,822,534	-	4,822,534	7,783,706	-
Other long-term liabilities (Note 11)	205,109,184	64,159,837	269,269,021	4,481,668	21,872,689
Total liabilities	266,180,955	89,357,403	355,538,358	67,989,914	26,576,914
DEFERRED INFLOWS OF RESOURCES					
Taxes and business licenses (Note 14)	7,306,010	-	7,306,010	-	-
Deferred inflows of resources related to pensions (Note 16)	1,826,690	166,576	1,993,266	9,409,897	-
Deferred inflows related to other postemployment benefits (Notes 21 and 22)	3,086,202	-	3,086,202	943,555	-
Energy cost adjustment (Note 6)	-	2,262,194	2,262,194	-	-
Lease-related deferred inflows (Note 12)	286,314	-	286,314	-	7,221,497
Total deferred inflows of resources	12,505,216	2,428,770	14,933,986	10,353,452	7,221,497
NET POSITION					
Net investment in capital assets	87,147,016	270,576,987	357,724,003	27,851,785	17,083,627
Restricted for:					
Net pension asset	4,450,055	1,229,090	5,679,145	923,614	-
Revolving loan fund	-	-	-	-	3,000,000
Nonspendable:					
Cemetery perpetual care	2,989,224	-	2,989,224	-	-
Expendable:					
Grants and forfeiture funds	2,361,934	-	2,361,934	-	-
Unrestricted	72,300,007	60,363,898	132,663,905	(40,981,936)	17,592,092
Total net position	\$ 169,248,236	\$ 332,169,975	\$ 501,418,211	\$ (12,206,537)	\$ 37,675,719

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, 2023

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	\$ 23,527,569	\$ 636,291	\$ 1,925,584	\$ 924,130	\$ (20,041,564)		\$ (20,041,564)		
Judicial administration	8,707,798	2,257,466	685,692	-	(5,764,640)		(5,764,640)		
Public safety	37,669,601	3,935	6,604,634	-	(31,061,032)		(31,061,032)		
Public works	32,836,105	-	-	18,858,273	(13,977,832)		(13,977,832)		
Health and welfare	16,717,355	-	11,157,875	-	(5,559,480)		(5,559,480)		
Parks, recreation, and cultural	3,817,048	220,199	14,536	-	(3,582,313)		(3,582,313)		
Community development	11,811,522	-	2,533,850	-	(9,277,672)		(9,277,672)		
Education	29,965,987	-	-	-	(29,965,987)		(29,965,987)		
Interest and issuance costs on long-term debt	7,681,726	-	-	-	(7,681,726)		(7,681,726)		
Total governmental activities	172,734,711	3,117,891	22,922,171	19,782,403	(126,912,246)		(126,912,246)		
Business-type activities:									
Wastewater	8,219,591	8,980,564	-	-		\$ 760,973	760,973		
Water	8,086,869	8,187,383	-	-		100,514	100,514		
Gas	22,343,693	25,360,998	-	-		3,017,305	3,017,305		
Electric	125,057,358	125,757,748	-	-		700,390	700,390		
Transportation	4,288,684	335,237	2,565,027	-		(1,388,420)	(1,388,420)		
Telecommunications	958,129	859,843	-	-		(98,286)	(98,286)		
Sanitation	4,493,294	3,788,009	-	-		(705,285)	(705,285)		
Cemetery operations	1,086,652	744,721	-	-		(341,931)	(341,931)		
Total business-type activities	174,534,270	174,014,503	2,565,027	-		2,045,260	2,045,260		
Total primary government	\$ 347,268,981	\$ 177,132,394	\$ 25,487,198	\$ 19,782,403	(126,912,246)	2,045,260	(124,866,986)		
Component units:									
Danville Public Schools	\$ 104,915,236	\$ 1,760,654	\$ 57,896,791	\$ -	-	-	-	\$ (45,257,791)	\$ -
Industrial Development Authority	7,019,836	1,586,519	263,667	-	-	-	-	-	(5,169,650)
Total component units	\$ 111,935,072	\$ 3,347,173	\$ 58,160,458	\$ -	-	-	-	(45,257,791)	(5,169,650)
General revenues:									
Real estate and personal property taxes					39,926,037	-	39,926,037	-	-
Other taxes:									
Sales and use					11,932,323	-	11,932,323	-	-
Business and other licenses					7,779,638	-	7,779,638	-	-
Utility					936,030	-	936,030	-	-
Hotel and meals					14,006,723	-	14,006,723	-	-
Recordation and bank stock					1,380,437	-	1,380,437	-	-
Auto license and recordation					1,302,482	-	1,302,482	-	-
Contributions from City					-	-	-	31,236,529	4,944,299
Noncategorical state and federal aid					29,097,258	-	29,097,258	29,826,396	-
Investment income (loss)					6,727,142	361,012	7,088,154	151,145	71,315
Gain (loss) on sale of assets					123,597	81,553	205,150	-	19,204
Miscellaneous					4,289,565	3,504,086	7,793,651	950,493	-
Transfers					15,109,000	(15,109,000)	-	-	-
Change in net position					5,697,986	(9,117,089)	(3,419,103)	16,906,772	(134,832)
Net position – beginning, as restated					163,550,250	341,287,064	504,837,314	(29,113,309)	37,810,551
Net position – ending					\$ 169,248,236	\$ 332,169,975	\$ 501,418,211	\$ (12,206,537)	\$ 37,675,719

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

CITY OF DANVILLE, VIRGINIA

**BALANCE SHEET –
GOVERNMENTAL FUNDS
June 30, 2023**

	General	Community Development	Capital Projects	Special Revenue	Nonmajor Governmental Funds	Total
ASSETS						
Cash and investments	\$ 43,820,140	\$ 5,942	\$ 17,054,830	\$ 3,579,676	\$ 11,377,739	\$ 75,838,327
Cash and investments – restricted	275,436	-	10,744,000	132,548,647	5,075,722	148,643,805
Cash and investments – held by fiscal agents	116,021	-	-	-	-	116,021
Receivables, net						
Taxes	13,491,035	-	-	-	-	13,491,035
Accounts	5,253,937	-	-	-	990	5,254,927
Lease and interest	291,107	-	-	-	-	291,107
Other	443,639	-	-	20,000	-	463,639
Due from other funds	3,822,501	-	-	-	-	3,822,501
Due from other governments	5,404,501	817,602	5,856,668	12,142,094	-	24,220,865
Due from component unit	2,853,612	-	-	-	-	2,853,612
Prepays	1,065,497	-	-	-	75,017	1,140,514
Inventories	429,896	-	-	-	-	429,896
Loans receivable, net	-	894,159	-	-	-	894,159
Total assets	\$ 77,267,322	\$ 1,717,703	\$ 33,655,498	\$ 148,290,417	\$ 16,529,468	\$ 277,460,408
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES						
Liabilities:						
Accounts payable	\$ 2,142,659	\$ 228,379	\$ 3,652,653	\$ 2,528,502	\$ 2,443,141	\$ 10,995,334
Accrued payroll and related liabilities	4,689,743	-	-	-	-	4,689,743
Due to other funds	-	743,061	-	-	-	743,061
Due to component unit	-	-	161,552	421,848	46,564	629,964
Unearned grants	-	-	-	12,700,974	-	12,700,974
Refundable deposits	314,267	-	-	-	-	314,267
Total liabilities	7,146,669	971,440	3,814,205	15,651,324	2,489,705	30,073,343
Deferred inflows of resources:						
Lease related deferred inflows	286,314	-	-	-	-	286,314
Unavailable revenue	14,771,520	7,806	-	588,890	-	15,368,216
Total deferred inflows of resources	15,057,834	7,806	-	588,890	-	15,654,530
Fund balances:						
Nonspendable	1,495,393	-	-	-	2,989,224	4,484,617
Restricted	275,436	-	10,744,000	132,050,203	2,086,498	145,156,137
Committed	12,400,030	-	-	-	-	12,400,030
Assigned	3,632,922	738,457	19,097,293	-	8,964,041	32,432,713
Unassigned	37,259,038	-	-	-	-	37,259,038
Total fund balances	55,062,819	738,457	29,841,293	132,050,203	14,039,763	231,732,535
Total liabilities, deferred inflows of resources, and fund balances	\$ 77,267,322	\$ 1,717,703	\$ 33,655,498	\$ 148,290,417	\$ 16,529,468	\$ 277,460,408

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, 2023**

Total fund balances – governmental funds		\$ 231,732,535
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	\$ 267,968,537	
Accumulated depreciation	(130,399,290)	
Right-to-use lease assets, net	<u>10,856,567</u>	
		148,425,814
Financial statement elements related to pensions are applicable to future periods and, therefore, are not reported in the funds.		
Net pension asset	4,450,053	
Net pension liability	(364,027)	
Deferred outflows of resources related to pensions	15,275,780	
Deferred inflows of resources related to pensions	<u>(1,826,690)</u>	
		17,535,116
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	(4,822,534)	
Net other postemployment benefit deferred outflows	1,042,378	
Net other postemployment benefit deferred inflows	<u>(3,086,202)</u>	
		(6,866,358)
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	5,985,010	
Other receivables	<u>2,077,196</u>	
		8,062,206
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	4,580,809	
Less: internal service fund capital assets	(3,649,391)	
Less: internal service fund net pension asset	(114,370)	
Less: internal service fund deferred outflows related to pensions	(365,958)	
Add: internal service fund deferred inflows related to pensions	15,501	
Add: internal service fund long-term liabilities	<u>737,703</u>	
		1,204,294
Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.		
Long-term liabilities	(216,187,477)	
Due to component unit – IDA	(12,988,000)	
Accrued interest	(2,277,606)	
Deferred loss on refunding	<u>607,712</u>	
		(230,845,371)
Total net position – governmental activities		<u><u>\$ 169,248,236</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, 2023**

	<u>General</u>	<u>Community Development</u>	<u>Capital Projects</u>	<u>Special Revenue</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
REVENUES						
Property taxes	\$ 38,063,053	\$ -	\$ -	\$ -	\$ -	\$ 38,063,053
Other local taxes	37,598,436	-	-	-	-	37,598,436
Fines and forfeitures	219,762	-	-	-	-	219,762
Permits, privilege fees, and regulatory licenses	506,392	-	-	-	-	506,392
Revenue from use of money and property	987,126	-	-	5,718,422	2,637	6,708,185
Charges for services	2,898,129	-	-	-	-	2,898,129
Miscellaneous	114,343	92,212	-	31,334	3,042,559	3,280,448
Contributions	-	-	1,435,181	924,130	-	2,359,311
Recovered costs	7,527,089	-	93,349	189,973	182,581	7,992,992
Intergovernmental	22,062,558	2,110,121	4,190,473	26,657,648	14,414,660	69,435,460
Total revenues	<u>109,976,888</u>	<u>2,202,333</u>	<u>5,719,003</u>	<u>33,521,507</u>	<u>17,642,437</u>	<u>169,062,168</u>
EXPENDITURES						
Current:						
General government	13,054,516	-	2,422,767	1,186,558	1,333,222	17,997,063
Judicial administration	8,391,922	-	-	184,837	-	8,576,759
Public safety	35,002,931	-	16,917,762	1,362,435	-	53,283,128
Public works	4,942,275	-	15,193,369	1,159,854	12,819,208	34,114,706
Health and welfare	8,994,240	-	-	6,918,393	-	15,912,633
Education	18,502,936	-	928,124	10,534,927	-	29,965,987
Parks, recreation, and cultural	5,016,110	-	4,528,088	270,853	-	9,815,051
Community development	2,049,362	2,169,548	1,389,600	89,335	6,023,428	11,721,273
Nondepartmental	11,638,443	-	-	-	-	11,638,443
Debt service:						
Principal	3,735,891	-	864,593	-	141,803	4,742,287
Interest	1,711,234	-	566,966	4,411,477	2,588	6,692,265
Bond issuance costs	91,533	-	96,365	-	-	187,898
Total expenditures	<u>113,131,393</u>	<u>2,169,548</u>	<u>42,907,634</u>	<u>26,118,669</u>	<u>20,320,249</u>	<u>204,647,493</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(3,154,505)</u>	<u>32,785</u>	<u>(37,188,631)</u>	<u>7,402,838</u>	<u>(2,677,812)</u>	<u>(35,585,325)</u>
OTHER FINANCING SOURCES (USES)						
Issuance of debt	-	-	9,540,000	-	-	9,540,000
Premium on bonds	96,365	-	380,365	-	-	476,730
Issuance of lease	51,609	-	10,113,429	-	404,441	10,569,479
Transfers in	15,717,500	-	12,250,577	1,132,283	4,380,836	33,481,196
Transfers out	(4,052,358)	(125,000)	(792,050)	(13,915,498)	-	(18,884,906)
Total other financing sources	<u>11,813,116</u>	<u>(125,000)</u>	<u>31,492,321</u>	<u>(12,783,215)</u>	<u>4,785,277</u>	<u>35,182,499</u>
Net change in fund balances	<u>8,658,611</u>	<u>(92,215)</u>	<u>(5,696,310)</u>	<u>(5,380,377)</u>	<u>2,107,465</u>	<u>(402,826)</u>
FUND BALANCES – Beginning, as adjusted	<u>46,404,208</u>	<u>830,672</u>	<u>35,537,603</u>	<u>137,430,580</u>	<u>11,932,298</u>	<u>232,135,361</u>
FUND BALANCES – Ending	<u>\$ 55,062,819</u>	<u>\$ 738,457</u>	<u>\$ 29,841,293</u>	<u>\$ 132,050,203</u>	<u>\$ 14,039,763</u>	<u>\$ 231,732,535</u>

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, 2023**

Net change in fund balances – total governmental funds \$ (402,826)

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 and amortization expense. The components of capital outlay, depreciation and amortization expense, and other various transactions involving capital assets are as follows:

Outlays for capital assets and right of use assets	\$ 37,574,793	
Book value of capital assets disposed	(63,113)	
Depreciation and amortization	<u>(12,398,592)</u>	
		25,113,088

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 leases	4,742,287	
Issuance of debt	(9,540,000)	
Premium on new bonds issued	(476,730)	
Leases issued during the year	(10,569,480)	
Amortization of premium	937,656	
Amortization of deferred loss	(53,811)	
Change in accrued interest	<u>(1,685,405)</u>	
		(16,645,483)

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.	(3,714,767)
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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.	237,818
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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	571,000	
Change in Tobacco Commission obligation payable	43,333	
Change in workers' compensation	(41,628)	
Change in compensated absences	<u>(328,805)</u>	
		243,900

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

1,602,181

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

(735,925)

Total change in net position – governmental activities

\$ 5,697,986

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, 2023**

	Budgeted Amounts			Variances with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES				
Property taxes	\$ 36,963,520	\$ 36,963,520	\$ 38,063,053	\$ 1,099,533
Other local taxes	31,579,500	34,679,500	37,598,436	2,918,936
Fines and forfeitures	299,600	299,600	219,762	(79,838)
Permits, privilege fees, and regulatory licenses	267,170	299,829	506,392	206,563
Revenue from use of money and property	243,460	243,460	987,126	743,666
Charges for services	3,933,990	4,089,284	2,898,129	(1,191,155)
Miscellaneous	38,560	126,714	114,343	(12,371)
Recovered costs	6,903,280	7,482,275	7,527,089	44,814
Intergovernmental	21,206,390	21,466,434	22,062,558	596,124
Total revenues	101,435,470	105,650,616	109,976,888	4,326,272
EXPENDITURES				
Current:				
General government	12,698,280	13,763,042	13,054,516	708,526
Judicial administration	8,190,080	8,643,352	8,391,922	251,430
Public safety	35,121,070	38,289,665	35,002,931	3,286,734
Public works	4,964,270	5,428,743	4,942,275	486,468
Health and welfare	9,971,990	10,135,694	8,994,240	1,141,454
Education	22,823,300	27,893,053	18,502,936	9,390,117
Parks, recreation, and cultural	5,717,190	5,706,546	5,016,110	690,436
Community development	2,442,730	2,580,961	2,049,362	531,599
Nondepartmental	12,303,090	10,404,180	11,638,443	(1,234,263)
Debt service:				
Principal	3,699,720	3,699,720	3,735,891	(36,171)
Interest	1,664,040	1,712,584	1,711,234	1,350
Bond issuance costs	-	91,533	91,533	-
Total expenditures	119,595,760	128,349,073	113,131,393	15,217,680
Deficiency of revenues under expenditures	(18,160,290)	(22,698,457)	(3,154,505)	19,543,952
OTHER FINANCING SOURCES (USES)				
Issuance of lease	-	-	51,609	51,609
Premium on bonds	-	96,365	96,365	-
Transfers in	17,673,000	17,673,000	15,717,500	(1,955,500)
Transfers out	(1,412,710)	(4,545,922)	(4,052,358)	493,564
Total other financing sources	16,260,290	13,223,443	11,813,116	(1,410,327)
Net change in fund balance	\$ (1,900,000)	\$ (9,475,014)	\$ 8,658,611	\$ 18,133,625

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

CITY OF DANVILLE, VIRGINIA

STATEMENT OF NET POSITION –
PROPRIETARY FUNDS

June 30, 2023

	Enterprise Funds					Nonmajor Enterprise Funds	Total	Internal Service Funds
	Wastewater	Water	Gas	Electric				
ASSETS								
CURRENT ASSETS								
Cash and investments	\$ 7,572,674	\$ 9,758,308	\$ 15,227,541	\$ 22,099,114	\$ 3,188,754	\$ 57,846,391	\$ 4,311,287	
Cash and investments – held by fiscal agents	-	-	-	-	-	-	50,000	
Receivables, net	1,214,881	1,007,503	1,557,410	12,726,212	260,972	16,766,978	511	
Due from other governments	-	-	-	-	761,027	761,027	-	
Inventories	-	993,506	1,065,126	2,938,293	184,332	5,181,257	132,963	
Total current assets	8,787,555	11,759,317	17,850,077	37,763,619	4,395,085	80,555,653	4,494,761	
NONCURRENT ASSETS								
Cash and investments – restricted	-	6,976,211	-	10,498,662	-	17,474,873	-	
Net pension asset	93,746	172,308	123,133	507,623	332,280	1,229,090	114,370	
Capital assets:								
Non-depreciable	5,314,493	2,259,762	782,112	12,299,167	509,232	21,164,766	-	
Depreciable, net	48,147,695	36,751,030	39,759,798	162,159,677	11,568,739	298,386,939	3,649,391	
Total noncurrent assets	53,555,934	46,159,311	40,665,043	185,465,129	12,410,251	338,255,668	3,763,761	
Total assets	62,343,489	57,918,628	58,515,120	223,228,748	16,805,336	418,811,321	8,258,522	
DEFERRED OUTFLOWS OF RESOURCES								
Deferred outflows related to pensions	299,965	551,346	393,998	1,624,278	1,063,218	3,932,805	365,958	
Deferred loss on refunding	91,602	88,594	47,175	984,651	-	1,212,022	-	
Total deferred outflows of resources	391,567	639,940	441,173	2,608,929	1,063,218	5,144,827	365,958	

(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, 2023**

	Enterprise Funds						Internal Service Funds
	Wastewater	Water	Gas	Electric	Nonmajor Enterprise Funds	Total	
LIABILITIES							
CURRENT LIABILITIES							
Accounts payable	\$ 944,395	\$ 871,104	\$ 810,358	\$ 12,075,924	\$ 179,816	\$ 14,881,597	\$ 211,027
Accrued interest	18,680	111,688	10,743	668,401	-	809,512	-
Due to other funds	-	-	-	-	-	-	3,079,440
Refundable deposits	-	-	-	4,121,743	20,000	4,141,743	-
Long-term liabilities – due within one year	158,457	329,016	179,222	4,317,477	380,542	5,364,714	182,359
Total current liabilities	1,121,532	1,311,808	1,000,323	21,183,545	580,358	25,197,566	3,472,826
NONCURRENT LIABILITIES							
Long-term liabilities – due in more than one year	1,160,787	9,046,804	631,985	52,525,487	794,774	64,159,837	555,344
Total noncurrent liabilities	1,160,787	9,046,804	631,985	52,525,487	794,774	64,159,837	555,344
Total liabilities	2,282,319	10,358,612	1,632,308	73,709,032	1,375,132	89,357,403	4,028,170
DEFERRED INFLOWS OF RESOURCES							
Deferred inflows related to pensions	12,705	23,353	16,688	68,796	45,034	166,576	15,501
Energy cost adjustment	-	-	435,993	1,826,201	-	2,262,194	-
Total deferred inflows of resources	12,705	23,353	452,681	1,894,997	45,034	2,428,770	15,501
NET POSITION							
Net investment in capital assets	52,235,986	36,855,451	39,864,259	129,713,690	11,907,601	270,576,987	2,980,746
Restricted for:							
Net pension asset	93,746	172,308	123,133	507,623	332,280	1,229,090	114,370
Unrestricted	8,110,300	11,148,844	16,883,912	20,012,335	4,208,507	60,363,898	1,485,693
	<u>\$ 60,440,032</u>	<u>\$ 48,176,603</u>	<u>\$ 56,871,304</u>	<u>\$ 150,233,648</u>	<u>\$ 16,448,388</u>	<u>\$ 332,169,975</u>	<u>\$ 4,580,809</u>

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, 2023**

	Enterprise Funds				Nonmajor Enterprise Funds	Total	Internal Service Funds
	Wastewater	Water	Gas	Electric			
OPERATING REVENUES							
Charges for services	\$ 8,980,564	\$ 8,187,383	\$ 25,360,998	\$ 125,757,748	\$ 5,727,810	\$ 174,014,503	\$ 6,988,953
OPERATING EXPENSES							
Purchased power and gas	-	-	17,379,341	97,049,797	-	114,429,138	-
Production	-	-	-	1,710	-	1,710	-
Transmission	3,677,897	2,103,340	-	1,784,252	-	7,565,489	-
Engineering	-	209,643	218,548	886,423	-	1,314,614	-
Distribution	1,636,011	767,899	745,878	6,402,088	-	9,551,876	-
Services	81,370	80,232	50,258	-	9,528,825	9,740,685	-
Depreciation	1,965,150	1,554,848	1,575,310	8,237,386	1,295,624	14,628,318	926,176
Meters/regulators	-	101,359	134,441	471,381	-	707,181	-
General and administrative	814,775	2,872,497	2,214,605	8,365,317	-	14,267,194	7,497,849
Total operating expenses	8,175,203	7,689,818	22,318,381	123,198,354	10,824,449	172,206,205	8,424,025
Operating income (loss)	805,361	497,565	3,042,617	2,559,394	(5,096,639)	1,808,298	(1,435,072)
NONOPERATING REVENUES (EXPENSES)							
Sales income	-	-	-	-	190,379	190,379	-
Jobbing income (expense), net	30,120	160,683	176,565	1,687,156	-	2,054,524	-
Recovered costs	-	5,197	18,906	652,343	(50,880)	625,566	43,883
Gain (loss) on disposal of capital assets	-	(202)	(202)	81,957	5,580	87,133	123,597
Other income (expense)	-	-	-	-	35,095	35,095	-
Federal and state grants	-	-	-	-	2,565,027	2,565,027	-
Other contributions	63,912	-	-	-	534,610	598,522	-
Net change in the fair value of investments	(53,702)	(99,359)	(104,186)	(207,367)	(40,829)	(505,443)	(27,153)
Interest income	106,533	150,317	171,047	360,609	77,949	866,455	46,110
Interest expense	(44,388)	(397,051)	(25,312)	(1,859,004)	(7,890)	(2,333,645)	-
Total nonoperating revenues (expenses)	102,475	(180,415)	236,818	715,694	3,309,041	4,183,613	186,437
Income (loss) before transfers	907,836	317,150	3,279,435	3,275,088	(1,787,598)	5,991,911	(1,248,635)
Transfers							
Transfers in	-	-	-	-	400,000	400,000	512,710
Transfers out	(705,760)	(953,300)	(3,196,330)	(10,572,610)	(81,000)	(15,509,000)	-
Total	(705,760)	(953,300)	(3,196,330)	(10,572,610)	319,000	(15,109,000)	512,710
Change in net position	202,076	(636,150)	83,105	(7,297,522)	(1,468,598)	(9,117,089)	(735,925)
TOTAL NET POSITION – Beginning	60,237,956	48,812,753	56,788,199	157,531,170	17,916,986	341,287,064	5,316,734
TOTAL NET POSITION – Ending	\$ 60,440,032	\$ 48,176,603	\$ 56,871,304	\$ 150,233,648	\$ 16,448,388	\$ 332,169,975	\$ 4,580,809

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, 2023**

	Enterprise Funds		
	Wastewater	Water	Gas
OPERATING ACTIVITIES			
Received from customers	\$ 8,964,028	\$ 8,050,903	\$ 26,730,110
Received from interfund services	-	-	-
Payments to suppliers for goods and services	(4,455,806)	(5,045,598)	(20,469,014)
Payments to employees for services	(886,485)	(728,117)	(1,180,784)
Payments to internal service fund for interfund services	(222,906)	(42,019)	(77,100)
Nonoperating revenue (expense)	<u>30,120</u>	<u>165,880</u>	<u>195,471</u>
Net cash provided by (used in) operating activities	<u>3,428,951</u>	<u>2,401,049</u>	<u>5,198,683</u>
NONCAPITAL FINANCING ACTIVITIES			
Advances from other funds	-	-	-
Transfers to other funds	(705,760)	(953,300)	(3,196,330)
Operating grants received	<u>-</u>	<u>-</u>	<u>-</u>
Net cash provided by (used in) noncapital financing activities	<u>(705,760)</u>	<u>(953,300)</u>	<u>(3,196,330)</u>
CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition of capital assets	(3,576,173)	(2,651,110)	(1,326,274)
Principal payments on long-term debt	(145,320)	(130,734)	(88,427)
Proceeds from issuance of debt	-	8,004,457	-
Interest payments on long-term debt	(50,497)	(334,122)	(28,379)
Cash proceeds from disposal of capital assets	-	-	-
Capital contributions	<u>63,912</u>	<u>-</u>	<u>-</u>
Net cash provided by (used in) capital and related financing activities	<u>(3,708,078)</u>	<u>4,888,491</u>	<u>(1,443,080)</u>
INVESTING ACTIVITIES			
Interest on investments	106,533	150,317	171,047
Net activity in investment securities	<u>(53,702)</u>	<u>(99,359)</u>	<u>(104,186)</u>
Net cash provided by investing activities	<u>52,831</u>	<u>50,958</u>	<u>66,861</u>
Net increase (decrease) in cash and investments	(932,056)	6,387,198	626,134
CASH AND CASH EQUIVALENTS			
Beginning	<u>8,504,730</u>	<u>10,347,321</u>	<u>14,601,407</u>
Ending	<u><u>\$ 7,572,674</u></u>	<u><u>\$ 16,734,519</u></u>	<u><u>\$ 15,227,541</u></u>

(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	
\$ 130,392,579	\$ 5,763,662	\$ 179,901,282	\$ -
-	-	-	6,988,442
(109,203,552)	(4,829,239)	(144,003,209)	(2,527,396)
(5,141,756)	(2,937,840)	(10,874,982)	(4,417,142)
(283,588)	(1,668,354)	(2,293,967)	(268,582)
2,339,499	10,509	2,741,479	43,883
18,103,182	(3,661,262)	25,470,603	(180,795)
-	400,000	400,000	1,617,629
(10,572,610)	(81,000)	(15,509,000)	-
-	2,826,501	2,826,501	-
(10,572,610)	3,145,501	(12,282,499)	1,617,629
(11,395,133)	(706,774)	(19,655,464)	(1,685,547)
(3,338,614)	(110,078)	(3,813,173)	-
11,552,518	-	19,556,975	-
(1,962,251)	(7,890)	(2,383,139)	-
81,957	112,457	194,414	247,194
-	534,610	598,522	-
(5,061,523)	(177,675)	(5,501,865)	(1,438,353)
360,609	77,949	866,455	46,110
(207,367)	(40,829)	(505,443)	(27,153)
153,242	37,120	361,012	18,957
2,622,291	(656,316)	8,047,251	17,438
29,975,485	3,845,070	67,274,013	4,343,849
<u>\$ 32,597,776</u>	<u>\$ 3,188,754</u>	<u>\$ 75,321,264</u>	<u>\$ 4,361,287</u>

CITY OF DANVILLE, VIRGINIA

**STATEMENT OF CASH FLOWS –
PROPRIETARY FUNDS
Year Ended June 30, 2023**

	Enterprise Funds		
	Wastewater	Water	Gas
RECONCILIATION TO EXHIBIT 8			
Cash and investments	\$ 7,572,674	\$ 9,758,308	\$ 15,227,541
Cash and investments – held by fiscal agents	-	-	-
Cash and investments – restricted	-	6,976,211	-
	<u>\$ 7,572,674</u>	<u>\$ 16,734,519</u>	<u>\$ 15,227,541</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES			
Operating income (loss)	\$ 805,361	\$ 497,565	\$ 3,042,617
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Depreciation charged to operations	1,965,150	1,554,848	1,575,310
Pension expense net of employer contributions	158,142	277,537	174,325
Landfill postclosure care	-	-	-
Nonoperating revenue, net	30,120	165,880	195,471
Change in noncash employee benefits charged to operations	-	33,187	20,767
Change in operating assets and liabilities			
Change in receivables	(16,536)	(136,480)	1,369,112
Change in inventories	-	(391,900)	8,511
Change in prepaids	1,310	12,548	-
Change in accounts payable	485,404	387,864	(1,187,430)
Change in refundable deposits	-	-	-
	<u>\$ 3,428,951</u>	<u>\$ 2,401,049</u>	<u>\$ 5,198,683</u>
Net cash provided by (used in) operating activities			
SUPPLEMENTAL CASH FLOW INFORMATION			
Capital asset additions obtain through leases liabilities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</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	
\$ 22,099,114	\$ 3,188,754	\$ 57,846,391	\$ 4,311,287
-	-	-	50,000
10,498,662	-	17,474,873	-
<u>\$ 32,597,776</u>	<u>\$ 3,188,754</u>	<u>\$ 75,321,264</u>	<u>\$ 4,361,287</u>
\$ 2,559,394	\$ (5,096,639)	\$ 1,808,298	\$ (1,435,072)
8,237,386	1,295,624	14,628,318	926,176
980,808	314,329	1,905,141	134,404
-	(90,000)	(90,000)	-
2,339,499	10,509	2,741,479	43,883
40,380	31,391	125,725	2,026
4,470,866	35,852	5,722,814	(511)
(607,169)	2,901	(987,657)	(725)
41,519	864	56,241	216
(123,466)	(166,093)	(603,721)	148,808
163,965	-	163,965	-
<u>\$ 18,103,182</u>	<u>\$ (3,661,262)</u>	<u>\$ 25,470,603</u>	<u>\$ (180,795)</u>
<u>\$ 209,880</u>	<u>\$ -</u>	<u>\$ 209,880</u>	<u>\$ 668,645</u>

CITY OF DANVILLE, VIRGINIA

STATEMENT OF FIDUCIARY NET POSITION –
FIDUCIARY FUNDS

June 30, 2023

	Pension Trust Fund Employees' Retirement Plan	Custodial Fund Veterans' Memorial Fund
ASSETS		
Cash	\$ 91,109	\$ 2,449
Receivables		
Accrued interest and dividends	622,084	-
Other receivables	140,678	-
Total receivables	762,762	-
Investments – at fair value:		
Common stocks and common stock funds	132,616,365	-
Corporate bonds and bond funds	26,731,477	-
Foreign stock funds	30,086,516	-
U.S. Government bond funds	23,017,765	-
Real estate funds	44,832,959	-
Real estate – timberland and timberland funds	11,854,306	-
Temporary cash investments	4,298,323	-
Private equity funds	8,395,879	-
Other	150	-
Total investments	281,833,740	-
Total assets	282,687,611	2,449
LIABILITIES		
Accounts payable	221,565	-
Total liabilities	221,565	-
NET POSITION		
Restricted for:		
Pensions	282,466,046	-
Individuals, organizations, and other governments	-	2,449
Total net position	\$ 282,466,046	\$ 2,449

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, 2023**

	Employees’ Retirement Plan	Veterans’ Memorial Fund
ADDITIONS		
Contributions		
Employer contributions	\$ 3,392,137	\$ -
Member contribution	372,565	-
	<u>3,764,702</u>	<u>-</u>
Investment earnings		
Net appreciation in fair value of investments	16,471,721	-
Interest	3,413,980	-
Dividends	2,793,458	-
	<u>22,679,159</u>	<u>-</u>
Total investment income	22,679,159	-
Less – investment expenses	<u>(881,590)</u>	<u>-</u>
Net investment income	<u>21,797,569</u>	<u>-</u>
Total additions	<u>25,562,271</u>	<u>-</u>
DEDUCTIONS		
Benefits paid to participants	16,793,491	-
Refunds to former members	161,035	-
Payments to benefit individuals	-	810
Administrative expenses	147,738	-
	<u>17,102,264</u>	<u>810</u>
Total deductions	17,102,264	810
Change in net position	8,460,007	(810)
NET POSITION, Beginning	<u>274,006,039</u>	<u>3,259</u>
NET POSITION, Ending	<u><u>\$ 282,466,046</u></u>	<u><u>\$ 2,449</u></u>

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

CITY OF DANVILLE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

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, 2023

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, 2023, the City provided \$602,050 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, 2023, the City provided approximately \$1,750,000 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, 2023

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, 2023

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, 2023

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, are reported using the economic resources measurement focus and utilize the accrual basis of accounting.

(Continued)

CITY OF DANVILLE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

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 and Prepaid Items**

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. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased. 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, 2023

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 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	-	-

Lease assets are amortized over the shorter of the lease term or useful lives of the underlying asset. In leases where a purchase option is reasonably certain of being exercised the asset is amortized over the useful life, unless the underlying asset is nondepreciable, in which the lease asset is not amortized.

CITY OF DANVILLE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

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 assets 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 assets 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, 2023

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.
- Lease-related amounts are recognized at the inception of leases in which the City and IDA is the lessor. The deferred inflow of resources is recorded in an amount equal to the corresponding lease receivable plus certain additional amounts received from the lessee at or before the commencement of the lease term that relate to future periods, less any lease incentives paid to, or on behalf of, the lessee at or before the commencement of the lease term. The inflow of resources is recognized in a systematic and rational manner over the term of the lease.

- **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.

(Continued)

CITY OF DANVILLE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

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**

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.

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.

(Continued)

CITY OF DANVILLE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

Note 1. Summary of Significant Accounting Policies (Continued)

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

- **Leases**

Key estimates and judgements include how the City, DPS, and IDA determine (1) the discount rate it uses to discount the expected lease receipts and/or payments to present value, (2) lease term, and (3) lease receipts and or/payments.

- The City and DPS use an estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable periods of the lease. Lease receipts and payments are included in the measurement of the lease receivable or liability, respectively, and are composed of fixed payments.
- The City, DPS, and IDA monitor changes in circumstances that would require a remeasurement of its leases, and will remeasure if certain changes occur that are expected to significantly affect the amount of the lease receivable or liability.

- **Right-of-Use Lease Asset and Related Lease Liability**

The City and DPS are lessees for noncancellable leases of equipment. The City and DPS recognize an intangible right-to-use asset (lease asset) and a related lease liability of the financial statements. At the commencement of a lease, the City and DPS initially measure a lease liability at the present value of payments expected to be made during the lease period. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain direct costs. Subsequent to the initial measurement and recognition, the lease asset is amortized on a straight-line basis over its useful life. Lease assets are reported with other capital assets and lease liabilities are reported with long-term debt in the statement of net position.

- **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.

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:

(Continued)

CITY OF DANVILLE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

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)**

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, a formal resolution – 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 General Fund is the only fund that reports positive unassigned fund balance amounts. In other governmental funds, if expenditures incurred for specific purposes exceeded restricted, committed, or assigned to those purposes, it may be necessary to report a negative unassigned fund balance.

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, 2023

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, 2023

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, 2023

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, 2023

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	\$ 471,564	0.20
Municipal taxable bonds	3,691,786	1.67
U.S. government bonds	73,836,996	1.88
State bonds	1,628,377	1.80
Certificates of deposit	6,007,444	0.53
LGIP	6,819,622	N/A
SNAP	<u>160,767,520</u>	N/A
	<u><u>\$ 253,223,309</u></u>	

City investments by credit rating consist of the following:

<u>Rating (Moody's or S&P)</u>	<u>Carrying Value</u>
AA	\$ 406,776
AA+	20,825,082
AAA	58,396,866
AAAm	167,587,141
Unrated	<u>6,007,444</u>
	<u><u>\$ 253,223,309</u></u>

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

CITY OF DANVILLE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

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	\$ -	\$ 1,628,377	\$ -	\$ 1,628,377
Municipal bonds	-	4,163,350	-	4,163,350
U.S. government bonds	-	73,836,996	-	73,836,996
	<u>\$ -</u>	<u>\$ 79,628,723</u>	<u>\$ -</u>	<u>\$ 79,628,723</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	\$ 50,877,074	\$ 684,699	\$ 11,417,716
Cash on hand	64,300	575	-
Money market fund – held by custodian in escrow	116,021	-	-
Bonds	79,628,723	-	-
Certificates of deposit	6,007,444	-	-
LGIP	6,819,622	464,535	-
SNAP	160,767,520	-	-
	<u>\$ 304,280,704</u>	<u>\$ 1,149,809</u>	<u>\$ 11,417,716</u>
Statement of net position:			
Cash and investments – unrestricted	\$ 138,046,005	\$ 1,149,809	\$ 4,638,390
Cash and investments – restricted	166,118,678	-	6,779,326
Cash held by custodian in escrow	116,021	-	-
	<u>\$ 304,280,704</u>	<u>\$ 1,149,809</u>	<u>\$ 11,417,716</u>

(Continued)

CITY OF DANVILLE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

Note 2. Deposits and Investments (Continued)

Investments (Continued)

Restricted cash at June 30, 2023, consisted of:

	<u>Primary Government</u>
Unspent bond proceeds	\$ 160,767,520
Unspent grants	2,086,498
Cemetery perpetual care	2,989,224
State and federal forfeiture funds	275,436
	<u>\$ 166,118,678</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 allocation study completed in 2022, 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	35%
Bonds	20
Real Estate	15
International Equities	10
Emerging Markets	10
Real Estate – Timber	5
Private Equity	5

(Continued)

CITY OF DANVILLE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

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, 2023, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 8.13%. 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, 2023:

Investment Type	Fair Value	Investment Maturities (in years)			
		Less than 1	1 – 6	6 – 10	More than 10
Corporate bonds	\$ 26,731,477	\$ 841,941	\$ 12,150,381	\$ 2,772,375	\$ 10,966,780
Government backed CMOs	16,947,091	-	-	13,276	16,933,815
Government bonds	4,943,429	-	887,978	965,446	3,090,005
Non-government backed CMOs	1	-	-	-	1
Government CMBS	889,686	-	-	-	889,686
Government agencies	237,558	-	-	-	237,558
		<u>\$ 841,941</u>	<u>\$ 13,038,359</u>	<u>\$ 3,751,097</u>	<u>\$ 32,117,845</u>
Temporary cash investments	<u>4,298,323</u>				
Total – subject to interest rate risk	<u>\$ 54,047,565</u>				

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

Temporary cash investments	\$ 4,298,323
Corporate bonds and bond funds	26,731,477
U.S. government bonds	<u>23,017,765</u>
	<u>\$ 54,047,565</u>

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

(Continued)

CITY OF DANVILLE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

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, 2023 is as follows:

Investment Type/Rating	AAA	AA	A	BBB	U.S. Government Guaranteed	Not rated	Total
Government agencies	\$ -	\$ 237,559	\$ -	\$ -	\$ -	\$ -	\$ 237,559
Government backed CMOS	-	-	-	-	16,947,091	-	16,947,091
Government bond funds	-	-	-	-	4,943,429	-	4,943,429
Government CMBS	-	-	-	-	889,686	-	889,686
Corporate bond funds	417,319	965,961	10,904,022	12,009,319	-	2,434,856	26,731,477
Short-term investments	-	-	-	-	-	4,298,323	4,298,323
	<u>\$ 417,319</u>	<u>\$ 1,203,520</u>	<u>\$ 10,904,022</u>	<u>\$ 12,009,319</u>	<u>\$ 22,780,206</u>	<u>\$ 6,733,179</u>	<u>\$ 54,047,565</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, 2023. These investments were in private equity and real estate funds, which had a fair value of \$20,250,185 and unfunded commitments of \$7,403,482 at June 30, 2023.

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, 2023

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, 2023:

	<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	\$ 132,616,365	\$ -	\$ -	\$ 132,616,365
International equity funds	<u>30,086,516</u>	<u>-</u>	<u>-</u>	<u>30,086,516</u>
Total equity securities	<u>162,702,881</u>	<u>-</u>	<u>-</u>	<u>162,702,881</u>
Debt securities				
Corporate bond funds	-	26,731,477	-	26,731,477
U.S. government bond funds	-	4,943,429	-	4,943,429
Collateralized mortgage obligation	-	18,074,336	-	18,074,336
Other fixed income	<u>-</u>	<u>150</u>	<u>-</u>	<u>150</u>
Total debt securities	<u>-</u>	<u>49,749,392</u>	<u>-</u>	<u>49,749,392</u>
Total investments by fair value level	<u>\$ 162,702,881</u>	<u>\$ 49,749,392</u>	<u>\$ -</u>	212,452,273
Investments measured at NAV				
Real estate				
Real estate funds				44,832,959
Real estate funds – timberland				<u>11,854,306</u>
Total real estate funds				56,687,265
Private equity funds				<u>8,395,879</u>
Total investments measured at NAV				<u>65,083,144</u>
Total investments measured at fair value				<u>\$ 277,535,417</u>

(Continued)

CITY OF DANVILLE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

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	\$ 44,832,959	\$ -	Quarterly	90 or 10 day, varies per fund
Real estate funds – timberland	11,854,306	616,955	Not eligible	N/A
Private equity funds	<u>8,395,879</u>	<u>6,786,527</u>	Not eligible	N/A
Total investments measured at NAV	<u>\$ 65,083,144</u>	<u>\$ 7,403,482</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, 2023

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 four 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 14 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 2023 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, 2023 includes amounts not yet received from the January 1, 2023 levy due June 5, 2023. Personal property taxes are billed in equal semi-annual installments due June 5 and December 5. The tax rate for fiscal year 2023 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, 2023

Note 4. Receivables

Receivables consist of the following:

			Component Units	
	Governmental Activities	Business-Type Activities	Danville Public Schools	Industrial Development Authority
Receivables				
Taxes and licenses	\$ 16,075,699	\$ -	\$ -	\$ -
Accounts	2,841,078	22,564,158	-	9,387
Demolition	2,098,772	-	-	-
Public works	623,886	-	-	-
Accrued interest	443,639	-	-	-
Miscellaneous	3,603,741	-	294,414	-
	25,686,815	22,564,158	294,414	9,387
Less: allowance for doubtful accounts	(6,476,703)	(5,797,180)	-	-
Net receivables	<u>\$ 19,210,112</u>	<u>\$ 16,766,978</u>	<u>\$ 294,414</u>	<u>\$ 9,387</u>

Note 5. Due From Other Governments

Amounts due from other governments consist of the following:

			Component Unit	
	Governmental Activities	Business-Type Activities	Danville Public Schools	Industrial Development Authority
Federal and state funding:				
Transportation operations	\$ -	\$ 761,027	\$ -	\$ -
Education grants	-	-	16,841,015	-
State compensation board funding	15,441	-	-	-
Social services funding	518,498	-	-	-
Other miscellaneous state and federal grants	17,006,424	-	-	-
Sales and communication taxes	4,741,838	-	-	-
DPRIFA true-up	1,938,664	-	-	-
Other miscellaneous funds	-	-	-	783,979
	<u>\$ 24,220,865</u>	<u>\$ 761,027</u>	<u>\$ 16,841,015</u>	<u>783,979</u>

(Continued)

CITY OF DANVILLE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

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, 2023

Note 7. Loans Receivable (Continued)

Loans receivable consist of the following:

Revitalization loans	\$ 265,376
Deferred loans	292,373
Low interest loans	577,349
Forgivable loans	<u>2,337,103</u>
	3,472,201
Less: allowance for doubtful accounts	<u>(2,578,042)</u>
	<u><u>\$ 894,159</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	\$ 743,061	\$ 743,061
Motorized Equipment	2,682,077	2,682,077
Central Services	<u>397,363</u>	<u>397,363</u>
	<u><u>\$ 3,822,501</u></u>	<u><u>\$ 3,822,501</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.

CITY OF DANVILLE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

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	\$ 15,717,500	\$ (4,052,358)	\$ 11,665,142
Community Development Fund	-	(125,000)	(125,000)
Capital Projects Fund	12,250,577	(792,050)	11,458,527
Special Revenue Fund	1,132,283	(13,915,498)	(12,783,215)
Economic Development Fund	4,380,836	-	4,380,836
	<u>\$ 33,481,196</u>	<u>\$ (18,884,906)</u>	<u>\$ 14,596,290</u>
Enterprise Funds:			
Wastewater Fund	\$ -	\$ (705,760)	\$ (705,760)
Water Fund	-	(953,300)	(953,300)
Gas Fund	-	(3,196,330)	(3,196,330)
Electric Fund	-	(10,572,610)	(10,572,610)
Sanitation Fund	400,000	-	400,000
Telecommunication Fund	-	(81,000)	(81,000)
Internal Service Fund	512,710	-	512,710
	<u>\$ 912,710</u>	<u>\$ (15,509,000)</u>	<u>\$ (14,596,290)</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 Enterprise Funds are received by the General Fund, and represent contributions from these funds to support the City's operations.

Transfers to the Sanitation and Internal Service Fund represent contributions from other funds to support those operations.

Transfers to the Economic Development Fund from the General Fund represent movement of grant and City contribution funds in support of ongoing economic development projects.

(Continued)

CITY OF DANVILLE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

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	<u>\$ 13,617,965</u>	<u>\$ 2,853,612</u>
Component Units:		
Danville Public Schools	\$ 2,853,612	\$ 583,401
Danville Industrial Development Authority – payable	-	46,564
Danville Industrial Development Authority – loan	<u>-</u>	<u>12,988,000</u>
	2,853,612	13,617,965
Less: long-term portion	<u>-</u>	<u>(12,408,000)</u>
Current portion	<u>\$ 2,853,612</u>	<u>\$ 1,209,965</u>

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 \$46,564 receivable from the City for property maintenance at June 30, 2023.

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>
2024	\$ 580,000	\$ 206,361
2025	588,000	197,689
2026	10,597,000	175,224
2027	606,000	15,965
2028	<u>617,000</u>	<u>4,596</u>
	<u>\$ 12,988,000</u>	<u>\$ 599,835</u>

(Continued)

CITY OF DANVILLE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

Note 10. Capital Assets

Changes in capital assets were as follows:

Governmental Activities	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not depreciated:				
Land	\$ 21,116,937	\$ -	\$ -	\$ 21,116,937
Construction in progress	24,708,203	14,757,108	(10,946,643)	28,518,668
Total capital assets, not depreciated	45,825,140	14,757,108	(10,946,643)	49,635,605
Capital assets, depreciated:				
Buildings	64,382,041	9,818,681	-	74,200,722
Infrastructure	76,359,973	9,427,300	-	85,787,273
Furniture and other equipment	54,282,875	4,687,200	(625,138)	58,344,937
Total capital assets, depreciated	195,024,889	23,933,181	(625,138)	218,332,932
Less accumulated depreciation:				
Buildings	(32,906,106)	(2,008,577)	-	(34,914,683)
Infrastructure	(47,137,922)	(3,208,757)	-	(50,346,679)
Furniture and other equipment	(39,385,986)	(6,313,967)	562,025	(45,137,928)
Total accumulated depreciation	(119,430,014)	(11,531,301)	562,025	(130,399,290)
Total capital assets, depreciated, net	75,594,875	12,401,880	(63,113)	87,933,642
Lease assets:				
Building	-	10,165,038	-	10,165,038
Equipment	781,843	1,073,085	-	1,854,928
Total lease assets	781,843	11,238,123	-	12,019,966
Less accumulated amortization:				
Building	-	(630,945)	-	(630,945)
Equipment	(296,108)	(236,346)	-	(532,454)
Total accumulated amortization	(296,108)	(867,291)	-	(1,163,399)
Total lease assets being amortized, net	485,735	10,370,832	-	10,856,567
Governmental activities capital assets, net	<u>\$ 121,905,750</u>	<u>\$ 37,529,820</u>	<u>\$ (11,009,756)</u>	<u>\$ 148,425,814</u>

(Continued)

CITY OF DANVILLE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

Note 10. Capital Assets (Continued)

Governmental activities

Depreciation and amortization, not including amounts reported in the internal service funds, was charged to government functions as follows:

General government administration	\$ 4,790,553
Judicial administration	68,310
Public safety	2,621,877
Public works	3,446,582
Health and welfare	25,954
Parks, recreation, and cultural	374,706
Community development	154,823
	<u>\$ 11,482,805</u>

Business-Type Activities	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not depreciated:				
Land	\$ 1,493,238	\$ -	\$ -	\$ 1,493,238
Construction in progress	12,525,658	9,269,483	(2,123,613)	19,671,528
Total capital assets, not depreciated	14,018,896	9,269,483	(2,123,613)	21,164,766
Capital assets, depreciated:				
Buildings and infrastructure	487,028,966	11,246,638	(572)	498,275,032
Furniture and other equipment	80,890,795	1,314,167	(829,396)	81,375,566
Total capital assets, depreciated	567,919,761	12,560,805	(829,968)	579,650,598
Less accumulated depreciation:				
Buildings and infrastructure	(207,016,659)	(12,095,074)	572	(219,111,161)
Furniture and other equipment	(61,437,529)	(2,371,341)	722,115	(63,086,755)
Total accumulated depreciation	(268,454,188)	(14,466,415)	722,687	(282,197,916)
Total capital assets, depreciated, net	299,465,573	(1,905,610)	(107,281)	297,452,682
Lease assets:				
Equipment	1,396,547	209,880	-	1,606,427
Less accumulated amortization:	(459,055)	(213,115)	-	(672,170)
Total lease assets being amortized, net	937,492	(3,235)	-	934,257
Business-type activities capital assets, net	<u>\$ 314,421,961</u>	<u>\$ 7,360,638</u>	<u>\$ (2,230,894)</u>	<u>\$ 319,551,705</u>

(Continued)

CITY OF DANVILLE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

Note 10. Capital Assets (Continued)

Component unit – Danville Public Schools

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not depreciated:				
Land	\$ 2,176,690	\$ -	\$ -	\$ 2,176,690
Construction in progress	1,250,516	7,670,811	(1,250,516)	7,670,811
Total capital assets, not depreciated	3,427,206	7,670,811	(1,250,516)	9,847,501
Capital assets, depreciated:				
Buildings	86,417,595	5,697,089	-	92,114,684
Furniture and other equipment	12,146,369	1,049,995	(29,243)	13,167,121
Total capital assets, depreciated	98,563,964	6,747,084	(29,243)	105,281,805
Less accumulated depreciation:				
Buildings	(75,736,583)	(678,392)	-	(76,414,975)
Furniture and other equipment	(9,614,412)	(979,478)	22,863	(10,571,027)
Total accumulated depreciation	(85,350,995)	(1,657,870)	22,863	(86,986,002)
Capital assets depreciated, net	13,212,969	5,089,214	(6,380)	18,295,803
Lease asset:				
Equipment	5,523,955	-	-	5,523,955
Less accumulated amortization:	(1,335,814)	(585,003)	-	(1,920,817)
Total lease assets being amortized, net	4,188,141	(585,003)	-	3,603,138
Total capital assets, net	<u>\$ 20,828,316</u>	<u>\$ 12,175,022</u>	<u>\$ (1,256,896)</u>	<u>\$ 31,746,442</u>

(Continued)

CITY OF DANVILLE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

Note 10. 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	\$ 4,148,663	\$ 564,146	\$ (34,500)	\$ 4,678,309
Construction in progress	1,881,663	6,949,971	-	8,831,634
	<u>6,030,326</u>	<u>7,514,117</u>	<u>(34,500)</u>	<u>13,509,943</u>
Capital assets, depreciated:				
Building	25,709,352	595,361	(192,755)	26,111,958
Equipment	75,000	-	-	75,000
	<u>25,784,352</u>	<u>595,361</u>	<u>(192,755)</u>	<u>26,186,958</u>
Less accumulated depreciation	<u>(4,813,708)</u>	<u>(658,298)</u>	<u>14,862</u>	<u>(5,457,144)</u>
	<u>20,970,644</u>	<u>(62,937)</u>	<u>(177,893)</u>	<u>20,729,814</u>
Total capital assets, net	<u>\$ 27,000,970</u>	<u>\$ 7,451,180</u>	<u>\$ (212,393)</u>	<u>\$ 34,239,757</u>

CITY OF DANVILLE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

Note 11. 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	\$ 178,964,153	\$ 4,440,000	\$ (3,666,863)	\$ 179,737,290	\$ 5,225,468
Bond premiums	15,665,296	476,730	(937,656)	15,204,370	850,800
Promissory note	-	5,100,000	(243,209)	4,856,791	258,431
Leases	343,537	11,238,124	(832,215)	10,749,446	927,283
Tobacco commission obligation (Note 25)	43,333	-	(43,333)	-	-
Compensated absences	3,485,249	3,941,437	(3,612,194)	3,814,491	3,433,042
Workers' compensation	1,781,874	363,146	(319,931)	1,825,089	383,269
	<u>\$ 200,283,442</u>	<u>\$ 25,559,437</u>	<u>\$ (9,655,401)</u>	<u>\$ 216,187,477</u>	<u>\$ 11,078,293</u>
<u>Business-Type Activities</u>					
General obligation bonds	\$ 46,793,901	\$ 11,270,000	\$ (3,556,191)	\$ 54,507,710	\$ 3,771,692
Revenue bonds	-	6,480,000	-	6,480,000	-
Bond premiums	4,651,802	1,806,975	(392,390)	6,066,387	428,029
Leases	656,057	209,880	(256,982)	608,955	196,143
Landfill postclosure costs (Note 13)	810,000	-	(90,000)	720,000	90,000
Compensated absences	810,467	980,014	(863,256)	927,225	834,503
Workers' compensation	188,289	42,300	(16,315)	214,274	44,397
	<u>\$ 53,910,516</u>	<u>\$ 20,789,169</u>	<u>\$ (5,175,134)</u>	<u>\$ 69,524,551</u>	<u>\$ 5,364,714</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. At June 30, 2023, all amounts owed to the Tobacco Commission have been repaid.

(Continued)

CITY OF DANVILLE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

Note 11. Long-Term Liabilities (Continued)

General obligation public improvement bonds, series 2021 and general obligation school bonds, series 2022

On December 7, 2022, the City issued \$15,710,000 (less \$81,619 in underwriting fees and other issuance costs) of General Obligation Public Improvement Bonds, Series 2022, consisting of new money to finance capital expenditures for general governmental projects and to pay costs of issuing the bonds. On May 10, 2023, the City also issued \$6,480,000 of Revenue Bonds, consisting of new money to finance capital improvement projects involving the renovation of, and construction of additions to, the City's electric and water distribution infrastructure and to pay costs of issuing the bonds.

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

Description	Original Issue	Annual Amount	Interest Rate	Maturity	Outstanding June 30, 2023
General Obligation Bonds					
General Improvement					
Refunding 2012A	\$ 6,395,000	\$ 860,000 – 1,215,000	2.70 – 3.50 %	03/01/2026	\$ 3,535,000
General Improvement 2015A	9,845,000	350,000 – 665,000	2.00 – 3.375	08/01/2035	7,150,000
General Improvements and					
Refunding 2015B	10,565,000	260,000 – 1,170,000	3.00 – 5.00	08/01/2029	6,995,000
General Obligation 2016	19,830,000	125,000 – 1,415,000	2.824	03/01/2039	12,925,000
General Improvements and					
Refunding 2017B	18,310,000	375,000 – 1,560,000	3.00 – 5.00	09/01/2037	15,100,000
Qualified Zone Academy Bonds					
2016	1,600,000	106,667	N/A	12/01/2032	960,000
General Improvement 2018	7,015,000	215,000 – 500,000	3.50 – 5.00	09/01/2038	6,085,000
General Improvement 2019A	11,595,000	365,000 – 800,000	2.50 – 5.00	09/01/2039	10,450,000
General Improvements and					
Refunding 2019B	8,470,000	480,000 – 595,000	2.50 – 5.00	03/01/2037	6,830,000
General Improvements and					
Refunding 2020A	11,395,000	385,000 – 725,000	2.00 – 5.00	09/01/2040	10,605,000
General Improvement					
Refunding 2020B	3,635,000	10,000 – 655,000	1.00 – 1.75	03/01/2032	2,885,000
General Improvement 2021	8,295,000	280,000 – 535,000	1.50 – 5.00	09/01/2041	8,015,000
School Series 2022	127,000,000	1,370,000 – 11,450,000	3.25 – 4.00	09/01/2041	127,000,000
General Improvement 2022	15,710,000	470,000 – 1,175,000	4.00 – 5.00	09/01/2042	15,710,000
	<u>\$ 239,660,000</u>				<u>\$ 234,245,000</u>
Revenue Bonds					
Utility Revenue 2023	<u>\$ 6,480,000</u>	190,000 – 490,000	3.87	04/01/2044	<u>\$ 6,480,000</u>
Promissory Note	<u>\$ 5,100,000</u>	243,209 – 3,042,373	6.086	07/01/2029	<u>\$ 4,856,791</u>

(Continued)

CITY OF DANVILLE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

Note 11. Long-Term Liabilities (Continued)

Debt service for future years is as follows:

Year Ended June 30,	General Obligation Bonds					
	Governmental Activities		Business-Type Activities		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2024	\$ 5,225,468	\$ 6,725,062	\$ 3,771,692	\$ 1,764,495	\$ 8,997,160	\$ 8,489,557
2025	7,516,847	6,470,794	4,314,820	1,555,118	11,831,667	8,025,912
2026	7,993,373	6,161,389	4,523,143	1,363,036	12,516,516	7,524,425
2027	7,065,685	5,834,051	3,875,825	1,174,970	10,941,510	7,009,021
2028	7,564,299	5,534,681	3,667,204	1,028,373	11,231,503	6,563,054
2029-2033	43,837,877	22,991,828	15,032,852	3,371,000	58,870,729	26,362,828
2034-2038	52,922,243	13,852,488	12,791,901	1,362,265	65,714,144	15,214,753
2039-2043	47,611,498	3,486,305	6,530,273	126,802	54,141,771	3,613,107
	<u>\$ 179,737,290</u>	<u>\$ 71,056,598</u>	<u>\$ 54,507,710</u>	<u>\$ 11,746,059</u>	<u>\$ 234,245,000</u>	<u>\$ 82,802,657</u>

Year Ended June 30,	Promissory Note		Year Ended June 30,	Revenue Bonds	
	Governmental Activities			Business-Type Activities	
	Principal	Interest		Principal	Interest
2024	\$ 258,431	\$ 288,455	2024	\$ -	\$ 293,611
2025	274,605	272,280	2025	190,000	308,781
2026	291,792	255,094	2026	200,000	298,788
2027	310,054	236,831	2027	210,000	288,281
2028	329,459	217,426	2028	225,000	277,134
2029-2030	3,392,450	212,236	2029-2033	1,310,000	1,195,919
	<u>\$ 4,856,791</u>	<u>\$ 1,482,322</u>	2034-2038	1,690,000	813,594
			2039-2043	2,165,000	340,160
			2044	490,000	10,106
				<u>\$ 6,480,000</u>	<u>\$ 3,826,374</u>

Year Ended June 30,	Leases			
	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2024	\$ 927,283	\$ 324,502	\$ 196,143	\$ 28,747
2025	925,226	322,306	206,339	18,552
2026	942,001	289,278	79,138	7,796
2027	962,868	255,418	82,928	4,005
2028	947,687	221,252	44,407	-
2029-2033	3,293,308	700,782	-	-
2034-2038	2,751,073	188,925	-	-
	<u>\$ 10,749,446</u>	<u>\$ 2,302,463</u>	<u>\$ 608,955</u>	<u>\$ 59,100</u>

(Continued)

CITY OF DANVILLE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

Note 11. 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	\$ 1,358,182	\$ 993,520	\$ (625,000)	\$ 1,726,702	\$ 794,000
Lease liability	4,434,359	-	(539,702)	3,894,657	547,702
Entering retirement in phases plan	47,035	419,679	(16,240)	450,474	248,463
	<u>\$ 5,839,576</u>	<u>\$ 1,413,199</u>	<u>\$ (1,180,942)</u>	<u>\$ 6,071,833</u>	<u>\$ 1,590,165</u>
IDA					
Notes payable	\$ 7,989,608	\$ 493,600	\$ (492,869)	\$ 7,990,339	\$ 1,419,454
Revolving loan fund – USDA	99,000	-	-	99,000	-
Revenue bonds	-	2,898,892	-	2,898,892	104,088
Bonds payable	13,559,000	-	(571,000)	12,988,000	580,000
	<u>\$ 21,647,608</u>	<u>\$ 3,392,492</u>	<u>\$ (1,063,869)</u>	<u>\$ 23,976,231</u>	<u>\$ 2,103,542</u>

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	Principal	Interest
2024	\$ 580,000	\$ 206,361	\$ 1,419,454	\$ 346,321
2025	588,000	197,689	1,159,542	265,990
2026	10,597,000	175,223	1,165,215	213,294
2027	606,000	15,965	868,758	163,076
2028	617,000	4,597	442,719	125,867
2029-2033	-	-	2,893,175	455,992
2034-2038	-	-	41,476	949
	<u>\$ 12,988,000</u>	<u>\$ 599,835</u>	<u>\$ 7,990,339</u>	<u>\$ 1,571,489</u>

In 2023, the Authority closed on two new revenue bonds. These are for the construction of the Ecomnets and Shell buildings. Both projects are still under construction at June 30, 2023. The total draws on the debt as of June 30, 2023 were \$2,898,892, which is not included in the maturity schedule above.

(Continued)

CITY OF DANVILLE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

Note 12. Leases

City and the IDA as Lessor

In 2022, the City and IDA implemented the guidance of GASB No. 87, *Leases*, which for lessors requires recognizing a lease receivable and deferred inflow of resources in the financial statements.

In July 2021, the City entered into a lease as a lessor with Averett University for aeronautical services at the Danville Regional Airport. An initial lease receivable was recorded in the amount of \$61,759. As of June 30, 2023, the value of the lease receivable is \$26,752. The lessee is required to make monthly fixed payments of \$1,500 and the lease has an incremental borrowing rate of 1.17%. The value of the deferred inflow of resources as of June 30, 2023 was \$26,468 and the City recognized lease revenue of \$17,646 during the fiscal year.

The City also has a lease as lessor with Danville Baseball Club LLC expiring in December 2029. An initial lease receivable was recorded in the amount of \$343,129. As of June 30, 2023, the value of the lease receivable is \$264,355. The lessee is required to make yearly fixed payments of \$32,500 with a 1.50% annual escalator. The lease has an incremental borrowing rate of 1.84%. The value of the deferred inflow of resources as of June 30, 2023 was \$259,846 and the City recognized lease revenue of \$39,976 during the fiscal year.

The IDA, as a lessor, has various leases to local companies with various terms and renewal options. These businesses have received incentives through the Authority to locate, expand, or remain in the Danville area. Lease payments are based on the principal loan balance the Authority owes on the individual properties. These leases have remaining terms of 3-5 years with options to extend between 8 and 15 years. The Authority uses its estimated incremental borrowing rate as the discount rate for the leases. The total amount of inflows of resources, including lease revenue, interest revenue, and other lease-related inflows, recognized for the year ended June 30, 2023 was \$1,227,565. As of June 30, 2023, the Authority's lease receivable, including interest, for these payments total \$7,663,788.

The IDA's leases consist of the following expected minimum future lease payments:

Year Ended June 30,	
	<hr/>
2024	\$ 693,361
2025	792,121
2026	812,074
2027	654,175
2028	567,396
Thereafter	<hr/> 4,117,376
	<hr/> \$ 7,636,503 <hr/>

(Continued)

CITY OF DANVILLE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

Note 12. Leases (Continued)

City and DPS as Lessee

In 2022, the City and DPS implemented the guidance of GASB No. 87, *Leases*, which for lessees requires reporting an intangible right-to-use-asset and a lease liability for leases that had previously been reported as operating and capital leases.

The City has leases for various equipment such as copiers and postage machines for periods expiring July 2023 through July 2037. The City uses its estimated incremental borrowing rate as the discount rate unless an interest rate is explicitly stated in each lease. The value of right-to-use lease asset balances and related accumulated amortization as of year-end are disclosed in Note 10. The related debt as well as principal and interest requirements to maturity are disclosed in Note 11.

The City is a lessee for a noncancellable lease of an office building for the police department headquarters for the period of August 2022 through July 2037. The City uses its estimated incremental borrowing rate as the discount rate unless an interest rate is explicitly stated in each lease. The value of right-to-use lease asset balances and related accumulated amortization as of year-end are disclosed in Note 10. The related debt as well as principal and interest requirements to maturity are disclosed in Note 11.

DPS has leases for various equipment primarily copiers and building space for periods expiring July 2022 through August 2027. DPS uses its estimated incremental borrowing rate as the discount rate unless an interest rate is explicitly stated in each lease. The value of right-to-use lease asset balances and related accumulated amortization as of year end are disclosed in Note 10. The related debt as well as principal and interest requirements to maturity are disclosed in Note 11.

DPS – lease liability

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 for DPS are as follows:

Year Ended June 30,	Lease Liability	
	Principal	Interest
2024	\$ 547,702	\$ 90,490
2025	592,415	72,290
2026	304,860	63,305
2027	318,680	56,295
2028	328,000	48,906
2029-2033	1,803,000	128,773
	<u>\$ 3,894,657</u>	<u>\$ 460,059</u>

(Continued)

CITY OF DANVILLE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

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 \$720,000 as of June 30, 2023, 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	\$ 5,985,010
Deferred taxes – unearned	6,471,110
Prepaid business licenses – unearned	827,094
Other receivables – unavailable	<u>2,085,002</u>
 Total unavailable/unearned revenue – governmental funds	 15,368,216
 Less deferrals for unavailability	 <u>(8,062,206)</u>
 Deferred inflows – statement of net position	 <u><u>\$ 7,306,010</u></u>

(Continued)

CITY OF DANVILLE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

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	\$ 1,065,497	\$ -	\$ -	\$ -	\$ -	\$ 1,065,497
Inventories	429,896	-	-	-	-	429,896
Cemetery perpetual care	-	-	-	-	2,989,224	2,989,224
Total nonspendable	1,495,393	-	-	-	2,989,224	4,484,617
Restricted for:						
Unspent bond proceeds	-	-	10,744,000	132,050,203	-	142,794,203
Police	40,297	-	-	-	-	40,297
Commonwealth Attorney	102,336	-	-	-	-	102,336
Fire department equipment and supplies	132,803	-	-	-	-	132,803
Other grants	-	-	-	-	2,086,498	2,086,498
Total restricted	275,436	-	10,744,000	132,050,203	2,086,498	145,156,137
Committed to:						
Stabilization	3,000,000	-	-	-	-	3,000,000
Sheriff – Project Lifesaver	9,908	-	-	-	-	9,908
Schools	9,390,122	-	-	-	-	9,390,122
Total committed	12,400,030	-	-	-	-	12,400,030
Assigned to:						
General administration	2,872,987	-	434,990	-	-	3,307,977
Judicial administration	41,015	-	-	-	-	41,015
Public safety	339,394	-	672,850	-	-	1,012,244
Public works	20,444	-	5,529,615	-	-	5,550,059
Health and welfare	25,986	-	-	-	-	25,986
Parks, recreation, and cultural	34,154	-	11,832,667	-	-	11,866,821
Community development	298,942	738,457	627,171	-	8,964,041	10,628,611
Total assigned	3,632,922	738,457	19,097,293	-	8,964,041	32,432,713
Unassigned	37,259,038	-	-	-	-	37,259,038
Total fund balance	<u>\$ 55,062,819</u>	<u>\$ 738,457</u>	<u>\$ 29,841,293</u>	<u>\$ 132,050,203</u>	<u>\$ 14,039,763</u>	<u>\$ 231,732,535</u>

(Continued)

CITY OF DANVILLE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

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	\$ 4,450,055	\$ 1,229,090	\$ 5,679,145	\$ 923,614
Deferred outflows of resources:				
Differences between expected and actual experience:				
Danville ERS	\$ 3,059,098	\$ 844,912	\$ 3,904,010	\$ -
Net difference between projected and actual earnings on pension plan				
Danville ERS	5,597,036	1,545,882	7,142,918	-
Change in actuarial assumptions:				
Danville ERS	5,583,015	1,542,011	7,125,026	-
VRS	322,873	-	322,873	118,088
VRS teacher cost sharing plan	-	-	-	3,787,336
Pension contributions subsequent to measurement date:				
VRS	713,758	-	713,758	215,304
VRS teacher cost sharing plan	-	-	-	6,451,991
Changes in proportion and related differences – VRS teacher cost sharing plan	-	-	-	2,068,157
	<u>\$ 15,275,780</u>	<u>\$ 3,932,805</u>	<u>\$ 19,208,585</u>	<u>\$ 12,640,876</u>
Net pension liability	<u>\$ 364,027</u>	<u>\$ -</u>	<u>\$ 364,027</u>	<u>\$ 40,171,214</u>

(Continued)

CITY OF DANVILLE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

Note 16. Summary of Pension Related Matters (Continued)

	Governmental Activities	Business-Type Activities	Total Primary Government	Danville Public Schools
Deferred inflows of resources:				
Difference between expected and actual experience:				
Danville ERS	\$ 603,110	\$ 166,576	\$ 769,686	\$ -
VRS	295,418	-	295,418	220,741
VRS teacher cost sharing plan	-	-	-	2,769,964
Net difference between projected and actual earnings on pension plan investments:				
VRS	928,162	-	928,162	307,905
VRS teacher cost sharing plan	-	-	-	5,237,485
Changes in proportion and related differences – VRS teacher cost sharing plan	-	-	-	873,802
	<u>\$ 1,826,690</u>	<u>\$ 166,576</u>	<u>\$ 1,993,266</u>	<u>\$ 9,409,897</u>
Pension expense (benefit):				
Danville ERS	\$ 8,388,203	\$ 1,379,896	\$ 9,768,099	\$ -
VRS	76,450	-	76,450	(129,973)
VRS teacher cost sharing plan	-	-	-	825,170
	<u>\$ 8,464,653</u>	<u>\$ 1,379,896</u>	<u>\$ 9,844,549</u>	<u>\$ 695,197</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*. City Council maintains the authority to establish or amend the provisions of this Chapter. 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, 2023

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, 2021 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	<u>Members</u>
Inactive members:	
Terminated vested members	359
Retired members	<u>746</u>
Total inactive members	1,105
Active members	<u>942</u>
Total covered employees	<u><u>2,047</u></u>

(Continued)

CITY OF DANVILLE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

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% of compensation for general employees and 6.5% of compensation for public safety employees. Contributions to the pension plan from the City were \$3,392,137 and \$3,516,085 for the years ended June 30, 2023 and 2022, respectively.

Employees hired after September 1, 2019 are required to make contributions to the plan. The contribution rate made by active members is currently 2.267% of compensation for general employees and 5.380% 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 July 2022, and was for \$615,930.

Measurement Date

The City's net pension asset was measured as of June 30, 2023. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation performed as of July 1, 2022, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2023.

(Continued)

CITY OF DANVILLE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

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, 2022, 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, 2023.

Inflation	2.50%
Salary increases, including inflation	5.50% for the first 15 years; 3.50% after Police/Fire 4.75% for all years
Investment rate of return	7.00%, net of pension plan investment expense, including inflation
Mortality: Healthy and Disabled Lives	
Pub-2010G Mortality Table.	
Disability:	
Pub-2010G Disabled Table.	

The actuarial assumptions used in the July 1, 2022 valuation were based on the results of actuarial experience analysis during the 2015 to 2020 time period.

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.

(Continued)

CITY OF DANVILLE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

Note 17. Danville Employees' Retirement System (Continued)

Actuarial Assumptions (Continued)

Employees Included in the Calculations (Continued)

Retirement Age:

General Employees	
Age	Probability of Retirement
50-54	0.000
55-59	0.035
60	0.050
61	0.070
62	0.098
63	0.137
64	0.192
65	0.269
66	0.376
67-69	0.200
70+	1.000
Policemen and Firemen	
Age	Probability of Retirement
50-54	0.150
55	0.100
56	0.120
57	0.140
58	0.160
59	0.180
60	0.200
61-64	0.250
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 2023 Annual Comprehensive Financial Report (Annual Report). A copy of the 2023 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.

(Continued)

CITY OF DANVILLE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

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, 2023, 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	6.25 %	45.00 %
International Equity	6.50	10.00
Fixed Income – U.S. Investment Grade	2.05	20.00
Private Equity/Timber	7.75	10.00
Real Estate	4.85	15.00
Cash Equivalents	0.30	0.00
Total weighted average real return	5.38	100.00 %
Inflation	2.50	
Total Return without Adjustment	7.88	
Risk Adjustment	(0.88)	
Total Expected Return	7.00 %	

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, 2023

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, 2022	<u>\$ 268,026,142</u>	<u>\$ 274,006,039</u>	<u>\$ (5,979,897)</u>
Changes for the year:			
Service cost	4,990,662	-	4,990,662
Interest	18,527,804	-	18,527,804
Differences between expected and actual experience	2,196,819	-	2,196,819
Contributions – employer	-	3,392,137	(3,392,137)
Contributions – employee	-	372,565	(372,565)
Net investment income	-	21,797,569	(21,797,569)
Benefit payments, including refunds of employee contributions	(16,954,526)	(16,954,526)	-
Administrative expenses	<u>-</u>	<u>(147,738)</u>	<u>147,738</u>
Net changes	<u>8,760,759</u>	<u>8,460,007</u>	<u>300,752</u>
Balances at June 30, 2023	<u><u>\$ 276,786,901</u></u>	<u><u>\$ 282,466,046</u></u>	<u><u>\$ (5,679,145)</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 liability (asset)	<u><u>\$ 27,370,465</u></u>	<u><u>\$ (5,679,145)</u></u>	<u><u>\$ (33,219,957)</u></u>

(Continued)

CITY OF DANVILLE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

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, 2023, the City recognized pension expense for the ERS of \$9,768,099. At June 30, 2023, 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	\$ 3,904,010	\$ 769,686
Change in assumptions	7,125,026	-
Net difference between projected and actual earnings on pension plan investments	7,142,918	-
	<u>\$ 18,171,954</u>	<u>\$ 769,686</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,	Increase to Pension Expense
2024	\$ 4,536,693
2025	1,095,108
2026	9,666,219
2027	1,738,114
2028	366,134
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 multi-employer cost-sharing 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 employer 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.

(Continued)

CITY OF DANVILLE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

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 and the eligibility for covered groups within each plan are available at:

- <https://www.varetire.org/members/benefits/defined-benefit/plan1.asp>,
- <https://www.varetire.org/members/benefits/defined-benefit/plan2.asp>,
- <https://www.varetirement.org/hybrid.html>.

Employees Covered by Benefit Terms

As of the June 30, 2021 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>98</u>
Inactive members:	
Vested inactive members	17
Non-vested inactive members	64
Inactive members active elsewhere in VRS	<u>67</u>
Total inactive members	<u>148</u>
Active members	<u>126</u>
Total covered employees	<u><u>372</u></u>

(Continued)

CITY OF DANVILLE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

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, 2023 was 11.72% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2021.

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 \$713,758 and \$637,976 for the years ended June 30, 2023 and 2022, 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, 2022. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2021 rolled forward to the measurement date of June 30, 2022.

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, 2021, 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, 2022.

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 – 4.75%
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, 2023

Note 18. Virginia Retirement System (Continued)

Actuarial Assumptions (Continued)

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 Pub-2010 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, 2021 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, 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): Updated mortality table; adjusted retirement rates; adjusted withdrawal rates to better fit experience at each year age and service through 9 years of service; no change to disability rates; no change to salary scale; no change to line of duty disability; and no change to discount rate.

Public Safety Employees – Largest 10 – Hazardous Duty and All Others (Non 10 Largest): Updated mortality table; adjusted retirement rate to better fit experience and increased final retirement age to 70; decreased rates of withdrawal; no change to disability rates; no changes to salary scale; no change to line of duty disability; and no change to discount rate.

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, 2023

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 %	5.71 %	1.94 %
Fixed Income	15.00	2.04	0.31
Credit Strategies	14.00	4.78	0.67
Real Assets	14.00	4.47	0.63
Private Equity	14.00	9.73	1.36
MAPS – Multi-Asset Public Strategies	6.00	3.73	0.22
PIP – Private Investment Partnership	3.00	6.55	0.20
Total	100.00 %		5.33 %
	Inflation		2.50 %
	*Expected arithmetic nominal return		7.83 %

- * The above allocation provides for a one-year return of 7.83%. 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 6.94%, including expected inflation of 2.50%. On October 10, 2019, the VRS Board elected a long-term rate of 6.72% which is roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation at that time, providing a median return of 7.11%, including expected inflation of 2.50%

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, 2023, 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 was greater. From July 1, 2022 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, 2023

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, 2021	\$ 30,550,868	\$ 32,021,930	\$ (1,471,062)
Changes for the year:			
Service cost	688,999	-	688,999
Interest	2,049,843	-	2,049,843
Differences between expected and actual experience	(56,516)	-	(56,516)
Contributions – employer	-	622,320	(622,320)
Contributions – employee	-	271,848	(271,848)
Net investment income	-	(27,607)	27,607
Benefit payments, including refunds of employee contributions	(1,743,645)	(1,743,645)	-
Administrative expenses	-	(20,055)	20,055
Other changes	-	731	(731)
Net changes	938,681	(896,408)	1,835,089
Balances at June 30, 2022	\$ 31,489,549	\$ 31,125,522	\$ 364,027

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 (asset)	\$ 4,156,689	\$ 364,027	\$ (2,772,692)

(Continued)

CITY OF DANVILLE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

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, 2023, the City recognized pension expense of \$76,450. At June 30, 2023, 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	\$ -	\$ 295,418
Change in assumptions	322,873	-
Net difference between projected and actual earnings on pension plan investments	-	928,162
Contributions subsequent to measurement date	<u>713,758</u>	<u>-</u>
Total	<u>\$ 1,036,631</u>	<u>\$ 1,223,580</u>

The \$713,758 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 fiscal year ended June 30, 2024. 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 Ended June 30,	Increase (Reduction) to Pension Expense
2024	\$ (316,219)
2025	(392,942)
2026	(623,499)
2027	431,953

Pension Plan Data

Information about the VRS Political Subdivision Retirement Plans is also available in the separately issued VRS 2022 Annual Comprehensive Financial Report (Annual Report). A copy of the 2022 VRS Annual Report may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2022-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, 2023

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, 2021 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>48</u>
Inactive members:	
Vested inactive members	4
Non-vested inactive members	19
Inactive members active elsewhere in VRS	<u>7</u>
Total inactive members	<u>30</u>
Active members	<u>72</u>
Total covered employees	<u><u>150</u></u>

Contributions

The school division's contractually required contribution rate for the year ended June 30, 2023 was 4.26% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2021.

Contributions to the pension plan from the school division were \$215,304 and \$123,893 for the years ended June 30, 2023 and June 30, 2022, respectively.

CITY OF DANVILLE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

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, 2021	\$ 9,370,855	\$ 10,663,502	\$ (1,292,647)
Changes for the year:			
Service cost	215,966	-	215,966
Interest	631,183	-	631,183
Differences between expected and actual experience	(291,097)	-	(291,097)
Contributions – employer	-	86,724	(86,724)
Contributions – employee	-	115,537	(115,537)
Net investment income	-	(8,814)	8,814
Benefit payments, including refunds of employee contributions	(471,925)	(471,925)	-
Administrative expenses	-	(6,672)	6,672
Other changes	-	244	(244)
Net changes	84,127	(284,906)	369,033
Balances at June 30, 2021	\$ 9,454,982	\$ 10,378,596	\$ (923,614)

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

The following presents the net pension asset 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)	\$ 196,840	\$ (923,614)	\$ (1,849,683)

(Continued)

CITY OF DANVILLE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

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, 2023, the school division recognized pension expense (benefit) of \$(129,973). At June 30, 2023, 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	\$ -	\$ 220,741
Change in assumptions	118,088	-
Net difference between projected and actual earnings on pension plan investments	-	307,905
Employer contributions subsequent to the measurement date	215,304	-
Total	<u>\$ 333,392</u>	<u>\$ 528,646</u>

The \$215,304 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 fiscal year ended June 30, 2024. 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 Ended June 30,	Increase (Reduction) to Pension Expense
2024	\$ (132,260)
2025	(210,778)
2026	(211,378)
2027	143,858
2028	-
Thereafter	-

Pension Plan Data

Information about the VRS Political Subdivision Retirement Plans is also available in the separately issued VRS 2022 Annual Comprehensive Financial Report (Annual Report). A copy of the 2022 VRS Annual Report may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2022-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, 2023

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

Payables to the Pension Plan

At June 30, 2023, \$2,807 was payable to the Virginia Retirement System for the legally required contributions related to June 2023 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, 2023 was 16.62% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2021. The actuarially determined 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 School Division were \$6,451,991 and \$6,562,283 for the years ended June 30, 2023 and June 30, 2022, respectively.

In June 2022, the Commonwealth made a special contribution of approximately \$442.4 million to the VRS Teacher Employee Plan. This special payment was authorized by a budget amendment included in Chapter 1 of the 2022 Appropriation Act, and is classified as a non-employer contribution.

(Continued)

CITY OF DANVILLE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

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, 2023, the School Division reported a liability of \$40,171,214 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2021, and rolled forward to the measurement date of June 30, 2021. 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, 2022 relative to the total of the actuarially determined employer contributions for all participating employers. For the year ended June 30, 2022, the School Division's proportion was 0.42194% as compared to 0.4136% at June 30, 2021.

For the year ended June 30, 2023, the School Division recognized pension expense of \$825,170. 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. Beginning with the June 30, 2022 measurement date, the difference between the expected and actual contributions is included with the pension expense calculation.

At June 30, 2023, 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	\$ -	\$ 2,769,964
Change in assumptions	3,787,336	-
Net difference between projected and actual earnings on pension plan investments	-	5,237,485
Changes in proportion and differences between Employer contributions and proportionate share of contributions	2,068,157	873,802
Employer contributions subsequent to the measurement date	6,451,991	-
Total	<u>\$ 12,307,484</u>	<u>\$ 8,881,251</u>

(Continued)

CITY OF DANVILLE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

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 \$6,451,991 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 fiscal year ending June 30, 2024. 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 Ended June 30,	Increase (Reduction) to Pension Expense
2024	\$ (627,420)
2025	(1,457,811)
2026	(3,491,717)
2027	2,551,190
2028	-
Thereafter	-

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, 2022, NPL amounts for the VRS Teacher Employee Retirement Plan is as follows (amounts expressed in thousands):

	Teacher Employee Retirement Plan
Total pension liability	\$ 54,732,329
Plan fiduciary net position	45,211,731
Employers' net pension liability	<u>\$ 9,520,598</u>
Plan fiduciary net position as a percentage of the total pension liability	82.61%

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, 2023

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	\$ 71,748,863	\$ 40,171,214	\$ 14,460,063

Pension Plan Fiduciary Net Position

Detailed information about the VRS Teacher Retirement Plan's Fiduciary Net Position is available in the separately issued VRS 2022 Annual Comprehensive Financial Report (Annual Report). A copy of the 2022 VRS Annual Report may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2022-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, 2022, \$117,694 was payable to the Virginia Retirement System for the legally required contributions related to June 2022 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, 2023

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, 2021 was as follows:

Retirees currently receiving benefits	19
Active participants *	<u>295</u>
Total	<u><u>314</u></u>

* Includes 65 Danville Life Saving Crew members.

Total OPEB Liability

The City's total OPEB liability of \$4,822,534 was measured as of June 30, 2023 and was determined based on an actuarial valuation performed as of July 1, 2021.

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	3.50%
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, 2023

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 65 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>
50-54	15.00%
55	10.00
56	12.00
57	14.00
58	16.00
59	18.00
60	20.00
61-64	25.00
65+	100.00

Disability Rates:

<u>Age</u>	<u>Assumed Rate</u>	
	<u>Male</u>	<u>Female</u>
25	0.090%	0.150%
30	0.120	0.180
35	0.150	0.240
40	0.210	0.300
45	0.300	0.450
50	0.540	0.780
55	1.080	0.147
60	2.700	3.630
65	0.000	0.000

Mortality rates: Pub2010G Tables, male rates *94%. For pre-retirement deaths, 75% of these rates are used. For disabled members, the Pub2010G disability tables are used. Rates are projected generationally using Scale SSA (updated annually).

The actuarial assumptions used in the June 30, 2023 valuation were based on the results of an actuarial experience study performed on July 1, 2021 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, 2023

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

Changes in the Total OPEB Liability

Balance at June 30, 2022	\$ 4,938,694
Changes for the year:	
Service cost	75,871
Interest	180,020
Assumption or other input changes	(97,590)
Benefit payments	(274,461)
Net changes	(116,160)
Balance at June 30, 2023	\$ 4,822,534

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 (2.87%) or one percentage point higher (4.87%) than the current discount rate:

	1.00% Decrease (2.87%)	Current Discount Rate (3.87%)	1.00% Increase (4.87%)
Total OPEB liability	\$ 5,434,623	\$ 4,822,534	\$ 4,314,574

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	\$ 4,284,485	\$ 4,822,534	\$ 5,467,623

(Continued)

CITY OF DANVILLE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

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, 2023, the City recognized OPEB expense of \$36,643. At June 30, 2023, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 1,819,025
Change in assumptions	<u>1,042,378</u>	<u>1,267,177</u>
	<u>\$ 1,042,378</u>	<u>\$ 3,086,202</u>

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

<u>Year Ended June 30,</u>	<u>Reduction to OPEB Expense</u>
2024	\$ (219,248)
2025	(219,248)
2026	(219,248)
2027	(219,248)
2028	(219,248)
Thereafter	(947,584)

(Continued)

CITY OF DANVILLE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

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.

General Employee Health Insurance Credit Program

The General Employee Health Insurance Credit Program (HIC) is available for all full time, salaried employees of local government entities other than teachers. The General Employee HIC provides all the same benefits as the Teacher HIC, except that this plan is considered a multi-employer agent plan.

CITY OF DANVILLE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

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

Plan Descriptions (Continued)

General Employee Health Insurance Credit Program (Continued)

As of the June 30, 2021 actuarial valuation, the following employees were covered by the benefit terms of the General Employee Health Insurance Credit Program:

	<u>Number</u>
Inactive members or their beneficiaries currently receiving benefits	<u>21</u>
Inactive members:	
Vested inactive members	<u>2</u>
Total inactive members	23
Active members	<u>72</u>
Total covered employees	<u><u>95</u></u>

Contributions

Contributions to the VRS OPEB programs were based on actuarially determined rates from actuarial valuations as of June 30, 2021 for general employees HIC and June 30, 2022 for GLI and Teacher HIC program. 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 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.</i>
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, 2023 Contribution – general employees	\$54,763
June 30, 2023 Contribution – teachers	\$192,214
June 30, 2022 Contribution – general employees	\$41,252
June 30, 2022 Contribution – teachers	\$184,115

In June 2022, the Commonwealth made a special contribution of approximately \$30.4 million to the Group Life Insurance plan. This special payment was authorized by a Budget Amendment included in Chapter 1 of the 2022 Appropriation Act.

(Continued)

CITY OF DANVILLE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

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

Contributions (Continued)

Health Insurance Credit Program

Governed by:	<i>Code of Virginia 51.1-1401(E) and may be impacted as a result of funding provided to school divisions by the Virginia General Assembly.</i>
Total rate:	1.21% of covered employee compensation for teacher plan. 1.49% of covered employee compensation for general plan.
June 30, 2023 Contribution – teacher	\$458,811
June 30, 2022 Contribution – teacher	\$435,692
June 30, 2023 Contribution – general	\$54,768
June 30, 2022 Contribution – general	\$52,779

In June 2022, the Commonwealth made a special contribution of approximately \$12 million to the VRS Teacher Health Insurance Credit Program. This special payment was authorized by a budget amendment included in Chapter 1 of the 2022 Appropriation Act and is classified as a non-employer contribution.

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

The net OPEB liabilities were measured as of June 30, 2022 and the total OPEB liabilities used to calculate the net OPEB liabilities were determined by actuarial valuations as of June 30, 2021 and rolled forward to the measurement date of June 30, 2022. 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, 2022 relative to the total of the actuarially determined employer contributions for all participating employers.

Group Life Insurance Program

General Employees

June 30, 2023 proportionate share of liability	\$ 146,177
June 30, 2022 proportion	0.01214%
June 30, 2021 proportion	0.01213%
June 30, 2023 expense	\$ 10,325

Teachers

June 30, 2023 proportionate share of liability	\$ 2,196,151
June 30, 2022 proportion	0.18239%
June 30, 2021 proportion	0.17935%
June 30, 2023 expense	\$ 85,651

(Continued)

CITY OF DANVILLE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

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

June 30, 2023 proportionate share of liability	\$ 5,306,824
June 30, 2022 proportion	0.42487%
June 30, 2021 proportion	0.41769%
June 30, 2023 expense	\$ 441,432

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.

General Employee Health Insurance Credit Program

Changes in net OPEB liability of the General Employee Health Insurance Credit Program were as follows:

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) – (b)
Balances at June 30, 2021	\$ 156,277	\$ 14,617	\$ 141,660
Changes for the year:			
Service cost	1,776	-	1,776
Interest	10,532	-	10,532
Differences between expected and actual experience	(13,529)	-	(13,529)
Assumption changes	7,509	-	7,509
Contributions – employer	-	13,669	(13,669)
Net investment income	-	(230)	230
Benefit payments	(4,037)	(4,037)	-
Administrative expenses	-	(45)	45
Net changes	2,251	9,357	(7,106)
Balances at June 30, 2022	\$ 158,528	\$ 23,974	\$ 134,554

(Continued)

CITY OF DANVILLE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

**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)

General Employee Health Insurance Credit Program (Continued)

In addition, for the year ended June 30, 2022, the Schools recognized OPEB expense of \$10,926 related to the General Employee Health Insurance Credit Program.

At June 30, 2023, the Schools reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources.

Group Life Insurance Program – General School Employees

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 11,575	\$ 5,864
Change in assumptions	5,452	424
Net difference between projected and actual earnings on OPEB plan investments	-	9,134
Changes in proportion	16,027	14,238
Employer contributions subsequent to the measurement date	54,763	-
	<u>\$ 87,817</u>	<u>\$ 29,660</u>

Group Life Insurance Program – Teachers

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 173,908	\$ 88,104
Change in assumptions	81,913	213,914
Net difference between projected and actual earnings on OPEB plan investments	-	137,227
Changes in proportion	136,442	57,882
Employer contributions subsequent to the measurement date	192,214	-
	<u>\$ 584,477</u>	<u>\$ 497,127</u>

(Continued)

CITY OF DANVILLE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

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	\$ -	\$ 216,314
Change in assumptions	155,039	13,552
Net difference between projected and actual earnings on OPEB plan investments	-	5,327
Changes in proportion	313,336	170,942
Employer contributions subsequent to the measurement date	<u>458,811</u>	<u>-</u>
	<u>\$ 927,186</u>	<u>\$ 406,135</u>

General Employee Health Insurance Credit Program

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 10,633
Change in assumptions	8,886	-
Net difference between projected and actual earnings on OPEB plan investments	502	-
Employer contributions subsequent to the measurement date	<u>54,768</u>	<u>-</u>
	<u>\$ 64,156</u>	<u>\$ 10,633</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 fiscal year ended June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense, in future reporting periods as follows:

CITY OF DANVILLE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

**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

Year Ended June 30,	Increase (Reduction) to OPEB Expense
2024	\$ 3,590
2025	3,141
2026	(4,691)
2027	2,426
2028	(1,072)
Thereafter	-

Group Life Insurance Program – Teachers

Year Ended June 30,	Increase (Reduction) to OPEB Expense
2024	\$ (14,447)
2025	1,069
2026	(98,223)
2027	16,105
2028	(9,368)
Thereafter	-

Teacher Health Insurance Credit Program

Year Ended June 30,	Increase (Reduction) to OPEB Expense
2024	\$ 1,125
2025	14,363
2026	39,770
2027	31,795
2028	(18,544)
Thereafter	(6,269)

(Continued)

CITY OF DANVILLE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

**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)**

General Employee Health Insurance Credit Program

<u>Year Ending June 30,</u>	<u>Reduction to OPEB Expense</u>
2024	\$ (116)
2025	(116)
2026	(458)
2027	(555)
2028	-
Thereafter	-

Actuarial Assumptions and Other Inputs

The total OPEB liability was determined using the following assumptions based on an actuarial valuation date of June 30, 2021, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2022:

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	7.00 – 4.75%
• Ages 65 and older	5.25 – 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. The mortality rates are discussed in Note 18.

CITY OF DANVILLE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

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

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, 2022, net OPEB liability amounts for the various VRS OPEB programs are as follows (amounts expressed in thousands):

	Group Life Insurance Program	Teacher Employee HIC OPEB Plan
Total OPEB liability	\$ 3,672,085	\$ 1,470,891
Plan fiduciary net position	2,467,989	221,845
Employers' net OPEB liability	1,204,096	1,249,046
Plan fiduciary net position as a percentage of total OPEB liability	67.21%	15.08%

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.

Group Life Insurance and Health Insurance Credit Programs

The long-term expected rate of return on VRS 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 OPEB 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:

CITY OF DANVILLE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

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

Net OPEB Liabilities (Continued)

Group Life Insurance and Health Insurance Credit Programs (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 %	5.71 %	1.94 %
Fixed Income	15.00	2.04	0.31
Credit Strategies	14.00	4.78	0.67
Real Assets	14.00	4.47	0.63
Private Equity	14.00	9.73	1.36
MAPS – Multi-Asset Public Strategies	6.00	3.73	0.22
PIP – Private Investment Partnership	3.00	6.55	0.20
Total	100.00 %		5.33 %
Inflation			2.50 %
*Expected arithmetic nominal return			7.83 %

- * The above allocation provides for a one-year return of 7.83%. 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 6.72%, 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 at that time, providing a median return of 7.11, including inflation of 2.50%.

Discount Rate

The discount rate used to measure the GLI and HIC OPEB liabilities 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 Guidance 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. Through the fiscal year ending June 30, 2022, the rate contributed by the employer for the OPEB liabilities will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2020 on, participating employers are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the OPEB plans' 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 OPEB liability.

(Continued)

CITY OF DANVILLE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

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

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 they 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	\$ 212,705	\$ 146,177	\$ 92,414
GLI Net OPEB liability – teachers	3,195,657	2,196,151	1,388,414
Teacher HIC Net OPEB liability	5,980,852	5,306,824	4,735,468
General Employee HIC Net OPEB liability	149,104	134,554	122,016

OPEB Plan Fiduciary Net Position

Information about the various VRS OPEB plan fiduciary net position is available in the separately issued VRS 2022 Annual Comprehensive Financial Report (Annual Report). A copy of the 2022 VRS Annual Report may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2022-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, 2023, the following amounts were payable to the Virginia Retirement System for the legally required contributions related to June 2023 payroll.

• Group Life Insurance – general employees	\$ 20,136
• Group Life Insurance – teachers	278,137
• Teacher Employee Health Insurance Credit	15,692
• General Employee Health Insurance Credit	1,220

CITY OF DANVILLE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

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</u> <u>Public Schools</u>
Deferred outflows of resources	
OPEB contributions subsequent to measurement date:	
GLI – general employees	\$ 54,763
GLI – teachers	192,214
HIC – general employees	54,768
HIC – teachers	458,811
Changes in proportion and related differences – cost sharing plans:	
GLI – general employees	16,027
GLI – teachers	136,442
HIC – teachers	313,336
Changes in assumptions:	
GLI – general employees	5,452
GLI – teachers	81,913
HIC – general employees	8,886
HIC – teachers	155,039
Net difference between projected and actual earnings on plan investments:	
HIC – general employees	502
Difference between expected and actual experience:	
GLI – general employees	11,575
GLI – teachers	173,908
	<u>\$ 1,663,636</u>
Net OPEB liability:	
GLI – general employees	\$ 146,177
GLI – teachers	2,196,151
HIC – general employees	134,554
HIC – teachers	5,306,824
	<u>\$ 7,783,706</u>
Deferred inflows of resources:	
Difference between expected and actual experience:	
GLI – general employees	\$ 5,864
GLI – teachers	88,104
HIC – teachers	216,314
HIC – general employees	10,633
Changes in assumptions:	
GLI – general employees	424
GLI – teachers	213,914
HIC – teachers	13,552

(Continued)

CITY OF DANVILLE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

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

	<u>Danville Public Schools</u>
Deferred inflows of resources: (Continued)	
Net difference between projected and actual earnings on OPEB:	
GLI – general employees	\$ 9,134
GLI – teachers	137,227
HIC – teachers	5,327
Changes in proportion and related differences – cost sharing plans:	
GLI – general employees	14,238
GLI – teachers	57,882
HIC – teachers	170,942
	<u>\$ 943,555</u>
Net OPEB expense	<u><u>\$ 548,334</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 (87 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”).

(Continued)

CITY OF DANVILLE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

Note 23. Service Contracts (Continued)

Power Purchase Contracts – American Municipal Power (Continued)

AMP Fremont Energy Center (87 members) (Continued)

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 “2017 AFEC Bonds”) to refund a portion of the 2012 AFEC Bonds. The balance of the 2012 AFEC Bonds were refunded with a portion of the proceeds of bonds issued by AMP in 2021 (the “2021 AFEC Bonds” and, together with the 2017 AFEC Bonds, the “AFEC Bonds”). As of June 30, 2023, \$378,790,000 aggregate principal amount of AFEC Bonds was outstanding.

In each of April 2021 and December 2022, AMP executed a Gas Supply Contract (each, a “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 (each, a “Prepaid Natural Gas Sales Agreement”) between Tennergy and a subsidiary of Morgan Stanley. In December 2021, AMP executed a Gas Supply Contract with The Black Belt Energy District (“Black Belt”) under the terms of which Black Belt will provide a portion of the natural gas made available to Black Belt under the terms of a Prepaid Natural Gas Sales Agreement between Black Belt and a subsidiary of J. Aron & Company LLC. Under each 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, 2023, \$2,061,218,235 aggregate principal amount of the Combined Hydroelectric Bonds were outstanding under the indenture securing the Combined Hydroelectric Bonds.

(Continued)

CITY OF DANVILLE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

Note 23. Service Contracts (Continued)

Power Purchase Contracts – American Municipal Power (Continued)

Combined Hydroelectric Projects (79 Members) (Continued)

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.

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, 2023, \$632,385,000 aggregate principal amount of the Meldahl Bonds 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, 2023, \$116,830,000 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.

(Continued)

CITY OF DANVILLE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

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 PESEC 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, 2019, and 2021, 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 and 2019 to refund the Initial Prairie State Bonds. As of June 30, 2023, AMP had \$1,345,725,000 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, 2022, was 83.8%.

On September 15, 2021, the Illinois Legislature passed and Governor J.B. Pritzker signed into law comprehensive energy legislation in the form of SB 2408, the Climate and Equitable Jobs Act (the “CEJA”). Among other things, CEJA includes nearly \$700 million in subsidies for three nuclear plants, requires sweeping reductions in power plant emissions, and provides support in numerous ways for the State’s solar industry. Regarding the PSEC, the CEJA requires a 45% reduction in existing carbon dioxide emissions, by no later than January 1, 2035. If the reduction in existing emissions cannot be achieved by December 31, 2035, the CEJA would require action or actions, including the possible retirement of one or more generating units, to achieve the 45% reduction in existing carbon dioxide emissions by June 30, 2038. In addition, all coal-fired generating units, including the PSEC, must permanently reduce carbon dioxide emissions to zero by no later than December 31, 2045.

(Continued)

CITY OF DANVILLE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

Note 23. Service Contracts (Continued)

Power Purchase Contracts – American Municipal Power (Continued)

Prairie State Energy Campus (68 Members) (Continued)

Prior to the passage of the CEJA, AMP and the other owners of PSEC (collectively, the “PSEC Owners”) engaged consultants to develop various contingency plans to manage the impacts of comprehensive energy legislation that had previously been introduced in Illinois, and that planning continues. Further, the PSEC Owners will continue to advocate for favorable treatment of the PSEC that recognizes its value to the PSEC Owners and their ratepayers and the impact its closure would have on the community. The PSEC Owners are also evaluating additional mitigation measures, including certain potential mitigation measures included in the CEJA. Nevertheless, the ultimate impact on the PSEC, AMP and the Participants may be material, particularly after 2038. Such potential impacts cannot be gauged with certainty at this time, as any evaluation would be based on a number of variables, including, but not limited to, the availability and cost of control technologies, such as carbon capture and sequestration, Participant load requirements and cost of power, including replacement power. Closure of the PSEC would not terminate the Power Sales Contract or relieve the Participants from their payment obligations thereunder.

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

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 (as hereinafter defined). On February 1, 2023, AMP and Voith executed a Settlement Agreement and Mutual Release resolving all claims between the parties, and the Court dismissed the case with prejudice. Pursuant to the terms of the Settlement Agreement and Mutual Release: Voith will provide to AMP, at Voith’s cost, certain equipment, parts, and services; AMP will make payments to Voith totaling \$25 million; and the future purchase and sale of goods and services for the Combined Hydroelectric Projects will be governed by agreed-upon terms and conditions. Resolution of the claims pursuant to the Settlement Agreement and Mutual Release will not have a material impact on the financial condition of AMP, the Combined Hydroelectric Projects, the Meldahl Project, or the Participants in either project.

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.

(Continued)

CITY OF DANVILLE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

Note 23. Service Contracts (Continued)

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.

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.

Pinnacles Hydro Generation Plant

On February 10, 2021, the City of Danville sold the 10.5 MW Pinnacles Hydro facility located in Patrick County, Virginia to Northbrook Energy for \$8.2 million. The City also agreed to purchase all energy, capacity and renewable energy from the facility for 25 years. The generation will represent approximately 30,000 mWhs annually and 3% of Danville's peak load.

(Continued)

CITY OF DANVILLE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

Note 23. Service Contracts (Continued)

Other Power Purchase Contracts (Continued)

AMP Solar Project

In August 2022, a fifteen-year purchase power agreement between the City of Danville and American Municipal Power was finalized for 20 MW of solar energy, capacity, and renewable energy credits. The agreement will commence in 2025 when the project is fully constructed in western Ohio by Avangrid Renewables. The generation will represent approximately 48,000 mWhs and 5% of Danville's peak load.

Locust Ridge Wind

In September 2022, a three-year agreement between the City of Danville and American Municipal Power was finalized for 15.9 MW of wind energy in central Pennsylvania. Both City Council and Utility Commission approved moving forward with the project. The agreement commenced on October 1, 2022, and will end on September 30, 2025. The generation will represent approximately 35,000 mWh annually and 3.5% of Danville's peak load.

Danville Battery Storage

In January 2022, a twenty-year agreement between the City of Danville and Delorean Power was finalized for 10.6 megawatts of battery energy storage at 864 Monument Street. Both City Council and Utility Commission unanimously approved the project. The agreement commenced upon completion of the project in October 2022. The 10.6 MW of capacity will allow the City to peak shave during high demand periods during the summer and winter months to lower energy and transmission costs.

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, 2023

Note 24. Commitments and Contingencies (Continued)

Construction contracts

The City has several construction and similar contracts in progress at June 30, 2023. The uncompleted portion of these contracts represents financial commitments that were not yet liabilities at June 30, 2023, and consist of the following:

Contracts in progress	\$ 70,199,829
Less: paid or recorded as liabilities	<u>(46,688,152)</u>
Remaining commitment	<u>\$ 23,511,677</u>

Arbitrage

The City has certain debt instruments subject to arbitrage regulations. As of June 30, 2023, the arbitrage estimate was \$1,440,380.

Encumbrance commitments

The City had the following outstanding encumbrances, which include certain of the construction contracts in progress above, as of June 30, 2023.

<u>Major Funds</u>	
General Fund	\$ 9,573,139
City Capital Projects Fund	20,977,333
Special Revenue Fund	<u>3,877,179</u>
Total encumbrances	<u>\$ 34,427,651</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 \$9,687,101.

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 \$360,000 with a final maturity of 2025; the City and Pittsylvania County each provide equal funding for the debt service.

VRS retirement

Certain employees within the School's were changed from part-time to full-time employees in a previous year. Pension contributions related to these employees had not been submitted to VRS and VRS will require the Schools to submit contributions for all years in arrears. As of the date of this report, the total amount is unknown.

(Continued)

CITY OF DANVILLE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

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 \$50,000 in new grants and paid approximately \$985,080 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 \$3,916,500 and will be funded by the City through the Authority.

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 fiscal year 2022, the Authority, the City, and the Commonwealth of Virginia entered into a performance agreement with Danville Masonic Towers LLC for redeveloping buildings into boutique hotel rooms and commercial space within the City of Danville, Virginia.

In fiscal year 2023, the Authority, the City, and the Commonwealth of Virginia entered into a performance agreement with Culture Restaurant & Grill for creating four new full-time and six part-time positions within the Central Business District 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.

Incentive grant expense is recognized at the time when the recipient has substantially met the requirements of the award agreement. During the year the Authority recognized expense for the following economic and incentive awards:

Litehouse, Inc.	\$ 600,000
JTI Leaf Services	40,000
Union Street Five LLC	35,000
Culture Restaurant & Grill	35,000
Craghead LLC	250,000
Ma & Daddy's LLC	20,000
Enterprise zone	118,274
Other miscellaneous incentive grants	<u>134,050</u>
	<u><u>\$ 1,232,324</u></u>

(Continued)

CITY OF DANVILLE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

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 Risk Sharing Association (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, 2023

Note 26. Risk Management (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	2023	\$ 1,970,161	\$ 405,448	\$ 336,246	\$ 2,039,363
	2022	2,579,035	57,095	665,969	1,970,161
	2021	1,796,259	4,290,221	3,507,445	2,579,035
Health insurance	2023	\$ 932,673	\$ 14,350,173	\$ 14,354,828	\$ 928,018
	2022	702,195	13,048,978	12,818,500	932,673
	2021	790,967	9,380,735	9,469,507	702,195

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, 2023, 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 \$159,237 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 April 2022, the GASB issued **Statement No. 99, *Omnibus 2022***. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. The requirements related to extension of the use of LIBOR, accounting for SNAP distributions, disclosures of nonmonetary transactions, pledges of future revenues by pledging governments, clarification of certain provisions in Statement 34, as amended, and terminology updates related to Statement 53 and Statement 63 are effective upon issuance. The requirements related to leases, PPPs, and SBITAs are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. The requirements related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement 53 are effective for fiscal years beginning after June 15, 2023, and all reporting periods thereafter.

(Continued)

CITY OF DANVILLE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

Note 27. New Accounting Standards (Continued)

In June 2022, the GASB issued **Statement No. 100**, *Accounting Changes and Error Corrections*. This Statement requires disclosure in notes to financial statements of descriptive information about accounting changes and error corrections, such as their nature. In addition, information about the quantitative effects on beginning balances of each accounting change and error correction should be disclosed by reporting unit in a tabular format to reconcile beginning balances as previously reported to beginning balances as restated. The requirements of this Statement are effective for accounting changes and error corrections made in fiscal years beginning after June 15, 2023, and all reporting periods thereafter. Earlier application is encouraged.

In June 2022, the GASB issued **Statement No. 101**, *Compensated Absences*. This statement updates the recognition and measurement guidance for compensated absences and amends certain previously required disclosures. The requirements of this Statement are effective for reporting periods beginning after December 15, 2023.

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 74 individuals or businesses who have constructed or renovated property within the City limits as of June 30, 2023. 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.

The four largest tax abatement agreements as of June 30, 2023 are as follows:

<u>Application No.</u>	<u>Agreement Date</u>	<u>Years Remaining</u>	<u>Abatement Percentage</u>	<u>Projected Remaining Lost Tax Revenues on Agreements</u>
115	07/01/2021	13	\$0.84/\$100	\$ 43,215
109	07/01/2018	10	\$0.84/\$100	15,313
106	07/01/2010	9	\$0.84/\$100	6,615
114	07/01/2020	12	\$0.84/\$100	5,584

(Continued)

CITY OF DANVILLE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

Note 28. Tax Abatements (Continued)

Total revenue losses for the year ended June 30, 2023 for all 74 individuals and businesses participating in the real estate abatements were \$20,273. Projected future losses for all current abatement agreements is \$101,402.

Note 29. Casino

On November 3, 2020, a referendum was passed by the citizens of Danville that allows Caesars 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.

Note 30. Prior Period Adjustment

Beginning governmental activities net position and beginning capital projects fund balance were restated to correct for an error in the reporting of the true-up with DPRIFA for the year ended June 30, 2022 as follows:

	Net Position Governmental Activities	Fund Balance – Capital Projects
July 1, 2022, as previously reported	\$ 163,109,046	\$ 35,096,399
Increase to true-up	<u>441,204</u>	<u>441,204</u>
July 1, 2022, as adjusted	<u>\$ 163,550,250</u>	<u>\$ 35,537,603</u>

**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, 2023**

	Fiscal Year		
	2023	2022	2021
Total Pension Liability			
Service cost	\$ 4,990,662	\$ 4,764,355	\$ 4,548,310
Interest on total pension liability	18,527,804	17,291,439	17,005,417
Changes in benefit terms	-	-	-
Difference between expected and actual experience	2,196,819	1,248,203	(1,924,215)
Changes in assumptions	-	10,687,540	-
Benefit payments, including refunds of employee contributions	(16,954,526)	(16,169,711)	(15,362,998)
Net change in total pension liability	8,760,759	17,821,826	4,266,514
Total pension liability – beginning	268,026,142	250,204,316	245,937,802
Total pension liability – ending	276,786,901	268,026,142	250,204,316
Plan Fiduciary Net Position			
Contributions – employer	3,392,137	3,516,085	3,853,028
Contributions – employee	372,565	304,079	196,518
Net investment income	21,797,569	(18,706,584)	58,599,573
Benefit payments, including refunds of employee contributions	(16,954,526)	(16,169,711)	(15,362,998)
Administrative expenses	(147,738)	(132,478)	(148,991)
Net change in plan fiduciary net position	8,460,007	(31,188,609)	47,137,130
Plan fiduciary net position – beginning	274,006,039	305,194,648	258,057,518
Plan fiduciary net position – ending	282,466,046	274,006,039	305,194,648
Net pension asset – ending	\$ (5,679,145)	\$ (5,979,897)	\$ (54,990,332)
Plan fiduciary net position as a percentage of total pension liability (asset)	102.1%	102.2%	122.0%
Covered payroll	\$ 51,041,688	\$ 46,987,738	\$ 45,228,296
Net pension liability (asset) as a percentage of covered payroll	-11.1%	-12.7%	-121.6%

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 schedule.

EXHIBIT 13

Fiscal Year						
2020	2019	2018	2017	2016	2015	2014
\$ 4,373,375	\$ 4,205,168	\$ 4,043,430	\$ 4,089,280	\$ 3,400,557	\$ 3,259,684	\$ 3,141,494
16,186,089	15,946,626	15,757,522	14,637,265	13,747,122	12,984,495	12,480,764
-	-	5,636,323	-	-	-	-
6,022,813	(2,498,233)	256,405	1,681,266	6,118,120	2,432,640	-
-	-	-	5,105,391	-	-	-
(14,752,377)	(14,061,024)	(12,716,164)	(12,200,073)	(11,623,173)	(11,594,274)	(10,380,124)
11,829,900	3,592,537	12,977,516	13,313,129	11,642,626	7,082,545	5,242,134
234,107,902	230,515,365	217,537,849	204,224,720	192,582,094	185,499,549	180,257,415
245,937,802	234,107,902	230,515,365	217,537,849	204,224,720	192,582,094	185,499,549
3,608,286	4,782,997	3,276,604	2,857,851	2,937,843	3,998,392	5,849,278
50,823	-	-	-	-	-	-
6,973,812	16,641,621	16,591,445	25,415,340	645,251	5,204,202	38,756,248
(14,752,377)	(14,061,024)	(12,716,164)	(12,200,073)	(11,623,173)	(11,594,274)	(10,380,124)
(127,589)	(121,916)	(86,903)	(111,095)	(125,428)	(143,714)	(109,411)
(4,247,045)	7,241,678	7,064,982	15,962,023	(8,165,507)	(2,535,394)	34,115,991
262,304,563	255,062,885	247,997,903	232,035,880	240,201,387	242,736,781	208,620,790
258,057,518	262,304,563	255,062,885	247,997,903	232,035,880	240,201,387	242,736,781
<u>\$ (12,119,716)</u>	<u>\$ (28,196,661)</u>	<u>\$ (24,547,520)</u>	<u>\$ (30,460,054)</u>	<u>\$ (27,811,160)</u>	<u>\$ (47,619,293)</u>	<u>\$ (57,237,232)</u>
104.9%	112.0%	110.6%	114.0%	113.6%	124.7%	130.9%
<u>\$ 43,872,041</u>	<u>\$ 42,945,709</u>	<u>\$ 43,151,947</u>	<u>\$ 43,309,556</u>	<u>\$ 42,444,501</u>	<u>\$ 39,745,625</u>	<u>\$ 38,027,568</u>
<u>-27.6%</u>	<u>-65.7%</u>	<u>-56.9%</u>	<u>-70.3%</u>	<u>-65.5%</u>	<u>-119.8%</u>	<u>-150.5%</u>

CITY OF DANVILLE, VIRGINIA

**REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PENSION CONTRIBUTIONS –
DANVILLE EMPLOYEES' RETIREMENT SYSTEM
June 30, 2023**

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
2023	\$ 3,236,611	\$ 3,392,137	\$ (155,526)	\$ 51,041,688	6.65 %
2022	3,325,072	3,516,085	(191,013)	46,987,738	7.48
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

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

CITY OF DANVILLE, VIRGINIA

**REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS –
VIRGINIA RETIREMENT SYSTEM – CONSTITUTIONAL OFFICERS
June 30, 2023**

	Plan Year		
	2022	2021	2020
Total Pension Liability			
Service cost	\$ 688,999	\$ 669,807	\$ 665,657
Interest on total pension liability	2,049,843	1,927,298	1,848,442
Difference between expected and actual experience	(56,516)	(758,214)	201,399
Changes in assumptions	-	949,814	-
Benefit payments, including refunds of employee contributions	(1,743,645)	(1,580,812)	(1,513,711)
Net change in total pension liability	938,681	1,207,893	1,201,787
Total pension liability – beginning	30,550,868	29,342,975	28,141,188
Total pension liability – ending	31,489,549	30,550,868	29,342,975
Plan Fiduciary Net Position			
Contributions – employer	622,320	613,067	605,862
Contributions – employee	271,848	263,134	283,651
Net investment income	(27,607)	6,991,184	489,428
Benefit payments, including refunds of employee contributions	(1,743,645)	(1,580,812)	(1,513,711)
Administrative expenses	(20,055)	(17,614)	(16,990)
Other	731	657	(581)
Net change in plan fiduciary net position	(896,408)	6,269,616	(152,341)
Plan fiduciary net position – beginning	32,021,930	25,752,314	25,904,655
Plan fiduciary net position – ending	31,125,522	32,021,930	25,752,314
Net pension liability – ending	\$ 364,027	\$ (1,471,062)	\$ 3,590,661
Plan fiduciary net position as a percentage of total pension liability	99%	105%	88%
Covered payroll	\$ 5,613,749	\$ 5,542,097	\$ 5,649,541
Net pension liability as a percentage of covered payroll	6%	-27%	64%

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 schedule.

EXHIBIT 15

Plan Year					
2019	2018	2017	2016	2015	2014
\$ 640,791 1,812,343	\$ 630,259 1,749,249	\$ 654,365 1,721,851	\$ 638,986 1,660,705	\$ 626,442 1,582,601	\$ 582,704 1,523,713
(238,743) 729,708	(105,720) -	(377,881) (260,243)	(66,041) -	240,276 -	- -
(1,387,062)	(1,357,830)	(1,335,530)	(1,384,752)	(1,282,338)	(1,247,980)
1,557,037	915,958	402,562	848,898	1,166,981	858,437
26,584,151	25,668,193	25,265,631	24,416,733	23,249,752	22,391,315
28,141,188	26,584,151	25,668,193	25,265,631	24,416,733	23,249,752
589,705 262,020 1,640,864	590,775 258,046 1,734,871	573,824 252,490 2,603,485	593,184 243,442 366,699	591,211 244,259 965,809	620,933 241,904 2,927,045
(1,387,062) (16,411) (1,034)	(1,357,830) (15,097) (1,540)	(1,335,530) (15,237) (2,307)	(1,384,752) (13,630) (158)	(1,282,338) (13,462) (201)	(1,247,980) (15,950) 154
1,088,082	1,209,225	2,076,725	(195,215)	505,278	2,526,106
24,816,573	23,607,348	21,530,623	21,725,838	21,220,560	18,694,454
25,904,655	24,816,573	23,607,348	21,530,623	21,725,838	21,220,560
\$ 2,236,533	\$ 1,767,578	\$ 2,060,845	\$ 3,735,008	\$ 2,690,895	\$ 2,029,192
92%	93%	92%	85%	89%	91%
\$ 5,431,818	\$ 5,329,915	\$ 5,156,900	\$ 4,944,269	\$ 4,906,673	\$ 4,846,949
41%	33%	40%	76%	55%	42%

CITY OF DANVILLE, VIRGINIA

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN NET PENSION LIABILITY (ASSET) AND RELATED RATIOS –
VIRGINIA RETIREMENT SYSTEM – SCHOOLS’ NONPROFESSIONAL EMPLOYEES
June 30, 2023

	Plan Year		
	2022	2021	2020
Total Pension Liability			
Service cost	\$ 215,966	\$ 215,570	\$ 204,705
Interest on total pension liability	631,183	576,333	566,894
Difference between expected and actual experience	(291,097)	(70,756)	(185,806)
Changes in assumptions	-	328,958	-
Benefit payments, including refunds of employee contributions	(471,925)	(435,023)	(456,911)
Net change in total pension liability	84,127	615,082	128,882
Total pension liability – beginning	9,370,855	8,755,773	8,626,891
Total pension liability – ending	9,454,982	9,370,855	8,755,773
Plan Fiduciary Net Position			
Contributions – employer	86,724	84,187	72,809
Contributions – employee	115,537	111,767	107,505
Net investment income	(8,814)	2,327,931	164,621
Benefit payments, including refunds of employee contributions	(471,925)	(435,023)	(456,911)
Administrative expenses	(6,672)	(5,867)	(5,724)
Other	244	219	(193)
Net change in plan fiduciary net position	(284,906)	2,083,214	(117,893)
Plan fiduciary net position – beginning	10,663,502	8,580,288	8,698,181
Plan fiduciary net position – ending	10,378,596	10,663,502	8,580,288
Net pension liability (asset) – ending	\$ (923,614)	\$ (1,292,647)	\$ 175,485
Plan fiduciary net position as a percentage of total pension liability	110%	114%	98%
Covered payroll	\$ 2,625,089	\$ 2,508,185	\$ 2,370,974
Net pension liability as a percentage of covered payroll	-35%	-52%	7%

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 schedule.

EXHIBIT 16

Plan Year					
2019	2018	2017	2016	2015	2014
\$ 190,357	\$ 174,350	\$ 186,119	\$ 189,058	\$ 186,876	\$ 212,808
552,528	546,294	519,760	529,082	525,413	494,905
48,564	(140,555)	116,563	(478,030)	(322,695)	-
224,954	-	(71,319)	-	-	-
(565,540)	(416,515)	(327,611)	(418,969)	(255,375)	(288,413)
450,863	163,574	423,512	(178,859)	134,219	419,300
8,176,028	8,012,454	7,588,942	7,767,801	7,633,582	7,214,282
8,626,891	8,176,028	8,012,454	7,588,942	7,767,801	7,633,582
73,060	79,096	75,562	154,870	156,811	169,720
103,220	91,413	85,108	87,249	88,856	89,035
555,378	599,557	902,372	125,624	330,257	986,601
(565,540)	(416,515)	(327,611)	(418,969)	(255,375)	(288,413)
(5,785)	(5,276)	(5,271)	(4,691)	(4,474)	(5,283)
(347)	(530)	(800)	(55)	(69)	52
159,986	347,745	729,360	(55,972)	316,006	951,712
8,538,195	8,190,450	7,461,090	7,517,062	7,201,056	6,249,344
8,698,181	8,538,195	8,190,450	7,461,090	7,517,062	7,201,056
\$ (71,290)	\$ (362,167)	\$ (177,996)	\$ 127,852	\$ 250,739	\$ 432,526
101%	104%	102%	98%	97%	94%
\$ 2,249,743	\$ 1,927,099	\$ 1,763,226	\$ 1,788,926	\$ 2,145,082	\$ 1,778,846
-3%	-19%	-10%	7%	12%	24%

CITY OF DANVILLE, VIRGINIA

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PENSION CONTRIBUTIONS –
VIRGINIA RETIREMENT SYSTEM
June 30, 2023

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					
2023	\$ 713,758	\$ 713,758	\$ -	\$ 6,218,820	11.48 %
2022	637,976	637,976	-	5,613,749	11.36
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					
2023	215,304	215,304	-	3,702,282	5.82
2022	123,893	123,893	-	2,625,089	4.72
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, 2023

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
2023	42.19 %	\$ 40,171,214	\$ 39,107,690	102.72 %	82.61 %
2022	41.36	32,109,634	36,937,510	86.93	85.46
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, 2023**

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
2023	\$ 6,451,991	\$ 6,451,991	\$ -	\$ 42,712,725	15.11 %
2022	6,562,283	6,562,283	-	39,107,690	16.78
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, 2023**

	Primary Government		
	2023	2022	2021
Total OPEB Liability			
Service cost	\$ 75,871	\$ 146,579	\$ 142,310
Interest on total OPEB liability	180,020	134,668	159,981
Changes in benefit terms	-	-	-
Difference between expected and actual experience	-	(629,764)	-
Changes in assumptions	(97,590)	(1,440,339)	444,382
Benefit payments	(274,461)	(278,327)	(255,136)
Other	-	-	-
Net change in total OPEB liability	(116,160)	(2,067,183)	491,537
Total OPEB liability – beginning	4,938,694	7,005,877	6,514,340
Total OPEB liability – ending	\$ 4,822,534	\$ 4,938,694	\$ 7,005,877
Covered employee payroll	<u>\$ 17,410,986</u>	<u>\$ 14,248,468</u>	<u>\$ 11,776,138</u>
Net OPEB liability as a percentage of covered payroll	<u>28%</u>	<u>35%</u>	<u>59%</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.

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

EXHIBIT 20

Primary Government		
2020	2019	2018
\$ 138,516	\$ 134,483	\$ 130,565
239,373	255,202	251,270
-	-	-
(1,825,267)	-	-
571,392	463,261	-
(242,464)	(268,751)	(285,326)
100	-	-
(1,118,350)	584,195	96,509
7,632,690	7,048,495	6,951,986
\$ 6,514,340	\$ 7,632,690	\$ 7,048,495
\$ 11,958,023	\$ 12,873,319	\$ 12,293,226
54%	59%	57%

CITY OF DANVILLE, VIRGINIA

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER'S SHARE OF NET OPEB LIABILITY
June 30, 2023

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					
2023	0.4249 %	\$ 5,306,824	\$ 39,107,690	13.57 %	15.08 %
2022	0.4177	5,361,340	36,937,510	14.51	13.15
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					
2023	0.0121	146,177	2,625,089	5.57	67.21
2022	0.0121	141,226	2,508,185	5.63	67.45
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					
2023	0.1824	2,196,151	39,107,690	5.62	67.21
2022	0.1794	2,088,121	36,937,510	5.65	67.45
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.

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

CITY OF DANVILLE, VIRGINIA

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF OPEB CONTRIBUTIONS
June 30, 2023

Entity Fiscal Year Ended June 30,	Contractually Required Contribution	Contributions in Relation to Contractually Required Contribution	Contribution Deficiency (Excess)	Employer's Covered Payroll	Contributions as a Percentage of Covered Payroll
Schools:					
VRS Health Insurance Credit – Non-Teachers					
2023	\$ 54,768	\$ 54,768	\$ -	\$ 3,702,282	1.48 %
2022	52,779	52,779	-	2,625,089	2.01
VRS Health Insurance Credit Teachers					
2023	458,811	458,811	-	42,712,725	1.07
2022	435,692	435,692	-	39,107,690	1.11
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					
2023	54,763	54,763	-	3,702,282	1.48
2022	41,252	41,252	-	2,625,089	1.57
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					
2023	192,214	192,214	-	42,712,725	0.45
2022	184,115	184,115	-	39,107,690	0.47
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

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS –
HEALTH INSURANCE CREDIT – GENERAL EMPLOYEES – DANVILLE PUBLIC SCHOOLS
June 30, 2023

	Fiscal Year	
	2023	2022
Total OPEB Liability		
Service cost	\$ 1,776	\$ 2,266
Interest on total OPEB liability	10,532	9,410
Difference between expected and actual experience	(13,529)	(1)
Changes in assumptions	7,509	5,203
Benefit payments	(4,037)	-
Net change in total OPEB liability	2,251	16,878
Total OPEB liability – beginning	156,277	139,399
Total OPEB liability – ending	158,528	156,277
Plan Fiduciary Net Position		
Contributions – employer	13,669	13,018
Contributions – employee	-	-
Net investment income	(230)	1,656
Benefit payments	(4,037)	-
Administrator charges	(45)	(57)
Other	-	-
Net change in plan fiduciary net position	9,357	14,617
Plan fiduciary net position – beginning	14,617	-
Plan fiduciary net position – ending	23,974	14,617
Net OPEB liability – ending	\$ 134,554	\$ 141,660
Plan fiduciary net position as a percentage of total OPEB liability	15%	9%
Covered payroll	\$ 2,628,447	\$ 2,508,185
Net OPEB liability as a percentage of covered payroll	6%	6%

The plan years above are reported in the entity's financial statements in the fiscal year following the plan year – i.e., plan year 2021 information is presented in the entity's fiscal year 2022 financial report.

This schedule is intended to show information for 10 years. Since fiscal year 2022 (plan year 2021) is 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 schedule.

CITY OF DANVILLE, VIRGINIA

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION June 30, 2023

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.

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.

Other Postemployment Benefits (OPEB) – LODA

No assets are accumulated in a trust for the LODA OPEB Plan.

Note 2. Changes of Assumptions – VRS Plans

The actuarial assumptions used in the June 30, 2021, valuation were based on the results of an actuarial experience study for the period from July 1, 2016, through June 30, 2020, 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 and VRS Board action are as follows:

Largest 10 – Non-Hazardous Duty:

- Update mortality table to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Scale MP-2020.
- Adjusted retirement rates to better fit experience for Plan 1; set separate rates based on experience for Plan2/Hybrid; changed final retirement age.
- Adjusted withdrawal rates to better fit experience at each age and service through 9 years of service.
- No change to disability rates.
- No change to salary scale.
- No change to line of duty rates.
- No change to discount rate.

(Continued)

CITY OF DANVILLE, VIRGINIA

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION June 30, 2023

Note 2. Changes of Assumptions – VRS Plans (Continued)

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

- Update mortality table to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Scale MP-2020.
- Adjusted retirement rates to better fit experience for Plan 1; set separate rates based on experience for Plan2/Hybrid; changed final retirement age.
- Adjusted withdrawal rates to better fit experience at each age and service through 9 years of service.
- No change to disability rates.
- No changes to salary scale.
- No change to line of duty rates.
- No change to discount rate.

Largest 10 – Hazardous Duty/Public Safety Employees:

- Update mortality table to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Scale MP-2020.
- Adjusted retirement rates to better fit experience and changed final retirement age from 65 to 70.
- Decreased withdrawal rates.
- No change to disability rates.
- No change to salary scale.
- No change to line of duty rates.
- No change to discount rate.

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

- Update mortality table to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Scale MP-2020.
- Adjusted retirement rates to better fit experience and changed final retirement age from 65 to 70.
- Decreased withdrawal rates and changed from rates based on age and service to rates based on service only to better fit experience and to be more consistent with Locals Largest 10 Hazardous Duty.
- No change to disability rates.
- No change to salary scale.
- No change to line of duty rates.
- No change to discount rate.

(Continued)

CITY OF DANVILLE, VIRGINIA

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION June 30, 2023

Note 2. Changes of Assumptions – VRS Plans (Continued)

Teacher cost-sharing pool

- Update mortality table to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Scale MP-2020.
- Adjusted retirement rates to better fit experience for Plan 1; set separate rates based on experience for Plan2/Hybrid; changed final retirement age from 78 to 80 for all.
- Adjusted withdrawal rates to better fit experience at each age and service through 9 years of service.
- No change to disability rates.
- No changes to salary scale.
- No change to discount rate.

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	2.50%
Salary increases	5.50%, including inflation
Investment rate of return	7.00%
Retirement age – general employees	3.50% at age 55 increasing to 100% at age 70
Retirement age – police and fire employees	15% between ages 50 and 54 increasing to 100% at age 65
Mortality	Pub-2010G Mortality Tables

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, 2023

	Special Revenue Funds		Permanent Fund	
	VDOT	Economic Development	Cemetery Maintenance	Total
ASSETS				
Cash and investments	\$ 1,520,794	\$ 9,856,945	\$ -	\$ 11,377,739
Cash and investments – restricted	2,086,498	-	2,989,224	5,075,722
Receivables, net	-	990	-	990
Prepays	75,017	-	-	75,017
Total assets	<u>\$ 3,682,309</u>	<u>\$ 9,857,935</u>	<u>\$ 2,989,224</u>	<u>\$ 16,529,468</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 1,595,811	\$ 847,330	\$ -	\$ 2,443,141
Due to component unit	-	46,564	-	46,564
Total liabilities	<u>1,595,811</u>	<u>893,894</u>	<u>-</u>	<u>2,489,705</u>
FUND BALANCES				
Nonspendable				
Cemetery maintenance	-	-	2,989,224	2,989,224
Restricted	2,086,498	-	-	2,086,498
Assigned	-	8,964,041	-	8,964,041
Total fund balances	<u>2,086,498</u>	<u>8,964,041</u>	<u>2,989,224</u>	<u>14,039,763</u>
Total liabilities and fund balances	<u>\$ 3,682,309</u>	<u>\$ 9,857,935</u>	<u>\$ 2,989,224</u>	<u>\$ 16,529,468</u>

CITY OF DANVILLE, VIRGINIA

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES – NONMAJOR GOVERNMENTAL FUNDS
Year Ended June 30, 2023**

	Special Revenue Funds		Permanent Fund	
	VDOT	Economic Development	Cemetery Maintenance	Total
REVENUES				
Miscellaneous	\$ -	\$ 3,010,000	\$ 32,559	\$ 3,042,559
Recovered costs	36,581	146,000	-	182,581
Revenue from use of money and property	2,637	-	-	2,637
Intergovernmental	13,280,938	1,133,722	-	14,414,660
Total revenues	13,320,156	4,289,722	32,559	17,642,437
EXPENDITURES				
Current:				
General government	-	1,333,222	-	1,333,222
Public works	12,819,208	-	-	12,819,208
Community development	-	6,023,428	-	6,023,428
Debt service:				
Principal	141,803	-	-	141,803
Interest	2,588	-	-	2,588
Total expenditures	12,963,599	7,356,650	-	20,320,249
Excess (deficiency) of revenues over (under) expenditures	356,557	(3,066,928)	32,559	(2,677,812)
OTHER FINANCING SOURCES (USES)				
Issuance of lease	404,441	-	-	404,441
Transfers in	-	4,380,836	-	4,380,836
Total other financing sources (uses)	404,441	4,380,836	-	4,785,277
Net change in fund balances	760,998	1,313,908	32,559	2,107,465
FUND BALANCES				
Beginning	1,325,500	7,650,133	2,956,665	11,932,298
Ending	\$ 2,086,498	\$ 8,964,041	\$ 2,989,224	\$ 14,039,763

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, 2023

	<u>Transportation</u>	<u>Sanitation</u>	<u>Cemetery Operations</u>	<u>Tele- communications</u>	<u>Total</u>
ASSETS					
CURRENT ASSETS					
Cash and investments	\$ 1,129,273	\$ 725,636	\$ 88,847	\$ 1,244,998	\$ 3,188,754
Receivables, net	605	244,341	-	16,026	260,972
Due from other governments	761,027	-	-	-	761,027
Inventories	-	-	-	184,332	184,332
Total current assets	<u>1,890,905</u>	<u>969,977</u>	<u>88,847</u>	<u>1,445,356</u>	<u>4,395,085</u>
NONCURRENT ASSETS					
Net pension asset	126,870	136,482	48,581	20,347	332,280
Capital assets:					
Non-depreciable	-	509,232	-	-	509,232
Depreciable, net	<u>3,244,795</u>	<u>1,828,247</u>	<u>-</u>	<u>6,495,697</u>	<u>11,568,739</u>
Total noncurrent assets, net	<u>3,371,665</u>	<u>2,473,961</u>	<u>48,581</u>	<u>6,516,044</u>	<u>12,410,251</u>
Total assets	<u>5,262,570</u>	<u>3,443,938</u>	<u>137,428</u>	<u>7,961,400</u>	<u>16,805,336</u>
DEFERRED OUTFLOWS OF RESOURCES					
Deferred outflows related to pensions	<u>405,956</u>	<u>436,711</u>	<u>155,447</u>	<u>65,104</u>	<u>1,063,218</u>
LIABILITIES					
CURRENT LIABILITIES					
Accounts payable	43,248	112,214	6,494	17,860	179,816
Refundable deposits	-	-	-	20,000	20,000
Long-term liabilities – due within one year	<u>94,825</u>	<u>230,784</u>	<u>45,057</u>	<u>9,876</u>	<u>380,542</u>
Total current liabilities	<u>138,073</u>	<u>342,998</u>	<u>51,551</u>	<u>47,736</u>	<u>580,358</u>
NONCURRENT LIABILITIES					
Long-term liabilities – due in more than one year	<u>17,932</u>	<u>770,739</u>	<u>5,006</u>	<u>1,097</u>	<u>794,774</u>
Total noncurrent liabilities	<u>17,932</u>	<u>770,739</u>	<u>5,006</u>	<u>1,097</u>	<u>794,774</u>
Total liabilities	<u>156,005</u>	<u>1,113,737</u>	<u>56,557</u>	<u>48,833</u>	<u>1,375,132</u>
DEFERRED INFLOWS OF RESOURCES					
Deferred inflows related to pensions	<u>17,195</u>	<u>18,497</u>	<u>6,584</u>	<u>2,758</u>	<u>45,034</u>
Total deferred inflows of resources	<u>17,195</u>	<u>18,497</u>	<u>6,584</u>	<u>2,758</u>	<u>45,034</u>
NET POSITION					
Net investment in capital assets	3,244,795	2,167,109	-	6,495,697	11,907,601
Restricted for:					
Net pension asset	126,870	136,482	48,581	20,347	332,280
Unrestricted	<u>2,123,661</u>	<u>444,824</u>	<u>181,153</u>	<u>1,458,869</u>	<u>4,208,507</u>
	<u>\$ 5,495,326</u>	<u>\$ 2,748,415</u>	<u>\$ 229,734</u>	<u>\$ 7,974,913</u>	<u>\$ 16,448,388</u>

CITY OF DANVILLE, VIRGINIA

**COMBINING STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN FUND NET POSITION – NONMAJOR ENTERPRISE FUNDS
Year Ended June 30, 2023**

	<u>Transportation</u>	<u>Sanitation</u>	<u>Cemetery Operations</u>	<u>Tele- communications</u>	<u>Total</u>
OPERATING REVENUES					
Charges for services	\$ 335,237	\$ 3,788,009	\$ 744,721	\$ 859,843	\$ 5,727,810
OPERATING EXPENSES					
Services	3,676,008	4,247,059	1,086,652	519,106	9,528,825
Depreciation	618,256	238,345	-	439,023	1,295,624
Total operating expenses	4,294,264	4,485,404	1,086,652	958,129	10,824,449
Operating loss	(3,959,027)	(697,395)	(341,931)	(98,286)	(5,096,639)
NONOPERATING REVENUES (EXPENSES)					
Sales income	26,294	-	164,085	-	190,379
Recovered costs	10,006	(60,886)	-	-	(50,880)
Gain on sale of capital assets	5,580	-	-	-	5,580
Other income (expense)	14,357	22,489	-	(1,751)	35,095
Federal and state grants	2,565,027	-	-	-	2,565,027
Other contributions	534,610	-	-	-	534,610
Interest income	18,161	7,851	38,249	13,688	77,949
Net change in the fair value of investments	(9,051)	(3,218)	(20,314)	(8,246)	(40,829)
Interest expense	-	(7,890)	-	-	(7,890)
Total nonoperating revenues	3,164,984	(41,654)	182,020	3,691	3,309,041
Income (loss) before transfers	(794,043)	(739,049)	(159,911)	(94,595)	(1,787,598)
TRANSFERS					
Transfers in	-	400,000	-	-	400,000
Transfers out	-	-	-	(81,000)	(81,000)
Total transfers	-	400,000	-	(81,000)	319,000
Change in net position	(794,043)	(339,049)	(159,911)	(175,595)	(1,468,598)
NET POSITION – Beginning	6,289,369	3,087,464	389,645	8,150,508	17,916,986
NET POSITION – Ending	\$ 5,495,326	\$ 2,748,415	\$ 229,734	\$ 7,974,913	\$ 16,448,388

CITY OF DANVILLE, VIRGINIA

COMBINING STATEMENT OF CASH FLOWS – NONMAJOR ENTERPRISE FUNDS
Year Ended June 30, 2023

	Transportation	Sanitation	Cemetery Operations	Tele- communications	Total
OPERATING ACTIVITIES					
Received from customers	\$ 334,632	\$ 3,795,774	\$ 757,096	\$ 876,160	\$ 5,763,662
Payments to suppliers for goods and services	(1,984,187)	(2,188,838)	(318,620)	(337,594)	(4,829,239)
Payments to employees for services	(1,557,100)	(625,488)	(590,091)	(165,161)	(2,937,840)
Payments to internal service funds for goods and services	(143,813)	(1,418,615)	(105,400)	(526)	(1,668,354)
Nonoperating revenue (expense)	50,657	(38,397)	-	(1,751)	10,509
Net cash provided by (used in) operating activities	(3,299,811)	(475,564)	(257,015)	371,128	(3,661,262)
NONCAPITAL FINANCING ACTIVITIES					
Advances from other funds	-	400,000	-	-	400,000
Transfers to other funds	-	-	-	(81,000)	(81,000)
Operating grants received	2,662,416	-	164,085	-	2,826,501
Net cash provided by (used in) noncapital financing activities	2,662,416	400,000	164,085	(81,000)	3,145,501
CAPITAL AND RELATED FINANCING ACTIVITIES					
Acquisition of capital assets	-	(631,132)	-	(75,642)	(706,774)
Principal payments on long-term debt	-	(110,078)	-	-	(110,078)
Interest payments on long-term debt	-	(7,890)	-	-	(7,890)
Cash proceeds from disposal of capital assets	5,580	106,877	-	-	112,457
Capital contributions	534,610	-	-	-	534,610
Net cash used in capital and related financing activities	540,190	(642,223)	-	(75,642)	(177,675)
INVESTING ACTIVITIES					
Interest on investments	18,161	7,851	38,249	13,688	77,949
Net activity in investment securities	(9,051)	(3,218)	(20,314)	(8,246)	(40,829)
Net cash provided by investing activities	9,110	4,633	17,935	5,442	37,120
Net increase (decrease) in cash and cash equivalents	(88,095)	(713,154)	(74,995)	219,928	(656,316)
CASH AND CASH EQUIVALENTS					
Beginning	1,217,368	1,438,790	163,842	1,025,070	3,845,070
Ending	\$ 1,129,273	\$ 725,636	\$ 88,847	\$ 1,244,998	\$ 3,188,754
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES					
Operating loss	\$ (3,959,027)	\$ (697,395)	\$ (341,931)	\$ (98,286)	\$ (5,096,639)
Adjustments:					
Depreciation and amortization charged to operation	618,256	238,345	-	439,023	1,295,624
Pension expense net of employer contributions	130,698	101,759	62,378	19,494	314,329
Nonoperating revenue (expense), net	50,657	(38,397)	-	(1,751)	10,509
Landfill postclosure care	-	(90,000)	-	-	(90,000)
Change in noncash employee benefits charged to operations	23,167	2,222	5,156	846	31,391
Changes in assets and liabilities:					
Change in receivables	(605)	7,765	12,375	16,317	35,852
Change in inventories	-	-	-	2,901	2,901
Change in prepaids	432	-	432	-	864
Change in accounts payable	(163,389)	137	4,575	(7,416)	(166,093)
Net cash provided by (used in) operating activities	\$ (3,299,811)	\$ (475,564)	\$ (257,015)	\$ 371,128	\$ (3,661,262)

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, 2023

	Motorized Equipment	Central Services	Insurance	Total
ASSETS				
CURRENT ASSETS				
Cash and investments	\$ 128	\$ 329	\$ 4,310,830	\$ 4,311,287
Cash and investments – held by fiscal agents	-	-	50,000	50,000
Receivables, net	-	511	-	511
Inventories	-	132,963	-	132,963
Total current assets	128	133,803	4,360,830	4,494,761
NONCURRENT ASSETS				
Net pension asset	101,070	13,300	-	114,370
Capital assets:				
Depreciable, net	3,628,825	20,566	-	3,649,391
Total noncurrent assets	3,729,895	33,866	-	3,763,761
Total assets	3,730,023	167,669	4,360,830	8,258,522
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows related to pensions	323,400	42,558	-	365,958
LIABILITIES				
CURRENT LIABILITIES				
Accounts payable	200,301	7,830	2,896	211,027
Due to other funds	2,682,077	397,363	-	3,079,440
Long-term liabilities – due within one year	176,421	5,938	-	182,359
Total current liabilities	3,058,799	411,131	2,896	3,472,826
NONCURRENT LIABILITIES				
Long-term liabilities – due in more than one year	554,684	660	-	555,344
Total noncurrent liabilities	554,684	660	-	555,344
Total liabilities	3,613,483	411,791	2,896	4,028,170
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows related to pensions	13,698	1,803	-	15,501
Total deferred inflows of resources	13,698	1,803	-	15,501
NET POSITION				
Net investment in capital assets	2,960,180	20,566	-	2,980,746
Restricted for:				
Net pension asset	101,070	13,300	-	114,370
Unrestricted	(2,635,008)	(237,233)	4,357,934	1,485,693
	\$ 426,242	\$ (203,367)	\$ 4,357,934	\$ 4,580,809

CITY OF DANVILLE, VIRGINIA

**COMBINING STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN FUND NET POSITION – INTERNAL SERVICE FUNDS
Year Ended June 30, 2023**

	Motorized Equipment	Central Services	Insurance	Total
OPERATING REVENUES				
Charges for services	\$ 3,424,794	\$ 268,488	\$ 3,295,671	\$ 6,988,953
OPERATING EXPENSES				
Operations	3,895,719	306,459	3,295,671	7,497,849
Depreciation	914,301	11,875	-	926,176
Total operating expenses	4,810,020	318,334	3,295,671	8,424,025
Operating loss	(1,385,226)	(49,846)	-	(1,435,072)
NONOPERATING REVENUES (EXPENSES)				
Gain on sale of capital assets	123,597	-	-	123,597
Recoveries and rebates	38,584	-	5,299	43,883
Net change in the fair value of investments	-	-	(27,153)	(27,153)
Interest income	-	-	46,110	46,110
Total nonoperating revenues	162,181	-	24,256	186,437
Loss before transfers	(1,223,045)	(49,846)	24,256	(1,248,635)
TRANSFERS				
Transfers in	512,710	-	-	512,710
Change in net position	(710,335)	(49,846)	24,256	(735,925)
NET POSITION – Beginning	1,136,577	(153,521)	4,333,678	5,316,734
NET POSITION – Ending	\$ 426,242	\$ (203,367)	\$ 4,357,934	\$ 4,580,809

CITY OF DANVILLE, VIRGINIA

COMBINING STATEMENT OF CASH FLOWS – INTERNAL SERVICE FUNDS
Year Ended June 30, 2023

	Motorized Equipment	Central Services	Insurance	Total
OPERATING ACTIVITIES				
Received from interfund services	\$ 3,424,794	\$ 267,977	\$ 3,295,671	\$ 6,988,442
Payments to suppliers for goods and services	(2,478,325)	(49,071)	-	(2,527,396)
Payments to employees for services	(1,007,103)	(107,552)	(3,302,487)	(4,417,142)
Payments to internal service funds for goods and services	(153,430)	(115,152)	-	(268,582)
Other	38,584	-	5,299	43,883
Net cash used in operating activities	(175,480)	(3,798)	(1,517)	(180,795)
NONCAPITAL FINANCING ACTIVITIES				
Advances to other funds	1,613,832	3,797	-	1,617,629
Net cash provided by noncapital financing activities	1,613,832	3,797	-	1,617,629
CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition of capital assets	(1,685,547)	-	-	(1,685,547)
Cash proceeds from disposal of capital assets	247,194	-	-	247,194
Net cash used in capital and related financing activities	(1,438,353)	-	-	(1,438,353)
INVESTING ACTIVITIES				
Interest on investments	-	-	46,110	46,110
Net activity in investments	-	-	(27,153)	(27,153)
Net cash provided by investing activities	-	-	18,957	18,957
Net increase (decrease) in cash and investments	(1)	(1)	17,440	17,438
CASH AND CASH EQUIVALENTS				
Beginning	129	330	4,343,390	4,343,849
Ending	\$ 128	\$ 329	\$ 4,360,830	\$ 4,361,287
RECONCILIATION TO EXHIBIT 28				
Cash and investments	\$ 128	\$ 329	\$ 4,310,830	\$ 4,311,287
Cash and investments – held by fiscal agent	-	-	50,000	50,000
	\$ 128	\$ 329	\$ 4,360,830	\$ 4,361,287
RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES				
Operating loss	\$ (1,385,226)	\$ (49,846)	\$ -	\$ (1,435,072)
Adjustments:				
Depreciation and amortization charged to operations	914,301	11,875	-	926,176
Pension expense net of employer contributions	102,269	32,135	-	134,404
Nonoperating revenue, net	38,584	-	5,299	43,883
Change in noncash employee benefits charged to operations	2,172	(146)	-	2,026
Changes in assets and liabilities:				
Change in accounts receivable	-	(511)	-	(511)
Change in prepaids	216	-	-	216
Change in inventory	-	(725)	-	(725)
Change in accounts payable	152,204	3,420	(6,816)	148,808
Net cash used in operating activities	\$ (175,480)	\$ (3,798)	\$ (1,517)	\$ (180,795)
SUPPLEMENTAL CASH FLOW INFORMATION				
Capital asset additions financed by leases	\$ 668,645	\$ -	\$ -	\$ 668,645

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.....

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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

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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.....

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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									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Governmental activities										
Net investment in capital assets	\$ 63,746,102	\$ 62,317,615	\$ 64,049,250	\$ 65,079,988	\$ 67,992,243	\$ 63,575,867	\$ 65,948,718	\$ 71,486,344	\$ 76,699,908	\$ 87,147,016
Restricted	9,769,912	12,513,267	5,997,424	6,330,399	5,702,756	5,475,647	17,704,420	51,714,741	10,611,171	9,801,213
Unrestricted	55,442,221	104,667,291	114,710,399	98,301,236	82,134,341	73,674,253	62,380,068	42,524,781	75,797,967	72,300,007
Prior Period Adjustment for PPT	-	3,121,755	3,178,331	3,256,351	4,112,512	-	-	-	-	-
Total governmental activities net position	<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>	<u>\$ 163,109,046</u>	<u>\$ 169,248,236</u>
Business-type activities										
Net investment in capital assets	\$ 241,435,018	\$ 243,029,734	\$ 278,554,519	\$ 259,038,283	\$ 264,261,471	\$ 271,666,549	\$ 272,976,091	\$ 264,357,029	\$ 266,651,747	\$ 270,576,987
Restricted	-	-	-	-	-	-	-	11,002,812	1,400,804	1,229,090
Unrestricted	84,302,763	104,213,338	105,424,066	100,757,800	95,265,773	86,359,177	80,588,692	67,645,712	73,234,513	60,363,898
Total business-type activities net position	<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>	<u>\$ 341,287,064</u>	<u>\$ 332,169,975</u>
Primary government										
Net investment in capital assets	\$ 305,181,120	\$ 305,347,349	\$ 342,603,769	\$ 324,118,271	\$ 332,253,714	\$ 335,242,416	\$ 338,924,809	\$ 335,843,373	\$ 343,351,655	\$ 357,724,003
Restricted	9,769,912	12,513,267	5,997,424	6,330,399	5,702,756	5,475,647	17,704,420	62,717,553	12,011,975	11,030,303
Unrestricted	139,744,984	205,758,874	216,956,134	195,802,685	173,287,602	160,033,430	142,968,760	110,170,493	149,032,480	132,663,905
Total primary government net position	<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>	<u>\$ 504,396,110</u>	<u>\$ 501,418,211</u>

TABLE 2

CITY OF DANVILLE, VIRGINIA

**CHANGES IN NET POSITION
LAST TEN FISCAL YEARS
(Unaudited)**

	Fiscal Year									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Expenses										
Governmental activities:										
General government	\$ 10,985,447	\$ 8,772,098	\$ 9,990,115	\$ 11,658,747	\$ 14,054,318	\$ 14,125,255	\$ 8,872,032	\$ 14,685,247	\$ 15,374,516	\$ 23,527,569
Judicial administration	6,210,609	5,879,586	6,632,827	7,473,184	7,130,025	6,927,179	7,306,607	7,593,233	7,950,542	8,707,798
Public safety	26,273,320	28,403,082	31,831,428	34,125,023	33,112,404	32,671,287	33,838,376	28,895,902	33,664,401	37,669,601
Public works	10,114,068	15,073,851	18,223,240	19,264,879	19,637,304	27,341,027	24,663,507	20,047,568	26,267,844	32,836,105
Heath and welfare	11,250,069	13,380,667	14,004,567	14,706,753	15,373,215	13,918,408	13,829,605	13,052,084	15,391,936	16,717,355
Parks, recreation, cultural	5,247,916	6,366,189	6,113,481	5,917,655	6,427,242	5,908,886	4,980,594	5,165,411	5,068,197	3,817,048
Community development	21,838,752	6,255,078	3,581,479	13,902,395	8,555,627	9,882,504	7,510,057	15,454,375	6,152,436	11,811,522
Education	20,646,479	18,342,352	17,849,211	21,106,956	22,464,784	24,366,922	24,862,582	22,732,887	28,792,039	29,965,987
Interest on long-term debt	1,552,148	1,382,842	1,489,001	908,884	1,647,524	1,650,236	1,817,377	1,514,013	1,362,277	7,681,726
Total governmental activities expenses	114,118,808	103,855,745	109,715,349	129,064,476	128,402,443	136,791,704	127,680,737	129,140,720	140,024,188	172,734,711
Business-type activities:										
Wastewater	6,328,929	6,447,892	6,531,704	6,428,368	6,506,025	6,558,007	6,818,946	10,134,185	8,272,403	8,219,591
Water	5,352,732	5,494,478	5,661,330	5,659,141	5,968,830	5,470,700	6,282,189	6,586,154	6,992,083	8,086,869
Gas	22,819,175	20,545,403	17,381,323	17,544,201	18,423,664	19,231,970	17,523,404	16,783,255	21,825,732	22,343,693
Electric	113,273,134	104,497,754	100,626,328	110,071,510	124,458,095	115,840,740	114,687,535	114,769,890	117,447,008	125,057,358
Nonmajor	7,612,881	7,115,373	7,454,373	8,250,051	8,466,146	8,932,305	10,170,378	9,248,998	9,831,577	10,826,759
Total business-type activities expenses	155,386,851	144,100,900	137,655,058	147,953,271	163,822,760	156,033,722	155,482,452	157,522,482	164,368,803	174,534,270
Total primary government expenses	<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>	<u>\$ 304,392,991</u>	<u>\$ 347,268,981</u>
Program Revenues										
Governmental activities:										
Charges for services:										
General government	\$ 27,316	\$ 47,057	\$ 51,135	\$ 42,530	\$ 11,943	\$ 91,357	\$ 78,209	\$ 523,450	\$ 558,547	\$ 636,291
Judicial administration	3,498,685	3,424,310	3,621,618	3,720,856	3,608,340	3,875,264	3,725,332	2,784,496	2,200,538	2,257,466
Public safety	10,935	9,313	56,145	3,905	60,958	3,504	3,095	2,290	4,341	3,935
Public works	-	-	207,137	203,543	320,110	-	-	-	-	-
Parks, recreation, cultural	419,975	416,055	394,883	567,403	377,186	384,983	311,322	131,678	164,344	220,199
Community development	315	230	-	-	252	364	-	-	-	-
Operating grants and contributions	19,523,936	19,065,751	17,700,275	19,236,189	20,905,084	20,161,338	20,481,613	21,213,937	19,596,938	22,922,171
Capital grants and contributions	18,332,445	11,661,581	17,651,513	14,842,063	15,093,837	13,224,062	18,874,161	13,860,293	17,380,840	19,782,403
Total governmental activities program revenues	41,813,607	34,624,297	39,682,706	38,616,489	40,377,710	37,740,872	43,473,732	38,516,144	39,905,548	45,822,465

(Continued)

TABLE 2

CITY OF DANVILLE, VIRGINIA

**CHANGES IN NET POSITION
LAST TEN FISCAL YEARS
(Unaudited)**

	Fiscal Year									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Program Revenues (Continued)										
Business-type activities:										
Charges for services:										
Wastewater	\$ 9,410,786	\$ 9,697,361	\$ 9,833,682	\$ 9,693,870	\$ 9,581,368	\$ 9,956,338	\$ 8,764,608	\$ 8,845,226	\$ 8,911,831	\$ 8,980,564
Water	7,345,579	8,251,968	8,193,551	8,248,139	7,999,919	7,814,555	8,624,922	8,442,625	8,283,876	8,187,383
Gas	26,497,854	23,991,058	20,923,374	20,652,399	21,846,999	23,530,875	19,435,941	19,684,418	26,054,799	25,360,998
Electric	125,670,235	116,039,450	109,239,372	116,922,960	128,282,965	118,360,916	117,349,139	114,862,650	123,835,315	125,757,748
Nonmajor	6,525,644	6,406,305	6,267,362	6,383,133	6,186,451	5,837,550	5,265,317	5,583,185	5,574,336	5,727,810
Operating grants and contributions	1,473,919	1,742,109	1,869,938	3,448,039	2,582,827	2,287,063	2,257,220	3,182,949	3,209,309	2,565,027
Capital grants and contributions	268,697	29,772	1,488,142	-	-	-	-	-	-	-
Total business-type activities program revenues	177,192,714	166,158,023	157,815,421	165,348,540	176,480,529	167,787,297	161,697,147	160,601,053	175,869,466	176,579,530
Total primary government program revenues	<u>\$ 219,006,321</u>	<u>\$ 200,782,320</u>	<u>\$ 197,498,127</u>	<u>\$ 203,965,029</u>	<u>\$ 216,858,239</u>	<u>\$ 205,528,169</u>	<u>\$ 205,170,879</u>	<u>\$ 199,117,197</u>	<u>\$ 215,775,014</u>	<u>\$ 222,401,995</u>
Net (expense)/revenue										
Governmental activities	\$ (72,305,201)	\$ (69,231,448)	\$ (70,032,643)	\$ (90,447,987)	\$ (88,024,733)	\$ (99,050,832)	\$ (84,207,005)	\$ (90,624,576)	\$ (100,118,640)	\$ (126,912,246)
Business-type activities	21,805,863	22,057,123	20,160,363	17,395,269	12,657,769	11,753,575	6,214,695	3,078,571	11,500,663	2,045,260
Total primary government net expense	<u>\$ (50,499,338)</u>	<u>\$ (47,174,325)</u>	<u>\$ (49,872,280)</u>	<u>\$ (73,052,718)</u>	<u>\$ (75,366,964)</u>	<u>\$ (87,297,257)</u>	<u>\$ (77,992,310)</u>	<u>\$ (87,546,005)</u>	<u>\$ (88,617,977)</u>	<u>\$ (124,866,986)</u>
General Revenues and Other Changes in Net Position										
Governmental activities:										
Taxes										
Property taxes	\$ 27,868,180	\$ 27,726,602	\$ 28,516,172	\$ 28,671,078	\$ 32,850,905	\$ 32,446,068	\$ 34,870,542	\$ 35,493,262	\$ 35,834,079	\$ 39,926,037
Sales taxes	8,082,871	8,419,504	8,491,311	8,765,046	8,886,896	8,929,130	8,851,945	10,234,317	10,887,809	11,932,323
Business licenses	5,833,099	5,344,704	5,300,860	4,976,049	5,084,382	5,277,586	5,271,255	5,467,754	5,968,498	7,779,638
Utility taxes	991,780	981,093	965,139	960,635	977,324	960,242	936,355	930,704	938,023	936,030
Hotel and meals taxes	7,442,989	7,840,067	8,242,667	8,349,183	8,752,196	9,599,166	9,459,346	10,631,384	12,529,537	14,006,723
Recordation and bank stock taxes	930,744	1,030,735	992,111	1,021,576	1,105,670	1,061,898	1,205,695	1,400,539	1,376,596	1,380,437
Auto license and recordation taxes	1,120,071	1,113,862	1,150,497	1,162,663	1,109,603	1,149,051	1,201,125	1,218,563	1,197,134	1,302,482
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	13,315,140	29,097,258
Investment income	1,641,092	1,020,884	1,333,951	632,649	722,805	1,921,725	1,325,447	449,971	(1,090,560)	6,727,142
Casino proceeds	-	-	-	-	-	-	-	15,000,000	-	-
Gain on sale of assets	-	-	-	-	-	-	-	81,826	51,485	123,597
Miscellaneous	1,682,156	613,199	1,267,625	735,941	587,431	1,315,791	913,074	817,160	1,117,079	4,289,565
Transfers	14,548,860	14,533,937	14,631,400	14,578,010	14,995,042	17,565,100	15,088,370	15,353,000	15,377,000	15,109,000
Total governmental activities	76,180,330	77,906,466	75,291,542	75,402,538	81,094,436	90,059,771	85,699,314	110,317,236	97,501,820	132,610,232

(Continued)

TABLE 2

CITY OF DANVILLE, VIRGINIA

**CHANGES IN NET POSITION
LAST TEN FISCAL YEARS
(Unaudited)**

	Fiscal Year									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
General Revenues and Other Changes in Net Position (Continued)										
Business-type activities:										
Investment income	\$ 1,583,234	\$ 686,097	\$ 1,266,152	\$ 653,635	\$ 821,114	\$ 2,546,152	\$ 1,885,307	\$ 610,471	\$ (141,735)	\$ 361,012
Miscellaneous	2,823,930	2,230,591	1,176,615	1,110,387	1,247,320	1,763,855	2,527,425	1,104,728	2,299,583	3,585,639
Transfers	(14,548,860)	(14,533,937)	(14,631,400)	(14,578,010)	(14,995,042)	(17,565,100)	(15,088,370)	(15,353,000)	(15,377,000)	(15,109,000)
Total business-type activities	(10,141,696)	(11,617,249)	(12,188,633)	(12,813,988)	(12,926,608)	(13,255,093)	(10,675,638)	(13,637,801)	(13,219,152)	(11,162,349)
Total primary government	<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>	<u>\$ 84,282,668</u>	<u>\$ 121,447,883</u>
Change in Net Position										
Governmental activities	\$ 3,875,129	\$ 8,675,018	\$ 5,258,899	\$ (15,045,449)	\$ (6,930,297)	\$ (8,991,061)	\$ 1,492,309	\$ 19,692,660	\$ (2,616,820)	\$ 5,697,986
Business-type activities	11,664,167	10,439,874	7,971,730	4,581,281	(268,839)	(1,501,518)	(4,460,943)	(10,559,230)	(1,718,489)	(9,117,089)
Total primary government	<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>	<u>\$ (4,335,309)</u>	<u>\$ (3,419,103)</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
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
2022	35,834,079	10,887,809	5,968,498	938,023	12,529,537	1,376,596	1,197,134	32,897,597	68,731,676

TABLE 4

CITY OF DANVILLE, VIRGINIA

FUND BALANCES OF GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(Modified Accrual Basis of Accounting)
(Unaudited)

	Fiscal Year									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
General Fund										
Nonspendable/Restricted/Committed/										
Assigned	\$ 7,792,980	\$ 11,016,803	\$ 12,085,518	\$ 8,477,355	\$ 9,452,114	\$ 8,637,651	\$ 10,096,312	\$ 12,853,034	\$ 12,086,337	\$ 17,803,781
Unassigned	35,078,780	37,048,908	36,907,387	34,498,029	30,066,455	31,302,863	33,214,777	34,237,458	34,317,871	37,259,038
Total general fund	<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>	<u>\$ 46,404,208</u>	<u>\$ 55,062,819</u>
All other governmental funds										
Nonspendable/Restricted/Committed/Assigned										
Community Development	\$ 7,625	\$ 3,218,964	\$ 3,208,407	\$ 1,403,384	\$ 1,038,032	\$ 996,139	\$ 950,011	\$ 814,233	\$ 830,672	\$ 738,457
Nonspendable/Restricted/Committed/Assigned										
Capital Projects	13,911,991	11,267,939	16,077,177	17,381,778	20,532,007	16,533,237	11,069,125	28,090,347	35,096,399	29,841,293
Restricted/Assigned – Special Revenue	1,361,801	1,622,818	1,722,465	1,353,933	1,416,967	(322,731)	2,201,827	2,275,615	137,430,580	132,050,203
Restricted – VDOT	947,450	2,056,622	2,277,197	2,774,096	1,925,505	2,387,746	2,995,579	2,981,582	1,325,500	2,086,498
Assigned – Economic Development	1,238,644	2,650,732	4,630,210	5,589,316	6,039,893	6,884,766	6,457,897	9,139,677	7,650,133	8,964,041
Nonspendable – Cemetery Maintenance	2,734,092	2,766,767	2,789,017	2,816,017	2,840,517	2,863,991	2,889,147	2,922,222	2,956,665	2,989,224
Total all other governmental funds	<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>	<u>\$ 185,289,949</u>	<u>\$ 176,669,716</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									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Revenues										
Property taxes	\$ 27,754,056	\$ 27,618,077	\$ 28,318,281	\$ 28,596,301	\$ 31,117,992	\$ 33,310,771	\$ 34,153,100	\$ 35,746,442	\$ 36,409,703	\$ 38,063,053
Local taxes	24,396,546	24,720,732	25,170,039	25,692,229	26,108,521	27,198,315	27,164,991	30,105,742	33,123,711	37,598,436
Fines and forfeitures	520,154	487,897	448,600	362,431	353,857	386,050	312,163	291,892	259,670	219,762
Permits, privilege fees, and regulatory licenses	218,083	216,705	292,979	252,914	225,545	210,412	225,428	227,984	682,743	506,392
Revenue from use of money and property	1,553,782	882,640	1,280,745	601,472	676,706	1,823,958	1,236,733	420,679	(1,082,121)	6,708,185
Charges for services	3,411,896	3,376,394	3,643,700	3,972,083	3,839,592	3,794,107	3,614,031	3,150,022	2,670,780	2,898,129
Miscellaneous and contributions	927,694	973,177	2,995,552	1,694,156	1,168,791	2,163,280	1,422,962	17,626,531	3,655,121	5,639,759
Recovered costs	6,313,810	9,029,221	6,262,196	4,343,299	4,843,323	5,610,172	7,445,356	7,522,243	7,445,610	7,992,992
Intergovernmental	43,438,861	35,215,362	37,411,178	38,915,135	41,256,816	42,305,700	45,225,555	47,681,739	47,021,584	69,435,460
Total revenues	108,534,882	102,520,205	105,823,270	104,430,020	109,591,143	116,802,765	120,800,319	142,773,274	130,186,801	169,062,168
Expenditures										
General government	7,848,419	7,699,046	8,260,921	8,171,141	10,149,026	9,618,452	4,145,330	14,336,582	16,748,750	15,574,296
Judicial administration	6,036,322	6,330,493	6,600,180	6,659,891	6,945,317	6,906,259	7,289,435	7,296,255	7,818,717	8,576,759
Public safety	26,889,959	26,858,824	27,373,044	28,787,033	26,483,397	29,114,885	30,289,774	28,757,472	32,772,384	36,365,366
Public works	12,463,018	15,187,957	13,418,094	17,717,684	15,721,592	23,943,335	23,933,775	16,837,505	25,063,705	20,524,751
Health and welfare	11,526,481	13,250,461	13,101,381	13,305,839	13,925,727	13,604,326	13,658,037	13,139,425	14,595,480	15,912,633
Education	18,724,575	16,420,448	16,033,378	17,371,819	21,232,229	24,366,922	24,862,582	22,732,887	28,792,039	29,965,987
Parks, recreation, and cultural	5,203,975	5,442,125	5,578,683	5,977,721	5,353,167	5,344,702	4,441,347	4,807,212	5,358,640	5,286,963
Community development	8,962,080	4,646,975	5,184,253	11,493,236	9,350,202	10,507,510	7,706,322	5,692,533	6,395,961	11,605,052
Nondepartmental	5,419,946	8,037,822	8,963,385	8,955,634	6,835,546	7,238,297	7,031,629	9,445,878	11,299,582	11,638,443
Capital outlay	22,187,029	8,136,643	11,650,717	10,282,330	9,310,880	5,871,705	13,506,417	12,674,389	14,461,862	37,574,793
Debt service										
Principal	1,226,188	1,424,172	1,639,111	3,083,791	3,151,912	3,390,759	3,768,315	4,094,344	4,362,425	4,742,287
Interest	1,129,392	1,316,796	1,391,981	1,459,422	1,594,610	1,552,372	1,578,585	1,542,089	1,291,213	6,692,265
Bond issuance costs	-	35,847	-	195,466	143,104	120,859	343,072	138,510	306,049	187,898
Total expenditures	127,617,384	114,787,609	119,195,128	133,461,007	130,196,709	141,580,383	142,554,620	141,495,081	169,266,807	204,647,493
Ratio of debt service to total non-capital expenditures	2.2%	2.6%	2.8%	3.7%	3.9%	3.6%	4.1%	4.4%	3.7%	6.8%
Excess of revenues over (under) expenditures	(19,082,502)	(12,267,404)	(13,371,858)	(29,030,987)	(20,605,566)	(24,777,618)	(21,754,301)	1,278,193	(39,080,006)	(35,585,325)
Other financing sources (uses)										
Transfers in	26,543,687	25,714,460	23,378,370	27,319,325	26,116,794	25,347,100	20,520,420	22,503,993	22,206,380	33,481,196
Transfers out	(11,994,827)	(11,083,923)	(8,746,970)	(11,241,315)	(11,373,371)	(8,114,609)	(5,432,050)	(7,150,993)	(7,382,740)	(18,884,906)
Leases	-	-	-	-	-	-	-	-	262,084	10,569,479
Debt issued	4,123,367	2,953,000	6,380,545	128,991	5,857,369	3,225,000	4,450,879	7,481,262	135,295,000	9,540,000
Refunding bonds issued	-	-	-	13,434,012	-	-	4,739,714	-	-	-
Payments to refunded bond escrow agent	-	-	-	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	12,632,909	476,730
Proceeds from capital lease	-	-	205,140	(6,914,203)	-	-	261,325	-	-	-
Total other financing sources (uses)	18,672,227	17,583,537	21,419,683	23,627,517	19,623,148	20,749,790	20,530,184	22,161,300	163,013,633	35,182,499
Net change in fund balances	<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>	<u>\$ 123,933,627</u>	<u>\$ (402,826)</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
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
2021-22	123,835,315	26,054,799	8,911,831	8,283,876	167,085,821
2022-23	125,757,748	25,360,998	8,980,564	8,187,383	168,286,693

TABLE 7

CITY OF DANVILLE, VIRGINIA

FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION
LAST TEN FISCAL YEARS
(Unaudited)

Function	Fiscal Year									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
General Fund										
General government administration	99	96	101	93	94	95	107	106	114	122
Judicial administration	110	116	116	121	120	126	126	126	126	130
Public safety	392	392	393	391	393	391	392	392	395	397
Public works	103	101	101	114	113	112	112	113	113	113
Health, welfare, and social services	99	99	99	100	100	102	102	101	98	99
Park, recreational, and cultural	49	52	53	57	59	61	61	61	61	64
Community development	17	17	17	19	18	16	16	16	17	24
Total General Fund	869	873	880	895	897	903	916	915	924	949
Wastewater Fund	11	11	11	11	11	11	11	11	11	11
Water Fund	18	18	18	16	16	16	16	16	16	16
Gas Fund	51	51	50	48	48	48	47	47	45	45
Electric Fund	100	100	100	104	104	104	89	89	81	82
Telecommunications Fund	4	3	4	3	3	3	2	2	2	2
Transportation Fund	18	20	27	28	34	38	38	38	38	41
Central Services Fund	3	3	3	3	4	4	4	4	4	4
Motorized Equipment Fund	19	19	19	19	21	21	21	21	19	21
Sanitation Fund	28	30	29	26	26	27	27	27	27	27
Cemetery Fund	15	15	15	15	15	13	13	13	13	13
Total Other Funds	267	270	276	273	282	285	268	268	256	262
Total	1,136	1,143	1,156	1,168	1,179	1,188	1,184	1,183	1,180	1,211

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)	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)	Total Assessed Value	Total Direct Tax Rate
2014	\$ 2,245,455,200	\$ 303,862,061	\$ 85,276,081	\$ 3,157,546	\$ 46,364,169	\$ 5,596,700	\$ 2,689,711,757	3.73
2015	2,234,658,900	314,269,866	88,642,291	3,089,306	46,364,169	5,376,000	2,692,400,532	3.73
2016	2,240,747,200	322,874,514	89,676,124	2,825,460	46,578,273	8,061,770	2,710,763,341	3.73
2017	2,235,165,800	330,647,557	97,330,638	2,808,748	46,429,405	7,601,044	2,719,983,192	3.73
2018	2,270,914,500	340,099,963	112,709,350	3,061,340	49,032,295	7,469,241	2,783,286,689	4.30
2019	2,261,428,500	347,473,090	117,196,127	3,025,660	60,222,468	7,040,932	2,796,386,777	4.30
2020	2,262,959,300	349,438,279	114,095,791	3,180,324	59,098,352	8,939,000	2,797,711,046	4.44
2021	2,319,769,100	385,394,693	109,652,377	3,285,196	61,970,778	7,317,800	2,887,389,944	4.44
2022	2,340,059,800	489,778,155	122,719,764	3,173,230	60,969,318	7,843,225	3,024,543,492	4.44
2023	2,420,541,900	465,243,765	111,679,891	2,709,674	66,279,232	8,141,010	3,074,595,472	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:

2013 – 2017 \$3.00 per \$100

2018 – 2019 \$3.50 per \$100

2020 – 2023 \$3.60 per \$100

(3) Real property and mobile home tax rates:

2013 – 2017 \$0.73 per \$100

2018 – 2019 \$0.80 per \$100

2020 – 2023 \$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	2023			2014		
	Total Assessed Value	Rank	Percentage of Total Assessed Value (1)	Total Assessed Value	Rank	Percentage of Total Assessed Value
Danville Regional Medical Center LLC	\$ 78,709,300	1	3.25 %	\$ 76,046,500	1	3.41 %
Goodyear Tire and Rubber Company	30,147,700	2	1.25	28,906,700	2	1.29
JTI Leaf Services US LLC	22,575,100	3	0.93	16,045,400	5	0.72
Danville Mall LLC	15,752,800	4	0.65	12,831,600	6	0.57
River District Tower LLC	14,814,800	5	0.61	-	-	-
Daniel Group Inc.	13,155,000	6	0.54	18,734,100	3	0.84
NAP Coleman Marketplace LLC	13,073,100	7	0.54	18,156,800	4	0.81
Piedmont Lands of Virginia LLC	13,051,000	8	0.54	-	-	-
EBI LLC	11,069,200	9	0.46	9,941,600	11	0.45
Litehouse, Inc.	11,017,600	10	0.46	-	-	-
Essel Propack	10,914,400	11	0.45	-	-	-
Wal-Mart Real Estate Business Trust	10,158,200	12	0.42	10,240,900	10	0.46
Sams Real Estate Business Trust	9,121,300	13	0.38	10,564,900	8	0.47
Pemberton Lofts LLC	8,890,000	14	0.37	-	-	-
Marshall, Robert & Margaret D. (Rev Trust)	8,286,600	15	0.34	7,450,900	12	0.33
Industrial Development Authority of Danville (2)	-	-	-	10,329,000	9	0.46
Nestle USA Inc. (formerly Carnation Co.)	-	-	-	11,019,200	7	0.49
Riverside Shopping Center LP	-	-	-	-	-	-
Lorillard Tobacco Company	-	-	-	7,184,500	13	0.32
Dan Shopping Center Inc.	-	-	-	7,173,400	14	0.32
MJRW Inc.	-	-	-	6,858,700	15	0.31
	<u>\$ 270,736,100</u>		<u>11.18 %</u>	<u>\$ 251,484,200</u>		<u>11.26 %</u>

(1) Total 2023 Assessed Real Estate Value is \$2,340,059,800 for the City of Danville.

(2) Industrial Development Authority of Danville includes Essel Propack in Fiscal Year 2013.

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, 2023	Uncollected Balance June 30, 2023	Percentage of Original Levy Collected June 30, 2023
2014	\$ 0.73	\$ 16,241,177	\$ 15,223,541	93.73 %	\$ 1,017,636	6.27 %	\$ 981,247	\$ 16,204,788	\$ 36,389	99.78 %
2015	0.73	16,175,657	14,985,466	92.64	1,190,191	7.36	1,147,100	16,132,566	43,091	99.73
2016	0.73	16,226,974	15,323,516	94.43	903,458	5.57	847,802	16,171,318	55,656	99.66
2017	0.73	16,243,600	15,357,140	94.54	886,460	5.46	821,141	16,178,281	65,319	99.60
2018	0.80	18,049,905	16,926,921	93.78	1,122,984	6.22	1,023,585	17,950,506	99,399	99.45
2019	0.80	17,955,991	17,040,137	94.90	915,854	5.10	787,141	17,827,278	128,713	99.28
2020	0.84	18,865,804	17,948,051	95.14	917,753	4.86	733,828	18,681,879	183,925	99.03
2021	0.84	19,419,765	18,554,950	95.55	864,815	4.45	583,748	19,138,698	281,067	98.55
2022	0.84	19,587,311	18,632,939	95.13	954,372	4.87	-	18,632,939	954,372	95.13
2023	0.84	20,231,126	19,338,391	95.59	892,735	4.41	-	19,338,391	892,735	95.59

(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, 2023	Uncollected Balance At June 30, 2023 (2)	Percentage of Original Levy Collected At June 30, 2023
2014	\$ 3.00	\$ 10,560,822	\$ 3,503,575	33.18 %	\$ 7,057,247 (3)	66.82 %	\$ 7,057,247	\$ 10,560,822	\$ -	100.00 %
2015	3.00	10,897,755	3,621,758	33.23	7,275,998 (3)	66.77	7,275,998	10,897,755	-	100.00
2016	3.00	11,197,466	3,938,661	35.17	7,258,806 (3)	64.83	7,258,806	11,197,466	-	100.00
2017	3.00	11,183,892	4,094,676	36.61	7,089,216 (3)	63.39	7,089,216	11,183,892	-	100.00
2018	3.50	13,362,140	5,200,943	38.92	8,161,197 (3)	61.08	7,987,739	13,188,682	173,458	98.70
2019	3.50	13,546,839	4,986,240	36.81	8,560,599 (3)	63.19	8,409,372	13,395,612	151,227	98.88
2020	3.60	14,006,837	5,363,605	38.29	8,643,232 (3)	61.71	8,479,150	13,842,755	164,082	98.83
2021	3.60	15,199,589	5,791,027	38.10	9,408,562 (3)	61.90	9,142,484	14,933,511	266,078	98.25
2022	3.60	16,523,796	6,461,929	39.11	10,061,867 (4)	60.89	9,270,885	15,732,814	790,982	95.21
2023	3.60	16,899,604	6,240,897	36.93	10,658,707	63.07	-	6,240,897	10,658,707	36.93

(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. Write offs were as follows: 2013: \$97,066; 2014: \$102,177; 2015: \$82,884; 2016: \$80,419.

(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 and \$0.84 per \$100 effective with FY 2020)

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
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	45,894,730	49,704,794	1.64	1.78	1,146.11	1,241.25
2021	42,590	2,887,389,944	47,938,396	51,038,026	1.66	1.77	1,125.58	1,198.36
2022	42,597	3,024,543,492	51,964,153	46,792,513	1.72	1.55	1,219.90	1,098.49
2023	42,348	3,074,595,472	52,738,038	60,986,962	1.72	1.98	1,245.35	1,440.14

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 and Promissory Notes	Lease Revenue Bonds	Capital Leases	Revenue Bonds	General Obligation Bonds	Capital Leases			
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	45,894,731	-	293,142	-	49,699,413	843,181	96,730,467	2,416	2.47
2021	51,386,439	-	168,382	-	56,036,088	879,747	108,470,656	2,547	2.77
2022	194,629,449	-	343,537	-	51,445,703	656,057	247,074,746	5,800	6.43
2023	184,594,083	-	10,749,446	-	60,985,445	608,955	256,937,929	6,067	6.64

(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									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Assessed Value:										
Real property	\$ 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	\$ 2,340,059,800	\$ 2,420,651,900
Public service – real property	46,088,538	46,088,538	46,435,219	46,338,884	48,933,178	60,158,435	45,916,643	61,929,464	60,969,318	66,279,232
Total assessed value	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	2,401,029,118	2,486,931,132
Debt limit per state (10% of assessed value – real property)	229,154,374	228,074,744	228,718,242	228,150,468	231,984,768	232,158,694	230,887,594	238,169,856	240,102,912	248,693,113
Gross bond debt	90,094,568	87,738,191	91,849,312	90,647,451	99,355,816	98,406,792	95,599,524	98,976,421	225,758,054	240,725,000
Less bond debt not applicable to limit:										
Revenue bonds	1,683,940	1,318,940	953,940	588,940	223,940	-	-	-	-	6,480,000
Total debt not applicable to limit	1,683,940	1,318,940	953,940	588,940	223,940	-	-	-	-	6,480,000
Total net debt applicable to state limit	88,410,628	86,419,251	90,895,372	90,058,511	99,131,876	98,406,792	95,599,524	98,976,421	225,758,054	234,245,000
Legal debt margin per state	\$ 140,743,746	\$ 141,655,493	\$ 137,822,870	\$ 138,091,957	\$ 132,852,892	\$ 133,751,902	\$ 135,288,070	\$ 139,193,435	\$ 14,344,858	\$ 14,448,113
Total net debt applicable to the limit as a percentage of debt limit	38.58%	37.89%	39.74%	39.47%	42.73%	42.39%	41.41%	41.56%	94.03%	94.19%
Total net debt applicable to the limit as a percentage of assessed value	3.86%	3.79%	3.97%	3.95%	4.27%	4.24%	4.14%	4.16%	9.40%	9.42%

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
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
2022	167,227,273	139,029,933	28,197,340	-	-	-	0.00
2023	169,470,970	148,049,062	21,421,908	-	-	-	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)
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
2022	42,597	37,147	42.1	16.8	5,408	3,845,400	7.90
2023	42,348	38,904	40.9	18.7	5,563	2,871,200	5.10

(1) Source: Weldon Cooper Center for Public Services, University of Virginia estimated population for 2013-2022.

(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.
 2012-2021 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 2022.

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	2023			2014		
	Employees (1)	Rank	Percentage of Total City Employment (2)	Employees (1)	Rank	Percentage of Total City Employment (2)
Goodyear	\$ 1,944	1	10.61 %	\$ 2,250	2	12.56 %
SOVAH Health	1,700	2	9.28	1,294	3	7.22
Danville City Public Schools	1,150	3	6.28	-	-	-
City of Danville	962	4	5.25	2,381	1	13.29
Buitoni Food Co	500	5	2.73	-	-	-
Caesars Virginia	428	6	2.34	-	-	-
Roman Eagle	314	7	1.71	-	-	-
Essel Propack America - EPL	308	8	1.68	-	-	-
EBI	234	9	1.28	550	7	3.07
Averett University	225	10	1.23	550	6	3.07
Telvista	-	-	-	780	4	4.35
Litehouse	-	-	-	-	-	-
Food Lion	-	-	-	376	9	2.10
Swedwood	-	-	-	175	10	0.98
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 2022 \$(19,725) and June 2013 \$(17,164).

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

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Number of Employees (Full & Part-Time)	1,233	1,210	1,257	1,222	1,227	1,231	1,231	1,197	1,052	1,092
<u>Name of Government Facilities and Services:</u>										
Miles of streets	318	318	316	316	316	316	316	316	316	355
Number of street lights	8,827	8,827	8,340	8,344	8,349	8,349	8,349	8,349	8,390	8,599
<u>Culture and Recreation:</u>										
Recreation centers	8	8	7	9	9	9	9	9	9	9
Number of parks	12	12	16	18	18	18	21	21	21	35
Park acreage	680	680	751	922	922	922	843	843	843	843
Number of trails	6	6	6	16	16	19	19	19	19	19
Trail mileage	41.5	41.5	46	47	47	49	49	49	49	49
Number of athletic fields	22	22	22	22	22	22	21	21	21	21
Athletic field acreage	46	46	46	46	46	46	48	48	47	47
Number of playgrounds	14	14	20	20	20	20	17	17	17	17
Playground acreage	64	64	1.3	1.3	1.3	1.3	1.3	1.3	1.3	1.3
Number of outdoor basketball courts	10	10	10	10	10	15	15	15	15	13
Number of tennis courts	19	19	10	10	10	16	14	14	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	123	123	121	121	121	121	121	123	123	123
Number of calls answered	6,703	7,321	8,132	8,419	8,047	8,424	8,415	9,094	9,436	9,689
Number of inspections conducted	1,043	1,288	1,337	1,424	1,223	1,101	784	227	560	1,460
<u>Police Protection:</u>										
Number of stations	2	2	2	3	3	3	3	3	1	1
Number of police officers	133	131	131	131	131	131	131	130	129	125
Number of police vehicles and trailers	56	56	56	26	63	75	73	78	85	88
Number of law violations:										
Criminal arrests	7,911	7,196	6,649	4,888	4,911	4,818	2,939	3,703	4,023	3,606
Traffic violations	7,251	8,019	8,083	5,531	6,825	7,460	3,544	4,374	3,893	2,682
Parking violations	1,390	1,395	1,508	1,213	1,387	1,307	507	1,035	1,531	539

(Continued)

TABLE 18

CITY OF DANVILLE, VIRGINIA

OPERATING INDICATORS AND CAPITAL ASSET STATISTICS BY FUNCTION
Last Ten Fiscal Years
(Unaudited)

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
<u>Name of Government Facilities and Services: (Continued)</u>										
<u>Sewerage System:</u>										
Miles of sanitary sewers	386	386	394	395	395	395	395	395	405	385
Number of treatment plants	1	1	1	1	1	1	1	1	1	1
Number of service connections	16,235	16,258	16,296	16,195	16,147	16,147	16,094	16,795	16,812	16,838
Average daily treatment	7.34	7.86	8.40	8.10	8.10	9.64	8.49	7.54	5.41	6.08
Maximum daily capacity of treatment	20	20	20	20	20	20	20	20	18	20
<u>Water System:</u>										
Miles of water mains	342	344	346	347	331	331	331	331	335	334
Active number of service connections	17,780	17,481	17,652	17,374	17,616	16,820	16,838	16,869	17,678	17,088
Number of fire hydrants	2,107	2,107	2,209	2,208	2,079	2,075	2,078	2,080	2,103	2,114
Average daily consumption - MGD	5.19	5.39	4.86	4.98	4.90	4.73	4.67	4.91	5.04	5.05
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	2	2	2	2	2	2	2	2	2	2
Number of elementary schools	6	6	6	6	6	6	6	6	6	6
Number of intermediate schools	0	0	0	0	0	1	1	1	0	0
Number of middle schools	2	2	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	22	23	23	22	21	21	20	21	23
Number of elementary school instructors	223	216	209	204	198	225	215	212	211	227
Number of middle school instructors	111	107	102	97	88	99	97	95	115	112
Number of high school instructors	152	140	138	131	130	131	151	150	124	119
<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	250	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, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 21, 2023.

Report on 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.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. **Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs, as item 2023-001, that we consider to be a significant deficiency.**

Report on 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. **The results of our tests disclosed no instances of a noncompliance or other matters that are required to be reported under *Government Auditing Standards*.**

City of Danville, Virginia's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the City's response to the finding identified in our audit and described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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
December 21, 2023

**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

Opinion 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 identified as subject to audit in the OMB Compliance Supplement that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2023. 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.

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2023.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with relevant ethical requirements related to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal documentation of the City's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the City's federal programs.

Report on Compliance for Each Major Federal Program (Continued)

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the County's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, Government Auditing Standards, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgement made by a reasonable user of the report on compliance about the County's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, Government Auditing Standards, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risk of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the County's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the County's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the County's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

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

Report on Internal Control over Compliance (Continued)

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. **Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that have not been identified.**

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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
December 21, 2023

CITY OF DANVILLE, VIRGINIA
SUMMARY OF COMPLIANCE MATTERS
June 30, 2023

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, 2023

A. SUMMARY OF AUDITOR'S RESULTS

1. The auditor's report expresses an **unmodified opinion** on the financial statements.
2. **No material weaknesses and one significant deficiency** relating 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. **No material weaknesses or significant deficiencies** 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 an **unqualified opinion**; the report on the remaining programs is unmodified.
6. The audit disclosed **no audit finding relating to major programs**.
7. The major programs of the City are:

Name of Program	Assistance Listing Number
Airport Improvement Program	20.106
Coronavirus State and Local Fiscal Recovery Funds	21.027
Title VI-B – Special Education (Special Education Cluster)	84.027
Special Education Preschool Grants (Special Education Cluster)	84.173
Education Stabilization Fund:	
Elementary and Secondary School Emergency Relief	84.425D
ARP – Elementary and Secondary School Emergency Relief	84.425U
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program (SNAP Cluster)	10.561

8. The **threshold for** distinguishing Type A and B programs was **\$1,202,436**.
9. The City of Danville was **not** determined to be a **low-risk auditee**.

B. FINDINGS – FINANCIAL STATEMENT AUDIT

2023-001: Audit Adjustments (Significant Deficiency)

Condition:

As part of our audit, we proposed significant adjustments to capital outlay, other financing sources, capital asset related account, and debt balances.

(Continued)

CITY OF DANVILLE, VIRGINIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2023

B. FINDINGS – FINANCIAL STATEMENT AUDIT (Continued)

2023-001: Audit Adjustments (Significant Deficiency) (Continued)

Recommendation:

We suggest management implement procedures, such as review of transactions near year end, to ensure that transactions are appropriately accounted for and reflected. Additionally, all adjustments that were made as a result of our current year audit should be reviewed during the next year as a reminder of matters needing accounting attention in preparing for the 2024 audit.

Views of Responsible Officials and Planned Corrective Action:

Management concurs with the finding and has implemented procedures to address the finding.

C. FINDINGS – COMMONWEALTH OF VIRGINIA

None.

D. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

None.

SCHEDULE 1

CITY OF DANVILLE, VIRGINIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2023

Federal Granting Agency/ Recipient State Agency/ Grant Program	Federal Assistance Listing Number	Passed- Through to Subrecipient	Federal Expenditures
<u>Primary Government</u>			
DEPARTMENT OF AGRICULTURE			
Passed through Commonwealth of Virginia:			
Department of Juvenile Justice:			
Child Nutrition Cluster – National School Lunch Program	10.555	\$ -	\$ 48,835
Passed through Commonwealth of Virginia:			
Department of Social Services:			
<u>SNAP Cluster</u>			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	-	1,179,013
		-	1,227,848
Total U.S. Department of Agriculture		-	1,227,848
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	-	54,001
Passed through Commonwealth of Virginia:			
Centers for Disease Control and Prevention	93.391	-	124,500
Activities to Support State, Tribal, Local and Territorial Health Department Response to Public Health or Healthcare Crises			
Passed through Commonwealth of Virginia:			
Department of Social Services:			
Guardianship Assistance	93.090	-	262
Title IV-E Prevention Program	93.472	-	9,968
Promoting Safe and Stable Families	93.556	-	35,922
TANF Block Grant	93.558	-	657,681
Refugee and Entrant Assistance State-Administered Programs	93.566	-	3,040
Low Income Home Energy Assistance	93.568	-	135,987
Child Care Development Fund	93.596	-	154,839
Stephanie Tubbs Jones Child Welfare Services Program	93.645	-	1,062
Foster Care – Title IV-E	93.658	-	430,311
Adoption Assistance	93.659	-	355,732
Social Services Block Grant	93.667	-	553,945
Chafee Foster Care Independence Program	93.674	-	26,010
Unaccompanied Alien Children Program	93.767	-	5,190
Medicaid Cluster – Medical Assistance Program	93.778	-	611,695
		-	3,160,145
Total U.S. Department of Health and Human Services		-	3,160,145
DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
Direct Payments:			
<u>Community Development Block Grants, Entitlement Cluster</u>			
Community Development Block Grant Program, Entitlement Grants	14.218	119,826	1,035,252
		119,826	1,035,252
Total Community Development Block Grants, Entitlement Cluster		119,826	1,035,252
Home Investment Partnership Program	14.239	-	1,029,892
Office of Lead Hazard Control and Healthy Homes	14.900	-	137,189
		119,826	2,202,333
Total U.S. Department of Housing and Urban Development		119,826	2,202,333

(Continued)

SCHEDULE 1

**CITY OF DANVILLE, VIRGINIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2023**

Federal Granting Agency/ Recipient State Agency/ Grant Program	Federal Assistance Listing Number	Passed- Through to Subrecipient	Federal Expenditures
Primary Government (Continued)			
DEPARTMENT OF JUSTICE			
Bureau of Justice Assistance:			
Direct Payments:			
Bulletproof Vest Partnership Program	16.607	\$ -	\$ 18,235
Public Safety Partnership and Community Policing Grants	16.710	-	44,398
Edward Byrne Memorial Justice Assistance Grant Program	16.738	-	64,089
Community-Based Violence Prevention Program	16.123	-	151,812
Department of Criminal Justice Services:			
Passed through Commonwealth of Virginia:			
Office for Victims of Crime:			
Crime Victim Assistance	16.575	-	122,808
Juvenile Justice and Delinquency Prevention			
Title II, Part B Formula Grants	16.540	-	9,587
Total U.S. Department of Justice		-	410,929
DEPARTMENT OF TRANSPORTATION			
Direct Payments:			
Airport Improvement Program	20.106	-	1,349,329
Passed through Commonwealth of Virginia:			
Highway Planning and Construction	20.205	-	1,288
Formula Grants for Rural Areas	20.509	-	1,668,086
Total U.S. Department of Transportation		-	3,018,703
DEPARTMENT OF THE INTERIOR			
Direct Payments:			
United States Environmental Protection Agency			
Brownfields Multipurpose, Assessment, Revolving Loan Fund, and Cleanup Cooperative Agreements	66.818	-	57,169
Passed through Commonwealth of Virginia:			
Department of Historic Resources:			
Historic Preservation Fund Grants-in-Aid	15.904	-	12,744
Total U.S. Department of the Interior		-	69,913
DEPARTMENT OF THE TREASURY			
Direct payments:			
COVID-19 Coronavirus State and Local Fiscal Recovery Fund	21.027	-	2,724,963
Passed through Commonwealth of Virginia:			
COVID-19 Coronavirus State and Local Fiscal Recovery Fund	21.027	-	1,016,761
		-	3,741,724

(Continued)

SCHEDULE 1

CITY OF DANVILLE, VIRGINIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2023

Federal Granting Agency/ Recipient State Agency/ Grant Program	Federal Assistance Listing Number	Passed- Through to Subrecipient	Federal Expenditures
<u>Primary Government (Continued)</u>			
NATIONAL ENDOWMENT FOR THE HUMANITIES			
Passed through Commonwealth of Virginia:			
Grants to States	45.310	\$ -	\$ 6,706
		-	6,706
DEPARTMENT OF HOMELAND SECURITY			
Passed through Commonwealth of Virginia:			
Department of Homeland Security:			
Disaster Grants – Public Assistance (Presidentially Declared Disasters)	97.036	-	523
Emergency Management Performance Grants	97.042	-	27,013
Assistance to Firefighters	97.044	-	85,562
Pre-Disaster Mitigation (PDM) program	97.047	-	13,306
Homeland Security Grant Program	97.067	-	120,609
		-	247,013
Total U.S. Department of Homeland Security		-	247,013
Total Federal Awards – City of Danville		119,826	14,085,314
<u>Component Unit – Danville Schools</u>			
DEPARTMENT OF AGRICULTURE			
Passed through Commonwealth of Virginia:			
Department of Education:			
<u>Child Nutrition Cluster</u>			
National School Breakfast Program	10.553	-	1,481,612
National School Lunch Program	10.555	-	3,106,214
		-	4,587,826
Total Child Nutrition Cluster		-	4,587,826
Child and Adult Care Food Program	10.558	-	18,912
P-EBT Administrative Costs	10.649	-	5,950
		-	4,612,688
Total U.S. Department of Agriculture		-	4,612,688
DEPARTMENT OF EDUCATION			
Passed through Commonwealth of Virginia:			
Department of Education:			
Title I – Educationally Deprived Children – LEA	84.010	-	2,031,562
Title I – Detention Home 14	84.013	-	25,271
Title IV, Part A - Student Support and Academic Enrichment	84.424	-	69,622
<u>Special Education Cluster (IDEA)</u>			
Title VI-B – Special Education	84.027	-	1,583,497
Special Education Preschool Grants	84.173	-	50,245
		-	3,760,197
Total Special Education Cluster (IDEA)		-	3,760,197

(Continued)

SCHEDULE 1

**CITY OF DANVILLE, VIRGINIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2023**

Federal Granting Agency/ Recipient State Agency/ Grant Program	Federal Assistance Listing Number	Passed- Through to Subrecipient	Federal Expenditures
<u>Component Unit – Danville Schools (Continued)</u>			
DEPARTMENT OF EDUCATION (Continued)			
Passed through Commonwealth of Virginia: (Continued)			
Department of Education: (Continued)			
Basic Grants to States	84.048	\$ -	\$ 113,082
English Language Acquisition State Grants	84.365	-	17,506
Title II – Part A Funds	84.367	-	596,673
Title V, Part B	84.358	-	151,058
ESF – ESSER II and ESSER III	84.425D	-	15,284,770
ARP – ESF – ARP – ESSER	84.425U	-	10,839,191
School-Based Mental Health Services	84.184	-	98,325
School Improvement Grants	84.377	-	789,796
Public Health Emergency Response	93.354	-	77,500
Total U.S. Department of Education		-	31,728,098
Total Federal Awards – Danville Schools		-	36,340,786
Total Expenditures of Federal Awards		\$ 119,826	\$ 50,426,100
<u>Primary Government</u>			
DEPARTMENT OF AGRICULTURE			
Passed through Commonwealth of Virginia:			
Department of Agriculture and Consumer Services:			
<u>Child Nutrition Cluster</u>			
W. W. Moore, Jr. Detention Home (Commodities)	10.555	\$ -	\$ 4,186
Summer Feeding Program	10.559	-	139,023
<u>Component Unit – Danville Schools</u>			
DEPARTMENT OF AGRICULTURE			
Passed through Commonwealth of Virginia:			
Department of Education:			
<u>Child Nutrition Cluster</u>			
National School Lunch Program (Commodities)	10.555	-	351,074
		\$ -	\$ 494,283

CITY OF DANVILLE, VIRGINIA

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
June 30, 2023

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 2023:

<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	\$ 119,826

Indirect Cost Rate

The City did not elect to utilize the 10 percent de minimis indirect cost rate.

Outstanding Loan Balances

At June 30, 2023, the City had no outstanding loan balances requiring continuing disclosure.