

DANVILLE VIRGINIA

CITY GOVERNMENT

ANNUAL COMPREHENSIVE FINANCIAL REPORT



FISCAL YEAR JULY 1, 2023 TO JUNE 30, 2024



CITY OF DANVILLE, VIRGINIA
ANNUAL COMPREHENSIVE FINANCIAL REPORT
FISCAL YEAR ENDED JUNE 30, 2024



Prepared by:

The Department of Finance
City of Danville, Virginia



CITY OF DANVILLE, VIRGINIA

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INTRODUCTORY SECTION





CITY OF DANVILLE

Department of Finance

December 20, 2024

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, 2024, 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

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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 42,248.

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 introductory budget is released by April 30. The introductory budget contains all changes and amendments made by the City Council during its budget review. It is the introductory budget that is submitted for public hearing. City Council is required to adopt a final budget by June 30 each year.

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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 12% from fiscal year 2023 to fiscal year 2024. Additionally, sales tax revenue received by the City for the first quarter of FY 2025 exceeded that for the first quarter of FY 2024 by 13%. 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. Since the Visit SoSi brand was launched in May 2023, the Danville Office of Economic Development & Tourism has been hard at work building a regional destination marketing and management organization that is applying industry best practices in our community to support local businesses, attract visitation, and help lower local tax burdens as the destination grows. Over the last twelve months, the Visit SoSi program has launched a number of new workforce development programs, begun advertising the region in print, digital and broadcast channels, revamped the local Visitor Center operations to align to the statewide visitor services strategy, and developed a number of new maps, guides, brochures, and advertising media to showcase this growing destination and all it has to offer.

The Visit SoSi Annual Report released in May 2024 showcases tremendous market momentum, highlighting \$900M worth of new area tourism and destination development investment secured over the last five years, including the opening of the Danville Casino and the new Holbrook hotel, the launch and expansion of several smaller local businesses, as well as multiple large-scale efforts currently under construction, including Caesars Virginia Resort, Dan River Falls, Riverfront Park, and more. These investments aren't just serving visitors, they are helping to build a sustainable local economy for residents. Additionally, the annual report highlights several notable industry awards and recognitions that have helped shine a spotlight on the region, including a national Main Street America award for Danville's River District and a statewide Destination of the Year award for VIRginia International Raceway.

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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. In May 2023, a temporary casino, Danville Casino, opened 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 \$21 million to be recognized in the FY2024 financial statements.

On December 17, 2024, Ceasars Virginia held its grand opening and officially opened its doors to the public with the resort and conference center fully operational. The permanent location is a 587,000 square foot casino resort with more than 90,000 square feet of gaming space. Additionally, Caesars Virginia is also home to a 320-room hotel tower, 50,000 square feet of meeting and convention space that also serves a 2,500-seat live entertainment venue, full-service spa, pool and a wide variety of dining, including the recently announced Ramsay's Kitchen by multi-Michelin-starred chef and television personality Gordon Ramsay. Caesars Virginia also partnered with local investors to bring a new food hall concept to the destination. 500 Block Food Hall will bring together three beloved culinary experiences – burgers, BBQ and pizza – that pay homage to the River District commercial block restoration project and honor the development throughout the district. The City anticipates receiving 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 2024 budget, City Council maintained current municipal services and included funds to address the priority areas of education, economic development, and public safety. The FY 2024 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, Airport 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 \$38,574,540; Sewer and Wastewater Capital Improvements of \$15,600,000; Water and Gas Capital Improvements of \$6,000,000 and Electric Capital Improvements of \$8,000,000.

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

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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 construction phase of the Riverfront Park, which is being 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 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. Two years ago, the Commonwealth of Virginia approved state funding for Danville Community College to establish an aviation maintenance training school in partnership with Averett University. Capital project funding includes funding for the construction of an approximate 12,000 square foot aviation training facility that would be used to support both aviation maintenance training activities and flight instruction activities. The airport project funding also includes corporate hangar site preparation and construction along with airport obstruction removal. 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, construction of a new wastewater pumping station to expand station capacity, water territory expansion, water line reconstruction to address the replacement of old cast iron pipelines, substation upgrades, and electric system reliability and improvement. Collectively, these projects are estimated to cost approximately \$117 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, 2023. This was the thirty-eighth 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.

DANVILLE, VA

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

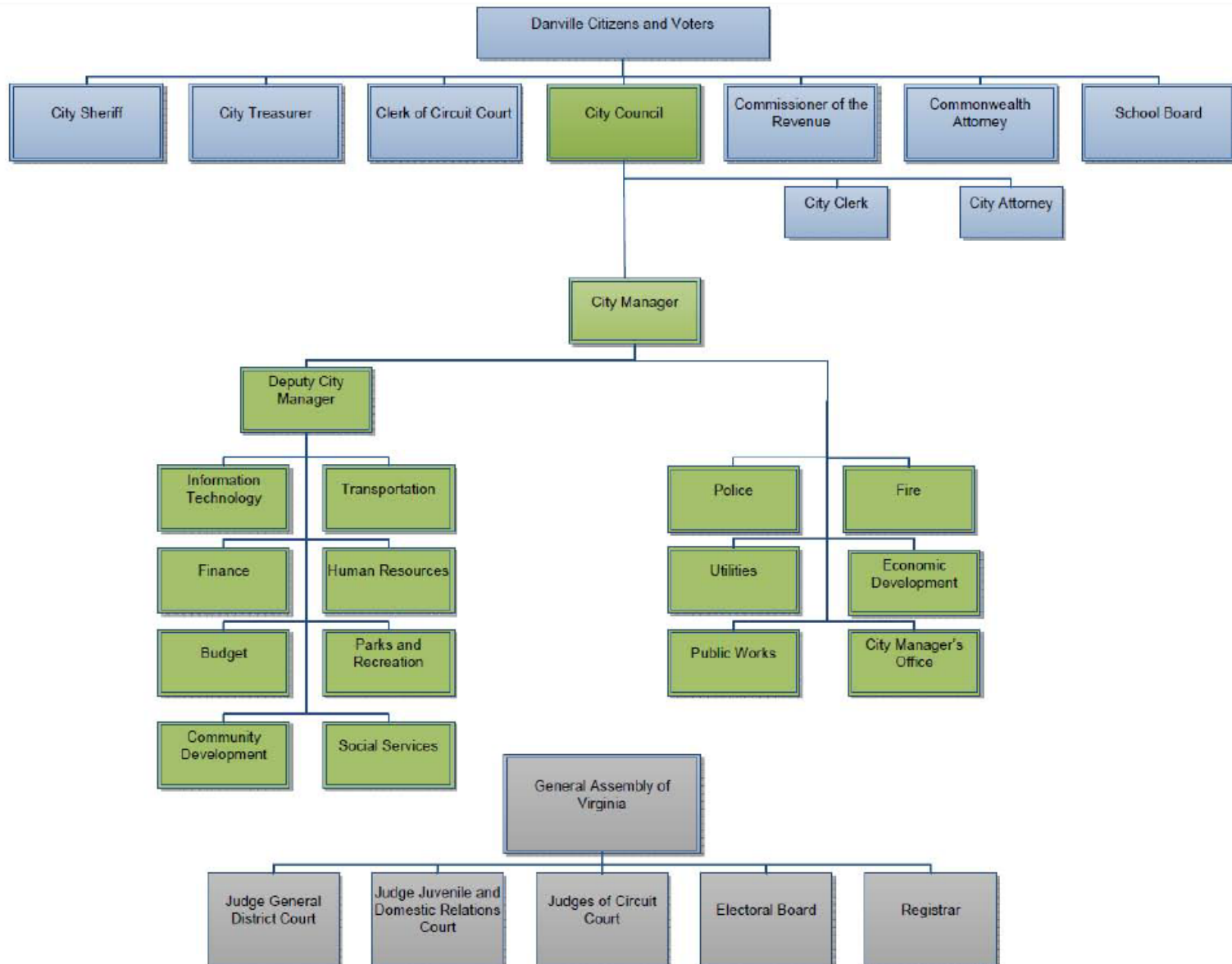
June 30, 2023

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
Christopher Wiles..... 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

Charles McWilliams III
Dr. Philip Campbell
Keisha Averett

Dr. Keith Silverman
TaKessa Walker

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, 2024, 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, 2024, 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, as listed in the table of contents, 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 20, 2024 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 20, 2024



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, 2024. 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 vi 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 \$496,183,088 (net position). Of this amount \$103,479,962 (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 \$5,235,123.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$218,408,689 a decrease of \$13,323,846 in comparison to the previous year. Approximately 23% of this total amount, \$51,145,585, is unassigned.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$51,145,585, or 38% of total General Fund expenditures.
- The City's total long-term debt increased by \$13 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, Transportation, 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 \$496,183,088 at the close of the most recent fiscal year.

The largest portion of the City's net position (77%) 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 \$103,479,962 (21%) may be used to meet the City's ongoing obligations to citizens and creditors.

City of Danville
Summary Statement of Net Position
June 30, 2024

| | Governmental Activities | | Business-type Activities | | Total | |
|--|-------------------------|----------------------|--------------------------|----------------------|----------------------|----------------------|
| | 2024 | 2023 | 2024 | 2023 | 2024 | 2023 |
| Current and other assets | \$274,562,530 | \$282,582,723 | \$90,933,362 | \$99,259,616 | \$365,495,892 | \$381,842,339 |
| Capital assets | 164,643,024 | 148,425,814 | 331,921,402 | 319,551,705 | 496,564,426 | 467,977,519 |
| Total assets | <u>\$439,205,554</u> | <u>\$431,008,537</u> | <u>\$422,854,764</u> | <u>\$418,811,321</u> | <u>\$862,060,318</u> | <u>\$849,819,858</u> |
| Deferred outflows | \$18,099,255 | \$16,925,870 | \$3,803,740 | \$5,144,827 | \$21,902,995 | \$22,070,697 |
| Long-term liabilities outstanding | \$225,706,694 | \$221,374,038 | \$78,201,369 | \$69,524,551 | \$303,908,063 | \$290,898,589 |
| Other liabilities | 50,798,851 | 44,806,917 | 18,575,470 | 19,832,852 | 69,374,321 | 64,639,769 |
| Total liabilities | <u>\$276,505,545</u> | <u>\$266,180,955</u> | <u>\$96,776,839</u> | <u>\$89,357,403</u> | <u>\$373,282,384</u> | <u>\$355,538,358</u> |
| Deferred inflows | \$12,767,153 | \$12,505,216 | \$1,730,688 | \$2,428,770 | \$14,497,841 | \$14,933,986 |
| Net position: | | | | | | |
| Net investment in capital assets | \$106,349,832 | \$87,147,016 | \$277,087,168 | \$270,576,987 | \$383,437,000 | \$357,724,003 |
| Restricted for grants & contributions | 5,312,195 | 2,361,934 | - | - | 5,312,195 | 2,361,934 |
| Restricted for community development loans | - | - | - | - | - | - |
| Restricted for cemetery perpetual care | 3,016,492 | 2,989,224 | - | - | 3,016,492 | 2,989,224 |
| Net Pension Asset | 934,295 | 4,450,055 | 3,144 | 1,229,090 | 937,439 | 5,679,145 |
| Unrestricted | <u>52,419,297</u> | <u>72,300,007</u> | <u>51,060,665</u> | <u>60,363,898</u> | <u>103,479,962</u> | <u>132,663,905</u> |
| Total net position | <u>\$168,032,111</u> | <u>\$169,248,236</u> | <u>\$328,150,977</u> | <u>\$332,169,975</u> | <u>\$496,183,088</u> | <u>\$501,418,211</u> |

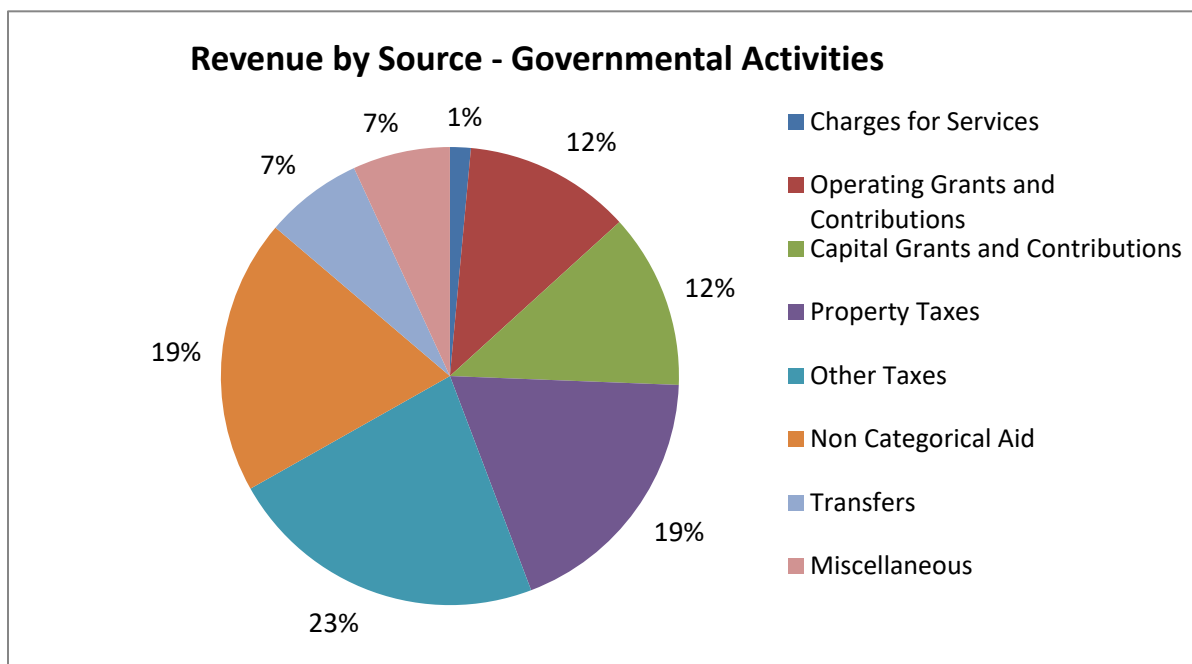
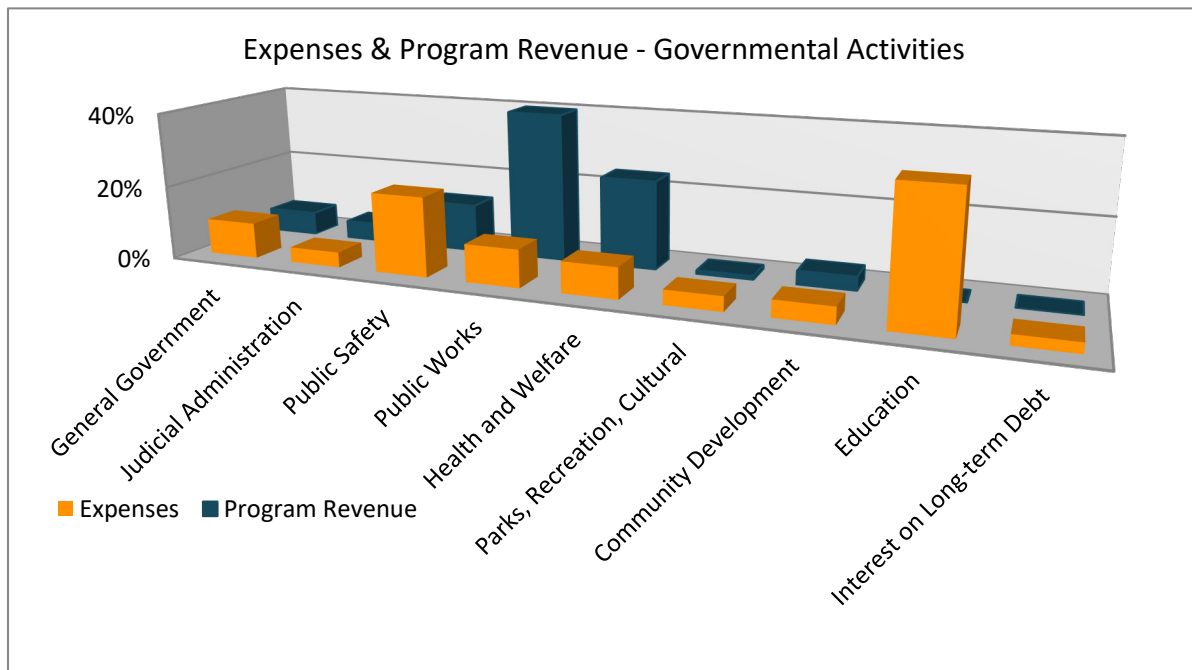
City of Danville
Changes in Net Position
Year Ended June 30, 2024

| | Governmental Activities | | Business-type Activities | | Total Primary Government | |
|--|-------------------------|-----------------------|--------------------------|-----------------------|--------------------------|-----------------------|
| | 2024 | 2023 | 2024 | 2023 | 2024 | 2023 |
| Revenues: | | | | | | |
| Program Revenues: | | | | | | |
| Charges for Services | \$ 3,099,958 | \$ 3,117,891 | \$ 173,045,083 | \$ 174,014,503 | \$ 176,145,041 | \$ 177,132,394 |
| Operating Grants and Contributions | 24,945,233 | 22,922,171 | 3,211,846 | 2,565,027 | 28,157,079 | 25,487,198 |
| Capital Grants and Contributions | 26,124,671 | 19,782,403 | - | - | 26,124,671 | 19,782,403 |
| General Revenues: | | | | | | |
| Real Estate and Personal Property | 39,347,828 | 39,337,147* | - | - | 39,347,828 | 39,926,037 |
| Other Taxes (See Exhibit 2 for detail) | 47,773,274 | 37,337,633 | - | - | 47,773,274 | 37,337,633 |
| Investment income | 11,555,352 | 6,727,142 | 1,548,621 | 361,012 | 13,103,973 | 7,088,154 |
| Non-categorical state and federal aid | 41,021,087 | 29,686,148* | - | - | 41,021,087 | 29,097,258 |
| Miscellaneous | 2,985,783 | 4,413,162 | 6,532,671 | 3,585,639 | 9,518,454 | 7,998,801 |
| Total Revenues | <u>\$ 196,853,186</u> | <u>\$ 163,323,697</u> | <u>\$ 184,338,221</u> | <u>\$ 180,526,181</u> | <u>\$ 381,191,407</u> | <u>\$ 343,849,878</u> |
| Expenses: | | | | | | |
| General Government | \$ 20,614,530 | \$ 23,527,569 | \$ - | \$ - | \$ 20,614,530 | \$ 23,527,569 |
| Judicial Administration | 8,765,329 | 8,707,798 | - | - | 8,765,329 | 8,707,798 |
| Public Safety | 45,526,471 | 37,669,601 | - | - | 45,526,471 | 37,669,601 |
| Public Works | 21,614,114 | 32,836,105 | - | - | 21,614,114 | 32,836,105 |
| Health and Welfare | 17,712,302 | 16,717,355 | - | - | 17,712,302 | 16,717,355 |
| Parks, Recreation, and Culture | 8,448,121 | 3,817,048 | - | - | 8,448,121 | 3,817,048 |
| Community Development | 9,613,252 | 11,811,522 | - | - | 9,613,252 | 11,811,522 |
| Education (payment to school district) | 74,617,123 | 29,965,987 | - | - | 74,617,123 | 29,965,987 |
| Interest on Long Term Debt | 5,746,069 | 7,681,726 | - | - | 5,746,069 | 7,681,726 |
| Wastewater | - | - | 8,471,515 | 8,219,591 | 8,471,515 | 8,219,591 |
| Water | - | - | 10,696,751 | 8,086,869 | 10,696,751 | 8,086,869 |
| Gas | - | - | 16,622,999 | 22,343,693 | 16,622,999 | 22,343,693 |
| Electric | - | - | 126,360,788 | 125,057,358 | 126,360,788 | 125,057,358 |
| Transportation | - | - | 4,569,514 | 4,288,684 | 4,569,514 | 4,288,684 |
| Telecommunication | - | - | 974,311 | 958,129 | 974,311 | 958,129 |
| Sanitation | - | - | 4,900,515 | 4,493,294 | 4,900,515 | 4,493,294 |
| Cemetery Operations | - | - | 1,172,826 | 1,086,652 | 1,172,826 | 1,086,652 |
| Total Expenses | <u>\$ 212,657,311</u> | <u>\$ 172,734,711</u> | <u>\$ 173,769,219</u> | <u>\$ 174,534,270</u> | <u>\$ 386,426,530</u> | <u>\$ 347,268,981</u> |
| Subtotal Revenue over/(under) Expenses | <u>\$ (15,804,125)</u> | <u>\$ (9,411,014)</u> | <u>\$ 10,569,002</u> | <u>\$ 5,991,911</u> | <u>\$ (5,235,123)</u> | <u>\$ (4,335,309)</u> |
| Transfers | 14,588,000 | 15,109,000 | (14,588,000) | (15,109,000) | - | - |
| Increase/(Decrease) in Net Position | (1,216,125) | 5,697,986 | (4,018,998) | (9,117,089) | (5,235,123) | (3,419,103) |
| Beginning Net Position, as restated | 169,248,236 | 163,550,250 | 332,169,975 | 341,287,064 | 501,418,211 | 504,837,314 |
| Ending Net Position | <u>\$ 168,032,111</u> | <u>\$ 169,248,236</u> | <u>\$ 328,150,977</u> | <u>\$ 332,169,975</u> | <u>\$ 496,183,088</u> | <u>\$ 501,418,211</u> |

*Real Estate and Personal Property Revenue along with non-categorical state and federal aid was updated for FY2023 to account for Opioid Revenue reflected in the incorrect category.

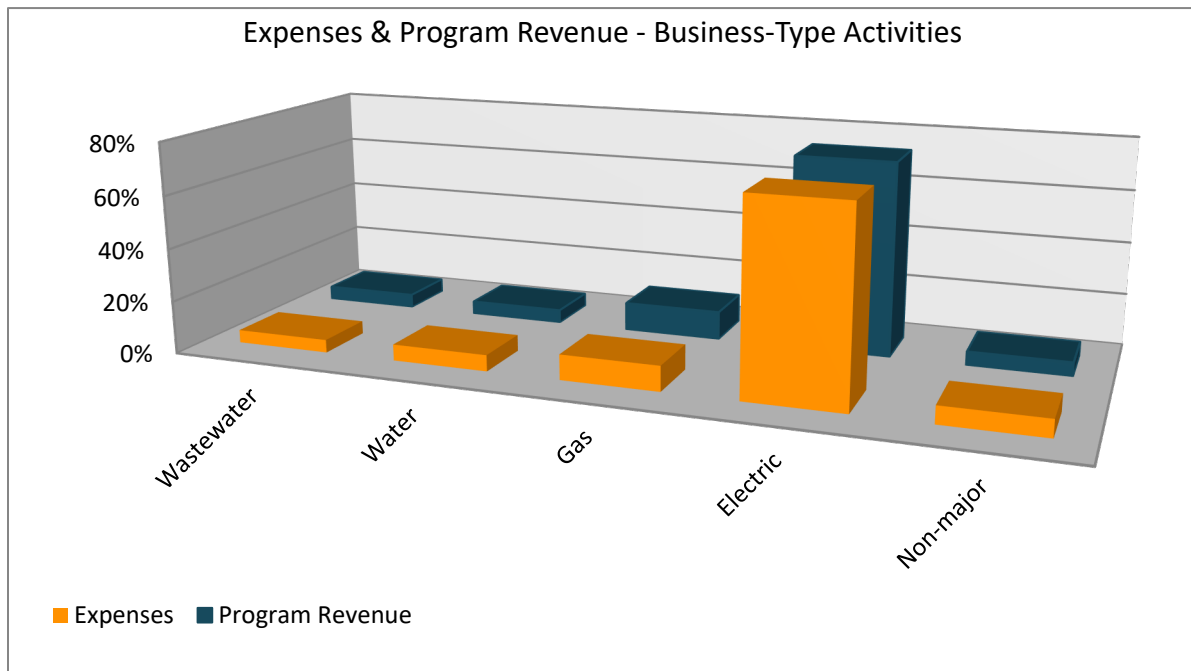
Governmental Activities - Governmental activities decreased the City's net position by \$1,216,125. This decrease is primarily attributed to the increase in expenditures offset by an increase in revenue. The largest expenditure increase was realized in Education due to major capital improvements being completed for the Danville Public School system including classroom renovations for George Washington High School, adding a STEM Academy and improvements to the Vocational Education and Career Technology Classes to include increased access to robotics and cyber security classes, a nursing lab, culinary arts and hospitality space, and skilled trades courses; renovations to the Langston School; constructing a new elementary school; and renovating the remaining elementary schools to eliminate the need for all trailer classrooms. Revenues realized increased as well primarily related to the following: 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 opening of the temporary casino.



Business-type Activities

Business-type activities decreased the City's net position by \$4,018,998. This decrease is primarily attributed to an increase in expenditures, due to increased supply costs and contract costs due to inflation, specifically in Water and Wastewater due to a spike in chemical prices along with increased salaries and benefits across all activities.



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 \$218,408,689, reflecting a decrease of \$13,323,846 when compared with the combined fund balance at June 30, 2023 of \$231,732,535. Twenty-three percent (\$51,145,585) of the combined governmental fund balance is unassigned fund balance, which is available for spending at the government's discretion. Seventy-four percent (\$162,436,847) 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 three percent (\$4,826,257) of fund balance is not spendable as it represents inventories or prepaid expenses (\$1,809,765) and investments for the perpetual care of the municipal cemetery (\$3,016,492).

General Fund - The General Fund, which is the chief operating fund of the City, reports a combined fund balance at June 30, 2024 of \$63,543,750. This is an increase of \$8,480,931 compared to last year's fund balance of \$55,062,819. The General Fund reported an unassigned fund balance of \$51,145,585 an increase of \$13,886,547 from the June 30, 2023, unassigned fund balance of \$37,259,038. 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 38% of total General Fund expenditures

while total fund balance represents 47% of total fund expenditures. When transfers out of \$12,629,625 are added to expenditures, then unassigned fund balance is 35% percent of expenditures and transfers out. The following table represents General Fund support shown as transfers out:

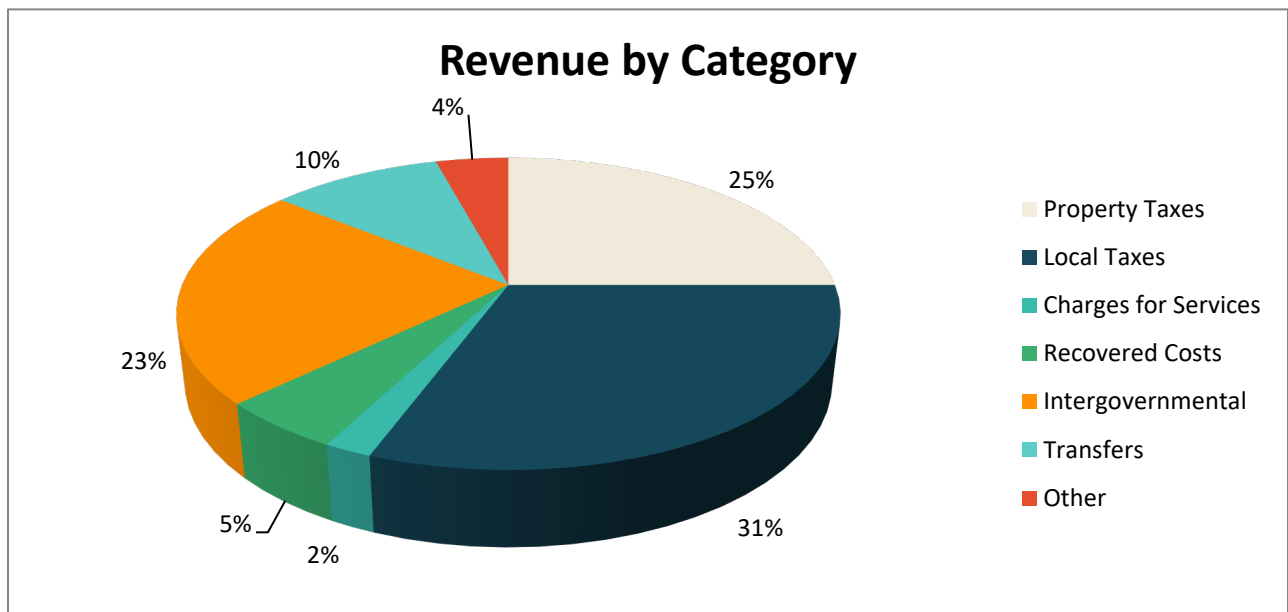
| | |
|---|----------------------|
| Support of CIP Projects | \$ 3,865,582 |
| Support of Regional Industrial Facility Authority | 370,136 |
| Support of Motorized Equipment | 571,380 |
| Support of Electric Capital Projects | 1,000,000 |
| Support of Grants | 1,623,927 |
| Support of Economic Development Incentives | 5,198,600 |
| Total | <u>\$ 12,629,625</u> |

The increase in fund balance of \$8,480,931 was almost identical to the increase from the prior year showing a decrease of \$177,680 from the fund balance increase of \$8,658,611 at June 30, 2023. The difference resulted from an increase in revenues of \$30,216,263 offset by an increase in expenditures of \$22,083,462.

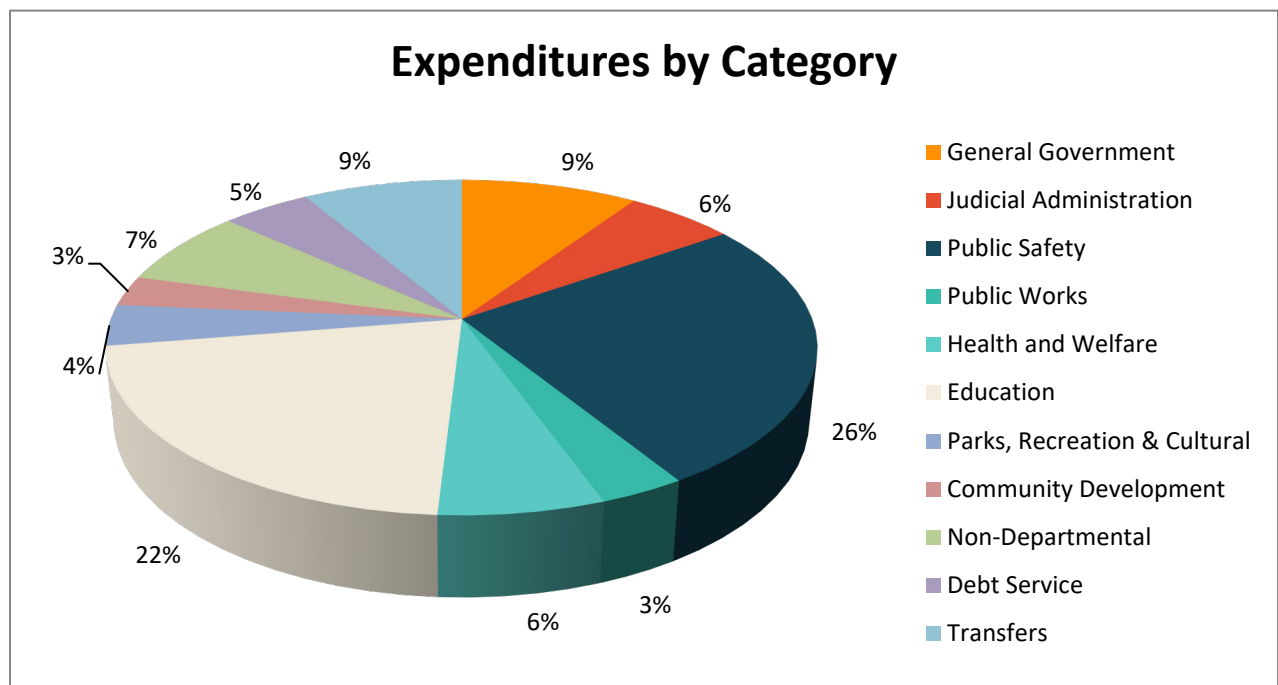
Some key factors of the change in fund balance are as follows:

- Property taxes increased \$1,019,177 primarily from natural growth within the real estate and personal property assessments.
- Other local taxes increased \$10,415,630 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 opening of the temporary casino resulted in \$6,062,290 of additional revenue as well.
- Intergovernmental revenues increased \$14,170,098 from the prior year primarily related to the opening of the temporary casino resulting in additional revenue from gaming tax of \$11,982,158.
- Public Safety expenditures came in \$3,172,556 over the prior year primarily due to increased salaries and benefits as the City tried to remain competitive in the tight labor market along with inflationary increases in supplies, particularly medical supplies at the City Jail facility.
- Education expenditures increased \$13,298,252 over the prior year primarily related to unexpended funding from FY 2023 of \$9,390,117 carried forward into FY 2024 along with an 11% budgeted increase of \$2,553,280 to fund operating increases.
- Community Development expenditures increased \$2,238,560 over the prior year primarily related to support of the Industrial Development Authority related to the White Mill construction along with increased marketing expenditures related to the new Visit SoSi branding.

The following graph depicts General Fund revenue by categories as a percent of total revenues for fiscal year ending June 30, 2024. Total revenues are \$156,325,411 including transfers in of \$15,588,000.



The next graph shows General Fund expenditures by category as a percent of total expenditures for fiscal year ending June 30, 2024. Total expenditures are \$147,844,480, including transfers out of \$12,629,625.



Community Development Fund – The Community Development Fund has a total fund balance of \$709,903 a decrease of \$28,554 from the prior year, of which the entire amount is assigned for various community development projects. Revenues decreased \$569,195 primarily related to a decrease in American Rescue Plan Act (ARPA) revenue realized as the funding for this program is expiring. Expenditures also decreased by \$507,856, again primarily due to the decrease of ARPA grant revenue, thus decreased program expenditures.

Capital Projects Fund – The Capital Projects Fund has a total fund balance of \$29,761,165 a decrease of \$80,128 from fiscal year 2023, of which the entire amount is either restricted or committed for various projects. Revenues and other financing sources decreased \$9,232,928, primarily attributed to the decrease in the issuance of leases and transfers in from the prior year. Expenditures and other financing sources decreased \$14,849,110 from the prior year primarily related to the new police headquarters placed into service during fiscal year 2023, offset by an increase in 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 \$104,150,833 a decrease of \$27,899,370 from the prior year, of which the entire amount is restricted for various projects throughout the City. Revenues and other financing sources increased slightly by \$813,052 primarily related to the issuance of bonds during fiscal year 2024 offset by a decrease in ARPA revenue realized as the funding for this program is expiring. Expenditures and other financing uses increased \$23,332,045 over the prior year primarily related to the capital improvement projects for the City's public schools.

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

Wastewater Fund – The net position of the Wastewater Fund increased \$368,580 compared to an increase of \$202,076 in the previous year. Operating revenues increased 259,999 primarily related to increased consumption seen in residential and commercial customers, while total operating expenses increased \$258,688 primarily from an increase in personnel costs.

Water Fund – The net position of the Water Fund decreased \$927,330 compared to a decrease of \$636,150 in the previous year. Operating revenues increased \$835,134, primarily related to a 5% rate increase effective July 1, 2023 along with increased consumption seen in the commercial and industrial customer classes, while total operating expenses increased \$2,627,162 due to increases in the contribution the Danville-Pittsylvania Regional Industrial Facility Authority, personnel costs and infrastructure repair costs.

Gas Fund – The net position of the Gas Fund increased \$299,290 compared to an increase of \$83,105 in the previous year. Operating revenues decreased \$6,246,753, primarily related to the significant decrease in natural gas prices during fiscal year 2024, which directly affects the rate charged to customers. Total operating expenses also decreased by \$5,716,223, again primarily related to the significant decrease in natural gas prices.

Electric Fund – The net position of the Electric Fund decreased \$2,528,857 compared to a decrease of \$7,297,522 in the previous year. Operating revenues increased \$3,869,436, primarily related to increased consumption in the commercial and industrial customer classes due in part to new industrial development. Total operating expenses also increased \$1,354,279 primarily from an increase in personnel costs and infrastructure repair and replacement costs.

The Enterprise funds reported a combined ending net position of \$328,150,977; a decrease of \$4,018,998 compared to a combined net position reported at June 30, 2023 of \$332,169,975. Each of the following enterprise funds contributed to the overall decrease with increases (decreases) as follows: Wastewater Fund, \$368,580; Water Fund, (\$927,330); Gas Fund, \$299,290; Electric Fund, (\$2,528,857); Transportation Fund (\$155,849); Sanitation Fund, (\$661,600); Telecommunications Fund, (\$124,021); and the Cemetery Operations Fund, (\$289,211). FY 2024 revenues from all sources combined, excluding contributed capital and transfers in, increased \$3,806,460 when compared to the previous fiscal year ended June 30, 2023. The details of this net increase in revenue result from the following:

| | | |
|---|----|-----------|
| Grants | \$ | 646,819 |
| Recovered Costs | \$ | (492,890) |
| Jobbing Income | \$ | 2,047,588 |
| Interest Income on Market Value Adjustments | \$ | 1,187,609 |
| Sales/Rentals/Gain on Disposals | \$ | 1,386,754 |
| Charges for Services | \$ | (969,420) |

The Utilities contributed a total of \$15,588,000 in transfers to the General Fund for fiscal year ending June 30, 2024. Enterprise Funds' net position of \$328,150,977 includes \$51,060,665 unrestricted, \$3,144 net pension asset and \$277,087,168 net investment in capital assets.

General Budgetary Highlights

City of Danville General Fund Budget Year Ended June 30, 2024

| | Original Budget | Amended Budget | Actual |
|---|--------------------|-------------------|----------------|
| Revenues, Transfers, and Other Financial Sources | | | |
| Taxes | \$ 91,931,140 | \$ 96,790,409 | \$ 104,375,939 |
| Intergovernmental | 29,423,780 | 32,128,398 | 35,817,212 |
| Transfers and Other | 15,588,000 | 15,741,411 | 16,132,260 |
| Total | 136,942,920 | 144,660,218 | 156,325,411 |
| Expenditures, Transfers, and Other Financial Uses | | | |
| Expenditures | 132,016,370 | 146,467,759 | 135,214,855 |
| Transfers and Other | 6,072,100 | 12,629,629 | 12,629,625 |
| Total | 138,088,470 | 159,097,388 | 147,844,480 |
| Change in Fund Balance | \$ (1,145,550) | \$ (14,437,170) | \$ 8,480,931 |

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 \$10,676,606

additional appropriations with matching revenues totaling \$8,004,848 and additional appropriations from fund balance totaling \$2,615,014:

Appropriations with matching revenue:

| | |
|--|---------------------|
| New Employees, Retiree Bonus, & Economic Development | \$ 3,000,000 |
| Splash Pad Construction & Underground Electric Lines | 2,000,000 |
| Capital Projects | 600,000 |
| Forfeited Funds | 62,770 |
| Special Pay - Sheriff, Police, and Recreation | 821,338 |
| Federal Aid | 59,559 |
| State Aid | 504,245 |
| Recoveries | 188,347 |
| Sale of Equipment | 37,533 |
| Recreation Rental Income | 88,726 |
| Various other Funding for Operational Purposes | 642,330 |
| Total Additional Appropriations | \$ 8,004,848 |

There were several significant variances between the final amended budget and the actual results in the General Fund, and can be briefly summarized as follows:

- Other local tax revenues were significantly higher than the amended budget by \$6,091,945. 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, and recordation fees. Local Sales Taxes were collected at 113% of budget, Business Licenses were at 107% of budget, and Prepared Meals Tax collections also exceeded estimates at 109% of budget. Areas contributing to the budget variance include:

| | |
|---------------------|--------------|
| Sales Tax | \$ 1,588,883 |
| Prepared Meals Tax | 1,035,143 |
| Business Licenses | 540,985 |
| Ceasars Minimum Fee | 1,742,123 |
| Others | 1,184,811 |

- General Property Tax collections were \$735,220 over budget. The primary components of this variance exist in the following areas:

| | |
|----------------------|------------|
| Real Estate | \$ 116,136 |
| Personal Property | 557,195 |
| Regional Partnership | (158,831) |
| Penalties & Interest | 220,720 |

- Use of money and property revenue was over the final amended budget by \$1,531,485. This variance was the result of increasing interest rates over the course of the fiscal year.
- Intergovernmental revenue was over the final amended budget by \$3,688,814 primarily related to the opening of the temporary casino resulting in unanticipated revenue from gaming tax.

Some key factors of unexpended appropriations are as follows:

- Public Safety expenditures came in \$4,688,373 under budget primarily due to general budgetary savings across all public safety departments, along with a decrease in worker's compensation claims. In addition, the timing of various police and fire department capital expenditures, including fire program expenditures in which the funds were budgeted but encumbered and reappropriated in the subsequent year.
- City support of Public Schools had an unexpended balance of \$2,968,559. 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 2025.
- Savings in the Health and Welfare sector of \$3,198,881 reflect lower utilization of Social Service programs.

Capital Assets and Debt Administration

Capital Assets

As of June 30, 2024, the City's capital asset investment for its governmental and business-type activities amounts to \$383,437,000 (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 \$25,712,997. 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 \$8.2 million were made to the infrastructure, such as streets, parking lots, and various public buildings, and facilities throughout the City. The City also spent \$9.7 million to upgrade parks, trails, and add splash pads throughout the City.
- Improvements amounting to \$4.1 million were made to the airport infrastructure in anticipation of increased traffic from the opening of the Casino.
- Approximately \$1.9 million was spent for new vehicles and equipment for public safety.

Long-term debt

At the end of the current fiscal year, the City of Danville had total outstanding debt of \$269,881,519 with \$70,014,927 of business-type activities debt supported by the individual funds, resulting in net bonded debt for governmental activities of \$199,866,592. Liabilities of \$6,967,946 for compensated absences and workers' compensation were excluded.

City of Danville
Long-term Debt Obligations
Year Ended June 30, 2024

| | Governmental Activities | | Business-type Activities | | Total | |
|--------------------------|-------------------------|----------------|--------------------------|---------------|----------------|----------------|
| | 2024 | 2023 | 2024 | 2023 | 2024 | 2023 |
| General Obligation Bonds | \$ 185,176,822 | \$ 179,737,290 | \$ 50,391,511 | \$ 54,507,710 | \$ 235,568,333 | \$ 234,245,000 |
| Promissory Note | 4,598,360 | 4,856,791 | - | - | 4,598,360 | 4,856,791 |
| Revenue Bonds | - | - | 17,900,000 | 6,480,000 | 17,900,000 | 6,480,000 |
| Lease Obligations | 10,091,410 | 10,749,446 | 1,093,416 | 608,955 | 11,184,826 | 11,358,401 |
| Other Long-term Payables | - | - | 630,000 | 720,000 | 630,000 | 720,000 |
| Total | \$ 199,866,592 | \$ 195,343,527 | \$ 70,014,927 | \$ 62,316,665 | \$ 269,881,519 | \$ 257,660,192 |

During fiscal year 2024, the City of Danville issued \$10,665,000 of General Obligation Public Improvement Bonds, Series 2024, consisting of new money to finance capital expenditures for general governmental projects and to pay costs of issuing the bonds. The City also issued \$11,420,000 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, 2024, debt to assessed value was 1.91%.

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

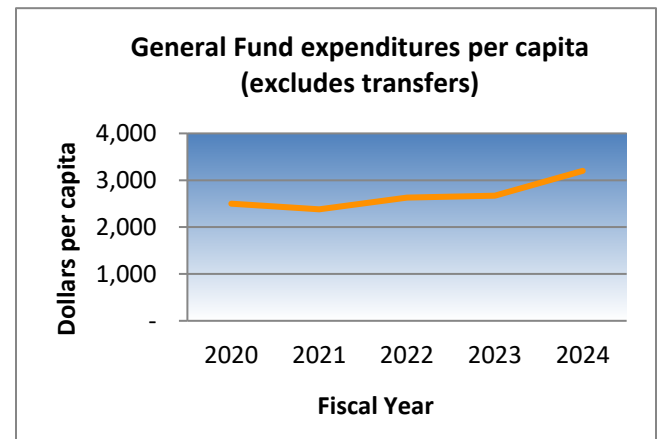
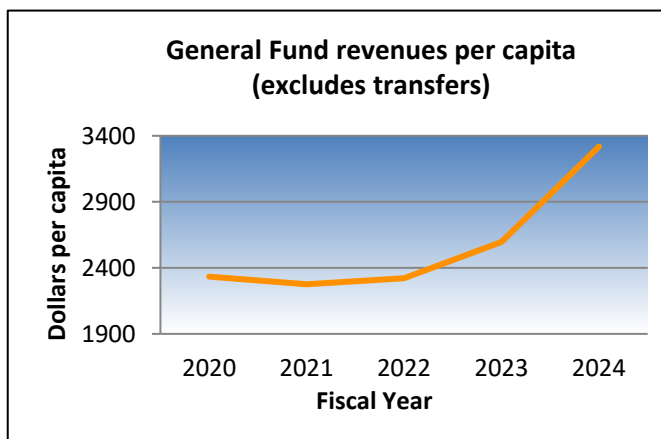
The approved \$164 million fiscal year 2025 General Fund budget included the following factors in the preparation and final approval.

- As of September 30, 2024, the average unemployment rate for the City of Danville was 4.7%, which is down slightly from the 4.8% rate at September 30, 2023. This rate was higher than the 2.9% state rate as well as the 4.1% national rate in September 2024.
- Danville continues to make economic, community, and workforce development a priority in its effort to reduce unemployment.
- Increases in both real estate assessments and personal property assessments along with natural growth will provide an additional \$4.8 million in revenue compared to fiscal year 2024.

- A total increase in other local tax revenue of \$17 million compared to the fiscal year 2024 approved budget. Specifically, this included projected increases in the state and local gaming revenue of \$12 million with the opening of the permanent casino, local sales tax revenue of \$1.6 million, meals tax revenue of \$1.2 million, business license revenue of \$842,000, hotel/motel tax revenue of \$1.1 million.
- Salary increases which will provide for an average increase of 5% based on pay-for-performance for City employees.
- There were no proposed rate changes in any of the utility funds.
- Danville has an estimated population of 42,248. The most recent data shows per capita income of \$38,650 for the Danville Metropolitan Area, a decrease of \$254 over the 2023 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 50% over the five-year period. Expenditures per capita have also trended upward over the last five years despite a slight decline in population. While Danville's population has declined for several years, it has now 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 upcoming 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 Financial Officer, 427 Patton Street, Danville, Virginia 24541.



BASIC FINANCIAL STATEMENTS



CITY OF DANVILLE, VIRGINIA

STATEMENT OF NET POSITION

June 30, 2024

| | Primary Government | | | Component Units | |
|--|-------------------------|--------------------------|----------------|-------------------------|----------------------------------|
| | Governmental Activities | Business-Type Activities | Totals | Danville Public Schools | Industrial Development Authority |
| ASSETS | | | | | |
| Cash and investments (Note 2) | | | | | |
| Unrestricted | \$ 98,013,070 | \$ 40,845,075 | \$ 138,858,145 | \$ 1,353,035 | \$ 7,692,881 |
| Restricted | 121,710,867 | 20,398,352 | 142,109,219 | - | 1,627,722 |
| Cash and investments – held by fiscal agents/escrow (Note 2) | 201,516 | - | 201,516 | - | - |
| Receivables, net (Note 4) | 21,636,885 | 22,321,810 | 43,958,695 | 305,525 | 32,720 |
| Due from primary government (Note 9) | - | - | - | 9,835,916 | 1,209,121 |
| Due from component unit (Note 9) | 3,072,719 | - | 3,072,719 | - | - |
| Due from other governments (Note 5) | 25,837,606 | 1,012,132 | 26,849,738 | 13,728,382 | 1,233,428 |
| Prepays and other | 1,321,629 | 40,872 | 1,362,501 | 151,754 | 5,781 |
| Inventories | 598,487 | 6,311,977 | 6,910,464 | 65,743 | - |
| Loans receivable, net (Note 7) | 1,000,771 | - | 1,000,771 | - | 2,930,336 |
| Lease and interest receivable (Note 12) | 234,685 | - | 234,685 | - | 7,586,718 |
| Net pension asset (Note 16) | 934,295 | 3,144 | 937,439 | 1,481,325 | - |
| Due from primary government, long-term (Note 9) | - | - | - | - | 11,820,000 |
| Property held for sale | - | - | - | - | 1,292,430 |
| Capital assets: (Note 10) | | | | | |
| Non-depreciable | 60,124,866 | 33,141,250 | 93,266,116 | 90,061,937 | 26,678,397 |
| Depreciable, net | 104,518,158 | 298,780,152 | 403,298,310 | 21,791,618 | 21,913,285 |
| Total assets | 439,205,554 | 422,854,764 | 862,060,318 | 138,775,235 | 84,022,819 |
| DEFERRED OUTFLOWS OF RESOURCES | | | | | |
| Deferred outflows of resources related to pensions (Note 16) | 16,263,656 | 2,725,093 | 18,988,749 | 14,210,384 | - |
| Deferred outflows related to other postemployment benefits (Notes 21 and 22) | 1,262,543 | - | 1,262,543 | 1,682,896 | - |
| Deferred loss on refunding | 573,056 | 1,078,647 | 1,651,703 | - | - |
| Total deferred outflows of resources | 18,099,255 | 3,803,740 | 21,902,995 | 15,893,280 | - |
| LIABILITIES | | | | | |
| Accounts payable | 14,982,178 | 13,606,952 | 28,589,130 | 12,243,831 | 6,848,554 |
| Accrued payroll and related liabilities | 4,894,349 | - | 4,894,349 | 3,517,418 | - |
| Accrued interest | 2,206,548 | 751,227 | 2,957,775 | 51,620 | 48,716 |
| Due to primary government (Note 9) | - | - | - | 3,072,719 | - |
| Due to component unit (Note 9) | 22,865,037 | - | 22,865,037 | - | - |
| Due to other governments | 499,726 | - | 499,726 | - | - |
| Refundable deposits | 368,960 | 4,217,291 | 4,586,251 | - | 97,956 |
| Unearned grants | 4,982,053 | - | 4,982,053 | 3,202,462 | 2,922 |
| Long-term liabilities: | | | | | |
| Due within one year (Note 11) | 14,279,419 | 6,410,829 | 20,690,248 | 1,718,471 | 2,786,062 |
| Due in more than one year: | | | | | |
| Net pension liability (Note 16) | - | - | - | 42,878,806 | - |
| Net other postemployment benefit liability (Notes 21 and 22) | 5,125,255 | - | 5,125,255 | 7,629,375 | - |
| Other long-term liabilities (Note 11) | 206,302,020 | 71,790,540 | 278,092,560 | 3,165,123 | 28,986,173 |
| Total liabilities | 276,505,545 | 96,776,839 | 373,282,384 | 77,479,825 | 38,770,383 |
| DEFERRED INFLOWS OF RESOURCES | | | | | |
| Taxes, business licenses, other (Note 14) | 8,087,012 | - | 8,087,012 | - | - |
| Deferred inflows of resources related to pensions (Note 16) | 1,613,474 | 57,541 | 1,671,015 | 5,273,434 | - |
| Deferred inflows related to other postemployment benefits (Notes 21 and 22) | 2,837,975 | - | 2,837,975 | 771,379 | - |
| Energy cost adjustment (Note 6) | - | 1,673,147 | 1,673,147 | - | - |
| Lease-related deferred inflows (Note 12) | 228,692 | - | 228,692 | - | 7,016,489 |
| Total deferred inflows of resources | 12,767,153 | 1,730,688 | 14,497,841 | 6,044,813 | 7,016,489 |
| NET POSITION | | | | | |
| Net investment in capital assets | 106,349,832 | 277,087,168 | 383,437,000 | 99,188,022 | 12,786,606 |
| Restricted for: | | | | | |
| Net pension asset | 934,295 | 3,144 | 937,439 | 1,481,325 | - |
| Revolving loan fund | - | - | - | - | 3,000,000 |
| Nonspendable: | | | | | |
| Cemetery perpetual care | 3,016,492 | - | 3,016,492 | - | - |
| Expendable: | | | | | |
| Grants and forfeiture funds | 5,312,195 | - | 5,312,195 | - | - |
| Unrestricted | 52,419,297 | 51,060,665 | 103,479,962 | (29,525,470) | 22,449,341 |
| Total net position | \$ 168,032,111 | \$ 328,150,977 | \$ 496,183,088 | \$ 71,143,877 | \$ 38,235,947 |

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, 2024

| 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 | \$ 20,614,530 | \$ 485,492 | \$ 2,173,894 | \$ 808,100 | \$ (17,147,044) | | \$ (17,147,044) | | |
| Judicial administration | 8,765,329 | 1,978,725 | 715,840 | - | (6,070,764) | | (6,070,764) | | |
| Public safety | 45,526,471 | 70,865 | 7,000,794 | - | (38,454,812) | | (38,454,812) | | |
| Public works | 21,614,114 | - | - | 25,316,571 | 3,702,457 | | 3,702,457 | | |
| Health and welfare | 17,712,302 | - | 13,007,626 | - | (4,704,676) | | (4,704,676) | | |
| Parks, recreation, and cultural | 8,448,121 | 564,719 | 19,008 | - | (7,864,394) | | (7,864,394) | | |
| Community development | 9,613,252 | 157 | 2,028,071 | - | (7,585,024) | | (7,585,024) | | |
| Education | 74,617,123 | - | - | - | (74,617,123) | | (74,617,123) | | |
| Interest and issuance costs on long-term debt | 5,746,069 | - | - | - | (5,746,069) | | (5,746,069) | | |
| Total governmental activities | 212,657,311 | 3,099,958 | 24,945,233 | 26,124,671 | (158,487,449) | | (158,487,449) | | |
| Business-type activities: | | | | | | | | | |
| Wastewater | 8,471,515 | 9,240,563 | - | - | | \$ 769,048 | 769,048 | | |
| Water | 10,696,751 | 9,022,517 | - | - | | (1,674,234) | (1,674,234) | | |
| Gas | 16,622,999 | 19,114,245 | - | - | | 2,491,246 | 2,491,246 | | |
| Electric | 126,360,788 | 129,627,184 | - | - | | 3,266,396 | 3,266,396 | | |
| Transportation | 4,569,514 | 342,168 | 3,211,846 | - | | (1,015,500) | (1,015,500) | | |
| Telecommunications | 974,311 | 898,585 | - | - | | (75,726) | (75,726) | | |
| Sanitation | 4,900,515 | 4,131,145 | - | - | | (769,370) | (769,370) | | |
| Cemetery operations | 1,172,826 | 668,676 | - | - | | (504,150) | (504,150) | | |
| Total business-type activities | 173,769,219 | 173,045,083 | 3,211,846 | - | | 2,487,710 | 2,487,710 | | |
| Total primary government | \$ 386,426,530 | \$ 176,145,041 | \$ 28,157,079 | \$ 26,124,671 | (158,487,449) | 2,487,710 | (155,999,739) | | |
| Component units: | | | | | | | | | |
| Danville Public Schools | \$ 124,631,162 | \$ 950,786 | \$ 62,703,010 | \$ 44,019,665 | - | - | - | \$ (16,957,701) | \$ - |
| Industrial Development Authority | 9,282,085 | 1,385,848 | 3,617,239 | - | - | - | - | - | (4,278,998) |
| Total component units | \$ 133,913,247 | \$ 2,336,634 | \$ 66,320,249 | \$ 44,019,665 | - | - | - | (16,957,701) | (4,278,998) |
| General revenues: | | | | | | | | | |
| Real estate and personal property taxes | | | | | 39,347,828 | - | 39,347,828 | - | - |
| Other taxes: | | | | | | | | | |
| Sales and use | | | | | 13,455,804 | - | 13,455,804 | - | - |
| Business and other licenses | | | | | 14,807,877 | - | 14,807,877 | - | - |
| Utility | | | | | 944,390 | - | 944,390 | - | - |
| Hotel and meals | | | | | 15,577,722 | - | 15,577,722 | - | - |
| Recordation and bank stock | | | | | 1,774,241 | - | 1,774,241 | - | - |
| Auto license and recordation | | | | | 1,213,240 | - | 1,213,240 | - | - |
| Contributions from City | | | | | - | - | - | 71,267,928 | 4,352,339 |
| Noncategorical state and federal aid | | | | | 41,021,087 | - | 41,021,087 | 27,914,704 | - |
| Investment income (loss) | | | | | 11,555,352 | 1,548,621 | 13,103,973 | 185,534 | 140,588 |
| Gain on sale of assets | | | | | 200,362 | 76,119 | 276,481 | - | - |
| Miscellaneous | | | | | 2,785,421 | 6,456,552 | 9,241,973 | 939,949 | 346,299 |
| Transfers | | | | | 14,588,000 | (14,588,000) | - | - | - |
| Change in net position | | | | | (1,216,125) | (4,018,998) | (5,235,123) | 83,350,414 | 560,228 |
| Net position – beginning | | | | | 169,248,236 | 332,169,975 | 501,418,211 | (12,206,537) | 37,675,719 |
| Net position – ending | | | | | \$ 168,032,111 | \$ 328,150,977 | \$ 496,183,088 | \$ 71,143,877 | \$ 38,235,947 |

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

CITY OF DANVILLE, VIRGINIA

**BALANCE SHEET –
GOVERNMENTAL FUNDS
June 30, 2024**

| | General | Community Development | Capital Projects | Special Revenue | Nonmajor Governmental Funds | Total |
|--|----------------------|----------------------------------|-----------------------------|----------------------------|--|-----------------------|
| ASSETS | | | | | | |
| Cash and investments | \$ 48,750,921 | \$ 5,448 | \$ 18,134,017 | \$ 12,807,366 | \$ 13,874,603 | \$ 93,572,355 |
| Cash and investments – restricted | 336,192 | - | 9,110,962 | 104,271,218 | 7,992,495 | 121,710,867 |
| Cash and investments – held by fiscal agents | 151,516 | - | - | - | - | 151,516 |
| Receivables, net | | | | | | |
| Taxes | 15,996,487 | - | - | - | - | 15,996,487 |
| Accounts | 4,937,398 | - | - | - | 8,007 | 4,945,405 |
| Lease and interest | 234,685 | - | - | - | - | 234,685 |
| Other | 682,755 | - | - | 12,000 | - | 694,755 |
| Due from other funds | 3,956,695 | - | - | - | - | 3,956,695 |
| Due from other governments | 9,684,307 | 703,652 | 5,615,212 | 9,834,435 | - | 25,837,606 |
| Due from component unit | 3,072,719 | - | - | - | - | 3,072,719 |
| Prepays | 299,462 | - | 872,133 | - | 150,034 | 1,321,629 |
| Inventories | 488,136 | - | - | - | - | 488,136 |
| Loans receivable, net | - | 1,000,771 | - | - | - | 1,000,771 |
| Total assets | \$ 88,591,273 | \$ 1,709,871 | \$ 33,732,324 | \$ 126,925,019 | \$ 22,025,139 | \$ 272,983,626 |
| LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES | | | | | | |
| Liabilities: | | | | | | |
| Accounts payable | \$ 3,005,632 | \$ 304,607 | \$ 3,971,159 | \$ 6,377,465 | \$ 1,160,980 | \$ 14,819,843 |
| Accrued payroll and related liabilities | 4,894,349 | - | - | - | - | 4,894,349 |
| Due to other funds | - | 603,991 | - | - | - | 603,991 |
| Due to component unit | - | - | - | 9,835,916 | 621,121 | 10,457,037 |
| Due to other governments | 499,726 | - | - | - | - | 499,726 |
| Unearned grants | - | - | - | 4,982,053 | - | 4,982,053 |
| Refundable deposits | 368,960 | - | - | - | - | 368,960 |
| Total liabilities | 8,768,667 | 908,598 | 3,971,159 | 21,195,434 | 1,782,101 | 36,625,959 |
| Deferred inflows of resources: | | | | | | |
| Lease related deferred inflows | 228,692 | - | - | - | - | 228,692 |
| Unavailable revenue | 16,050,164 | 91,370 | - | 1,578,752 | - | 17,720,286 |
| Total deferred inflows of resources | 16,278,856 | 91,370 | - | 1,578,752 | - | 17,948,978 |
| Fund balances: | | | | | | |
| Nonspendable | 787,598 | - | 872,133 | - | 3,166,526 | 4,826,257 |
| Restricted | 375,874 | - | 9,110,962 | 104,150,833 | 4,825,969 | 118,463,638 |
| Committed | 5,979,414 | - | - | - | - | 5,979,414 |
| Assigned | 5,255,279 | 709,903 | 19,778,070 | - | 12,250,543 | 37,993,795 |
| Unassigned | 51,145,585 | - | - | - | - | 51,145,585 |
| Total fund balances | 63,543,750 | 709,903 | 29,761,165 | 104,150,833 | 20,243,038 | 218,408,689 |
| Total liabilities, deferred inflows of resources, and fund balances | \$ 88,591,273 | \$ 1,709,871 | \$ 33,732,324 | \$ 126,925,019 | \$ 22,025,139 | \$ 272,983,626 |

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, 2024**

| | | |
|--|--------------------|------------------------------|
| Total fund balances – governmental funds | | \$ 218,408,689 |
| 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 | \$ 291,166,656 | |
| Accumulated depreciation | (136,621,176) | |
| Right-to-use lease assets, net | <u>10,097,544</u> | |
| | | 164,643,024 |
| Financial statement elements related to pensions are applicable to future periods and, therefore, are not reported in the funds. | | |
| Net pension asset | 934,295 | |
| Deferred outflows of resources related to pensions | 16,263,656 | |
| Deferred inflows of resources related to pensions | <u>(1,613,474)</u> | |
| | | 15,584,477 |
| 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 | (5,125,255) | |
| Net other postemployment benefit deferred outflows | 1,262,543 | |
| Net other postemployment benefit deferred inflows | <u>(2,837,975)</u> | |
| | | (6,700,687) |
| Certain other assets are also not available to pay for current period expenditures and, therefore, are reported as deferred inflows in the funds. | | |
| Deferred taxes | 6,529,087 | |
| Other receivables | <u>3,104,187</u> | |
| | | 9,633,274 |
| 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 | 4,544,787 | |
| Less: internal service fund capital assets | (3,843,632) | |
| Less: internal service fund net pension asset | (263) | |
| Less: internal service fund deferred outflows related to pensions | (228,010) | |
| Add: internal service fund deferred inflows related to pensions | 4,818 | |
| Add: internal service fund long-term liabilities | <u>608,565</u> | |
| | | 1,086,265 |
| Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds. | | |
| Long-term liabilities | (220,581,439) | |
| Due to component unit – IDA | (12,408,000) | |
| Accrued interest | (2,206,548) | |
| Deferred loss on refunding | <u>573,056</u> | |
| | | <u>(234,622,931)</u> |
| Total net position – governmental activities | | <u><u>\$ 168,032,111</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, 2024**

| | <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 | \$ 39,082,230 | \$ - | \$ - | \$ - | \$ - | \$ 39,082,230 |
| Other local taxes | 48,014,066 | - | - | - | - | 48,014,066 |
| Fines and forfeitures | 222,177 | - | - | - | - | 222,177 |
| Permits, privilege fees, and regulatory licenses | 629,148 | - | - | - | - | 629,148 |
| Revenue from use of money and property | 5,070,325 | - | - | 6,361,361 | 98,241 | 11,529,927 |
| Charges for services | 3,088,413 | - | - | - | - | 3,088,413 |
| Miscellaneous | 125,966 | 92,557 | - | 28,855 | 30,186 | 277,564 |
| Contributions | - | - | 7,402,987 | 808,099 | - | 8,211,086 |
| Recovered costs | 8,143,614 | - | 127,047 | 260,049 | 1,251,080 | 9,781,790 |
| Intergovernmental | 35,817,212 | 1,540,581 | 3,487,371 | 26,376,051 | 15,006,832 | 82,228,047 |
| Total revenues | 140,193,151 | 1,633,138 | 11,017,405 | 33,834,415 | 16,386,339 | 203,064,448 |
| EXPENDITURES | | | | | | |
| Current: | | | | | | |
| General government | 13,976,762 | - | 859,617 | 1,739,940 | 829,948 | 17,406,267 |
| Judicial administration | 8,654,948 | - | - | 177,295 | - | 8,832,243 |
| Public safety | 38,175,487 | - | 2,396,770 | 2,380,845 | - | 42,953,102 |
| Public works | 4,964,903 | - | 11,725,606 | 694,670 | 12,845,550 | 30,230,729 |
| Health and welfare | 9,521,517 | - | - | 7,692,408 | - | 17,213,925 |
| Education | 31,801,188 | - | 1,316,758 | 41,499,177 | - | 74,617,123 |
| Parks, recreation, and cultural | 5,850,364 | - | 10,110,169 | 671,470 | - | 16,632,003 |
| Community development | 4,287,922 | 1,661,692 | 715,282 | 66,326 | 3,132,264 | 9,863,486 |
| Nondepartmental | 10,967,814 | - | - | - | - | 10,967,814 |
| Debt service: | | | | | | |
| Principal | 4,980,633 | - | - | 1,370,000 | 60,001 | 6,410,634 |
| Interest | 1,749,568 | - | - | 4,966,725 | 15,273 | 6,731,566 |
| Bond issuance costs | 283,749 | - | - | - | - | 283,749 |
| Total expenditures | 135,214,855 | 1,661,692 | 27,124,202 | 61,258,856 | 16,883,036 | 242,142,641 |
| Excess (deficiency) of revenues over (under) expenditures | 4,978,296 | (28,554) | (16,106,797) | (27,424,441) | (496,697) | (39,078,193) |
| OTHER FINANCING SOURCES (USES) | | | | | | |
| Issuance of debt | - | - | 10,665,000 | - | - | 10,665,000 |
| Premium on bonds | 153,411 | - | 528,467 | - | - | 681,878 |
| Issuance of lease | 390,849 | - | - | - | - | 390,849 |
| Transfers in | 15,588,000 | - | 6,559,574 | 1,632,427 | 6,699,972 | 30,479,973 |
| Transfers out | (12,629,625) | - | (1,726,372) | (2,107,356) | - | (16,463,353) |
| Total other financing sources (uses) | 3,502,635 | - | 16,026,669 | (474,929) | 6,699,972 | 25,754,347 |
| Net change in fund balances | 8,480,931 | (28,554) | (80,128) | (27,899,370) | 6,203,275 | (13,323,846) |
| FUND BALANCES – Beginning | 55,062,819 | 738,457 | 29,841,293 | 132,050,203 | 14,039,763 | 231,732,535 |
| FUND BALANCES – Ending | \$ 63,543,750 | \$ 709,903 | \$ 29,761,165 | \$ 104,150,833 | \$ 20,243,038 | \$ 218,408,689 |

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, 2024**

Net change in fund balances – total governmental funds \$ (13,323,846)

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 | \$ | 25,497,587 | |
| Book value of capital assets disposed | | 201,210 | |
| Depreciation and amortization | | (9,727,237) | |
| | | | 15,971,560 |

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 | 6,410,634 | | |
| Issuance of debt | (10,665,000) | | |
| Premium on new bonds issued | (681,878) | | |
| Leases issued during the year | (390,849) | | |
| Amortization of premium | 879,211 | | |
| Amortization of deferred loss | (44,235) | | |
| Change in accrued interest | 71,058 | | |
| | | | (4,421,059) |

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. | (1,709,267) |
|---|-------------|

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. | 165,671 |
|---|---------|

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 | 580,000 | | |
| Change in workers' compensation | 277,896 | | |
| Change in compensated absences | (292,126) | | |
| | | | 565,770 |

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

1,571,068

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

(36,022)

| | | | |
|---|-----------|--------------------|--|
| Total change in net position – governmental activities | \$ | (1,216,125) | |
|---|-----------|--------------------|--|

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, 2024**

| | Budgeted Amounts | | | Variances with Final Budget Positive (Negative) |
|---|-------------------------|-----------------|---------------|--|
| | Original | Final | Actual | |
| REVENUES | | | | |
| Property taxes | \$ 38,347,010 | \$ 38,347,010 | \$ 39,082,230 | \$ 735,220 |
| Other local taxes | 40,230,430 | 41,922,121 | 48,014,066 | 6,091,945 |
| Fines and forfeitures | 277,760 | 277,760 | 222,177 | (55,583) |
| Permits, privilege fees, and regulatory licenses | 406,410 | 414,470 | 629,148 | 214,678 |
| Revenue from use of money and property | 1,538,840 | 3,538,840 | 5,070,325 | 1,531,485 |
| Charges for services | 3,859,960 | 3,955,496 | 3,088,413 | (867,083) |
| Miscellaneous | 35,810 | 134,233 | 125,966 | (8,267) |
| Recovered costs | 7,234,920 | 8,200,479 | 8,143,614 | (56,865) |
| Intergovernmental | 29,423,780 | 32,128,398 | 35,817,212 | 3,688,814 |
| Total revenues | 121,354,920 | 128,918,807 | 140,193,151 | 11,274,344 |
| EXPENDITURES | | | | |
| Current: | | | | |
| General government | 13,678,870 | 15,016,300 | 13,976,762 | 1,039,538 |
| Judicial administration | 8,879,170 | 9,378,110 | 8,654,948 | 723,162 |
| Public safety | 37,329,280 | 40,515,419 | 38,175,487 | 2,339,932 |
| Public works | 5,251,010 | 5,505,446 | 4,964,903 | 540,543 |
| Health and welfare | 10,361,270 | 11,029,990 | 9,521,517 | 1,508,473 |
| Education | 25,379,630 | 34,769,747 | 31,801,188 | 2,968,559 |
| Parks, recreation, and cultural | 6,182,340 | 6,328,679 | 5,850,364 | 478,315 |
| Community development | 3,525,950 | 4,941,012 | 4,287,922 | 653,090 |
| Nondepartmental | 14,540,270 | 11,922,270 | 10,967,814 | 954,456 |
| Debt service: | | | | |
| Principal | 5,019,910 | 5,025,368 | 4,980,633 | 44,735 |
| Interest | 1,868,670 | 1,751,665 | 1,749,568 | 2,097 |
| Bond issuance costs | - | 283,753 | 283,749 | 4 |
| Total expenditures | 132,016,370 | 146,467,759 | 135,214,855 | 11,252,904 |
| Deficiency of revenues under expenditures | (10,661,450) | (17,548,952) | 4,978,296 | 22,527,248 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Issuance of lease | - | - | 390,849 | 390,849 |
| Premium on bonds | - | 153,411 | 153,411 | - |
| Transfers in | 15,588,000 | 15,588,000 | 15,588,000 | - |
| Transfers out | (6,072,100) | (12,629,629) | (12,629,625) | 4 |
| Total other financing sources | 9,515,900 | 3,111,782 | 3,502,635 | 390,853 |
| Net change in fund balance | \$ (1,145,550) | \$ (14,437,170) | \$ 8,480,931 | \$ 22,918,101 |

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

CITY OF DANVILLE, VIRGINIA

**STATEMENT OF NET POSITION –
PROPRIETARY FUNDS
June 30, 2024**

| | Enterprise Funds | | | | | | Internal Service Funds |
|--|------------------|--------------|---------------|--------------|---------------------------------|---------------|------------------------------|
| | Wastewater | Water | Gas | Electric | Nonmajor Enterprise Funds | Total | |
| ASSETS | | | | | | | |
| CURRENT ASSETS | | | | | | | |
| Cash and investments | \$ 7,265,354 | \$ 7,650,640 | \$ 15,585,484 | \$ 8,107,466 | \$ 2,351,977 | \$ 40,960,921 | \$ 4,440,715 |
| Cash and investments – held by fiscal agents | - | - | - | - | - | - | 50,000 |
| Receivables, net | 1,303,777 | 2,395,832 | 1,531,849 | 16,739,929 | 350,423 | 22,321,810 | 238 |
| Due from other governments | - | - | - | - | 1,012,132 | 1,012,132 | - |
| Prepays | - | - | - | 40,872 | - | 40,872 | - |
| Inventories | - | 1,089,270 | 916,173 | 4,044,118 | 262,416 | 6,311,977 | 110,351 |
| Total current assets | 8,569,131 | 11,135,742 | 18,033,506 | 28,932,385 | 3,976,948 | 70,647,712 | 4,601,304 |
| NONCURRENT ASSETS | | | | | | | |
| Cash and investments – restricted | - | 6,312,463 | - | 14,085,889 | - | 20,398,352 | - |
| Net pension asset | 241 | 437 | 339 | 1,270 | 857 | 3,144 | 263 |
| Capital assets: | | | | | | | |
| Non-depreciable | 6,820,669 | 4,435,683 | 923,607 | 20,452,059 | 509,232 | 33,141,250 | - |
| Depreciable, net | 46,790,187 | 38,168,500 | 39,806,215 | 162,343,087 | 11,672,163 | 298,780,152 | 3,843,632 |
| Total noncurrent assets | 53,611,097 | 48,917,083 | 40,730,161 | 196,882,305 | 12,182,252 | 352,322,898 | 3,843,895 |
| Total assets | 62,180,228 | 60,052,825 | 58,763,667 | 225,814,690 | 16,159,200 | 422,970,610 | 8,445,199 |
| DEFERRED OUTFLOWS OF RESOURCES | | | | | | | |
| Deferred outflows related to pensions | 209,286 | 378,732 | 293,693 | 1,100,540 | 742,842 | 2,725,093 | 228,010 |
| Deferred loss on refunding | 78,868 | 76,872 | 39,796 | 883,111 | - | 1,078,647 | - |
| Total deferred outflows of resources | 288,154 | 455,604 | 333,489 | 1,983,651 | 742,842 | 3,803,740 | 228,010 |

(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, 2024**

| | Enterprise Funds | | | | Nonmajor Enterprise Funds | Total | Internal Service Funds |
|---|----------------------|----------------------|----------------------|-----------------------|---------------------------------|-----------------------|------------------------------|
| | Wastewater | Water | Gas | Electric | | | |
| LIABILITIES | | | | | | | |
| CURRENT LIABILITIES | | | | | | | |
| Bank overdraft | \$ - | \$ - | \$ - | \$ - | \$ 115,846 | \$ 115,846 | \$ - |
| Accounts payable | 489,234 | 929,457 | 894,814 | 11,090,735 | 202,712 | 13,606,952 | 162,335 |
| Accrued interest | 15,546 | 112,860 | 8,815 | 614,006 | - | 751,227 | - |
| Due to other funds | - | - | - | - | - | - | 3,352,704 |
| Refundable deposits | - | - | - | 4,197,291 | 20,000 | 4,217,291 | - |
| Long-term liabilities – due within one year | 157,457 | 475,148 | 192,221 | 5,138,458 | 447,545 | 6,410,829 | 153,450 |
| Total current liabilities | 662,237 | 1,517,465 | 1,095,850 | 21,040,490 | 786,103 | 25,102,145 | 3,668,489 |
| NONCURRENT LIABILITIES | | | | | | | |
| Long-term liabilities – due in more than one year | 993,110 | 11,733,688 | 588,522 | 57,592,685 | 882,535 | 71,790,540 | 455,115 |
| Total noncurrent liabilities | 993,110 | 11,733,688 | 588,522 | 57,592,685 | 882,535 | 71,790,540 | 455,115 |
| Total liabilities | 1,655,347 | 13,251,153 | 1,684,372 | 78,633,175 | 1,668,638 | 96,892,685 | 4,123,604 |
| DEFERRED INFLOWS OF RESOURCES | | | | | | | |
| Deferred inflows related to pensions | 4,423 | 8,003 | 6,206 | 23,212 | 15,697 | 57,541 | 4,818 |
| Energy cost adjustment | - | - | 235,984 | 1,437,163 | - | 1,673,147 | - |
| Total deferred inflows of resources | 4,423 | 8,003 | 242,190 | 1,460,375 | 15,697 | 1,730,688 | 4,818 |
| NET POSITION | | | | | | | |
| Net investment in capital assets | 52,539,874 | 37,019,044 | 40,146,271 | 135,707,689 | 11,674,290 | 277,087,168 | 3,297,137 |
| Restricted for: | | | | | | | |
| Net pension asset | 241 | 437 | 339 | 1,270 | 857 | 3,144 | 263 |
| Unrestricted | 8,268,497 | 10,229,792 | 17,023,984 | 11,995,832 | 3,542,560 | 51,060,665 | 1,247,387 |
| | <u>\$ 60,808,612</u> | <u>\$ 47,249,273</u> | <u>\$ 57,170,594</u> | <u>\$ 147,704,791</u> | <u>\$ 15,217,707</u> | <u>\$ 328,150,977</u> | <u>\$ 4,544,787</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, 2024**

| | Enterprise Funds | | | | Nonmajor Enterprise Funds | Total | Internal Service Funds |
|---|------------------|---------------|---------------|----------------|---------------------------------|----------------|------------------------------|
| | Wastewater | Water | Gas | Electric | | | |
| OPERATING REVENUES | | | | | | | |
| Charges for services | \$ 9,240,563 | \$ 9,022,517 | \$ 19,114,245 | \$ 129,627,184 | \$ 6,040,574 | \$ 173,045,083 | \$ 6,282,276 |
| OPERATING EXPENSES | | | | | | | |
| Purchased power and gas | - | - | 10,997,400 | 98,863,171 | - | 109,860,571 | - |
| Production | - | - | - | 3,526 | - | 3,526 | - |
| Transmission | 3,932,266 | 1,926,196 | - | 2,030,643 | - | 7,889,105 | - |
| Engineering | - | 246,135 | 270,869 | 1,393,429 | - | 1,910,433 | - |
| Distribution | 1,564,409 | 971,077 | 1,056,394 | 5,980,570 | - | 9,572,450 | - |
| Services | 103,792 | 156,290 | 47,021 | - | 10,323,882 | 10,630,985 | - |
| Depreciation and amortization | 1,999,704 | 1,565,884 | 1,605,427 | 8,333,188 | 1,288,241 | 14,792,444 | 1,076,516 |
| Meters/regulators | - | 167,458 | 136,918 | 526,532 | - | 830,908 | - |
| General and administrative | 833,720 | 5,283,940 | 2,488,129 | 7,421,574 | - | 16,027,363 | 6,244,330 |
| Total operating expenses | 8,433,891 | 10,316,980 | 16,602,158 | 124,552,633 | 11,612,123 | 171,517,785 | 7,320,846 |
| Operating income (loss) | 806,672 | (1,294,463) | 2,512,087 | 5,074,551 | (5,571,549) | 1,527,298 | (1,038,570) |
| NONOPERATING REVENUES (EXPENSES) | | | | | | | |
| Sales income | - | - | - | - | 201,566 | 201,566 | - |
| Jobbing income, net | 40,258 | 221,566 | 580,564 | 3,259,724 | - | 4,102,112 | - |
| Recovered costs | 5,250 | - | 421 | 9,848 | 117,157 | 132,676 | 29,902 |
| Gain (loss) on disposal of capital assets | - | (1,089) | 49,483 | 27,725 | - | 76,119 | 200,362 |
| Other income | - | - | - | - | 58,880 | 58,880 | - |
| Federal and state grants | - | - | - | - | 3,211,846 | 3,211,846 | - |
| Other contributions | 70,516 | 1,220,222 | - | - | 670,580 | 1,961,318 | 105,596 |
| Net change in the fair value of investments | 49,770 | 93,671 | 97,197 | 149,371 | 45,404 | 435,413 | 25,425 |
| Interest income | 139,498 | 178,834 | 279,709 | 393,689 | 121,478 | 1,113,208 | 69,883 |
| Interest expense | (37,624) | (379,771) | (20,841) | (1,808,155) | (5,043) | (2,251,434) | - |
| Total nonoperating revenues (expenses) | 267,668 | 1,333,433 | 986,533 | 2,032,202 | 4,421,868 | 9,041,704 | 431,168 |
| Income (loss) before transfers | 1,074,340 | 38,970 | 3,498,620 | 7,106,753 | (1,149,681) | 10,569,002 | (607,402) |
| Transfers | | | | | | | |
| Transfers in | - | - | - | 1,000,000 | - | 1,000,000 | 571,380 |
| Transfers out | (705,760) | (966,300) | (3,199,330) | (10,635,610) | (81,000) | (15,588,000) | - |
| Total | (705,760) | (966,300) | (3,199,330) | (9,635,610) | (81,000) | (14,588,000) | 571,380 |
| Change in net position | 368,580 | (927,330) | 299,290 | (2,528,857) | (1,230,681) | (4,018,998) | (36,022) |
| TOTAL NET POSITION – Beginning | 60,440,032 | 48,176,603 | 56,871,304 | 150,233,648 | 16,448,388 | 332,169,975 | 4,580,809 |
| TOTAL NET POSITION – Ending | \$ 60,808,612 | \$ 47,249,273 | \$ 57,170,594 | \$ 147,704,791 | \$ 15,217,707 | \$ 328,150,977 | \$ 4,544,787 |

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

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CITY OF DANVILLE, VIRGINIA

**STATEMENT OF CASH FLOWS –
PROPRIETARY FUNDS
Year Ended June 30, 2024**

| | Enterprise Funds | | |
|--|-------------------------|---------------|---------------|
| | Wastewater | Water | Gas |
| OPERATING ACTIVITIES | | | |
| Received from customers | \$ 9,151,667 | \$ 7,634,188 | \$ 18,939,797 |
| Received from interfund services | - | - | - |
| Payments to suppliers for goods and services | (5,535,251) | (7,700,564) | (13,071,045) |
| Payments to employees for services | (931,524) | (690,422) | (1,398,496) |
| Payments to internal service fund for interfund services | (247,391) | (51,948) | (72,396) |
| Other revenue | 45,508 | 221,566 | 580,985 |
| Net cash provided by (used in) operating activities | 2,483,009 | (587,180) | 4,978,845 |
| NONCAPITAL FINANCING ACTIVITIES | | | |
| Advances from other funds | - | - | - |
| Transfers to other funds | (705,760) | (966,300) | (3,199,330) |
| Operating grants received | - | - | - |
| Net cash provided by (used in) noncapital financing activities | (705,760) | (966,300) | (3,199,330) |
| CAPITAL AND RELATED FINANCING ACTIVITIES | | | |
| Acquisition of capital assets | (2,360,871) | (5,081,596) | (1,714,767) |
| Principal payments on long-term debt | (152,922) | (259,115) | (109,545) |
| Proceeds from issuance of debt | - | 3,062,076 | - |
| Interest payments on long-term debt | (43,059) | (432,028) | (23,846) |
| Cash proceeds from disposal of capital assets | 212,499 | - | 49,680 |
| Capital contributions | 70,516 | 1,220,222 | - |
| Net cash used in capital and related financing activities | (2,273,837) | (1,490,441) | (1,798,478) |
| INVESTING ACTIVITIES | | | |
| Interest on investments | 139,498 | 178,834 | 279,709 |
| Net activity in investment securities | 49,770 | 93,671 | 97,197 |
| Net cash provided by investing activities | 189,268 | 272,505 | 376,906 |
| Net increase (decrease) in cash and investments | (307,320) | (2,771,416) | 357,943 |
| CASH AND CASH EQUIVALENTS | | | |
| Beginning | 7,572,674 | 16,734,519 | 15,227,541 |
| Ending | \$ 7,265,354 | \$ 13,963,103 | \$ 15,585,484 |

(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 | |
| \$ 125,299,977 | \$ 5,951,123 | \$ 166,976,752 | \$ - |
| - | - | - | 6,282,549 |
| (111,581,402) | (4,799,592) | (142,687,854) | (4,606,023) |
| (5,444,748) | (3,963,304) | (12,428,494) | (1,100,882) |
| (283,753) | (932,079) | (1,587,567) | (329,121) |
| 3,269,572 | 240,904 | 4,358,535 | 29,902 |
| 11,259,646 | (3,502,948) | 14,631,372 | 276,425 |
| 1,000,000 | - | 1,000,000 | 844,644 |
| (10,635,610) | (81,000) | (15,588,000) | - |
| - | 3,097,440 | 3,097,440 | - |
| (9,635,610) | 3,016,440 | (11,490,560) | 844,644 |
| (16,286,354) | (1,095,274) | (26,538,862) | (1,277,190) |
| (3,860,326) | (87,414) | (4,469,322) | (122,150) |
| 9,696,573 | - | 12,758,649 | - |
| (2,149,656) | (5,043) | (2,653,632) | - |
| 28,246 | - | 290,425 | 206,795 |
| - | 670,580 | 1,961,318 | 105,596 |
| (12,571,517) | (517,151) | (18,651,424) | (1,086,949) |
| 393,689 | 121,478 | 1,113,208 | 69,883 |
| 149,371 | 45,404 | 435,413 | 25,425 |
| 543,060 | 166,882 | 1,548,621 | 95,308 |
| (10,404,421) | (836,777) | (13,961,991) | 129,428 |
| 32,597,776 | 3,188,754 | 75,321,264 | 4,361,287 |
| <u>\$ 22,193,355</u> | <u>\$ 2,351,977</u> | <u>\$ 61,359,273</u> | <u>\$ 4,490,715</u> |

CITY OF DANVILLE, VIRGINIA

**STATEMENT OF CASH FLOWS –
PROPRIETARY FUNDS
Year Ended June 30, 2024**

| | Enterprise Funds | | |
|---|-------------------------|----------------------|----------------------|
| | Wastewater | Water | Gas |
| RECONCILIATION TO EXHIBIT 8 | | | |
| Cash and investments | \$ 7,265,354 | \$ 7,650,640 | \$ 15,585,484 |
| Cash and investments – held by fiscal agents | - | - | - |
| Cash and investments – restricted | - | 6,312,463 | - |
| | <u>\$ 7,265,354</u> | <u>\$ 13,963,103</u> | <u>\$ 15,585,484</u> |
| RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES | | | |
| Operating income (loss) | \$ 806,672 | \$ (1,294,463) | \$ 2,512,087 |
| Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities: | | | |
| Depreciation and amortization | 1,999,704 | 1,565,884 | 1,605,427 |
| Pension expense net of employer contributions | 175,902 | 329,135 | 212,617 |
| Landfill postclosure care | - | - | - |
| Other revenue (expense) | 45,508 | 221,566 | 580,985 |
| Change in noncash employee benefits charged to operations | (720) | 16,438 | 8,768 |
| Change in operating assets and liabilities | | | |
| Change in receivables | (88,896) | (1,388,329) | (174,448) |
| Change in inventories | - | (95,764) | 148,953 |
| Change in prepaids | - | - | - |
| Change in accounts payable | (455,161) | 58,353 | 84,456 |
| Change in refundable deposits | - | - | - |
| | <u>\$ 2,483,009</u> | <u>\$ (587,180)</u> | <u>\$ 4,978,845</u> |
| Net cash provided by (used in) operating activities | | | |
| SUPPLEMENTAL CASH FLOW INFORMATION | | | |
| Capital asset additions obtained through leases liabilities | <u>\$ -</u> | <u>\$ 78,768</u> | <u>\$ 78,768</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 | |
| \$ 8,107,466 | \$ 2,351,977 | \$ 40,960,921 | \$ 4,440,715 |
| - | - | - | 50,000 |
| 14,085,889 | - | 20,398,352 | - |
| <u>\$ 22,193,355</u> | <u>\$ 2,351,977</u> | <u>\$ 61,359,273</u> | <u>\$ 4,490,715</u> |
| | | | |
| \$ 5,074,551 | \$ (5,571,549) | \$ 1,527,298 | \$ (1,038,570) |
| | | | |
| 8,333,188 | 1,288,241 | 14,792,444 | 1,076,516 |
| 984,505 | 622,462 | 2,324,621 | 241,372 |
| - | (90,000) | (90,000) | - |
| 3,269,572 | 240,904 | 4,358,535 | 29,902 |
| 56,922 | 35,788 | 117,196 | (6,988) |
| (4,402,755) | (89,451) | (6,143,879) | 273 |
| (1,105,825) | (78,084) | (1,130,720) | 22,612 |
| (40,872) | - | (40,872) | - |
| (985,188) | 138,741 | (1,158,799) | (48,692) |
| 75,548 | - | 75,548 | - |
| <u>\$ 11,259,646</u> | <u>\$ (3,502,948)</u> | <u>\$ 14,631,372</u> | <u>\$ 276,425</u> |
| | | | |
| <u>\$ 360,395</u> | <u>\$ 296,391</u> | <u>\$ 814,322</u> | <u>\$ -</u> |

CITY OF DANVILLE, VIRGINIA

STATEMENT OF FIDUCIARY NET POSITION –
FIDUCIARY FUNDS

June 30, 2024

| | Pension Trust Fund Employees' Retirement Plan | Custodial Fund Veterans' Memorial Fund |
|---|--|---|
| ASSETS | | |
| Cash | \$ 52,186 | \$ 1,939 |
| Receivables | | |
| Accrued interest and dividends | 833,022 | - |
| Other receivables | 159,738 | - |
| Total receivables | 992,760 | - |
| Investments – at fair value: | | |
| Common stocks and common stock funds | 136,746,672 | - |
| Corporate bonds and bond funds | 28,469,023 | - |
| Foreign stock funds | 33,267,979 | - |
| U.S. Government bond funds | 27,769,794 | - |
| Real estate funds | 39,554,841 | - |
| Real estate – timberland and timberland funds | 12,912,393 | - |
| Temporary cash investments | 4,944,610 | - |
| Private equity funds | 8,079,099 | - |
| Other | 30 | - |
| Total investments | 291,744,441 | - |
| Total assets | 292,789,387 | 1,939 |
| LIABILITIES | | |
| Accounts payable | 227,143 | - |
| Total liabilities | 227,143 | - |
| NET POSITION | | |
| Restricted for: | | |
| Pensions | 292,562,244 | - |
| Individuals, organizations, and other governments | - | 1,939 |
| Total net position | \$ 292,562,244 | \$ 1,939 |

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, 2024**

| | Employees’ Retirement Plan | Veterans’ Memorial Fund |
|---|---|--|
| ADDITIONS | | |
| Contributions | | |
| Employer contributions | \$ 3,901,259 | \$ - |
| Member contribution | 563,290 | - |
| | <u>4,464,549</u> | <u>-</u> |
| Investment earnings | | |
| Net appreciation in fair value of investments | 18,108,640 | - |
| Interest | 3,485,499 | - |
| Dividends | 2,725,157 | - |
| | <u>24,319,296</u> | <u>-</u> |
| Total investment income | 24,319,296 | - |
| Less – investment expenses | <u>(916,560)</u> | <u>-</u> |
| Net investment income | <u>23,402,736</u> | <u>-</u> |
| Total additions | <u>27,867,285</u> | <u>-</u> |
| DEDUCTIONS | | |
| Benefits paid to participants | 17,321,366 | - |
| Refunds to former members | 311,217 | - |
| Payments to benefit individuals | - | 510 |
| Administrative expenses | 138,504 | - |
| | <u>17,771,087</u> | <u>510</u> |
| Total deductions | 17,771,087 | 510 |
| Change in net position | 10,096,198 | (510) |
| NET POSITION, Beginning | <u>282,466,046</u> | <u>2,449</u> |
| NET POSITION, Ending | <u><u>\$ 292,562,244</u></u> | <u><u>\$ 1,939</u></u> |

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

CITY OF DANVILLE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

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, 2024

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, 2024, the City provided \$698,380 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, 2024, the City provided approximately \$370,000 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, 2024

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, 2024

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, 2024

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, 2024

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, 2024

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, 2024

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, 2024

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, 2024

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, 2024

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, 2024

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, 2024

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, 2024

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, 2024

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, 2024

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 | \$ 7,474,310 | 4.13 |
| Municipal taxable bonds | 2,318,558 | 1.26 |
| U.S. government bonds | 59,492,865 | 1.27 |
| State bonds | 1,697,075 | 0.80 |
| Certificates of deposit | 14,046,291 | 0.59 |
| LGIP | 7,252,080 | N/A |
| SNAP | <u>133,780,531</u> | N/A |
| | <u><u>\$ 226,061,710</u></u> | |

City investments by credit rating consist of the following:

| <u>Rating (Moody's or S&P)</u> | <u>Carrying Value</u> |
|---|------------------------------|
| AA- | \$ 496,010 |
| AA | 2,495,025 |
| AA+ | 65,829,248 |
| AAA | 2,162,525 |
| AAAm | 141,032,611 |
| Unrated | <u>14,046,291</u> |
| | <u><u>\$ 226,061,710</u></u> |

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

CITY OF DANVILLE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

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 | \$ - | \$ 1,697,075 | \$ - | \$ 1,697,075 |
| Municipal bonds | - | 2,318,558 | - | 2,318,558 |
| U.S. government bonds | - | 59,492,865 | - | 59,492,865 |
| Municipal non-taxable bonds | - | 7,474,310 | - | 7,474,310 |
| | <u>\$ -</u> | <u>\$ 70,982,808</u> | <u>\$ -</u> | <u>\$ 70,982,808</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 | \$ 54,818,354 | \$ 521,861 | \$ 9,320,603 |
| Cash on hand | 87,300 | 589 | - |
| Money market fund – held by custodian in escrow | 201,516 | - | - |
| Bonds | 70,982,808 | - | - |
| Certificates of deposit | 14,046,291 | - | - |
| LGIP | 7,252,080 | 830,585 | - |
| SNAP | 133,780,531 | - | - |
| | <u>\$ 281,168,880</u> | <u>\$ 1,353,035</u> | <u>\$ 9,320,603</u> |
| Statement of net position: | | | |
| Cash and investments – unrestricted | \$ 138,858,145 | \$ 1,353,035 | \$ 7,692,881 |
| Cash and investments – restricted | 142,109,219 | - | 1,627,722 |
| Cash held by custodian in escrow | 201,516 | - | - |
| | <u>\$ 281,168,880</u> | <u>\$ 1,353,035</u> | <u>\$ 9,320,603</u> |

(Continued)

CITY OF DANVILLE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

Note 2. Deposits and Investments (Continued)

Investments (Continued)

Restricted cash at June 30, 2024, consisted of:

| | <u>Primary Government</u> |
|------------------------------------|--------------------------------------|
| Unspent bond proceeds | \$ 133,780,532 |
| Unspent grants | 4,976,003 |
| Cemetery perpetual care | 3,016,492 |
| State and federal forfeiture funds | 336,192 |
| | <u>\$ 142,109,219</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, 2024

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, 2024, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 8.56%. 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, 2024:

| Investment Type | Fair Value | Investment Maturities (in years) | | | |
|---------------------------------------|----------------------|----------------------------------|----------------------|---------------------|----------------------|
| | | Less than 1 | 1 – 6 | 6 – 10 | More than 10 |
| Corporate bonds | \$ 24,374,290 | \$ 1,534,204 | \$ 12,004,801 | \$ 3,172,477 | \$ 7,662,808 |
| Government backed CMOs | 18,422,953 | - | | 11,731 | 18,411,222 |
| Government bonds | 8,281,698 | - | 817,226 | 3,443,448 | 4,021,024 |
| Non-government backed CMOs | 1,265,411 | - | - | - | 1,265,411 |
| Government CMBS | 842,360 | - | - | - | 842,360 |
| Asset-back securities | 2,829,322 | - | 2,829,322 | - | - |
| Government agencies | 222,783 | - | - | - | 222,783 |
| | | <u>\$ 1,534,204</u> | <u>\$ 15,651,349</u> | <u>\$ 6,627,656</u> | <u>\$ 32,425,608</u> |
| Temporary cash investments | <u>4,944,610</u> | | | | |
| Total – subject to interest rate risk | <u>\$ 61,183,427</u> | | | | |

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

| | |
|--------------------------------|----------------------|
| Temporary cash investments | \$ 4,944,610 |
| Corporate bonds and bond funds | 28,469,023 |
| U.S. government bonds | <u>27,769,794</u> |
| | <u>\$ 61,183,427</u> |

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

(Continued)

CITY OF DANVILLE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

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, 2024 is as follows:

| Investment Type/Rating | AAA | AA | A | BBB | U.S. Government Guaranteed | Not rated | Total |
|-----------------------------------|---------------------|---------------------|----------------------|----------------------|---|---------------------|----------------------|
| Government agencies | \$ - | \$ 222,783 | \$ - | \$ - | \$ - | \$ - | \$ 222,783 |
| Non-Government | | | | | | | |
| Back CMOS | 187,852 | - | - | - | - | 1,077,559 | 1,265,411 |
| Government backed | | | | | | | |
| CMOS | - | - | - | - | 18,422,953 | - | 18,422,953 |
| Government bond funds | - | - | - | - | 8,281,698 | - | 8,281,698 |
| Government CMBS | - | - | - | - | 842,360 | - | 842,360 |
| Asset backed securities | 2,188,494 | - | - | - | - | 640,828 | 2,829,322 |
| Corporate bond funds | 236,279 | 806,345 | 10,400,375 | 12,931,291 | - | - | 24,374,290 |
| Short-term investments | - | - | - | - | - | 4,944,610 | 4,944,610 |
| | <u>\$ 2,612,625</u> | <u>\$ 1,029,128</u> | <u>\$ 10,400,375</u> | <u>\$ 12,931,291</u> | <u>\$ 27,547,011</u> | <u>\$ 6,662,997</u> | <u>\$ 61,183,427</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, 2024. These investments were in private equity and real estate funds, which had a fair value of \$20,991,492 and unfunded commitments of \$6,660,378 at June 30, 2024.

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, 2024

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, 2024:

| | <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 | \$ 136,746,672 | \$ - | \$ - | \$ 136,746,672 |
| International equity funds | <u>33,267,979</u> | <u>-</u> | <u>-</u> | <u>33,267,979</u> |
| Total equity securities | <u>170,014,651</u> | <u>-</u> | <u>-</u> | <u>170,014,651</u> |
| Debt securities | | | | |
| Corporate bond funds | - | 24,374,290 | - | 24,374,290 |
| U.S. government bond funds | - | 8,504,481 | - | 8,504,481 |
| Collateralized mortgage obligation | - | 20,530,724 | - | 20,530,724 |
| Other fixed income | <u>-</u> | <u>2,829,352</u> | <u>-</u> | <u>2,829,352</u> |
| Total debt securities | <u>-</u> | <u>56,238,847</u> | <u>-</u> | <u>56,238,847</u> |
| Total investments by fair value level | <u><u>\$ 170,014,651</u></u> | <u><u>\$ 56,238,847</u></u> | <u><u>\$ -</u></u> | |
| Investments measured at NAV | | | | |
| Real estate | | | | |
| Real estate funds | | | | 39,554,841 |
| Real estate funds – timberland | | | | <u>12,912,393</u> |
| Total real estate funds | | | | 52,467,234 |
| Private equity funds | | | | <u>8,079,099</u> |
| Total investments measured at NAV | | | | <u>60,546,333</u> |
| Total investments measured at fair value | | | | <u><u>\$ 286,799,831</u></u> |

(Continued)

CITY OF DANVILLE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

Note 2. Deposits and Investments (Continued)

Employees' Retirement System Investments (Continued)

Fair value (Continued)

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

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

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

Investments Measured at NAV

Investments measured at NAV per share are as follows:

| | <u>Fair Value</u> | <u>Unfunded Commitments</u> | <u>Redemption Frequency (If Currently Eligible)</u> | <u>Redemption Notice Period</u> |
|--------------------------------------|----------------------|---------------------------------|---|-------------------------------------|
| Real estate funds | \$ 39,554,841 | \$ - | Quarterly | 90 or 10 day, varies per fund |
| Real estate funds – timberland | 12,912,393 | 509,540 | Not eligible | N/A |
| Private equity funds | <u>8,079,099</u> | <u>6,150,838</u> | Not eligible | N/A |
| Total investments measured at NAV | <u>\$ 60,546,333</u> | <u>\$ 6,660,378</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, 2024

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 2024 was \$0.83 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, 2024 includes amounts not yet received from the January 1, 2024 levy due June 5, 2024. Personal property taxes are billed in equal semi-annual installments due June 5 and December 5. The tax rate for fiscal year 2024 was \$3.45 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, 2024

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 | \$ 18,741,446 | \$ - | \$ - | \$ - |
| Accounts | 2,132,682 | 28,974,944 | - | 32,720 |
| Demolition | 2,135,741 | - | - | - |
| Public works | 629,973 | - | - | - |
| Accrued interest | 682,755 | - | - | - |
| Miscellaneous | 3,453,228 | - | 305,525 | - |
| | 27,775,825 | 28,974,944 | 305,525 | 32,720 |
| Less: allowance for doubtful accounts | (6,138,940) | (6,653,134) | - | - |
| Net receivables | <u>\$ 21,636,885</u> | <u>\$ 22,321,810</u> | <u>\$ 305,525</u> | <u>\$ 32,720</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 | \$ - | \$ 1,012,132 | \$ - | \$ - |
| Education grants | - | - | 13,728,382 | - |
| State compensation board funding | 1,013,608 | - | - | - |
| Social services funding | 978,163 | - | - | - |
| Other miscellaneous state and federal grants | 1,583,044 | - | - | 1,225,626 |
| Sales and communication taxes | 7,552,112 | - | - | - |
| DPRIFA true-up | 1,945,464 | - | - | - |
| Other miscellaneous funds | 12,765,215 | - | - | 7,802 |
| | <u>\$ 25,837,606</u> | <u>\$ 1,012,132</u> | <u>\$ 13,728,382</u> | <u>\$ 1,233,428</u> |

(Continued)

CITY OF DANVILLE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

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.

Loans receivable consist of the following:

| | |
|---------------------------------------|----------------------------|
| Revitalization loans | \$ 265,376 |
| Deferred loans | 274,150 |
| Low interest loans | 548,793 |
| Forgivable loans | <u>2,623,952</u> |
| | 3,712,271 |
| Less: allowance for doubtful accounts | <u>(2,711,500)</u> |
| | <u><u>\$ 1,000,771</u></u> |

(Continued)

CITY OF DANVILLE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

Note 7. Loans Receivable (Continued)

IDA notes receivable consist of loans to companies to provide support and economic development. The 2011 incentive agreement loan relates to an economic incentive agreement awarded in March 2011, and will be forgiven if performance requirements are met by the recipient. The special project revolving loan, with a balance of \$2,742,380 as of June 30, 2024, was awarded by the IDA to support a construction project at 123 South Union. This loan bears interest of 4% per annum and is due in full in fiscal year 2025. It is guaranteed by a personal guarantee up to \$2,000,000. Other notes receivable consist of various economic development loans to companies. Balances are due over time, are not expected to be collected in full within one year, and bear interest at 4% per annum.

Based on the IDA's analysis of loans at June 30, 2024, \$26,393 was recorded as an allowance. Management evaluates the performance and payment history of companies annually in determining the required allowance.

IDA notes receivable consist of the following:

| | |
|--------------------------------------|----------------------------|
| 2011 Incentive agreement loan | \$ 150,000 |
| Special project revolving loan | 2,742,380 |
| Other loans receivable | <u>64,349</u> |
| | 2,956,729 |
| Less allowance for doubtful accounts | <u>(26,393)</u> |
| Total IDA notes receivable | <u><u>\$ 2,930,336</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 | \$ 603,991 | \$ 603,991 |
| Motorized Equipment | 2,965,622 | 2,965,622 |
| Central Services | <u>387,082</u> | <u>387,082</u> |
| | <u><u>\$ 3,956,695</u></u> | <u><u>\$ 3,956,695</u></u> |

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

(Continued)

CITY OF DANVILLE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

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 | \$ 15,588,000 | \$ (12,629,625) | \$ 2,958,375 |
| Community Development Fund | | | |
| Capital Projects Fund | 6,559,574 | (1,726,372) | 4,833,202 |
| Special Revenue Fund | 1,632,427 | (2,107,356) | (474,929) |
| Economic Development Fund | 6,699,972 | - | 6,699,972 |
| | <u>\$ 30,479,973</u> | <u>\$ (16,463,353)</u> | <u>\$ 14,016,620</u> |
| Enterprise Funds: | | | |
| Wastewater Fund | \$ - | \$ (705,760) | \$ (705,760) |
| Water Fund | - | (966,300) | (966,300) |
| Gas Fund | - | (3,199,330) | (3,199,330) |
| Electric Fund | 1,000,000 | (10,635,610) | (9,635,610) |
| Telecommunication Fund | - | (81,000) | (81,000) |
| Internal Service Fund | 571,380 | - | 571,380 |
| | <u>\$ 1,571,380</u> | <u>\$ (15,588,000)</u> | <u>\$ (14,016,620)</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 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, 2024

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>\$ 22,865,037</u> | <u>\$ 3,072,719</u> |
| Component Units: | | |
| Danville Public Schools | \$ 3,072,719 | \$ 9,835,916 |
| Danville Industrial Development Authority – loan | - | 621,121 |
| Danville Industrial Development Authority – loan | <u>-</u> | <u>12,408,000</u> |
| | 3,072,719 | 22,865,037 |
| Less: long-term portion | <u>-</u> | <u>(11,820,000)</u> |
| Current portion | <u>\$ 3,072,719</u> | <u>\$ 11,045,037</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 \$621,121 receivable from the City for property maintenance at June 30, 2024.

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> |
| 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>\$ 12,408,000</u> | <u>\$ 393,474</u> |

(Continued)

CITY OF DANVILLE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

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 | 28,518,668 | 25,418,382 | (14,929,121) | 39,007,929 |
| Total capital assets, not depreciated | 49,635,605 | 25,418,382 | (14,929,121) | 60,124,866 |
| Capital assets, depreciated: | | | | |
| Buildings | 74,200,722 | 4,533,559 | - | 78,734,281 |
| Infrastructure | 85,787,273 | 5,794,932 | - | 91,582,205 |
| Furniture and other equipment | 58,344,937 | 4,534,636 | (2,154,267) | 60,725,306 |
| Total capital assets, depreciated | 218,332,932 | 14,863,127 | (2,154,267) | 231,041,792 |
| Less accumulated depreciation: | | | | |
| Buildings | (34,914,683) | (2,317,527) | - | (37,232,210) |
| Infrastructure | (50,346,679) | (2,779,846) | - | (53,126,525) |
| Furniture and other equipment | (45,137,928) | (3,479,992) | 2,355,477 | (46,262,443) |
| Total accumulated depreciation | (130,399,290) | (8,577,365) | 2,355,477 | (136,621,176) |
| Total capital assets, depreciated, net | 87,933,642 | 6,285,762 | 201,210 | 94,420,614 |
| Lease assets: | | | | |
| Building | 10,165,038 | 390,849 | - | 10,555,887 |
| Equipment | 1,854,928 | - | - | 1,854,928 |
| Total lease assets | 12,019,966 | 390,849 | - | 12,410,815 |
| Less accumulated amortization: | | | | |
| Building | (630,945) | (821,715) | - | (1,452,660) |
| Equipment | (532,454) | (328,157) | - | (860,611) |
| Total accumulated amortization | (1,163,399) | (1,149,872) | - | (2,313,271) |
| Total lease assets being amortized, net | 10,856,567 | (759,023) | - | 10,097,544 |
| Governmental activities capital assets, net | <u>\$ 148,425,814</u> | <u>\$ 30,945,121</u> | <u>\$ (14,727,911)</u> | <u>\$ 164,643,024</u> |

(Continued)

CITY OF DANVILLE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

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 | \$ 3,295,163 |
| Judicial administration | 69,772 |
| Public safety | 2,519,105 |
| Public works | 3,283,102 |
| Health and welfare | 15,546 |
| Parks, recreation, and cultural | 390,285 |
| Community development | 154,264 |
| | <u>\$ 9,727,237</u> |

| Business-Type Activities | Beginning Balance | Increases | Decreases | Ending Balance |
|--|--------------------------|----------------------|------------------------|-----------------------|
| Capital assets, not depreciated: | | | | |
| Land | \$ 1,493,238 | \$ - | \$ - | \$ 1,493,238 |
| Construction in progress | 19,671,528 | 25,166,088 | (13,189,604) | 31,648,012 |
| Total capital assets, not depreciated | 21,164,766 | 25,166,088 | (13,189,604) | 33,141,250 |
| Capital assets, depreciated: | | | | |
| Buildings and infrastructure | 498,275,032 | 13,016,076 | - | 511,291,108 |
| Furniture and other equipment | 81,375,566 | 1,873,390 | (862,299) | 82,386,657 |
| Total capital assets, depreciated | 579,650,598 | 14,889,466 | (862,299) | 593,677,765 |
| Less accumulated depreciation: | | | | |
| Buildings and infrastructure | (219,111,161) | (12,230,404) | - | (231,341,565) |
| Furniture and other equipment | (63,086,755) | (2,809,693) | 818,088 | (65,078,360) |
| Total accumulated depreciation | (282,197,916) | (15,040,097) | 818,088 | (296,419,925) |
| Total capital assets, depreciated, net | 297,452,682 | (150,631) | (44,211) | 297,257,840 |
| Lease assets: | | | | |
| Equipment | 1,606,427 | 866,508 | - | 2,472,935 |
| Less accumulated amortization: | (672,170) | (278,453) | - | (950,623) |
| Total lease assets being amortized, net | 934,257 | 588,055 | - | 1,522,312 |
| Business-type activities capital assets, net | <u>\$ 319,551,705</u> | <u>\$ 25,603,512</u> | <u>\$ (13,233,815)</u> | <u>\$ 331,921,402</u> |

Increases above also include transfers of capital assets.

CITY OF DANVILLE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

Note 10. Capital Assets (Continued)

Component unit – Danville Public Schools

| | Beginning Balance | Increases | Decreases | Ending Balance |
|---|------------------------------|------------------|------------------|---------------------------|
| Capital assets, not depreciated: | | | | |
| Land | \$ 2,176,690 | \$ 63,600 | \$ - | \$ 2,240,290 |
| Construction in progress | 7,670,811 | 80,150,836 | - | 87,821,647 |
| Total capital assets, not depreciated | 9,847,501 | 80,214,436 | - | 90,061,937 |
| Capital assets, depreciated: | | | | |
| Buildings | 92,114,684 | 1,279,735 | - | 93,394,419 |
| Furniture and other equipment | 13,167,121 | 854,429 | (393,744) | 13,627,806 |
| Total capital assets, depreciated | 105,281,805 | 2,134,164 | (393,744) | 107,022,225 |
| Less accumulated depreciation: | | | | |
| Buildings | (76,414,975) | (982,750) | - | (77,397,725) |
| Furniture and other equipment | (10,571,027) | (802,355) | 379,931 | (10,993,451) |
| Total accumulated depreciation | (86,986,002) | (1,785,105) | 379,931 | (88,391,176) |
| Capital assets depreciated, net | 18,295,803 | 349,059 | (13,813) | 18,631,049 |
| Lease asset: | | | | |
| Equipment | 5,523,955 | 422,471 | - | 5,946,426 |
| Less accumulated amortization: | (1,920,817) | (865,040) | - | (2,785,857) |
| Total lease assets being amortized, net | 3,603,138 | (442,569) | - | 3,160,569 |
| Total capital assets, net | \$ 31,746,442 | \$ 80,120,926 | \$ (13,813) | \$ 111,853,555 |

(Continued)

CITY OF DANVILLE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

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 | \$ 4,678,309 | \$ 13,800 | \$ (128,547) | \$ 4,563,562 |
| Construction in progress | <u>8,831,634</u> | <u>14,481,150</u> | <u>(1,197,949)</u> | <u>22,114,835</u> |
| Total capital assets, not depreciated | <u>13,509,943</u> | <u>14,494,950</u> | <u>(1,326,496)</u> | <u>26,678,397</u> |
| Capital assets, depreciated: | | | | |
| Building | 26,111,958 | 1,870,179 | - | 27,982,137 |
| Equipment | <u>75,000</u> | <u>-</u> | <u>-</u> | <u>75,000</u> |
| Total capital assets, depreciated, net | <u>26,186,958</u> | <u>1,870,179</u> | <u>-</u> | <u>28,057,137</u> |
| Less accumulated depreciation | <u>(5,457,144)</u> | <u>(686,708)</u> | <u>-</u> | <u>(6,143,852)</u> |
| Total capital assets, depreciated, net | <u>20,729,814</u> | <u>1,183,471</u> | <u>-</u> | <u>21,913,285</u> |
| Total capital assets, net | <u><u>\$ 34,239,757</u></u> | <u><u>\$ 15,678,421</u></u> | <u><u>\$ (1,326,496)</u></u> | <u><u>\$ 48,591,682</u></u> |

(Continued)

CITY OF DANVILLE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

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 | \$ 179,737,290 | \$ 10,665,000 | \$ (5,225,468) | \$ 185,176,822 | \$ 7,976,847 |
| Bond premiums | 15,204,370 | 681,878 | (879,211) | 15,007,037 | 884,894 |
| Promissory note | 4,856,791 | - | (258,431) | 4,598,360 | 274,605 |
| Leases | 10,749,446 | 390,849 | (1,048,885) | 10,091,410 | 1,055,325 |
| Compensated absences | 3,814,491 | 3,890,759 | (3,602,807) | 4,102,443 | 3,692,198 |
| Workers' compensation | 1,825,089 | 534,281 | (754,003) | 1,605,367 | 395,550 |
| | <u>\$ 216,187,477</u> | <u>\$ 16,162,767</u> | <u>\$ (11,768,805)</u> | <u>\$ 220,581,439</u> | <u>\$ 14,279,419</u> |
| <u>Business-Type Activities</u> | | | | | |
| General obligation bonds | \$ 54,507,710 | \$ - | \$ (4,116,199) | \$ 50,391,511 | \$ 4,314,820 |
| Revenue bonds | 6,480,000 | 11,420,000 | - | 17,900,000 | 190,000 |
| Bond premiums | 6,066,387 | 1,338,649 | (478,730) | 6,926,306 | 493,962 |
| Leases | 608,955 | 837,584 | (353,123) | 1,093,416 | 345,020 |
| Landfill postclosure costs (Note 13) | 720,000 | - | (90,000) | 630,000 | 90,000 |
| Compensated absences | 927,225 | 985,875 | (904,209) | 1,008,891 | 908,002 |
| Workers' compensation | 214,274 | 81,786 | (44,815) | 251,245 | 69,025 |
| | <u>\$ 69,524,551</u> | <u>\$ 14,663,894</u> | <u>\$ (5,987,076)</u> | <u>\$ 78,201,369</u> | <u>\$ 6,410,829</u> |

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

(Continued)

CITY OF DANVILLE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

Note 11. Long-Term Liabilities (Continued)

General Obligation Public Improvement Bonds, Series 2024 and Utility Revenue Bonds

On May 15, 2024, the City issued \$11,420,000 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. On June 18, 2024, the City also issued \$10,665,000 of General Obligation Public Improvement Bonds, Series 2024, consisting of new money to finance capital expenditures for general governmental projects and to pay costs of issuing the bonds.

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

| <u>Description</u> | <u>Original Issue</u> | <u>Annual Amount</u> | <u>Interest Rate</u> | <u>Maturity</u> | <u>Outstanding June 30, 2024</u> |
|------------------------------|-----------------------|----------------------------|----------------------|-------------------|--------------------------------------|
| General Obligation Bonds | | | | | |
| General Improvement | | | | | |
| Refunding 2012A | \$ 6,395,000 | \$ 860,000 – 1,215,000 | 2.70 – 3.50 % | 03/01/2026 | \$ 2,395,000 |
| General Improvement 2015A | 9,845,000 | 350,000 – 665,000 | 2.00 – 3.375 | 08/01/2035 | 6,710,000 |
| General Improvements and | | | | | |
| Refunding 2015B | 10,565,000 | 260,000 – 1,170,000 | 3.00 – 5.00 | 08/01/2029 | 5,980,000 |
| General Obligation 2016 | 19,830,000 | 125,000 – 1,415,000 | 2.824 | 03/01/2039 | 11,625,000 |
| General Improvements and | | | | | |
| Refunding 2017B | 18,310,000 | 375,000 – 1,560,000 | 3.00 – 5.00 | 09/01/2037 | 13,745,000 |
| Qualified Zone Academy Bonds | | | | | |
| 2016 | 1,600,000 | 106,667 | N/A | 12/01/2032 | 853,333 |
| General Improvement 2018 | 7,015,000 | 215,000 – 500,000 | 3.50 – 5.00 | 09/01/2038 | 5,825,000 |
| General Improvement 2019A | 11,595,000 | 365,000 – 800,000 | 2.50 – 5.00 | 09/01/2039 | 10,030,000 |
| General Improvements and | | | | | |
| Refunding 2019B | 8,470,000 | 480,000 – 595,000 | 2.50 – 5.00 | 03/01/2037 | 6,465,000 |
| General Improvements and | | | | | |
| Refunding 2020A | 11,395,000 | 385,000 – 725,000 | 2.00 – 5.00 | 09/01/2040 | 10,180,000 |
| General Improvement | | | | | |
| Refunding 2020B | 3,635,000 | 10,000 – 655,000 | 1.00 – 1.75 | 03/01/2032 | 2,505,000 |
| General Improvement 2021 | 8,295,000 | 280,000 – 535,000 | 1.50 – 5.00 | 09/01/2041 | 7,720,000 |
| School Series 2022 | 127,000,000 | 1,370,000 – 11,450,000 | 3.25 – 4.00 | 09/01/2041 | 125,630,000 |
| General Improvement 2022 | 15,710,000 | 470,000 – 1,175,000 | 4.00 – 5.00 | 09/01/2042 | 15,240,000 |
| General Improvement 2024 | <u>10,665,000</u> | <u>340,000 – 775,000</u> | <u>4.00 – 5.00</u> | <u>03/01/2044</u> | <u>10,665,000</u> |
| | <u>\$ 270,325,000</u> | | | | <u>\$ 235,568,333</u> |
| Revenue Bonds | | | | | |
| Utility Revenue 2023 | \$ 6,480,000 | 190,000 – 490,000 | 3.87 | 04/01/2044 | \$ 6,480,000 |
| Utility Revenue 2024 | <u>11,420,000</u> | <u>335,000 – 885,000</u> | <u>4.125-5.125</u> | <u>10/01/2044</u> | <u>11,420,000</u> |
| | <u>\$ 17,900,000</u> | | | | <u>\$ 17,900,000</u> |
| Promissory Note | <u>\$ 5,100,000</u> | <u>243,209 – 3,042,373</u> | <u>6.086</u> | <u>07/01/2029</u> | <u>\$ 4,598,360</u> |

(Continued)

CITY OF DANVILLE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

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 |
| 2025 | \$ 7,976,847 | \$ 6,816,595 | \$ 4,314,820 | \$ 1,863,899 | \$ 12,291,667 | \$ 8,680,494 |
| 2026 | 8,333,373 | 6,630,439 | 4,523,293 | 1,661,824 | 12,856,666 | 8,292,263 |
| 2027 | 7,420,685 | 6,286,101 | 3,875,981 | 1,463,252 | 11,296,666 | 7,749,353 |
| 2028 | 7,939,299 | 5,968,981 | 3,667,368 | 1,305,507 | 11,606,667 | 7,274,488 |
| 2029 | 8,439,081 | 5,652,827 | 3,827,586 | 1,152,158 | 12,266,667 | 6,804,985 |
| 2030-2034 | 48,172,205 | 23,075,264 | 13,867,795 | 4,028,093 | 62,040,000 | 27,103,357 |
| 2035-2039 | 57,003,016 | 12,987,697 | 11,966,984 | 1,748,738 | 68,970,000 | 14,736,435 |
| 2040-2044 | 39,892,316 | 2,394,284 | 4,347,684 | 280,750 | 44,240,000 | 2,675,034 |
| | <u>\$ 185,176,822</u> | <u>\$ 69,812,188</u> | <u>\$ 50,391,511</u> | <u>\$ 13,504,221</u> | <u>\$ 235,568,333</u> | <u>\$ 83,316,409</u> |

| Year Ended June 30, | Promissory Note | | Year Ended June 30, | Revenue Bonds | |
|------------------------|-------------------------|---------------------|------------------------|--------------------------|---------------|
| | Governmental Activities | | | Business-Type Activities | |
| | Principal | Interest | | Principal | Interest |
| 2025 | \$ 274,605 | \$ 272,280 | 2025 | \$ 190,000 | \$ 865,337 |
| 2026 | 291,792 | 255,064 | 2026 | 535,000 | 869,278 |
| 2027 | 310,054 | 236,831 | 2027 | 565,000 | 841,091 |
| 2028 | 329,459 | 217,426 | 2028 | 600,000 | 811,238 |
| 2029 | 350,079 | 196,806 | 2029 | 625,000 | 779,847 |
| 2030-2031 | 3,042,371 | 15,430 | 2030-2034 | 3,670,000 | 3,367,644 |
| | | | 2035-2039 | 4,740,000 | 2,296,519 |
| | <u>\$ 4,598,360</u> | <u>\$ 1,193,837</u> | 2040-2045 | 6,975,000 | 968,834 |
| | | | | \$ 17,900,000 | \$ 10,799,788 |

| Year Ended June 30, | Leases | | | |
|---------------------------|-------------------------|---------------------|--------------------------|-------------------|
| | Governmental Activities | | Business-Type Activities | |
| | Principal | Interest | Principal | Interest |
| 2025 | \$ 1,055,325 | \$ 328,527 | \$ 345,020 | \$ 64,070 |
| 2026 | 1,076,008 | 291,590 | 228,236 | 42,897 |
| 2027 | 968,007 | 255,431 | 214,329 | 27,880 |
| 2028 | 947,687 | 221,252 | 182,466 | 13,954 |
| 2029 | 907,191 | 186,474 | 123,365 | 5,614 |
| 2030-2034 | 3,026,760 | 593,665 | - | - |
| 2035-2039 | 2,110,432 | 109,568 | - | - |
| | <u>\$ 10,091,410</u> | <u>\$ 1,986,507</u> | <u>\$ 1,093,416</u> | <u>\$ 154,415</u> |

(Continued)

CITY OF DANVILLE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

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 | \$ 1,726,702 | \$ 209,469 | \$ (794,000) | \$ 1,142,171 | \$ 945,700 |
| Lease liability | 3,894,657 | 132,334 | (608,424) | 3,418,567 | 592,397 |
| Entering retirement in phases plan | 450,474 | 209,501 | (337,119) | 322,856 | 180,374 |
| | <u>\$ 6,071,833</u> | <u>\$ 551,304</u> | <u>\$ (1,739,543)</u> | <u>\$ 4,883,594</u> | <u>\$ 1,718,471</u> |
| IDA | | | | | |
| Notes payable | \$ 7,990,339 | \$ 9,348,995 | \$ (462,867) | \$ 16,876,467 | \$ 2,014,402 |
| Revolving loan fund – USDA | 99,000 | - | - | 99,000 | - |
| Revenue bonds | 2,898,892 | 361,914 | (872,038) | 2,388,768 | 183,660 |
| Bonds payable | 12,988,000 | - | (580,000) | 12,408,000 | 588,000 |
| | <u>\$ 23,976,231</u> | <u>\$ 9,710,909</u> | <u>\$ (1,914,905)</u> | <u>\$ 31,772,235</u> | <u>\$ 2,786,062</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 |
| 2025 | \$ 588,000 | \$ 197,689 | \$ 2,014,402 | \$ 331,033 |
| 2026 | 10,597,000 | 175,223 | 1,116,304 | 244,398 |
| 2027 | 606,000 | 15,965 | 999,287 | 770,407 |
| 2028 | 617,000 | 4,597 | 625,056 | 720,308 |
| 2029 | - | - | 659,234 | 686,130 |
| 2030-2034 | - | - | 11,462,184 | 1,529,272 |
| 2035-2039 | - | - | - | - |
| | <u>\$ 12,408,000</u> | <u>\$ 393,474</u> | <u>\$ 16,876,467</u> | <u>\$ 4,281,548</u> |

(Continued)

CITY OF DANVILLE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

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, 2024, the value of the lease receivable is \$8,969. 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, 2024 was \$8,823 and the City recognized lease revenue of \$17,782 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, 2024, the value of the lease receivable is \$225,716. 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, 2024 was \$219,869 and the City recognized lease revenue of \$38,639 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 IDA to locate, expand, or remain in the Danville area. Lease payments are based on the principal loan balance the IDA owes on the individual properties. These leases have remaining terms of 3-5 years with options to extend between 8 and 15 years. The IDA 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, 2024 was \$1,250,731. As of June 30, 2024, the IDA's lease receivable, including interest, for these payments total \$7,586,718.

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

| Year Ended June 30, | |
|--------------------------------|----------------------------|
| 2025 | \$ 897,411 |
| 2026 | 899,472 |
| 2027 | 767,956 |
| 2028 | 640,516 |
| 2029 | 572,076 |
| Thereafter | <u>3,781,654</u> |
| | <u><u>\$ 7,559,085</u></u> |

(Continued)

CITY OF DANVILLE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

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 |
| 2025 | \$ 592,397 | \$ 75,187 |
| 2026 | 312,488 | 66,120 |
| 2027 | 332,293 | 58,683 |
| 2028 | 342,125 | 50,781 |
| 2029 | 337,657 | 42,722 |
| 2030-2033 | 1,501,607 | 88,141 |
| | <u>\$ 3,418,567</u> | <u>\$ 381,634</u> |

(Continued)

CITY OF DANVILLE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

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 \$630,000 as of June 30, 2024, which has been recorded as a liability in the Sanitation Fund. Actual costs may be higher due to inflation, changes in technology, changes in regulations, or other unforeseen circumstances.

Note 14. Unavailable/Unearned Revenue

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

| | |
|---|--------------------------------|
| Taxes receivable – unavailable | \$ 6,529,087 |
| Deferred taxes – unearned | 7,800,713 |
| Prepaid business licenses – unearned | 194,930 |
| Other receivables – unavailable | <u>3,195,556</u> |
| Total unavailable/unearned revenue – governmental funds | 17,720,286 |
| Less deferrals for unavailability | <u>(9,633,274)</u> |
| Deferred inflows – statement of net position | <u><u>\$ 8,087,012</u></u> |

(Continued)

CITY OF DANVILLE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

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 | \$ 299,462 | \$ - | \$ 872,133 | \$ - | \$ 150,034 | \$ 1,321,629 |
| Inventories | 488,136 | - | - | - | - | 488,136 |
| Cemetery perpetual care | - | - | - | - | 3,016,492 | 3,016,492 |
| Total nonspendable | 787,598 | - | 872,133 | - | 3,166,526 | 4,826,257 |
| Restricted for: | | | | | | |
| Unspent bond proceeds | - | - | 9,110,962 | 104,150,833 | - | 113,261,795 |
| Police | 104,910 | - | - | - | - | 104,910 |
| Commonwealth Attorney | 119,409 | - | - | - | - | 119,409 |
| Fire department equipment and supplies | 151,555 | - | - | - | - | 151,555 |
| Other grants | - | - | - | - | 4,825,969 | 4,825,969 |
| Total restricted | 375,874 | - | 9,110,962 | 104,150,833 | 4,825,969 | 118,463,638 |
| Committed to: | | | | | | |
| Stabilization | 3,000,000 | - | - | - | - | 3,000,000 |
| Sheriff – Project Lifesaver | 14,174 | - | - | - | - | 14,174 |
| Schools | 2,965,240 | - | - | - | - | 2,965,240 |
| Total committed | 5,979,414 | - | - | - | - | 5,979,414 |
| Assigned to: | | | | | | |
| General administration | 4,263,763 | - | 50,914 | - | - | 4,314,677 |
| Judicial administration | 100,000 | - | - | - | - | 100,000 |
| Public safety | 218,624 | - | 1,039,784 | - | - | 1,258,408 |
| Public works | 80,464 | - | 5,414,496 | - | - | 5,494,960 |
| Health and welfare | 56,580 | - | - | - | - | 56,580 |
| Parks, recreation, and cultural | 132,208 | - | 9,846,864 | - | - | 9,979,072 |
| Community development | 403,640 | 709,903 | 336,541 | - | 12,250,543 | 13,700,627 |
| Subsequent years' expenditures | - | - | 3,089,471 | - | - | 3,089,471 |
| Total assigned | 5,255,279 | 709,903 | 19,778,070 | - | 12,250,543 | 37,993,795 |
| Unassigned | 51,145,585 | - | - | - | - | 51,145,585 |
| Total fund balance | \$ 63,543,750 | \$ 709,903 | \$ 29,761,165 | \$ 104,150,833 | \$ 20,243,038 | \$ 218,408,689 |

(Continued)

CITY OF DANVILLE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

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 - VRS | \$ 916,430 | \$ - | \$ 916,430 | \$ 1,481,325 |
| Net pension asset - ERS | 17,865 | 3,144 | 21,009 | - |
| | <u>\$ 934,295</u> | <u>\$ 3,144</u> | <u>\$ 937,439</u> | <u>\$ 1,481,325</u> |
| Deferred outflows of resources: | | | | |
| Differences between expected and actual experience: | | | | |
| Danville ERS | \$ 8,901,607 | \$ 1,450,266 | \$ 10,351,873 | \$ - |
| VRS teacher cost sharing plan | - | - | - | 3,683,326 |
| Net difference between projected and actual earnings on pension plan | | | | |
| Danville ERS | 2,107,762 | 408,068 | 2,515,830 | - |
| Change in actuarial assumptions: | | | | |
| Danville ERS | 4,477,010 | 866,759 | 5,343,769 | - |
| VRS | 9,404 | - | 9,404 | 12,653 |
| VRS teacher cost sharing plan | - | - | - | 1,943,847 |
| Pension contributions subsequent to measurement date: | | | | |
| VRS | 767,873 | - | 767,873 | 107,446 |
| VRS teacher cost sharing plan | - | - | - | 7,287,240 |
| Changes in proportion and related differences – VRS teacher cost sharing plan | - | - | - | 1,175,872 |
| | <u>\$ 16,263,656</u> | <u>\$ 2,725,093</u> | <u>\$ 18,988,749</u> | <u>\$ 14,210,384</u> |
| Net pension liability | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 42,878,806</u> |

(Continued)

CITY OF DANVILLE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

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 | \$ 327,301 | \$ 57,541 | \$ 384,842 | \$ - |
| VRS | 784,088 | - | 784,088 | 156,502 |
| VRS teacher cost sharing plan | - | - | | 1,673,314 |
| Net difference between projected and actual earnings on pension plan investments: | | | | |
| VRS | 502,085 | - | 502,085 | 172,153 |
| VRS teacher cost sharing plan | - | - | - | 2,787,987 |
| Changes in proportion and related differences – VRS teacher cost sharing plan | - | - | - | 483,478 |
| | <u>\$ 1,613,474</u> | <u>\$ 57,541</u> | <u>\$ 1,671,015</u> | <u>\$ 5,273,434</u> |
| Pension expense (benefit): | | | | |
| Danville ERS | \$ 8,402,617 | \$ 732,417 | \$ 9,135,034 | \$ - |
| VRS | 217,454 | - | 217,454 | (263,045) |
| VRS teacher cost sharing plan | - | - | - | 5,145,949 |
| | <u>\$ 8,620,071</u> | <u>\$ 732,417</u> | <u>\$ 9,352,488</u> | <u>\$ 4,882,904</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, 2024

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, 2023 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

| | <u>Members</u> |
|---------------------------|-----------------------|
| Inactive members: | |
| Terminated vested members | 357 |
| Retired members | <u>767</u> |
| Total inactive members | 1,124 |
| Active members | <u>991</u> |
| Total covered employees | <u><u>2,115</u></u> |

(Continued)

CITY OF DANVILLE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

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 \$3,901,259 and \$3,392,137 for the years ended June 30, 2024 and 2023, 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, 2024. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation performed as of July 1, 2023, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2024.

(Continued)

CITY OF DANVILLE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

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, 2023, 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, 2024.

| | |
|---------------------------------------|--|
| 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, 2023 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, 2024

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 2024 Annual Comprehensive Financial Report (Annual Report). A copy of the 2024 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, 2024

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, 2024, 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 | 6.20 % | 45.00 % |
| International Equity | 6.55 | 10.00 |
| Fixed Income – U.S. Investment Grade | 2.30 | 20.00 |
| Private Equity/Timber | 8.15 | 10.00 |
| Real Estate | 4.55 | 15.00 |
| Cash Equivalents | 0.75 | 0.00 |
| Total weighted average real return | 5.40 | 100.00 % |
| Inflation | 2.50 | |
| Total Return without Adjustment | 7.90 | |
| Risk Adjustment | (0.90) | |
| 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, 2024

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, 2023 | \$ 276,786,901 | \$ 282,466,046 | \$ (5,679,145) |
| Changes for the year: | | | |
| Service cost | 4,395,014 | - | 4,395,014 |
| Interest | 19,076,031 | - | 19,076,031 |
| Differences between expected and actual experience | 9,915,872 | - | 9,915,872 |
| Contributions – employer | - | 3,901,259 | (3,901,259) |
| Contributions – employee | - | 563,290 | (563,290) |
| Net investment income | - | 23,402,736 | (23,402,736) |
| Benefit payments, including refunds of employee contributions | (17,632,583) | (17,632,583) | - |
| Administrative expenses | - | (138,504) | 138,504 |
| Net changes | 15,754,334 | 10,096,198 | 5,658,136 |
| Balances at June 30, 2024 | \$ 292,541,235 | \$ 292,562,244 | \$ (21,009) |

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) | \$ 35,597,339 | \$ (21,009) | \$ (29,659,550) |

(Continued)

CITY OF DANVILLE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

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, 2024, the City recognized pension expense for the ERS of \$9,135,034. At June 30, 2024, 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 | \$ 10,351,873 | \$ 384,842 |
| Change in assumptions | 5,343,769 | - |
| Net difference between projected and actual earnings on pension plan investments | 2,515,830 | - |
| | <u>\$ 18,211,472</u> | <u>\$ 384,842</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 |
|---------------------------------|--|
| 2025 | \$ 1,922,210 |
| 2026 | 10,493,321 |
| 2027 | 2,565,216 |
| 2028 | 1,193,235 |
| 2029 | 1,652,648 |
| 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, 2024

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, 2022 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 | 20 |
| Non-vested inactive members | 71 |
| Inactive members active elsewhere in VRS | <u>69</u> |
| Total inactive members | <u>160</u> |
| Active members | <u>126</u> |
| Total covered employees | <u><u>384</u></u> |

(Continued)

CITY OF DANVILLE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

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, 2024 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 \$767,873 and \$713,758 for the years ended June 30, 2024 and 2023, 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, 2023. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2022 rolled forward to the measurement date of June 30, 2023.

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, 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% |
| 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, 2024

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, 2022 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, 2021. 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 to better fit experience; 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, 2024

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 % | 6.14 % | 2.09 % |
| Fixed Income | 15.00 | 2.56 | 0.38 |
| Credit Strategies | 14.00 | 5.60 | 0.78 |
| Real Assets | 14.00 | 5.02 | 0.70 |
| Private Equity | 16.00 | 9.17 | 1.47 |
| MAPS – Multi-Asset Public Strategies | 4.00 | 4.50 | 0.18 |
| PIP – Private Investment Partnership | 2.00 | 7.18 | 0.14 |
| Cash | 1.00 | 1.20 | 0.01 |
| Total | 100.00 % | | 5.75 |
| | Inflation | | 2.50 |
| | *Expected arithmetic nominal return | | 8.25 % |

- * The above allocation provides for a one-year return of 8.25%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected rate of return for the System, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 7.14%, including expected inflation of 2.50%. On June 15, 2023, 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 7.14%, 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, 2022 actuarial valuations, whichever was greater. From July 1, 2023 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, 2024

Note 18. Virginia Retirement System (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, 2022 | \$ 31,489,549 | \$ 31,125,522 | \$ 364,027 |
| Changes for the year: | | | |
| Service cost | 714,884 | - | 714,884 |
| Interest | 2,113,764 | - | 2,113,764 |
| Differences between expected and actual experience | (1,158,667) | - | (1,158,667) |
| Contributions – employer | - | 686,941 | (686,941) |
| Contributions – employee | - | 291,327 | (291,327) |
| Net investment income | - | 1,991,474 | 1,991,474 |
| Benefit payments, including refunds of employee contributions | (1,778,821) | (1,778,821) | - |
| Administrative expenses | - | (20,104) | 20,104 |
| Other changes | - | 800 | (800) |
| Net changes | (108,840) | 1,171,617 | (1,280,457) |
| Balances at June 30, 2023 | \$ 31,380,709 | \$ 32,297,139 | \$ (916,430) |

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

The following presents the net pension liability (asset) of the political subdivision using the discount rate of 6.75%, as well as what the political subdivision's net pension liability (asset) 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) | \$ 2,807,917 | \$ (916,430) | \$ (4,010,905) |

(Continued)

CITY OF DANVILLE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

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, 2024, the City recognized pension income of \$217,454. At June 30, 2024, 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 | \$ - | \$ 784,088 |
| Change in assumptions | 9,404 | - |
| Net difference between projected and actual earnings on pension plan investments | - | 502,085 |
| Contributions subsequent to measurement date | <u>767,873</u> | <u>-</u> |
| Total | <u>\$ 777,277</u> | <u>\$ 1,286,173</u> |

The \$767,873 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 (Asset) in the fiscal year ended June 30, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| Year Ending June 30, | Effect on Pension Expense |
|---------------------------------|--|
| 2025 | \$ (777,499) |
| 2026 | (963,954) |
| 2027 | 448,319 |
| 2028 | 16,365 |

Pension Plan Data

Information about the VRS Political Subdivision Retirement Plans is also available in the separately issued VRS 2023 Annual Report. A copy of the 2023 VRS Annual Report may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2023-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, 2024

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, 2022 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>47</u> |
| Inactive members: | |
| Vested inactive members | 3 |
| Non-vested inactive members | 21 |
| Inactive members active elsewhere in VRS | <u>10</u> |
| Total inactive members | <u>34</u> |
| Active members | <u>73</u> |
| Total covered employees | <u><u>154</u></u> |

Contributions

The school division's contractually required contribution rate for the year ended June 30, 2024 was 1.90% 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 \$107,446 and \$215,304 for the years ended June 30, 2024 and June 30, 2023, respectively.

CITY OF DANVILLE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

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, 2022 | \$ 9,454,982 | \$ 10,378,596 | \$ (923,614) |
| Changes for the year: | | | |
| Service cost | 237,344 | - | 237,344 |
| Interest | 637,804 | - | 637,804 |
| Differences between expected and actual experience | (81,705) | - | (81,705) |
| Contributions – employer | - | 389,222 | (389,222) |
| Contributions – employee | - | 282,221 | (282,221) |
| Net investment income | - | 685,964 | (685,964) |
| Benefit payments, including refunds of employee contributions | (486,745) | (486,745) | - |
| Administrative expenses | - | (6,532) | 6,532 |
| Other changes | - | 279 | (279) |
| Net changes | 306,698 | 864,409 | (557,711) |
| Balances at June 30, 2023 | \$ 9,761,680 | \$ 11,243,005 | \$ (1,481,325) |

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 asset 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) | \$ (349,709) | \$ (1,481,325) | \$ (2,432,927) |

(Continued)

CITY OF DANVILLE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

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, 2024, the School Division recognized pension expense (benefit) of \$(263,045). At June 30, 2024, 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 | \$ - | \$ 156,502 |
| Change in assumptions | 12,653 | - |
| Net difference between projected and actual earnings on pension plan investments | - | 172,153 |
| Employer contributions subsequent to the measurement date | 107,446 | - |
| Total | <u>\$ 120,099</u> | <u>\$ 328,655</u> |

The \$107,446 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, 2025. 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 |
|--------------------------------|--|
| 2025 | \$ (234,165) |
| 2026 | (233,940) |
| 2027 | 147,981 |
| 2028 | 4,122 |
| 2029 | - |
| Thereafter | - |

Pension Plan Data

Information about the VRS Political Subdivision Retirement Plans is also available in the separately issued VRS 2023 Annual Report. A copy of the 2023 VRS Annual Report may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2023-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

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CITY OF DANVILLE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

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

Payables to the Pension Plan

At June 30, 2024, \$2,527 was payable to the Virginia Retirement System for the legally required contributions related to June 2024 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, 2024 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 \$7,287,240 and \$6,451,991 for the years ended June 30, 2024 and June 30, 2023, respectively.

In June 2024, the Commonwealth made a special contribution of approximately \$147.5 million to the VRS Teacher Employee Plan. This special payment was authorized by Chapter 2 of the Acts of Assembly of 2022, Special Session I, as amended by Chapter 769, 2023 Acts of Assembly Reconvened Session, and is classified as a non-employer contribution. The School Division’s proportionate share is reflected in operating grants and contributions on Exhibit 2.

(Continued)

CITY OF DANVILLE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

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, 2024, the School Division reported a liability of \$42,878,806 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2023 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2022, and rolled forward to the measurement date of June 30, 2023. 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, 2023 relative to the total of the actuarially determined employer contributions for all participating employers. For the year ended June 30, 2023, the School Division's proportion was 0.42424% as compared to 0.42194% at June 30, 2022.

For the year ended June 30, 2024, the School Division recognized pension expense of \$5,145,949. 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, 2024, the School Division reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|---|--|
| Differences between expected and actual experience | \$ 3,683,326 | \$ 1,673,314 |
| Change in assumptions | 1,943,847 | - |
| Net difference between projected and actual earnings on pension plan investments | - | 2,787,987 |
| Changes in proportion and differences between Employer contributions and proportionate share of contributions | 1,175,872 | 483,478 |
| Employer contributions subsequent to the measurement date | 7,287,240 | - |
| Total | <u>\$ 14,090,285</u> | <u>\$ 4,944,779</u> |

(Continued)

CITY OF DANVILLE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

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 \$7,287,240 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, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| Year Ending June 30, | Effect on Pension Expense |
|---------------------------------|--|
| 2025 | \$ (334,867) |
| 2026 | (2,377,848) |
| 2027 | 3,696,867 |
| 2028 | 874,114 |
| 2029 | - |
| 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, 2023, NPL amounts for the VRS Teacher Employee Retirement Plan is as follows (amounts expressed in thousands):

| | Teacher Employee Retirement Plan |
|--|---|
| Total pension liability | \$ 57,574,609 |
| Plan fiduciary net position | 47,467,405 |
| Employers' net pension liability | <u>\$ 10,107,204</u> |
| Plan fiduciary net position as a percentage of the total pension liability | 82.45% |

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, 2024

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 | \$ 76,008,829 | \$ 42,878,806 | \$ 15,643,202 |

Pension Plan Fiduciary Net Position

Detailed information about the VRS Teacher Retirement Plan's Fiduciary Net Position is available in the separately issued VRS 2023 Annual Report. A copy of the 2023 VRS Annual Report may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2023-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, 2024, \$119,428 was payable to the Virginia Retirement System for the legally required contributions related to June 2024 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. Assets in this plan are not administered through a trust.

(Continued)

CITY OF DANVILLE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

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, 2023 was as follows:

| | |
|---------------------------------------|-------------------|
| Retirees currently receiving benefits | 19 |
| Active participants | <u>234</u> |
| Total | <u><u>253</u></u> |

Total OPEB Liability

The City's total OPEB liability of \$5,125,255 was measured as of June 30, 2024 and was determined based on an actuarial valuation performed as of July 1, 2023.

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 | 5.75% Initial, 4.00% 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, 2024

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, 2024 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, 2024

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

Changes in the Total OPEB Liability

| | |
|--|--------------|
| Balance at June 30, 2023 | \$ 4,822,534 |
| Changes for the year: | |
| Service cost | 78,526 |
| Interest | 185,209 |
| Assumption or other input changes | (86,413) |
| Difference between expected and actual | 358,207 |
| Benefit payments | (232,808) |
| Net changes | 302,721 |
| Balance at June 30, 2024 | \$ 5,125,255 |

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 (3.00%) or one percentage point higher (5.00%) than the current discount rate:

| | 1.00% Decrease (3.00%) | Current Discount Rate (4.00%) | 1.00% Increase (5.00%) |
|----------------------|---------------------------------------|--|---------------------------------------|
| Total OPEB liability | \$ 5,936,745 | \$ 5,125,255 | \$ 4,496,862 |

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 (3.00%) or one percentage point higher (5.00%) than the current healthcare cost trend rates:

| | 1.00% Decrease (3.00%) | Current Ultimate Trend Rate (4.00%) | 1.00% Increase (5.00%) |
|----------------------|---------------------------------------|--|---------------------------------------|
| Total OPEB liability | \$ 4,488,819 | \$ 5,125,255 | \$ 5,938,742 |

(Continued)

CITY OF DANVILLE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

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, 2024, the City recognized OPEB expense of \$67,137. At June 30, 2024, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|---|--|
| Differences between expected and actual experience | \$ 328,356 | \$ 1,631,398 |
| Change in assumptions | 934,187 | 1,206,577 |
| | <u>\$ 1,262,543</u> | <u>\$ 2,837,975</u> |

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

| Year Ended June 30, | Reduction to OPEB Expense |
|--------------------------------|--|
| 2025 | \$ (196,598) |
| 2026 | (196,598) |
| 2027 | (196,598) |
| 2028 | (196,598) |
| 2029 | (196,598) |
| Thereafter | (592,442) |

(Continued)

CITY OF DANVILLE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

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, 2024

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, 2023 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 | 9 |
| Inactive members: | |
| Vested inactive members | 2 |
| Active elsewhere in VRS | 10 |
| Total inactive members | 21 |
| Active members | 73 |
| Total covered employees | 94 |

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, 2024 Contribution – general employees | \$58,771 |
| June 30, 2024 Contribution – teachers | \$213,392 |
| June 30, 2023 Contribution – general employees | \$54,763 |
| June 30, 2023 Contribution – teachers | \$192,214 |

In June 2023, the Commonwealth made a special contribution of approximately \$10.1 million to the Group Life Insurance plan. This special payment was authorized by Chapter 2 of the Acts of Assembly of 2022, Special Session I, as amended by Chapter 769, 2023 Acts of Assembly Reconvened Session.

(Continued)

CITY OF DANVILLE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

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 and 51.1-1400 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, 2024 Contribution – teacher | \$495,889 |
| June 30, 2023 Contribution – teacher | \$458,811 |
| June 30, 2024 Contribution – general | \$69,916 |
| June 30, 2023 Contribution – general | \$54,768 |

In June 2023, the Commonwealth made a special contribution of approximately \$4.0 million to the VRS Teacher Health Insurance Credit Program. This special payment was authorized by Chapter 2 of the Acts of Assembly of 2022, Special Session I, as amended by Chapter 769, 2023 Acts of Assembly Reconvened Session, 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, 2023 and the total OPEB liabilities used to calculate the net OPEB liabilities were determined by actuarial valuations as of June 30, 2022 and rolled forward to the measurement date of June 30, 2023. 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, 2023 relative to the total of the actuarially determined employer contributions for all participating employers.

Group Life Insurance Program

General Employees

| | |
|--|------------|
| June 30, 2024 proportionate share of liability | \$ 208,920 |
| June 30, 2023 proportion | 0.01742% |
| June 30, 2022 proportion | 0.01214% |
| June 30, 2024 expense | \$ 27,100 |

Teachers

| | |
|--|--------------|
| June 30, 2024 proportionate share of liability | \$ 2,179,872 |
| June 30, 2023 proportion | 0.18176% |
| June 30, 2022 proportion | 0.18239% |
| June 30, 2024 expense | \$ 119,898 |

(Continued)

CITY OF DANVILLE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

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, 2024 proportionate share of liability | \$ 5,189,954 |
| June 30, 2023 proportion | 0.42842% |
| June 30, 2022 proportion | 0.42487% |
| June 30, 2024 expense | \$ 427,768 |

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, 2022 | \$ 158,528 | \$ 23,974 | \$ 134,554 |
| Changes for the year: | | | |
| Service cost | 1,509 | - | 1,509 |
| Interest | 10,676 | - | 10,676 |
| Differences between expected and actual experience | (61,632) | - | (61,632) |
| Assumption changes | - | - | - |
| Contributions – employer | - | 31,899 | (31,899) |
| Net investment income | - | 2,659 | (2,659) |
| Benefit payments | (3,755) | (3,755) | - |
| Administrative expenses | - | (81) | 81 |
| Other changes | - | 1 | (1) |
| Net changes | (53,202) | 30,723 | (83,925) |
| Balances at June 30, 2023 | \$ 105,326 | \$ 54,697 | \$ 50,629 |

(Continued)

CITY OF DANVILLE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

**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, 2023, the Schools recognized OPEB expense (benefit) of \$(3,604) related to the General Employee Health Insurance Credit Program.

At June 30, 2024, 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 | \$ 20,866 | \$ 6,342 |
| Change in assumptions | 4,466 | 14,475 |
| Net difference between projected and actual earnings on OPEB plan investments | - | 8,396 |
| Changes in proportion | 66,893 | 44 |
| Employer contributions subsequent to the measurement date | 58,771 | - |
| | <u>\$ 150,996</u> | <u>\$ 29,257</u> |

Group Life Insurance Program – Teachers

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|---|--|
| Differences between expected and actual experience | \$ 217,716 | \$ 66,170 |
| Change in assumptions | 46,596 | 151,030 |
| Net difference between projected and actual earnings on OPEB plan investments | - | 87,600 |
| Changes in proportion | 86,055 | 36,968 |
| Employer contributions subsequent to the measurement date | 213,392 | - |
| | <u>\$ 563,759</u> | <u>\$ 341,768</u> |

(Continued)

CITY OF DANVILLE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

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 | \$ - | \$ 228,436 |
| Change in assumptions | 120,813 | 5,230 |
| Net difference between projected and actual earnings on OPEB plan investments | 2,604 | - |
| Changes in proportion | 272,387 | 110,489 |
| Employer contributions subsequent to the measurement date | 495,889 | - |
| | <u>\$ 891,693</u> | <u>\$ 344,155</u> |

General Employee Health Insurance Credit Program

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|---|--|
| Differences between expected and actual experience | \$ - | \$ 56,199 |
| Change in assumptions | 6,169 | - |
| Net difference between projected and actual earnings on OPEB plan investments | 363 | - |
| Employer contributions subsequent to the measurement date | 69,916 | - |
| | <u>\$ 76,448</u> | <u>\$ 56,199</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, 2025. 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, 2024

**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 to OPEB Expense |
|--------------------------------|---|
| 2025 | \$ 15,694 |
| 2026 | 5,692 |
| 2027 | 16,475 |
| 2028 | 12,042 |
| 2029 | 13,065 |
| Thereafter | - |

Group Life Insurance Program – Teachers

| Year Ended June 30, | Increase (Reduction) to OPEB Expense |
|--------------------------------|---|
| 2025 | \$ 20,769 |
| 2026 | (78,264) |
| 2027 | 35,627 |
| 2028 | 10,264 |
| 2029 | 20,203 |
| Thereafter | - |

Teacher Health Insurance Credit Program

| Year Ended June 30, | Increase (Reduction) to OPEB Expense |
|--------------------------------|---|
| 2025 | \$ 13,043 |
| 2026 | 38,460 |
| 2027 | 30,620 |
| 2028 | (19,865) |
| 2029 | (8,069) |
| Thereafter | (2,540) |

(Continued)

CITY OF DANVILLE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

**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> |
|---------------------------------|--|
| 2025 | \$ (13,304) |
| 2026 | (13,646) |
| 2027 | (13,743) |
| 2028 | (8,974) |
| 2029 | - |
| 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, 2022, 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: | |
| • 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, 2024

**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, 2023, 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 | \$ 3,907,052 | \$ 1,475,471 |
| Plan fiduciary net position | 2,707,739 | 264,054 |
| Employers' net OPEB liability | 1,199,313 | 1,211,417 |
| Plan fiduciary net position as a percentage of total OPEB liability | 69.30% | 17.90% |

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, 2024

**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)

| <u>Asset Class (Strategy)</u> | <u>Target Allocation</u> | <u>Arithmetic Long-Term Expected Rate of Return</u> | <u>Weighted Average Long-Term Expected Rate of Return</u> |
|---|------------------------------|---|---|
| Public Equity | 34.00 % | 6.14 % | 2.09 % |
| Fixed Income | 15.00 | 2.56 | 0.38 |
| Credit Strategies | 14.00 | 5.60 | 0.78 |
| Real Assets | 14.00 | 5.02 | 0.70 |
| Private Equity | 16.00 | 9.17 | 1.47 |
| MAPS – Multi-Asset Public Strategies | 4.00 | 4.50 | 0.18 |
| PIP – Private Investment Partnership | 2.00 | 7.18 | 0.14 |
| Cash | 1.00 | 1.20 | 0.01 |
| Total | 100.00 % | | 5.75 |
| | Inflation | | 2.50 |
| *Expected arithmetic nominal return | | | 8.25 % |

- * The above allocation provides for a one-year return of 8.25%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected rate of return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 7.14%, including expected inflation of 2.50%. On June 25, 2023, 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 7.14, 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, 2024

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 | \$ 309,685 | \$ 208,920 | \$ 127,451 |
| GLI Net OPEB liability – teachers | 3,231,252 | 2,179,872 | 1,329,825 |
| Teacher HIC Net OPEB liability | 5,870,418 | 5,189,954 | 4,613,321 |
| General Employee HIC Net OPEB liability | 62,072 | 50,629 | 40,896 |

OPEB Plan Fiduciary Net Position

Information about the various VRS OPEB plan fiduciary net position is available in the separately issued VRS 2023 Annual Report. A copy of the 2023 VRS Annual Report may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2023-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, 2024, the following amounts were payable to the Virginia Retirement System for the legally required contributions related to June 2024 payroll.

| | |
|--|-----------|
| • Group Life Insurance – general employees | \$ 20,294 |
| • Group Life Insurance – teachers | 336,656 |
| • Teacher Employee Health Insurance Credit | 19,281 |
| • General Employee Health Insurance Credit | 1,380 |

CITY OF DANVILLE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

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

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

| | <u>Danville Public Schools</u> |
|---|---|
| Deferred outflows of resources: | |
| OPEB contributions subsequent to measurement date: | |
| GLI – general employees | \$ 58,771 |
| GLI – teachers | 213,392 |
| HIC – general employees | 69,916 |
| HIC – teachers | 495,889 |
| Changes in proportion and related differences – cost sharing plans: | |
| GLI – general employees | 66,893 |
| GLI – teachers | 86,055 |
| HIC – teachers | 272,387 |
| Changes in assumptions: | |
| GLI – general employees | 4,466 |
| GLI – teachers | 46,596 |
| HIC – general employees | 6,169 |
| HIC – teachers | 120,813 |
| Net difference between projected and actual earnings on plan investments: | |
| HIC – general employees | 363 |
| HIC – teachers | 2,604 |
| Difference between expected and actual experience: | |
| GLI – general employees | 20,866 |
| GLI – teachers | 217,716 |
| | <u>\$ 1,682,896</u> |
| Net OPEB liability: | |
| GLI – general employees | \$ 208,920 |
| GLI – teachers | 2,179,872 |
| HIC – general employees | 50,629 |
| HIC – teachers | 5,189,954 |
| | <u>\$ 7,629,375</u> |
| Deferred inflows of resources: | |
| Difference between expected and actual experience: | |
| GLI – general employees | \$ 6,342 |
| GLI – teachers | 66,170 |
| HIC – teachers | 228,436 |
| HIC – general employees | 56,199 |
| Changes in assumptions: | |
| GLI – general employees | 14,475 |
| GLI – teachers | 151,030 |
| HIC – teachers | 5,230 |

(Continued)

CITY OF DANVILLE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

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 | \$ 8,396 |
| GLI – teachers | 87,600 |
| Changes in proportion and related differences – cost sharing plans: | |
| GLI – general employees | 44 |
| GLI – teachers | 36,968 |
| HIC – teachers | 110,489 |
| | <u>\$ 771,379</u> |
| Net OPEB expense | <u><u>\$ 571,162</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 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 interest (the “90.69% Interest”) is sold to AMP Members pursuant to a take-or-pay power sales contract with 87 of its Members (the “AFEC Power Sales Contract”).

(Continued)

CITY OF DANVILLE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

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, 2024, \$362,915,000 aggregate principal amount of AFEC Bonds was outstanding.

In each of April 2021 and December 2022, AMP executed a Gas Supply Contract (each, a “Tennergy 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 pursuant to Prepaid Natural Gas Sales Agreement (each, a “Prepaid Natural Gas Sales Agreement”) between Tennergy and a subsidiary of Morgan Stanley and a subsidiary of J. Aron & Company, respectively. In December 2021, AMP executed a Gas Supply Contract (the “Black Belt Gas Supply Contract” and, together with the Tennergy Gas Supply Contracts, the “Prepaid Natural 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 Prepaid Natural Gas Supply Contract, AMP receives the benefit of a discount on the price of market index natural gas.

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.

(Continued)

CITY OF DANVILLE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

Note 23. Service Contracts (Continued)

Power Purchase Contracts – American Municipal Power (Continued)

Combined Hydroelectric Projects (79 Members) (Continued)

To provide financing for, or refinance certain obligations incurred in respect of, the Combined Hydroelectric Projects, AMP has issued eleven series of its Combined Hydroelectric Projects Revenue Bonds (the “Combined Hydroelectric Bonds”), in an original aggregate principal amount \$2,582,090,000 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, 2024, \$ 2,024,603,824 aggregate principal amount of the Combined Hydroelectric Bonds were outstanding under the indenture securing the Combined Hydroelectric Bonds.

In August 2017, AMP filed a lawsuit against Voith Hydro, Inc. (“Voith”), the supplier of major powerhouse equipment, including the turbines and generators for the Combined Hydroelectric Projects and the Meldahl Project (as hereinafter defined). See “Litigation – Relating to the Combined Hydroelectric Projects and Meldahl Project” herein.

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, 2024, \$620,275,000 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.

(Continued)

CITY OF DANVILLE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

Note 23. Service Contracts (Continued)

Power Purchase Contracts – American Municipal Power (Continued)

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, 2024, \$114,800,000 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.

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, 2021, and 2023, 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, the bonds issued in 2015 and 2019 to refund certain Initial Prairie State Bonds and to purchase and retire certain Initial Prairie State Bonds issued as Build America Bonds. As of June 30, 2024, AMP had \$1,278,980,000 aggregate principal amount of Prairie State Bonds outstanding.

(Continued)

CITY OF DANVILLE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

Note 23. Service Contracts (Continued)

Power Purchase Contracts – American Municipal Power (Continued)

Prairie State Energy Campus (68 Members) (Continued)

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, 2023, was 90.1%

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, the 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.

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.

(Continued)

CITY OF DANVILLE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

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 started 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 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 constructing and commissioning the facility, which went online in 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 construction 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 construction 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 twenty-five years. The generation will represent approximately 30,000 mWH annual and 3% of Danville's peak load.

(Continued)

CITY OF DANVILLE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

Note 23. Service Contracts (Continued)

Other Power Purchase Contracts (Continued)

AMP Solar Project

In August 2022, a fifteen-year purchase 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 mWh 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 this 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 MW of battery energy storage at 864 Monument Street. Both City Council and Utility Commission unanimously approved the project. The agreement commenced upon the 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, DPS, and IDA participate in a number of grant programs. Although the City, DPS and IDA 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, 2024

Note 24. Commitments and Contingencies (Continued)

Construction contracts

The City has several construction and similar contracts in progress at June 30, 2024. The uncompleted portion of these contracts represents financial commitments that were not yet liabilities at June 30, 2024, and consist of the following:

| | |
|---------------------------------------|-----------------------------|
| Contracts in progress | \$ 58,799,230 |
| Less: paid or recorded as liabilities | <u>(32,882,246)</u> |
| Remaining commitment | <u><u>\$ 25,916,984</u></u> |

Arbitrage

The City has certain debt instruments subject to arbitrage regulations. As of June 30, 2024, the arbitrage estimate was \$5,196,901.

Encumbrance commitments

The City had the following outstanding encumbrances, which include certain of the construction contracts in progress above, as of June 30, 2024.

| | |
|----------------------------|-----------------------------|
| <u>Major Funds</u> | |
| General Fund | \$ 1,036,611 |
| City Capital Projects Fund | 16,688,599 |
| Special Revenue Fund | 168,929 |
| Highway Maintenance Fund | 3,481,139 |
| EDA Fund | 4,660 |
| Motorized Equipment Fund | <u>272,350</u> |
| Total encumbrances | <u><u>\$ 21,652,288</u></u> |

Take-or-pay contracts

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

Moral obligations

The IDA has several moral obligations for debt service in place for various organizations within the Danville, Virginia area. The total debt outstanding related to these moral obligations is \$5,614,879.

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 \$270,136 with a final maturity of 2025; the City and Pittsylvania County each provide equal funding for the debt service.

(Continued)

CITY OF DANVILLE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

Note 25. Incentive Grants

The City, often in conjunction with the IDA, has awarded performance grants to companies within the City to foster economic development. Disbursements under these grants vary based on the performance requirements and period in which the company has to perform. During the current fiscal year, the City awarded approximately \$1,573,000 in new grants and paid approximately \$843,000 in such grant funds, and owed approximately \$35,000 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 \$3,161,500 and will be funded by the City through the IDA.

In fiscal year 2021, the IDA, 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 IDA, 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 IDA, 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 fiscal year 2024, the IDA, the City and the Commonwealth of Virginia entered into a performance agreement with 501 Craghead LLC for redeveloping a building into market rate apartments within the City of Danville, Virginia.

In addition to those agreements previously described, the IDA 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 IDA. The IDA 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 IDA recognized expense for the following economic and incentive awards:

| | |
|--------------------------------------|----------------------------|
| Richmond Cedar Works LLC | \$ 275,000 |
| River District Golf & Social LLC | 40,000 |
| Kegerreis Digital Marketing LLC | 20,000 |
| Old 97 Tavern & Arcade LLC | 20,000 |
| Craghead LLC | 475,000 |
| Enterprise zone | 24,068 |
| Other miscellaneous incentive grants | <u>365,442</u> |
| | <u><u>\$ 1,219,510</u></u> |

(Continued)

CITY OF DANVILLE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

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 \$125,000, property damage up to a deductible of \$50,000, 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, 2024

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:

| | | Beginning of Year | Changes in Claims and Reserves | Claim Payments | End of Year |
|-----------------------|------|------------------------------|---|---------------------------|------------------------|
| Workers' compensation | 2024 | \$ 2,039,363 | \$ 616,067 | \$ 798,818 | \$ 1,856,612 |
| | 2023 | 1,970,161 | 405,448 | 336,246 | 2,039,363 |
| | 2022 | 2,579,035 | 57,095 | 665,969 | 1,970,161 |
| Health insurance | 2024 | \$ 928,018 | \$ 10,662,123 | \$ 10,659,422 | \$ 930,719 |
| | 2023 | 932,673 | 14,350,173 | 14,354,828 | 928,018 |
| | 2022 | 702,195 | 13,048,978 | 12,818,500 | 932,673 |

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, 2024, 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 \$176,305 in workers' compensation claims.

Note 27. New Accounting Standards

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.

In December 2023, the GASB issued **Statement No. 102**, *Certain Risk Disclosures*. This statement defines and requires governments to disclose the risks related to concentrations of inflows or outflows of resources. The requirements of this Statement are effective for reporting periods beginning after June 15, 2024.

(Continued)

CITY OF DANVILLE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

Note 27. New Accounting Standards (Continued)

In April 2024, the GASB issued **Statement No. 103**, *Financial Reporting Model Improvements*. This statement improves key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability as well as addresses certain application issues. The requirements of this Statement are effective for reporting periods beginning after June 15, 2025.

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 20 individuals or businesses who have constructed or renovated property within the City limits as of June 30, 2024. 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, 2024 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> |
|------------------------|-----------------------|------------------------|-----------------------------|--|
| 131 | 07/01/2023 | 15 | \$0.84/\$100 | \$ 37,213 |
| 124 | 07/01/2023 | 15 | \$0.84/\$100 | 22,024 |
| 109 | 07/01/2011 | 9 | \$0.84/\$100 | 13,618 |
| 123 | 07/01/2023 | 15 | \$0.84/\$100 | 9,686 |

(Continued)

CITY OF DANVILLE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

Note 28. Tax Abatements (Continued)

Total revenue losses for the year ended June 30, 2024 for all 20 individuals and businesses participating in the real estate abatements were \$8,980. Projected future losses for all current abatement agreements is \$117,877.

Note 29. Casino

In December 2018, the City Council adopted a Resolution of Support requesting the citizens of Danville have an opportunity to vote on a referendum on whether to allow casino gaming in our community. In 2020, the General Assembly adopted, and then Governor Northam signed, legislation granting the voters of Danville this opportunity. On June 2, 2020, the City Council formally named Caesars Virginia, LLC to be its Preferred Casino Gaming Operator (PCGO). 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. On September 3, 2020, the City, the IDA, and Caesars Entertainment signed a development agreement naming Caesars the preferred casino operator for the City and outlining certain development, operational, payment and other requirements of each party. The agreement included an investment 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 IDA 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. The City's share of state gaming taxes is or 6% of net gaming revenue, up to \$200 million, plus 7% of net gaming revenue between \$200 million and \$400 million, plus 8% of net gaming revenue above \$400 million. It is anticipated that within three years of operation, the new annually recurring revenues to the City will exceed of \$30 million. In May 2023, Caesar's opened a temporary casino facility on their site while the permanent resort facility proceeded with construction. On average, the temporary casino facility has generated \$19 million of net gaming revenue each month. On May 7, 2024, the City Council approved a resolution to amend and restate the Casino Development Agreement. The amended agreement increased the capital investment from \$500 million to \$750 million; revised the employment requirement to be between 900 – 1,300; established a new final completion date of December 31, 2024; along with several other minor amendments. On December 17, 2024, Caesars Virginia held its grand opening and officially opened its doors to the public with the resort and conference center fully operational.

**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, 2024**

| | Fiscal Year | | |
|--|--------------------|-----------------------|-----------------------|
| | 2024 | 2023 | 2022 |
| Total Pension Liability | | | |
| Service cost | \$ 4,395,014 | \$ 4,990,662 | \$ 4,764,355 |
| Interest on total pension liability | 19,076,031 | 18,527,804 | 17,291,439 |
| Changes in benefit terms | - | - | - |
| Difference between expected and actual experience | 9,915,872 | 2,196,819 | 1,248,203 |
| Changes in assumptions | - | - | 10,687,540 |
| Benefit payments, including refunds of employee contributions | (17,632,583) | (16,954,526) | (16,169,711) |
| Net change in total pension liability | 15,754,334 | 8,760,759 | 17,821,826 |
| Total pension liability – beginning | 276,786,901 | 268,026,142 | 250,204,316 |
| Total pension liability – ending | 292,541,235 | 276,786,901 | 268,026,142 |
| Plan Fiduciary Net Position | | | |
| Contributions – employer | 3,901,259 | 3,392,137 | 3,516,085 |
| Contributions – employee | 563,290 | 372,565 | 304,079 |
| Net investment income | 23,402,736 | 21,797,569 | (18,706,584) |
| Benefit payments, including refunds of employee contributions | (17,632,583) | (16,954,526) | (16,169,711) |
| Administrative expenses | (138,504) | (147,738) | (132,478) |
| Net change in plan fiduciary net position | 10,096,198 | 8,460,007 | (31,188,609) |
| Plan fiduciary net position – beginning | 282,466,046 | 274,006,039 | 305,194,648 |
| Plan fiduciary net position – ending | 292,562,244 | 282,466,046 | 274,006,039 |
| Net pension asset – ending | \$ (21,009) | \$ (5,679,145) | \$ (5,979,897) |
| Plan fiduciary net position as a percentage of total pension liability (asset) | 100.0% | 102.1% | 102.2% |
| Covered payroll | \$ 57,548,541 | \$ 51,041,688 | \$ 46,987,738 |
| Net pension liability (asset) as a percentage of covered payroll | -0.04% | -11.1% | -12.7% |

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

EXHIBIT 13

| Fiscal Year | | | | | | |
|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|
| 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 |
| \$ 4,548,310 | \$ 4,373,375 | \$ 4,205,168 | \$ 4,043,430 | \$ 4,089,280 | \$ 3,400,557 | \$ 3,259,684 |
| 17,005,417 | 16,186,089 | 15,946,626 | 15,757,522 | 14,637,265 | 13,747,122 | 12,984,495 |
| - | - | - | 5,636,323 | - | - | - |
| (1,924,215) | 6,022,813 | (2,498,233) | 256,405 | 1,681,266 | 6,118,120 | 2,432,640 |
| - | - | - | - | 5,105,391 | - | - |
| (15,362,998) | (14,752,377) | (14,061,024) | (12,716,164) | (12,200,073) | (11,623,173) | (11,594,274) |
| 4,266,514 | 11,829,900 | 3,592,537 | 12,977,516 | 13,313,129 | 11,642,626 | 7,082,545 |
| 245,937,802 | 234,107,902 | 230,515,365 | 217,537,849 | 204,224,720 | 192,582,094 | 185,499,549 |
| 250,204,316 | 245,937,802 | 234,107,902 | 230,515,365 | 217,537,849 | 204,224,720 | 192,582,094 |
| 3,853,028 | 3,608,286 | 4,782,997 | 3,276,604 | 2,857,851 | 2,937,843 | 3,998,392 |
| 196,518 | 50,823 | - | - | - | - | - |
| 58,599,573 | 6,973,812 | 16,641,621 | 16,591,445 | 25,415,340 | 645,251 | 5,204,202 |
| (15,362,998) | (14,752,377) | (14,061,024) | (12,716,164) | (12,200,073) | (11,623,173) | (11,594,274) |
| (148,991) | (127,589) | (121,916) | (86,903) | (111,095) | (125,428) | (143,714) |
| 47,137,130 | (4,247,045) | 7,241,678 | 7,064,982 | 15,962,023 | (8,165,507) | (2,535,394) |
| 258,057,518 | 262,304,563 | 255,062,885 | 247,997,903 | 232,035,880 | 240,201,387 | 242,736,781 |
| 305,194,648 | 258,057,518 | 262,304,563 | 255,062,885 | 247,997,903 | 232,035,880 | 240,201,387 |
| <u>\$ (54,990,332)</u> | <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> |
| 122.0% | 104.9% | 112.0% | 110.6% | 114.0% | 113.6% | 124.7% |
| <u>\$ 45,228,296</u> | <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> |
| -121.6% | -27.6% | -65.7% | -56.9% | -70.3% | -65.5% | -119.8% |

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CITY OF DANVILLE, VIRGINIA

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PENSION CONTRIBUTIONS –
DANVILLE EMPLOYEES' RETIREMENT SYSTEM
June 30, 2024

| 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 |
|--------------------------------|--|---|---|----------------------------|---|
| 2024 | \$ 3,759,342 | \$ 3,901,259 | \$ (141,917) | \$ 57,548,541 | 6.78 % |
| 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 |

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, 2024**

| | Plan Year | | |
|--|---------------------|-------------------|-----------------------|
| | 2023 | 2022 | 2021 |
| Total Pension Liability | | | |
| Service cost | \$ 714,884 | \$ 688,999 | \$ 669,807 |
| Interest on total pension liability | 2,113,764 | 2,049,843 | 1,927,298 |
| Difference between expected and actual experience | (1,158,667) | (56,516) | (758,214) |
| Changes in assumptions | - | - | 949,814 |
| Benefit payments, including refunds of employee contributions | (1,685,512) | (1,743,645) | (1,580,812) |
| Refund of contributions | (93,309) | - | - |
| Net change in total pension liability | (108,840) | 938,681 | 1,207,893 |
| Total pension liability – beginning | 31,489,549 | 30,550,868 | 29,342,975 |
| Total pension liability – ending | 31,380,709 | 31,489,549 | 30,550,868 |
| Plan Fiduciary Net Position | | | |
| Contributions – employer | 686,941 | 622,320 | 613,067 |
| Contributions – employee | 291,327 | 271,848 | 263,134 |
| Net investment income | 1,991,474 | (27,607) | 6,991,184 |
| Benefit payments, including refunds of employee contributions | (1,685,512) | (1,743,645) | (1,580,812) |
| Refund of contributions | (93,309) | - | - |
| Administrative expenses | (20,104) | (20,055) | (17,614) |
| Other | 800 | 731 | 657 |
| Net change in plan fiduciary net position | 1,171,617 | (896,408) | 6,269,616 |
| Plan fiduciary net position – beginning | 31,125,522 | 32,021,930 | 25,752,314 |
| Plan fiduciary net position – ending | 32,297,139 | 31,125,522 | 32,021,930 |
| Net pension liability (asset) – ending | \$ (916,430) | \$ 364,027 | \$ (1,471,062) |
| Plan fiduciary net position as a percentage of total pension liability | 103% | 99% | 105% |
| Covered payroll | \$ 6,218,820 | \$ 5,613,749 | \$ 5,542,097 |
| Net pension liability (asset) as a percentage of covered payroll | -15% | 6% | -27% |

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.

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

EXHIBIT 15

| Plan Year | | | | | | |
|-------------------------------|---------------------------------|---------------------------------|---------------------------------|-------------------------------|-------------------------------|---------------------------------|
| 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 |
| \$ 665,657 1,848,442 | \$ 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 |
| 201,399 - | (238,743) 729,708 | (105,720) - | (377,881) (260,243) | (66,041) - | 240,276 - | - - |
| (1,513,711) - | (1,387,062) - | (1,357,830) - | (1,335,530) - | (1,384,752) - | (1,282,338) - | (1,247,980) - |
| 1,201,787 | 1,557,037 | 915,958 | 402,562 | 848,898 | 1,166,981 | 858,437 |
| 28,141,188 | 26,584,151 | 25,668,193 | 25,265,631 | 24,416,733 | 23,249,752 | 22,391,315 |
| 29,342,975 | 28,141,188 | 26,584,151 | 25,668,193 | 25,265,631 | 24,416,733 | 23,249,752 |
| 605,862 283,651 489,428 | 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 |
| (1,513,711) - | (1,387,062) - | (1,357,830) - | (1,335,530) - | (1,384,752) - | (1,282,338) - | (1,247,980) - |
| (16,990) (581) | (16,411) (1,034) | (15,097) (1,540) | (15,237) (2,307) | (13,630) (158) | (13,462) (201) | (15,950) 154 |
| (152,341) | 1,088,082 | 1,209,225 | 2,076,725 | (195,215) | 505,278 | 2,526,106 |
| 25,904,655 | 24,816,573 | 23,607,348 | 21,530,623 | 21,725,838 | 21,220,560 | 18,694,454 |
| 25,752,314 | 25,904,655 | 24,816,573 | 23,607,348 | 21,530,623 | 21,725,838 | 21,220,560 |
| \$ 3,590,661 | \$ 2,236,533 | \$ 1,767,578 | \$ 2,060,845 | \$ 3,735,008 | \$ 2,690,895 | \$ 2,029,192 |
| 88% | 92% | 93% | 92% | 85% | 89% | 91% |
| \$ 5,649,541 | \$ 5,431,818 | \$ 5,329,915 | \$ 5,156,900 | \$ 4,944,269 | \$ 4,906,673 | \$ 4,846,949 |
| 64% | 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, 2024

| | Plan Year | | |
|--|-----------------------|---------------------|-----------------------|
| | 2023 | 2022 | 2021 |
| Total Pension Liability | | | |
| Service cost | \$ 237,344 | \$ 215,966 | \$ 215,570 |
| Interest on total pension liability | 637,804 | 631,183 | 576,333 |
| Difference between expected and actual experience | (81,705) | (291,097) | (70,756) |
| Changes in assumptions | - | - | 328,958 |
| Benefit payments, including refunds of employee contributions | (486,745) | (471,925) | (435,023) |
| Net change in total pension liability | 306,698 | 84,127 | 615,082 |
| Total pension liability – beginning | 9,454,982 | 9,370,855 | 8,755,773 |
| Total pension liability – ending | 9,761,680 | 9,454,982 | 9,370,855 |
| Plan Fiduciary Net Position | | | |
| Contributions – employer | 389,222 | 86,724 | 84,187 |
| Contributions – employee | 282,221 | 115,537 | 111,767 |
| Net investment income | 685,964 | (8,814) | 2,327,931 |
| Benefit payments, including refunds of employee contributions | (486,745) | (471,925) | (435,023) |
| Administrative expenses | (6,532) | (6,672) | (5,867) |
| Other | 279 | 244 | 219 |
| Net change in plan fiduciary net position | 864,409 | (284,906) | 2,083,214 |
| Plan fiduciary net position – beginning | 10,378,596 | 10,663,502 | 8,580,288 |
| Plan fiduciary net position – ending | 11,243,005 | 10,378,596 | 10,663,502 |
| Net pension liability (asset) – ending | \$ (1,481,325) | \$ (923,614) | \$ (1,292,647) |
| Plan fiduciary net position as a percentage of total pension liability | 115% | 110% | 114% |
| Covered payroll | \$ 3,702,282 | \$ 2,625,089 | \$ 2,508,185 |
| Net pension liability as a percentage of covered payroll | -40% | -35% | -52% |

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.

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

EXHIBIT 16

| Plan Year | | | | | | |
|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 |
| \$ 204,705 | \$ 190,357 | \$ 174,350 | \$ 186,119 | \$ 189,058 | \$ 186,876 | \$ 212,808 |
| 566,894 | 552,528 | 546,294 | 519,760 | 529,082 | 525,413 | 494,905 |
| (185,806) | 48,564 | (140,555) | 116,563 | (478,030) | (322,695) | - |
| - | 224,954 | - | (71,319) | - | - | - |
| (456,911) | (565,540) | (416,515) | (327,611) | (418,969) | (255,375) | (288,413) |
| 128,882 | 450,863 | 163,574 | 423,512 | (178,859) | 134,219 | 419,300 |
| 8,626,891 | 8,176,028 | 8,012,454 | 7,588,942 | 7,767,801 | 7,633,582 | 7,214,282 |
| 8,755,773 | 8,626,891 | 8,176,028 | 8,012,454 | 7,588,942 | 7,767,801 | 7,633,582 |
| 72,809 | 73,060 | 79,096 | 75,562 | 154,870 | 156,811 | 169,720 |
| 107,505 | 103,220 | 91,413 | 85,108 | 87,249 | 88,856 | 89,035 |
| 164,621 | 555,378 | 599,557 | 902,372 | 125,624 | 330,257 | 986,601 |
| (456,911) | (565,540) | (416,515) | (327,611) | (418,969) | (255,375) | (288,413) |
| (5,724) | (5,785) | (5,276) | (5,271) | (4,691) | (4,474) | (5,283) |
| (193) | (347) | (530) | (800) | (55) | (69) | 52 |
| (117,893) | 159,986 | 347,745 | 729,360 | (55,972) | 316,006 | 951,712 |
| 8,698,181 | 8,538,195 | 8,190,450 | 7,461,090 | 7,517,062 | 7,201,056 | 6,249,344 |
| 8,580,288 | 8,698,181 | 8,538,195 | 8,190,450 | 7,461,090 | 7,517,062 | 7,201,056 |
| \$ 175,485 | \$ (71,290) | \$ (362,167) | \$ (177,996) | \$ 127,852 | \$ 250,739 | \$ 432,526 |
| 98% | 101% | 104% | 102% | 98% | 97% | 94% |
| \$ 2,370,974 | \$ 2,249,743 | \$ 1,927,099 | \$ 1,763,226 | \$ 1,788,926 | \$ 2,145,082 | \$ 1,778,846 |
| 7% | -3% | -19% | -10% | 7% | 12% | 24% |

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CITY OF DANVILLE, VIRGINIA

**REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PENSION CONTRIBUTIONS –
VIRGINIA RETIREMENT SYSTEM
June 30, 2024**

| 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 | | | | | |
| 2024 | \$ 767,873 | \$ 767,873 | \$ - | \$ 6,747,758 | 11.38 % |
| 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 | | | | | |
| 2024 | 107,446 | 107,446 | - | 5,652,445 | 1.90 |
| 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 |

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

CITY OF DANVILLE, VIRGINIA

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER'S SHARE OF NET PENSION LIABILITY –
VRS TEACHER RETIREMENT PLAN
June 30, 2024

| 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 |
|---|---|--|---|--|---|
| 2024 | 42.40 % | \$ 42,878,806 | \$ 42,712,725 | 100.39 % | 82.45 % |
| 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 |

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, 2024

| 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 |
|--------------------------------|--|---|---|----------------------------|---|
| 2024 | \$ 7,287,240 | \$ 7,287,240 | \$ - | \$ 49,187,256 | 14.82 % |
| 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 |

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, 2024**

| | Primary Government | | |
|---|---------------------------|----------------------|----------------------|
| | 2024 | 2023 | 2022 |
| Total OPEB Liability | | | |
| Service cost | \$ 78,526 | \$ 75,871 | \$ 146,579 |
| Interest on total OPEB liability | 185,209 | 180,020 | 134,668 |
| Changes in benefit terms | - | - | - |
| Difference between expected and actual experience | 358,207 | - | (629,764) |
| Changes in assumptions | (86,413) | (97,590) | (1,440,339) |
| Benefit payments | (232,808) | (274,461) | (278,327) |
| Other | - | - | - |
| Net change in total OPEB liability | 302,721 | (116,160) | (2,067,183) |
| Total OPEB liability – beginning | 4,822,534 | 4,938,694 | 7,005,877 |
| Total OPEB liability – ending | \$ 5,125,255 | \$ 4,822,534 | \$ 4,938,694 |
| Covered employee payroll | \$ 17,656,739 | \$ 17,410,986 | \$ 14,248,468 |
| Net OPEB liability as a percentage of covered payroll | 29% | 28% | 35% |

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 | | | |
|---------------------------|----------------------|----------------------|----------------------|
| 2021 | 2020 | 2019 | 2018 |
| \$ 142,310 | \$ 138,516 | \$ 134,483 | \$ 130,565 |
| 159,981 | 239,373 | 255,202 | 251,270 |
| - | - | - | - |
| - | (1,825,267) | - | - |
| 444,382 | 571,392 | 463,261 | - |
| (255,136) | (242,464) | (268,751) | (285,326) |
| - | 100 | - | - |
| 491,537 | (1,118,350) | 584,195 | 96,509 |
| 6,514,340 | 7,632,690 | 7,048,495 | 6,951,986 |
| <u>\$ 7,005,877</u> | <u>\$ 6,514,340</u> | <u>\$ 7,632,690</u> | <u>\$ 7,048,495</u> |
| <u>\$ 11,776,138</u> | <u>\$ 11,958,023</u> | <u>\$ 12,873,319</u> | <u>\$ 12,293,226</u> |
| <u>59%</u> | <u>54%</u> | <u>59%</u> | <u>57%</u> |

CITY OF DANVILLE, VIRGINIA

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER'S SHARE OF NET OPEB LIABILITY
June 30, 2024

| 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 | | | | | |
| 2024 | 0.4284 % | \$ 5,189,954 | \$ 42,712,725 | 12.15 % | 17.90 % |
| 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 | | | | | |
| 2024 | 0.0174 | 208,920 | 3,702,282 | 5.64 | 69.30 |
| 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 | | | | | |
| 2024 | 0.1818 | 2,179,872 | 42,712,725 | 5.10 | 69.30 |
| 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, 2024

| 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 | | | | | |
| 2024 | \$ 69,916 | \$ 69,916 | \$ - | \$ 5,652,445 | 1.24 % |
| 2023 | 54,768 | 54,768 | - | 4,089,268 | 1.34 |
| 2022 | 52,779 | 52,779 | - | 2,628,447 | 2.01 |
| VRS Health Insurance Credit Teachers | | | | | |
| 2024 | 495,889 | 495,889 | - | 49,187,256 | 1.01 |
| 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 | | | | | |
| 2024 | 58,771 | 58,771 | - | 5,652,445 | 1.04 |
| 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 | | | | | |
| 2024 | 213,392 | 213,392 | - | 49,187,256 | 0.43 |
| 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.

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 OPEB LIABILITY AND RELATED RATIOS –
HEALTH INSURANCE CREDIT – GENERAL EMPLOYEES – DANVILLE PUBLIC SCHOOLS
June 30, 2024

| | Fiscal Year | | |
|---|------------------|-------------------|-------------------|
| | 2024 | 2023 | 2022 |
| Total OPEB Liability | | | |
| Service cost | \$ 1,509 | \$ 1,776 | \$ 2,266 |
| Interest on total OPEB liability | 10,676 | 10,532 | 9,410 |
| Difference between expected and actual experience | (61,632) | (13,529) | (1) |
| Changes in assumptions | - | 7,509 | 5,203 |
| Benefit payments | (3,755) | (4,037) | - |
| Net change in total OPEB liability | (53,202) | 2,251 | 16,878 |
| Total OPEB liability – beginning | 158,528 | 156,277 | 139,399 |
| Total OPEB liability – ending | 105,326 | 158,528 | 156,277 |
| Plan Fiduciary Net Position | | | |
| Contributions – employer | 31,899 | 13,669 | 13,018 |
| Contributions – employee | - | - | - |
| Net investment income | 2,659 | (230) | 1,656 |
| Benefit payments | (3,755) | (4,037) | - |
| Administrator charges | (81) | (45) | (57) |
| Other | 1 | - | - |
| Net change in plan fiduciary net position | 30,723 | 9,357 | 14,617 |
| Plan fiduciary net position – beginning | 23,974 | 14,617 | - |
| Plan fiduciary net position – ending | 54,697 | 23,974 | 14,617 |
| Net OPEB liability – ending | \$ 50,629 | \$ 134,554 | \$ 141,660 |
| Plan fiduciary net position as a percentage of total OPEB liability | 52% | 15% | 9% |
| Covered payroll | \$ 4,089,268 | \$ 2,628,447 | \$ 2,508,185 |
| Net OPEB liability as a percentage of covered payroll | 3% | 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, 2024

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, 2022, 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, 2021. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

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, 2024

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

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.

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.

(Continued)

CITY OF DANVILLE, VIRGINIA

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2024

Note 3. Methods and Assumptions – Employees’ Retirement System (Continued)

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.

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**OTHER
SUPPLEMENTARY INFORMATION**

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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, 2024

| | Special Revenue Funds | | Permanent Fund | |
|--------------------------------------|------------------------------|-----------------------------|-----------------------------|----------------------|
| | VDOT | Economic Development | Cemetery Maintenance | Total |
| ASSETS | | | | |
| Cash and investments | \$ 987,939 | \$ 12,886,664 | \$ - | \$ 13,874,603 |
| Cash and investments – restricted | 4,976,003 | - | 3,016,492 | 7,992,495 |
| Receivables, net | - | 8,007 | - | 8,007 |
| Prepays | 150,034 | - | - | 150,034 |
| Total assets | <u>\$ 6,113,976</u> | <u>\$ 12,894,671</u> | <u>\$ 3,016,492</u> | <u>\$ 22,025,139</u> |
| LIABILITIES AND FUND BALANCES | | | | |
| LIABILITIES | | | | |
| Accounts payable | \$ 1,137,973 | \$ 23,007 | \$ - | \$ 1,160,980 |
| Due to component unit | - | 621,121 | - | 621,121 |
| Total liabilities | <u>1,137,973</u> | <u>644,128</u> | <u>-</u> | <u>1,782,101</u> |
| FUND BALANCES | | | | |
| Nonspendable | | | | |
| VDOT | 150,034 | - | - | 150,034 |
| Cemetery maintenance | - | - | 3,016,492 | 3,016,492 |
| Restricted | 4,825,969 | - | - | 4,825,969 |
| Assigned | - | 12,250,543 | - | 12,250,543 |
| Total fund balances | <u>4,976,003</u> | <u>12,250,543</u> | <u>3,016,492</u> | <u>20,243,038</u> |
| Total liabilities and fund balances | <u>\$ 6,113,976</u> | <u>\$ 12,894,671</u> | <u>\$ 3,016,492</u> | <u>\$ 22,025,139</u> |

CITY OF DANVILLE, VIRGINIA

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES – NONMAJOR GOVERNMENTAL FUNDS
Year Ended June 30, 2024**

| | Special Revenue Funds | | Permanent Fund | |
|--|------------------------------|---------------------------------|---------------------------------|-------------------|
| | VDOT | Economic Development | Cemetery Maintenance | Total |
| REVENUES | | | | |
| Miscellaneous | \$ 2,918 | \$ - | \$ 27,268 | \$ 30,186 |
| Recovered costs | 1,251,080 | - | - | 1,251,080 |
| Revenue from use of money and property | 98,241 | - | - | 98,241 |
| Intergovernmental | 14,458,090 | 548,742 | - | 15,006,832 |
| Total revenues | 15,810,329 | 548,742 | 27,268 | 16,386,339 |
| EXPENDITURES | | | | |
| Current: | | | | |
| General government | - | 829,948 | - | 829,948 |
| Public works | 12,845,550 | - | - | 12,845,550 |
| Community development | - | 3,132,264 | - | 3,132,264 |
| Debt service: | | | | |
| Principal | 60,001 | - | - | 60,001 |
| Interest | 15,273 | - | - | 15,273 |
| Total expenditures | 12,920,824 | 3,962,212 | - | 16,883,036 |
| Excess (deficiency) of revenues over (under) expenditures | 2,889,505 | (3,413,470) | 27,268 | (496,697) |
| OTHER FINANCING SOURCES | | | | |
| Transfers in | - | 6,699,972 | - | 6,699,972 |
| Total other financing sources | - | 6,699,972 | - | 6,699,972 |
| Net change in fund balances | 2,889,505 | 3,286,502 | 27,268 | 6,203,275 |
| FUND BALANCES | | | | |
| Beginning | 2,086,498 | 8,964,041 | 2,989,224 | 14,039,763 |
| Ending | \$ 4,976,003 | \$ 12,250,543 | \$ 3,016,492 | \$ 20,243,038 |

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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, 2024

| | Transportation | Sanitation | Cemetery Operations | Tele- communications | Total |
|---|-----------------------|-------------------|--------------------------------|---------------------------------|---------------|
| ASSETS | | | | | |
| CURRENT ASSETS | | | | | |
| Cash and investments | \$ 964,181 | \$ - | \$ - | \$ 1,387,796 | \$ 2,351,977 |
| Receivables, net | 7,157 | 297,185 | - | 46,081 | 350,423 |
| Due from other governments | 1,012,132 | - | - | - | 1,012,132 |
| Inventories | - | - | - | 262,416 | 262,416 |
| Total current assets | 1,983,470 | 297,185 | - | 1,696,293 | 3,976,948 |
| NONCURRENT ASSETS | | | | | |
| Net pension asset | 335 | 353 | 117 | 52 | 857 |
| Capital assets: | | | | | |
| Non-depreciable | - | 509,232 | - | - | 509,232 |
| Depreciable, net | 3,270,924 | 2,232,673 | - | 6,168,566 | 11,672,163 |
| Total noncurrent assets, net | 3,271,259 | 2,742,258 | 117 | 6,168,618 | 12,182,252 |
| Total assets | 5,254,729 | 3,039,443 | 117 | 7,864,911 | 16,159,200 |
| DEFERRED OUTFLOWS OF RESOURCES | | | | | |
| Deferred outflows related to pensions | 290,308 | 305,980 | 101,149 | 45,405 | 742,842 |
| LIABILITIES | | | | | |
| CURRENT LIABILITIES | | | | | |
| Bank overdraft | - | 10,566 | 105,280 | - | 115,846 |
| Accounts payable | 62,388 | 106,953 | 5,536 | 27,835 | 202,712 |
| Refundable deposits | - | - | - | 20,000 | 20,000 |
| Long-term liabilities – due within one year | 115,013 | 279,954 | 43,011 | 9,567 | 447,545 |
| Total current liabilities | 177,401 | 397,473 | 153,827 | 57,402 | 786,103 |
| NONCURRENT LIABILITIES | | | | | |
| Long-term liabilities – due in more than one year | 22,024 | 854,669 | 4,779 | 1,063 | 882,535 |
| Total noncurrent liabilities | 22,024 | 854,669 | 4,779 | 1,063 | 882,535 |
| Total liabilities | 199,425 | 1,252,142 | 158,606 | 58,465 | 1,668,638 |
| DEFERRED INFLOWS OF RESOURCES | | | | | |
| Deferred inflows related to pensions | 6,135 | 6,466 | 2,137 | 959 | 15,697 |
| Total deferred inflows of resources | 6,135 | 6,466 | 2,137 | 959 | 15,697 |
| NET POSITION | | | | | |
| Net investment in capital assets | 3,270,924 | 2,234,800 | - | 6,168,566 | 11,674,290 |
| Restricted for: | | | | | |
| Net pension asset | 335 | 353 | 117 | 52 | 857 |
| Unrestricted | 2,068,218 | (148,338) | (59,594) | 1,682,274 | 3,542,560 |
| | \$ 5,339,477 | \$ 2,086,815 | \$ (59,477) | \$ 7,850,892 | \$ 15,217,707 |

CITY OF DANVILLE, VIRGINIA

**COMBINING STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN FUND NET POSITION – NONMAJOR ENTERPRISE FUNDS
Year Ended June 30, 2024**

| | <u>Transportation</u> | <u>Sanitation</u> | <u>Cemetery Operations</u> | <u>Tele- communications</u> | <u>Total</u> |
|--|-----------------------|-------------------|--------------------------------|---------------------------------|---------------|
| OPERATING REVENUES | | | | | |
| Charges for services | \$ 342,168 | \$ 4,131,145 | \$ 668,676 | \$ 898,585 | \$ 6,040,574 |
| OPERATING EXPENSES | | | | | |
| Services | 4,067,447 | 4,552,148 | 1,172,826 | 531,461 | 10,323,882 |
| Depreciation and amortization | 502,067 | 343,324 | - | 442,850 | 1,288,241 |
| Total operating expenses | 4,569,514 | 4,895,472 | 1,172,826 | 974,311 | 11,612,123 |
| Operating loss | (4,227,346) | (764,327) | (504,150) | (75,726) | (5,571,549) |
| NONOPERATING REVENUES (EXPENSES) | | | | | |
| Sales income | 64,867 | - | 136,699 | - | 201,566 |
| Recovered costs | 70,213 | 46,944 | - | - | 117,157 |
| Other income (expense) | 14,469 | 43,325 | - | 1,086 | 58,880 |
| Federal and state grants | 3,211,846 | - | - | - | 3,211,846 |
| Other contributions | 670,580 | - | - | - | 670,580 |
| Interest income | 29,150 | 12,398 | 57,378 | 22,552 | 121,478 |
| Net change in the fair value of investments | 10,372 | 5,103 | 20,862 | 9,067 | 45,404 |
| Interest expense | - | (5,043) | - | - | (5,043) |
| Total nonoperating revenues | 4,071,497 | 102,727 | 214,939 | 32,705 | 4,421,868 |
| Loss before transfers | (155,849) | (661,600) | (289,211) | (43,021) | (1,149,681) |
| TRANSFERS | | | | | |
| Transfers out | - | - | - | (81,000) | (81,000) |
| Total transfers | - | - | - | (81,000) | (81,000) |
| Change in net position | (155,849) | (661,600) | (289,211) | (124,021) | (1,230,681) |
| NET POSITION – Beginning | 5,495,326 | 2,748,415 | 229,734 | 7,974,913 | 16,448,388 |
| NET POSITION – Ending | \$ 5,339,477 | \$ 2,086,815 | \$ (59,477) | \$ 7,850,892 | \$ 15,217,707 |

CITY OF DANVILLE, VIRGINIA

COMBINING STATEMENT OF CASH FLOWS – NONMAJOR ENTERPRISE FUNDS
Year Ended June 30, 2024

| | <u>Transportation</u> | <u>Sanitation</u> | <u>Cemetery Operations</u> | <u>Tele- communications</u> | <u>Total</u> |
|--|-----------------------|---------------------|--------------------------------|---------------------------------|-----------------------|
| OPERATING ACTIVITIES | | | | | |
| Received from customers | \$ 335,616 | \$ 4,078,301 | \$ 668,676 | \$ 868,530 | \$ 5,951,123 |
| Payments to suppliers for goods and services | (2,028,722) | (2,132,430) | (252,760) | (385,680) | (4,799,592) |
| Payments to employees for services | (1,653,180) | (1,532,524) | (602,045) | (175,555) | (3,963,304) |
| Payments to internal service funds for goods and services | (111,002) | (702,937) | (117,657) | (483) | (932,079) |
| Other revenue (expense) | 149,549 | 90,269 | - | 1,086 | 240,904 |
| Net cash provided by (used in) operating activities | <u>(3,307,739)</u> | <u>(199,321)</u> | <u>(303,786)</u> | <u>307,898</u> | <u>(3,502,948)</u> |
| NONCAPITAL FINANCING ACTIVITIES | | | | | |
| Transfers to other funds | - | - | - | (81,000) | (81,000) |
| Operating grants received | 2,960,741 | - | 136,699 | - | 3,097,440 |
| Net cash provided by (used in) noncapital financing activities | <u>2,960,741</u> | <u>-</u> | <u>136,699</u> | <u>(81,000)</u> | <u>3,016,440</u> |
| CAPITAL AND RELATED FINANCING ACTIVITIES | | | | | |
| Acquisition of capital assets | (528,196) | (451,359) | - | (115,719) | (1,095,274) |
| Principal payments on long-term debt | - | (87,414) | - | - | (87,414) |
| Interest payments on long-term debt | - | (5,043) | - | - | (5,043) |
| Capital contributions | 670,580 | - | - | - | 670,580 |
| Net cash used in capital and related financing activities | <u>142,384</u> | <u>(543,816)</u> | <u>-</u> | <u>(115,719)</u> | <u>(517,151)</u> |
| INVESTING ACTIVITIES | | | | | |
| Interest on investments | 29,150 | 12,398 | 57,378 | 22,552 | 121,478 |
| Net activity in investment securities | 10,372 | 5,103 | 20,862 | 9,067 | 45,404 |
| Net cash provided by investing activities | <u>39,522</u> | <u>17,501</u> | <u>78,240</u> | <u>31,619</u> | <u>166,882</u> |
| Net increase (decrease) in cash and cash equivalents | (165,092) | (725,636) | (88,847) | 142,798 | (836,777) |
| CASH AND CASH EQUIVALENTS | | | | | |
| Beginning | 1,129,273 | 725,636 | 88,847 | 1,244,998 | 3,188,754 |
| Ending | <u>\$ 964,181</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 1,387,796</u> | <u>\$ 2,351,977</u> |
| RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES | | | | | |
| Operating loss | \$ (4,227,346) | \$ (764,327) | \$ (504,150) | \$ (75,726) | \$ (5,571,549) |
| Adjustments: | | | | | |
| Depreciation and amortization | 502,067 | 343,324 | - | 442,850 | 1,288,241 |
| Pension expense net of employer contributions | 231,123 | 254,829 | 98,315 | 38,195 | 622,462 |
| Other revenue (expense), net | 149,549 | 90,269 | - | 1,086 | 240,904 |
| Landfill postclosure care | - | (90,000) | - | - | (90,000) |
| Change in noncash employee benefits charged to operations | 24,280 | 14,124 | (2,273) | (343) | 35,788 |
| Changes in assets and liabilities: | | | | | |
| Change in receivables | (6,552) | (52,844) | - | (30,055) | (89,451) |
| Change in inventories | - | - | - | (78,084) | (78,084) |
| Change in prepaids | - | - | - | - | - |
| Change in accounts payable | 19,140 | 5,304 | 104,322 | 9,975 | 138,741 |
| Net cash provided by (used in) operating activities | <u>\$ (3,307,739)</u> | <u>\$ (199,321)</u> | <u>\$ (303,786)</u> | <u>\$ 307,898</u> | <u>\$ (3,502,948)</u> |
| SUPPLEMENTAL CASH FLOW INFORMATION | | | | | |
| Capital asset additions obtain through leases liabilities | <u>\$ -</u> | <u>\$ 296,391</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 296,391</u> |

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, 2024

| | Motorized Equipment | Central Services | Insurance | Total |
|---|--------------------------------|-----------------------------|---------------------|---------------------|
| ASSETS | | | | |
| CURRENT ASSETS | | | | |
| Cash and investments | \$ 129 | \$ 329 | \$ 4,440,257 | \$ 4,440,715 |
| Cash and investments – held by fiscal agents | - | - | 50,000 | 50,000 |
| Receivables, net | - | 238 | - | 238 |
| Inventories | - | 110,351 | - | 110,351 |
| Total current assets | 129 | 110,918 | 4,490,257 | 4,601,304 |
| NONCURRENT ASSETS | | | | |
| Net pension asset | 233 | 30 | - | 263 |
| Capital assets: | | | | |
| Depreciable, net | 3,829,856 | 13,776 | - | 3,843,632 |
| Total noncurrent assets | 3,830,089 | 13,806 | - | 3,843,895 |
| Total assets | 3,830,218 | 124,724 | 4,490,257 | 8,445,199 |
| DEFERRED OUTFLOWS OF RESOURCES | | | | |
| Deferred outflows related to pensions | 202,109 | 25,901 | - | 228,010 |
| LIABILITIES | | | | |
| CURRENT LIABILITIES | | | | |
| Accounts payable | 114,328 | 15,169 | 32,838 | 162,335 |
| Due to other funds | 2,965,622 | 387,082 | - | 3,352,704 |
| Long-term liabilities – due within one year | 145,472 | 7,978 | - | 153,450 |
| Total current liabilities | 3,225,422 | 410,229 | 32,838 | 3,668,489 |
| NONCURRENT LIABILITIES | | | | |
| Long-term liabilities – due in more than one year | 454,229 | 886 | - | 455,115 |
| Total noncurrent liabilities | 454,229 | 886 | - | 455,115 |
| Total liabilities | 3,679,651 | 411,115 | 32,838 | 4,123,604 |
| DEFERRED INFLOWS OF RESOURCES | | | | |
| Deferred inflows related to pensions | 4,271 | 547 | - | 4,818 |
| Total deferred inflows of resources | 4,271 | 547 | - | 4,818 |
| NET POSITION | | | | |
| Net investment in capital assets | 3,283,361 | 13,776 | - | 3,297,137 |
| Restricted for: | | | | |
| Net pension asset | 233 | 30 | - | 263 |
| Unrestricted | (2,935,189) | (274,843) | 4,457,419 | 1,247,387 |
| | <u>\$ 348,405</u> | <u>\$ (261,037)</u> | <u>\$ 4,457,419</u> | <u>\$ 4,544,787</u> |

CITY OF DANVILLE, VIRGINIA

**COMBINING STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN FUND NET POSITION – INTERNAL SERVICE FUNDS
Year Ended June 30, 2024**

| | Motorized Equipment | Central Services | Insurance | Total |
|---|--------------------------------|-----------------------------|------------------|--------------|
| OPERATING REVENUES | | | | |
| Charges for services | \$ 3,725,182 | \$ 281,416 | \$ 2,275,678 | \$ 6,282,276 |
| OPERATING EXPENSES | | | | |
| Operations | 3,636,356 | 332,296 | 2,275,678 | 6,244,330 |
| Depreciation | 1,069,726 | 6,790 | - | 1,076,516 |
| Total operating expenses | 4,706,082 | 339,086 | 2,275,678 | 7,320,846 |
| Operating loss | (980,900) | (57,670) | - | (1,038,570) |
| NONOPERATING REVENUES | | | | |
| Gain on sale of capital assets | 200,362 | - | - | 200,362 |
| Recoveries and rebates | 25,725 | - | 4,177 | 29,902 |
| Other contributions | 105,596 | - | - | 105,596 |
| Net change in the fair value of investments | - | - | 25,425 | 25,425 |
| Interest income | - | - | 69,883 | 69,883 |
| Total nonoperating revenues | 331,683 | - | 99,485 | 431,168 |
| Income (loss) before and transfers | (649,217) | (57,670) | 99,485 | (607,402) |
| Transfers in | 571,380 | - | - | 571,380 |
| Change in net position | (77,837) | (57,670) | 99,485 | (36,022) |
| NET POSITION – Beginning | 426,242 | (203,367) | 4,357,934 | 4,580,809 |
| NET POSITION – Ending | \$ 348,405 | \$ (261,037) | \$ 4,457,419 | \$ 4,544,787 |

CITY OF DANVILLE, VIRGINIA

COMBINING STATEMENT OF CASH FLOWS – INTERNAL SERVICE FUNDS
Year Ended June 30, 2024

| | Motorized Equipment | Central Services | Insurance | Total |
|--|--------------------------------|-----------------------------|------------------|----------------|
| OPERATING ACTIVITIES | | | | |
| Received from interfund services | \$ 3,725,182 | \$ 281,689 | \$ 2,275,678 | \$ 6,282,549 |
| Payments to suppliers for goods and services | (2,340,853) | (19,434) | (2,245,736) | (4,606,023) |
| Payments to employees for services | (992,857) | (108,025) | - | (1,100,882) |
| Payments to internal service funds for goods and services | (185,172) | (143,949) | - | (329,121) |
| Other | 25,725 | - | 4,177 | 29,902 |
| Net cash provided by operating activities | 232,025 | 10,281 | 34,119 | 276,425 |
| NONCAPITAL FINANCING ACTIVITIES | | | | |
| Advances to (from) other funds | 854,925 | (10,281) | - | 844,644 |
| Net cash provided by (used in) noncapital financing activities | 854,925 | (10,281) | - | 844,644 |
| CAPITAL AND RELATED FINANCING ACTIVITIES | | | | |
| Acquisition of capital assets | (1,277,190) | - | - | (1,277,190) |
| Principal payments on long-term debt and leases | (122,150) | - | - | (122,150) |
| Capital contributions received | 105,596 | - | - | 105,596 |
| Cash proceeds from disposal of capital assets | 206,795 | - | - | 206,795 |
| Net cash used in capital and related financing activities | (1,086,949) | - | - | (1,086,949) |
| INVESTING ACTIVITIES | | | | |
| Interest on investments | - | - | 69,883 | 69,883 |
| Net activity in investments | - | - | 25,425 | 25,425 |
| Net cash provided by investing activities | - | - | 95,308 | 95,308 |
| Net increase in cash and investments | 1 | - | 129,427 | 129,428 |
| CASH AND CASH EQUIVALENTS | | | | |
| Beginning | 128 | 329 | 4,360,830 | 4,361,287 |
| Ending | \$ 129 | \$ 329 | \$ 4,490,257 | \$ 4,490,715 |
| RECONCILIATION TO EXHIBIT 28 | | | | |
| Cash and investments | \$ 129 | \$ 329 | \$ 4,440,257 | \$ 4,440,715 |
| Cash and investments – held by fiscal agent | - | - | 50,000 | 50,000 |
| | \$ 129 | \$ 329 | \$ 4,490,257 | \$ 4,490,715 |
| RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES | | | | |
| Operating loss | \$ (980,900) | \$ (57,670) | \$ - | \$ (1,038,570) |
| Adjustments: | | | | |
| Depreciation and amortization charged to operations | 1,069,726 | 6,790 | - | 1,076,516 |
| Pension expense net of employer contributions | 212,701 | 28,671 | - | 241,372 |
| Nonoperating revenue, net | 25,725 | - | 4,177 | 29,902 |
| Change in noncash employee benefits charged to operations | (9,254) | 2,266 | - | (6,988) |
| Changes in assets and liabilities: | | | | |
| Change in accounts receivable | - | 273 | - | 273 |
| Change in inventory | - | 22,612 | - | 22,612 |
| Change in accounts payable | (85,973) | 7,339 | 29,942 | (48,692) |
| Net cash provided by operating activities | \$ 232,025 | \$ 10,281 | \$ 34,119 | \$ 276,425 |

STATISTICAL SECTION

This part of the City of Danville’s annual comprehensive financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information say about the government’s overall financial health.

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Tables

Financial Trends..... 1-2, 4-5

These schedules contain trend information to help the reader understand how the government’s financial performance and well-being have changed over time.

Revenue Capacity 3, 6, 8-11

These schedules contain information to help the reader assess the government’s most significant local revenue sources, such as property taxes and charges for utility services.

Debt Capacity 12-15

These schedules present information to help the reader assess the affordability of the government’s current levels of outstanding debt and the government’s ability to issue additional debt in the future.

Demographic and Economic Information 16-17

These schedules offer demographic and economic indicators to help the reader understand the environment within which the government’s financial activities take place.

Operating Information..... 7, 18

These schedules contain service and infrastructure data to help the reader understand how the information in the government’s financial report relates to the services the government provides and the activities it performs.

Sources: Unless otherwise noted, the information in these schedules is derived from the annual comprehensive financial reports for the relevant year.

TABLE 1

CITY OF DANVILLE, VIRGINIA

NET POSITION BY COMPONENT
LAST TEN FISCAL YEARS
(Unaudited)

| | Fiscal Year | | | | | | | | | |
|---|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 |
| Governmental activities | | | | | | | | | | |
| Net investment in capital assets | \$ 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 | \$ 106,349,832 |
| Restricted | 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 | 9,262,982 |
| Unrestricted | 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 | 52,419,297 |
| Prior Period Adjustment for PPT | 3,121,755 | 3,178,331 | 3,256,351 | 4,112,512 | - | - | - | - | - | - |
| Total governmental activities net position | <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> | <u>\$ 168,032,111</u> |
| Business-type activities | | | | | | | | | | |
| Net investment in capital assets | \$ 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 | \$ 277,087,168 |
| Restricted | - | - | - | - | - | - | 11,002,812 | 1,400,804 | 1,229,090 | 3,144 |
| Unrestricted | 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 | 51,060,665 |
| Total business-type activities net position | <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> | <u>\$ 328,150,977</u> |
| Primary government | | | | | | | | | | |
| Net investment in capital assets | \$ 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 | \$ 383,437,000 |
| Restricted | 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 | 9,266,126 |
| Unrestricted | 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 | 103,479,962 |
| Total primary government net position | <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> | <u>\$ 496,183,088</u> |

TABLE 2

CITY OF DANVILLE, VIRGINIA

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

| | Fiscal Year | | | | | | | | | |
|--|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 |
| Expenses | | | | | | | | | | |
| Governmental activities: | | | | | | | | | | |
| General government | \$ 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 | \$ 20,614,530 |
| Judicial administration | 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 | 8,765,329 |
| Public safety | 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 | 45,526,471 |
| Public works | 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 | 21,614,114 |
| Heath and welfare | 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 | 17,712,302 |
| Parks, recreation, cultural | 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 | 8,448,121 |
| Community development | 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 | 9,613,252 |
| Education | 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 | 74,617,123 |
| Interest on long-term debt | 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 | 5,746,069 |
| Total governmental activities expenses | 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 | 212,657,311 |
| Business-type activities: | | | | | | | | | | |
| Wastewater | 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 | 8,471,515 |
| Water | 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 | 10,696,751 |
| Gas | 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 | 16,622,999 |
| Electric | 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 | 126,360,788 |
| Nonmajor | 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 | 11,617,166 |
| Total business-type activities expenses | 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 | 173,769,219 |
| Total primary government expenses | <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> | <u>\$ 386,426,530</u> |
| Program Revenues | | | | | | | | | | |
| Governmental activities: | | | | | | | | | | |
| Charges for services: | | | | | | | | | | |
| General government | \$ 47,057 | \$ 51,135 | \$ 42,530 | \$ 11,943 | \$ 91,357 | \$ 78,209 | \$ 523,450 | \$ 558,547 | \$ 636,291 | \$ 485,492 |
| Judicial administration | 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 | 1,978,725 |
| Public safety | 9,313 | 56,145 | 3,905 | 60,958 | 3,504 | 3,095 | 2,290 | 4,341 | 3,935 | 70,865 |
| Public works | - | 207,137 | 203,543 | 320,110 | - | - | - | - | - | - |
| Parks, recreation, cultural | 416,055 | 394,883 | 567,403 | 377,186 | 384,983 | 311,322 | 131,678 | 164,344 | 220,199 | 564,719 |
| Community development | 230 | - | - | 252 | 364 | - | - | - | - | 157 |
| Operating grants and contributions | 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 | 24,945,233 |
| Capital grants and contributions | 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 | 26,124,671 |
| Total governmental activities program revenues | 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 | 54,169,862 |

(Continued)

TABLE 2

CITY OF DANVILLE, VIRGINIA

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

| | Fiscal Year | | | | | | | | | |
|---|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|-------------------------|-------------------------|
| | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 |
| Program Revenues (Continued) | | | | | | | | | | |
| Business-type activities: | | | | | | | | | | |
| Charges for services: | | | | | | | | | | |
| Wastewater | \$ 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 | \$ 9,240,563 |
| Water | 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 | 9,022,517 |
| Gas | 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 | 19,114,245 |
| Electric | 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 | 129,627,184 |
| Nonmajor | 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 | 6,040,574 |
| Operating grants and contributions | 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 | 3,211,846 |
| Capital grants and contributions | 29,772 | 1,488,142 | - | - | - | - | - | - | - | - |
| Total business-type activities program revenues | 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 | 176,256,929 |
| Total primary government program revenues | <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> | <u>\$ 230,426,791</u> |
| Net (expense)/revenue | | | | | | | | | | |
| Governmental activities | \$ (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) | \$ (158,487,449) |
| Business-type activities | 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 | 2,487,710 |
| Total primary government net expense | <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> | <u>\$ (155,999,739)</u> |
| General Revenues and Other Changes in Net Position | | | | | | | | | | |
| Governmental activities: | | | | | | | | | | |
| Taxes | | | | | | | | | | |
| Property taxes | \$ 27,726,602 | \$ 28,516,172 | \$ 28,671,078 | \$ 32,850,905 | \$ 32,446,068 | \$ 34,870,542 | \$ 35,493,262 | \$ 35,834,079 | \$ 39,337,147 | \$ 39,347,828 |
| Sales taxes | 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 | 13,455,804 |
| Business and other licenses | 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 | 14,807,877 |
| Utility taxes | 981,093 | 965,139 | 960,635 | 977,324 | 960,242 | 936,355 | 930,704 | 938,023 | 936,030 | 944,390 |
| Hotel and meals taxes | 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 | 15,577,722 |
| Recordation and bank stock taxes | 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 | 1,774,241 |
| Auto license and recordation taxes | 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 | 1,213,240 |
| Contributions from Component Unit | 3,342,319 | - | - | - | - | - | - | - | - | - |
| Noncategorical state and federal aid | 5,939,560 | 4,399,809 | 5,549,708 | 6,022,182 | 9,834,014 | 6,576,160 | 13,238,756 | 13,315,140 | 29,686,148 | 41,021,087 |
| Investment income | 1,020,884 | 1,333,951 | 632,649 | 722,805 | 1,921,725 | 1,325,447 | 449,971 | (1,090,560) | 6,727,142 | 11,555,352 |
| Casino proceeds | - | - | - | - | - | - | 15,000,000 | - | - | - |
| Gain on sale of assets | - | - | - | - | - | - | 81,826 | 51,485 | 123,597 | 200,362 |
| Miscellaneous | 613,199 | 1,267,625 | 735,941 | 587,431 | 1,315,791 | 913,074 | 817,160 | 1,117,079 | 4,289,565 | 2,785,421 |
| Transfers | 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 | 14,588,000 |
| Total governmental activities | 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 | 157,271,324 |

(Continued)

TABLE 2

CITY OF DANVILLE, VIRGINIA

CHANGES IN NET POSITION
LAST TEN FISCAL YEARS
(Unaudited)

| | Fiscal Year | | | | | | | | | |
|---|----------------------|----------------------|------------------------|-----------------------|------------------------|-----------------------|----------------------|-----------------------|-----------------------|-----------------------|
| | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 |
| General Revenues and Other Changes in Net Position (Continued) | | | | | | | | | | |
| Business-type activities: | | | | | | | | | | |
| Investment income | \$ 686,097 | \$ 1,266,152 | \$ 653,635 | \$ 821,114 | \$ 2,546,152 | \$ 1,885,307 | \$ 610,471 | \$ (141,735) | \$ 361,012 | \$ 1,548,621 |
| Miscellaneous | 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 | 6,532,671 |
| Transfers | (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) | (14,588,000) |
| Total business-type activities | (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) | (6,506,708) |
| Total primary government | <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> | <u>\$ 150,764,616</u> |
| Change in Net Position | | | | | | | | | | |
| Governmental activities | \$ 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 | \$ (1,216,125) |
| Business-type activities | 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) | (4,018,998) |
| Total primary government | <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> | <u>\$ (5,235,123)</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 |
| 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 |
| 2023 | 39,337,147 | 11,932,323 | 7,779,638 | 936,030 | 14,006,723 | 1,380,437 | 1,302,482 | 37,337,633 | 76,674,780 |
| 2024 | 39,347,828 | 13,455,804 | 14,807,877 | 944,390 | 15,577,722 | 1,774,241 | 1,213,240 | 47,773,274 | 87,121,102 |

TABLE 4

CITY OF DANVILLE, VIRGINIA

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

| | Fiscal Year | | | | | | | | | |
|--|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|-----------------------|-----------------------|-----------------------|
| | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 |
| General Fund | | | | | | | | | | |
| Nonspendable/Restricted/Committed/ | | | | | | | | | | |
| Assigned | \$ 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 | \$ 12,398,165 |
| Unassigned | 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 | 51,145,585 |
| Total general fund | <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> | <u>\$ 63,543,750</u> |
| All other governmental funds | | | | | | | | | | |
| Nonspendable/Restricted/Committed/Assigned | | | | | | | | | | |
| Community Development | \$ 3,218,964 | \$ 3,208,407 | \$ 1,403,384 | \$ 1,038,032 | \$ 996,139 | \$ 950,011 | \$ 814,233 | \$ 830,672 | \$ 738,457 | \$ 709,903 |
| Nonspendable/Restricted/Committed/Assigned | | | | | | | | | | |
| Capital Projects | 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 | 29,761,165 |
| Restricted/Assigned – Special Revenue | 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 | 104,150,833 |
| Nonspendable/Restricted – VDOT | 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 | 4,976,003 |
| Assigned – Economic Development | 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 | 12,250,543 |
| Nonspendable – Cemetery Maintenance | 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 | 3,016,492 |
| Total all other governmental funds | <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> | <u>\$ 154,864,939</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 | | | | | | | | | |
|---|---------------|---------------|----------------|---------------|----------------|----------------|---------------|----------------|---------------|-----------------|
| | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 |
| Revenues | | | | | | | | | | |
| Property taxes | \$ 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 | \$ 39,082,230 |
| Local taxes | 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 | 48,014,066 |
| Fines and forfeitures | 487,897 | 448,600 | 362,431 | 353,857 | 386,050 | 312,163 | 291,892 | 259,670 | 219,762 | 222,177 |
| Permits, privilege fees, and regulatory licenses | 216,705 | 292,979 | 252,914 | 225,545 | 210,412 | 225,428 | 227,984 | 682,743 | 506,392 | 629,148 |
| Revenue from use of money and property | 882,640 | 1,280,745 | 601,472 | 676,706 | 1,823,958 | 1,236,733 | 420,679 | (1,082,121) | 6,708,185 | 11,529,927 |
| Charges for services | 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 | 3,088,413 |
| Miscellaneous and contributions | 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 | 8,488,650 |
| Recovered costs | 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 | 9,781,790 |
| Intergovernmental | 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 | 82,228,047 |
| Total revenues | 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 | 203,064,448 |
| Expenditures | | | | | | | | | | |
| General government | 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 | 16,343,817 |
| Judicial administration | 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 | 8,775,228 |
| Public safety | 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 | 41,119,930 |
| Public works | 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 | 17,602,971 |
| Health and welfare | 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 | 17,213,925 |
| Education | 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 | 74,617,123 |
| Parks, recreation, and cultural | 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 | 7,106,035 |
| Community development | 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 | 9,863,111 |
| Nondepartmental | 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 | 10,576,965 |
| Capital outlay | 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 | 25,497,587 |
| Debt service | | | | | | | | | | |
| Principal | 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 | 6,410,634 |
| Interest | 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 | 6,731,566 |
| Bond issuance costs | 35,847 | - | 195,466 | 143,104 | 120,859 | 343,072 | 138,510 | 306,049 | 187,898 | 283,749 |
| Total expenditures | 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 | 242,142,641 |
| Ratio of debt service to total non-capital expenditures | 2.6% | 2.8% | 3.7% | 3.9% | 3.6% | 4.1% | 4.4% | 3.7% | 6.8% | 6.1% |
| Excess of revenues over (under) expenditures | (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) | (39,078,193) |
| Other financing sources (uses) | | | | | | | | | | |
| Transfers in | 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 | 30,479,973 |
| Transfers out | (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) | (16,463,353) |
| Leases | - | - | - | - | - | - | - | 262,084 | 10,569,479 | 390,849 |
| Debt issued | 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 | 10,665,000 |
| 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 | 681,878 |
| Proceeds from lease issuance | - | 205,140 | (6,914,203) | - | - | 261,325 | - | - | - | - |
| Total other financing sources (uses) | 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 | 25,754,347 |
| Net change in fund balances | \$ 5,316,133 | \$ 8,047,825 | \$ (5,403,470) | \$ (982,418) | \$ (4,027,828) | \$ (1,224,117) | \$ 23,439,493 | \$ 123,933,627 | \$ (402,826) | \$ (13,323,846) |

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 |
|--------------------|--------------------------|---------------------|----------------------------|-----------------------|---|
| 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 |
| 2023-24 | 129,627,184 | 19,114,245 | 9,240,563 | 9,022,517 | 167,004,509 |

TABLE 7

CITY OF DANVILLE, VIRGINIA

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

| Function | Fiscal Year | | | | | | | | | |
|--------------------------------------|-------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 |
| General Fund | | | | | | | | | | |
| General government administration | 96 | 101 | 93 | 94 | 95 | 107 | 106 | 114 | 122 | 122 |
| Judicial administration | 116 | 116 | 121 | 120 | 126 | 126 | 126 | 126 | 130 | 125 |
| Public safety | 392 | 393 | 391 | 393 | 391 | 392 | 392 | 395 | 397 | 401 |
| Public works | 101 | 101 | 114 | 113 | 112 | 112 | 113 | 113 | 113 | 113 |
| Health, welfare, and social services | 99 | 99 | 100 | 100 | 102 | 102 | 101 | 98 | 99 | 101 |
| Park, recreational, and cultural | 52 | 53 | 57 | 59 | 61 | 61 | 61 | 61 | 64 | 64 |
| Community development | 17 | 17 | 19 | 18 | 16 | 16 | 16 | 17 | 24 | 26 |
| Total General Fund | 873 | 880 | 895 | 897 | 903 | 916 | 915 | 924 | 949 | 952 |
| Wastewater Fund | 11 | 11 | 11 | 11 | 11 | 11 | 11 | 11 | 11 | 11 |
| Water Fund | 18 | 18 | 16 | 16 | 16 | 16 | 16 | 16 | 16 | 16 |
| Gas Fund | 51 | 50 | 48 | 48 | 48 | 47 | 47 | 45 | 45 | 44 |
| Electric Fund | 100 | 100 | 104 | 104 | 104 | 89 | 89 | 81 | 82 | 76 |
| Telecommunications Fund | 3 | 4 | 3 | 3 | 3 | 2 | 2 | 2 | 2 | 2 |
| Transportation Fund | 20 | 27 | 28 | 34 | 38 | 38 | 38 | 38 | 41 | 42 |
| Central Services Fund | 3 | 3 | 3 | 4 | 4 | 4 | 4 | 4 | 4 | 4 |
| Motorized Equipment Fund | 19 | 19 | 19 | 21 | 21 | 21 | 21 | 19 | 21 | 21 |
| Sanitation Fund | 30 | 29 | 26 | 26 | 27 | 27 | 27 | 27 | 27 | 27 |
| Cemetery Fund | 15 | 15 | 15 | 15 | 13 | 13 | 13 | 13 | 13 | 13 |
| Total Other Funds | 270 | 276 | 273 | 282 | 285 | 268 | 268 | 256 | 262 | 256 |
| Total | 1,143 | 1,156 | 1,168 | 1,179 | 1,188 | 1,184 | 1,183 | 1,180 | 1,211 | 1,208 |

Source: City Council Approved Budget – Authorized Positions

TABLE 8

CITY OF DANVILLE , VIRGINIA

SCHEDULE OF ASSESSED PROPERTY VALUES
FOR THE LAST TEN YEARS

| 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 |
|--------------------|--|--|--|---|---|---|-----------------------------|
| 2015 | \$ 2,234,658,900 | \$ 314,269,866 | \$ 88,642,291 | \$ 3,089,306 | \$ 46,364,169 | \$ 5,376,000 | \$ 2,692,400,535 |
| 2016 | 2,240,747,200 | 322,874,514 | 89,676,124 | 2,825,460 | 46,578,273 | 8,061,770 | 2,710,763,344 |
| 2017 | 2,235,165,800 | 330,647,557 | 97,330,638 | 2,808,748 | 46,429,405 | 7,601,044 | 2,719,983,195 |
| 2018 | 2,270,914,500 | 340,099,963 | 112,709,350 | 3,061,340 | 49,032,295 | 7,469,241 | 2,783,286,693 |
| 2019 | 2,261,428,500 | 347,473,090 | 117,196,127 | 3,025,660 | 60,222,468 | 7,040,932 | 2,796,386,781 |
| 2020 | 2,262,959,300 | 349,438,279 | 114,095,791 | 3,180,324 | 59,098,352 | 8,939,000 | 2,797,711,046 |
| 2021 | 2,319,769,100 | 385,394,693 | 109,652,377 | 3,285,196 | 61,970,778 | 7,317,800 | 2,887,389,944 |
| 2022 | 2,340,059,800 | 489,778,155 | 122,719,764 | 3,173,230 | 60,969,318 | 7,843,225 | 3,024,543,492 |
| 2023 | 2,420,541,900 | 465,243,765 | 111,679,891 | 2,709,674 | 66,279,232 | 8,141,010 | 3,074,595,472 |
| 2024 | 2,438,957,300 | 476,871,871 | 115,093,058 | 3,597,065 | 73,496,655 | 8,716,300 | 3,116,732,249 |

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 – 2022 \$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 – 2022 \$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

| Taxpayer | 2024 | | | 2015 | | |
|--|-----------------------|------|--|-----------------------|------|------------------------------------|
| | 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 | 3.23 % | \$ 76,780,300 | 1 | 3.44 % |
| Goodyear Tire and Rubber Company | 30,286,200 | 2 | 1.24 | 28,906,700 | 2 | 1.29 |
| JTI Leaf Services US LLC | 22,575,100 | 3 | 0.93 | 16,093,100 | 5 | 0.72 |
| ITG Brands LLC | 15,752,800 | 4 | 0.65 | 7,184,500 | 15 | 0.32 |
| River District Tower LLC | 14,814,800 | 5 | 0.61 | - | - | - |
| CV SPE LLC & CAF2 SPE LLC & JMV | 13,484,200 | 6 | 0.55 | - | - | - |
| Piedmont Lands of Virginia LLC | 13,191,000 | 7 | 0.54 | 9,029,600 | 12 | 0.40 |
| Daniel Group Inc | 12,720,100 | 8 | 0.52 | 18,987,900 | 3 | 0.85 |
| EBI LLC | 11,069,200 | 9 | 0.45 | 9,941,600 | 11 | 0.45 |
| Litehouse, IN C | 11,017,600 | 10 | 0.45 | - | - | - |
| 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 | 0.37 | 10,564,900 | 8 | 0.47 |
| Pemberton Lofts LLC | 8,890,000 | 14 | 0.36 | 8,170,000 | 13 | 0.37 |
| Marshall, Robert & Margaret D. (Rev Trust) | 8,286,600 | 15 | 0.34 | 7,619,100 | 14 | 0.34 |
| Industrial Development Authority of Danville (2) | - | - | - | 10,329,000 | 9 | 0.46 |
| Nestle USA Inc. (formerly Carnation Co.) | - | - | - | 11,019,200 | 7 | 0.49 |
| NAP Coleman Marketplace LLC | - | - | - | 18,156,800 | 4 | 0.81 |
| Danville Mall LLC (Piedmont Mall LLC) | - | - | - | 13,011,700 | 6 | 0.58 |
| | <u>\$ 270,990,800</u> | | <u>11.11 %</u> | <u>\$ 256,035,300</u> | | <u>11.45 %</u> |

(1) Total 2022 Assessed Real Estate Value is \$2,340,059,800 for the City of Danville.

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

TABLE 10

CITY OF DANVILLE, VIRGINIA

REAL PROPERTY TAX LEVIES AND COLLECTIONS
FOR THE LAST TEN YEARS

| 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, 2024 | Uncollected Balance at June 30, 2024 | Percentage of Original Levy Collected at June 30, 2024 |
|-------------|--------------------|-------------------|---|---|---|---|---|--|--------------------------------------|--|
| 2015 | 0.73 | \$ 16,175,657 | \$ 14,985,466 | 92.64 % | \$ 1,190,191 | 7.36 % | \$ 1,166,803 | \$ 16,152,269 | \$ 23,388 | 99.86 % |
| 2016 | 0.73 | 16,226,974 | 15,323,516 | 94.43 | 903,458 | 5.57 | 872,383 | 16,195,899 | 31,075 | 99.81 |
| 2017 | 0.73 | 16,243,600 | 15,357,140 | 94.54 | 886,460 | 5.46 | 850,133 | 16,207,273 | 36,327 | 99.78 |
| 2018 | 0.80 | 18,049,905 | 16,926,921 | 93.78 | 1,122,984 | 6.22 | 1,069,457 | 17,996,378 | 53,527 | 99.70 |
| 2019 | 0.80 | 17,955,991 | 17,040,137 | 94.90 | 915,854 | 5.10 | 853,895 | 17,894,032 | 61,959 | 99.65 |
| 2020 | 0.84 | 18,865,804 | 17,948,051 | 95.14 | 917,753 | 4.86 | 836,182 | 18,784,233 | 81,571 | 99.57 |
| 2021 | 0.84 | 19,419,765 | 18,554,950 | 95.55 | 864,815 | 4.45 | 766,735 | 19,321,685 | 98,080 | 99.49 |
| 2022 | 0.84 | 19,587,311 | 18,632,939 | 95.13 | 954,372 | 4.87 | 799,244 | 19,432,183 | 155,128 | 99.21 |
| 2023 | 0.84 | 20,231,126 | 19,338,391 | 95.59 | 892,735 | 4.41 | 604,463 | 19,942,854 | 288,272 | 98.58 |
| 2024 | 0.84 | 20,473,907 | 19,457,111 | 95.03 | 1,016,796 | 4.97 | - | 19,457,111 | 1,016,796 | 95.03 |

(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

| Fiscal Year | Tax Rate Per \$100 (4) | Original Levy (1) | Collections and Adjustments Thru End of Month in which 1st Half Tax Due (1) | Percentage of Original Levy Collected in Year of Levy (1) | Uncollected at End of Month in which 1st Half Tax Due (1) | Percentage of Original Levy Uncollected at End of Month in which 1st Half Tax Due (1) | Collections and Adjustments in Subsequent Fiscal Years (1) | Total Collections & Adjustments Thru June 30, 2024 | Uncollected Balance At June 30, 2024 | Percentage of Original Levy Collected At June 30, 2024 |
|--------------------|---------------------------------------|----------------------------------|--|--|--|--|---|---|---|---|
| 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 | - | 98.70 |
| 2019 | 3.50 | 13,546,839 | 4,986,240 | 36.81 | 8,560,599 (3) | 63.19 | 8,420,716 | 13,406,956 | 139,883 | 98.97 |
| 2020 | 3.60 | 14,006,837 | 5,363,605 | 38.29 | 8,643,232 (3) | 61.71 | 8,498,545 | 13,862,150 | 144,687 | 98.97 |
| 2021 | 3.60 | 15,199,589 | 5,791,027 | 38.10 | 9,408,562 (3) | 61.90 | 9,199,435 | 14,990,462 | 209,127 | 98.62 |
| 2022 | 3.60 | 16,523,796 | 6,461,929 | 39.11 | 10,061,867 (3) | 60.89 | 9,706,784 | 16,168,713 | 355,083 | 97.85 |
| 2023 | 3.60 | 16,899,604 | 6,240,897 | 36.93 | 10,658,707 (3) | 63.07 | 9,713,812 | 15,954,709 | 944,895 | 94.41 |
| 2024 | 3.60 | 18,914,464 | 6,904,049 | 36.50 | 12,010,415 (3) | 63.50 | - | 6,904,049 | 12,010,415 | 36.50 |

(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: 2015:\$82,884; 2016 \$80,419; 2017 \$79,175; 2018 \$90,163

(3) 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.

(4) 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**
(Excludes School Bonds supported by 1% sales tax option)

| 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 |
| 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 |
| 2024 | 42,248 | 3,116,732,249 | 59,547,564 | 68,290,769 | 1.91 | 2.19 | 1,409.48 | 1,616.43 |

TABLE 13

CITY OF DANVILLE, VIRGINIA
RATIOS OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS

| Fiscal Year | Governmental Activities | | | Business-Type Activities | | | Total Primary Government | Bond Debt Per Capita | Ratio of Bond Debt to Danville MSA Personal Income (1) |
|-------------|--------------------------|---------------------|------------|--------------------------|--------------------------|-----------|--------------------------|----------------------|--|
| | General Obligation Bonds | Lease Revenue Bonds | Leases | Revenue Bonds | General Obligation Bonds | Leases | | | |
| 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 | 179,737,292 | - | 10,749,446 | 6,480,000 | 54,505,445 | 608,955 | 252,081,138 | 5,953 | 6.51 |
| 2024 | 185,177,564 | - | 10,091,410 | 17,900,000 | 50,390,769 | 1,090,151 | 264,649,894 | 6,264 | 6.84 |

(1) Danville MSA includes Danville and Pittsylvania County.

TABLE 14

CITY OF DANVILLE, VIRGINIA

LEGAL DEBT MARGIN INFORMATION

LAST TEN FISCAL YEARS

| | Fiscal Year | | | | | | | | | | |
|--|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 |
| 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 | \$ 2,438,957,300 |
| 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 | 73,419,708 |
| 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 | 2,512,377,008 |
| 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 | 251,237,701 |
| 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 | 253,468,333 |
| Less bond debt not applicable to limit: | | | | | | | | | | | |
| Revenue bonds | 1,683,940 | 1,318,940 | 953,940 | 588,940 | 223,940 | - | - | - | - | 6,480,000 | 17,900,000 |
| Total debt not applicable to limit | 1,683,940 | 1,318,940 | 953,940 | 588,940 | 223,940 | - | - | - | - | 6,480,000 | 17,900,000 |
| 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 | 235,568,333 |
| 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 | \$ 15,669,368 |
| 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% | 93.76% |
| 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% | 9.38% |

TABLE 15

CITY OF DANVILLE, VIRGINIA
SCHEDULE OF UTILITY REVENUE BOND COVERAGE
FOR THE LAST TEN YEARS

| 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 |
| 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 |
| 2024 | 173,404,608 | 146,401,459 | 27,003,149 | - | 293,611 | 293,611 | 91.97 |

(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

| 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) | |
| 2013 | 43,400 | \$ 31,297 | 42.6 | 16.8 % | 6,362 | \$ 3,307,949 | 11.00 % |
| 2014 | 42,912 | 32,775 | 42.6 | 16.8 | 6,362 | 3,467,733 | 9.80 |
| 2015 | 42,975 | 33,244 | 42.6 | 16.8 | 6,391 | 3,501,737 | 8.60 |
| 2016 | 42,544 | 34,119 | 42.6 | 16.8 | 6,228 | 3,557,825 | 6.10 |
| 2017 | 41,898 | 34,119 | 42.6 | 16.4 | 5,956 | 3,557,825 | 6.50 |
| 2018 | 41,358 | 35,326 | 41.5 | 16.0 | 5,828 | 3,659,277 | 5.30 |
| 2019 | 40,590 | 37,053 | 40.6 | 18.9 | 5,731 | 3,705,300 | 4.90 |
| 2020 | 40,044 | 36,301 | 41.1 | 18.4 | 5,731 | 3,912,942 | 7.70 |
| 2021 | 42,590 | 36,301 | 40.9 | 17.6 | 5,505 | 3,912,942 | 7.30 |
| 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 | 3,871,200 | 5.10 |
| 2024 | 42,248 | 38,650 | 41.0 | 18.7 | 5,502 | 3,871,200 | 3.90 |

(1) Source: Weldon Cooper Center for Public Services, University of Virginia estimated population for and 2013-2024

(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.
 2012-2024 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 2024

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

| Employer | 2024 | | | 2015 | | |
|--|------------------|------|--|------------------|------|--|
| | Employees (1) | Rank | Percentage of Total City Employment (2) | Employees (1) | Rank | Percentage of Total City Employment (2) |
| Goodyear | 1,979 | 1 | 10.40 % | 2,074 | 2 | 11.74 % |
| SOVAH Health | 1,442 | 2 | 7.58 | 1,300 | 3 | 7.36 |
| Danville City Public Schools | 1,179 | 3 | 6.19 | - | - | - |
| City of Danville | 1,120 | 4 | 5.88 | 2,335 | 1 | 13.21 |
| Caesars Virginia | 420 | 5 | 2.21 | - | - | - |
| Buitoni | 350 | 6 | 1.84 | - | - | - |
| EPL America (Essel Propack) | 322 | 7 | 1.69 | - | - | - |
| Danville Pittsylvania Community Services | 255 | 8 | 1.34 | - | - | - |
| EBI | 243 | 9 | 1.28 | 428 | 6 | 2.42 |
| Roman Eagle Memorial Home | 240 | 10 | 1.26 | 375 | 8 | 2.12 |
| Averett University | - | - | - | 455 | 5 | 2.57 |
| Swedwood | - | - | - | 410 | 7 | 2.32 |
| LiteHouse Foods | - | - | - | 294 | 10 | 1.66 |
| Wal-Mart | - | - | - | 370 | 9 | 2.09 |
| Nestle Refrigerated Food | - | - | - | 600 | 4 | 3.40 |

(1) Source: City of Danville, Office of Economic Development.

(2) Source: Employed Civilian Labor Force June 2015 (17672) and June 2024 (19033)

* Includes both Danville City Government and Danville City Schools

TABLE 18

CITY OF DANVILLE, VIRGINIA

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

Date of Incorporation: 1830
Form of Government: Council / Manager
Area in Square Miles: 44

| | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 |
|--|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|--------|
| 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 | 1,281 |
| Name of Government Facilities and Services: | | | | | | | | | | | |
| Miles of streets | 318 | 318 | 316 | 316 | 316 | 316 | 316 | 316 | 316 | 355 | 317 |
| Number of street lights | 8,827 | 8,827 | 8,340 | 8,344 | 8,349 | 8,349 | 8,349 | 8,349 | 8,390 | 8,599 | 8,598 |
| <u>Culture and Recreation:</u> | | | | | | | | | | | |
| Recreation centers | 8 | 8 | 7 | 9 | 9 | 9 | 9 | 9 | 9 | 9 | 9 |
| Number of parks | 12 | 12 | 16 | 18 | 18 | 18 | 21 | 21 | 21 | 35 | 35 |
| Park acreage | 680 | 680 | 751 | 922 | 922 | 922 | 843 | 843 | 843 | 843 | 843 |
| Number of trails | 6 | 6 | 6 | 16 | 16 | 19 | 19 | 19 | 19 | 19 | 19 |
| Trail mileage | 41.5 | 41.5 | 46 | 47 | 47 | 49 | 49 | 49 | 49 | 49 | 49 |
| Number of athletic fields | 22 | 22 | 22 | 22 | 22 | 22 | 21 | 21 | 21 | 21 | 21 |
| Athletic field acreage | 46 | 46 | 46 | 46 | 46 | 46 | 48 | 48 | 47 | 47 | 47 |
| Number of playgrounds | 14 | 14 | 20 | 20 | 20 | 20 | 17 | 17 | 17 | 17 | 19 |
| Playground acreage | 64 | 64 | 1.3 | 1.3 | 1.3 | 1.3 | 1.3 | 1.3 | 1.3 | 13.0 | 1.5 |
| Number of outdoor basketball courts | 10 | 10 | 10 | 10 | 10 | 15 | 15 | 15 | 15 | 13 | 13 |
| Number of tennis courts | 19 | 19 | 10 | 10 | 10 | 16 | 14 | 14 | 14 | 14 | 14 |
| <u>Fire Protection:</u> | | | | | | | | | | | |
| Number of stations | 7 | 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 | 121 |
| Number of calls answered | 6,703 | 7,321 | 8,132 | 8,419 | 8,047 | 8,424 | 8,415 | 9,094 | 9,436 | 9,689 | 10,229 |
| Number of inspections conducted | 1,043 | 1,288 | 1,337 | 1,424 | 1,223 | 1,101 | 784 | 227 | 560 | 1,460 | 397 |
| <u>Police Protection:</u> | | | | | | | | | | | |
| Number of stations | 2 | 2 | 2 | 3 | 3 | 3 | 3 | 3 | 1 | 1 | 1 |
| Number of police officers | 133 | 131 | 131 | 131 | 131 | 131 | 131 | 130 | 129 | 125 | 125 |
| Number of police vehicles and trailers | 56 | 56 | 56 | 26 | 63 | 75 | 73 | 78 | 85 | 88 | 106 |
| 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 | 2,870 |
| Traffic violations | 7,251 | 8,019 | 8,083 | 5,531 | 6,825 | 7,460 | 3,544 | 4,374 | 3,893 | 2,682 | 2,444 |
| Parking violations | 1,390 | 1,395 | 1,508 | 1,213 | 1,387 | 1,307 | 507 | 1,035 | 1,531 | 539 | 340 |

(Continued)

TABLE 18

CITY OF DANVILLE, VIRGINIA

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

Date of Incorporation: 1830
Form of Government: Council / Manager
Area in Square Miles: 44

| | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 |
|--|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| <u>Sewerage System:</u> | | | | | | | | | | | |
| Miles of sanitary sewers | 386 | 386 | 394 | 395 | 395 | 395 | 395 | 395 | 405 | 385 | 385 |
| Number of treatment plants | 1 | 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 | 16,937 |
| Average daily treatment | 7.34 | 7.86 | 8.40 | 8.10 | 8.10 | 9.64 | 8.49 | 7.54 | 5.41 | 6.08 | 6.05 |
| Maximum daily capacity of treatment | 20 | 20 | 20 | 20 | 20 | 20 | 20 | 20 | 18 | 20 | 20 |
| <u>Water System:</u> | | | | | | | | | | | |
| Miles of water mains | 342 | 344 | 346 | 347 | 331 | 331 | 331 | 331 | 335 | 334 | 336 |
| 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 | 17,682 |
| Number of fire hydrants | 2,107 | 2,107 | 2,209 | 2,208 | 2,079 | 2,075 | 2,078 | 2,080 | 2,103 | 2,114 | 2,116 |
| Average daily consumption - MGD | 5.19 | 5.39 | 4.86 | 4.98 | 4.90 | 4.73 | 4.67 | 4.91 | 5.04 | 5.05 | 5.52 |
| Maximum daily capacity of treatment | 18 | 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 | 500 |
| Number of distribution stations | 17 | 17 | 17 | 17 | 17 | 17 | 17 | 17 | 17 | 17 | 17 |
| Facilities and services not included in the primary government: | | | | | | | | | | | |
| <u>Education:</u> | | | | | | | | | | | |
| Number of preschools | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 |
| Number of elementary schools | 6 | 6 | 6 | 6 | 6 | 6 | 6 | 6 | 6 | 6 | 6 |
| Number of intermediate schools | 0 | 0 | 0 | 0 | 0 | 1 | 1 | 1 | 0 | 0 | 0 |
| Number of middle schools | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 |
| Number of high schools | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 |
| Number of alternative schools | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 2 |
| Number of preschool instructors | 21 | 22 | 23 | 23 | 22 | 21 | 21 | 20 | 21 | 23 | 22 |
| Number of elementary school instructors | 223 | 216 | 209 | 204 | 198 | 225 | 215 | 212 | 211 | 227 | 219 |
| Number of middle school instructors | 111 | 107 | 102 | 97 | 88 | 99 | 97 | 95 | 115 | 112 | 108 |
| Number of high school instructors | 152 | 140 | 138 | 131 | 130 | 131 | 151 | 150 | 124 | 119 | 140 |
| Facilities and services not included in the reporting entity: | | | | | | | | | | | |
| <u>Hospitals:</u> | | | | | | | | | | | |
| Number of hospitals | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Number of patient beds | 250 | 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, 2024, 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 20, 2024.

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. **We identified a deficiency in internal control, described in the accompanying schedule of findings and questioned costs, as Item 2024-001, that we consider to be a material weakness.**

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's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the City's response to the findings 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 20, 2024

**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, 2024. 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, 2024.

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 City'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 City'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 City'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 City'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 City'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 20, 2024

CITY OF DANVILLE, VIRGINIA
SUMMARY OF COMPLIANCE MATTERS
June 30, 2024

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

State Agency Requirements

Education

Social Services

Urban Highway Maintenance

Fire Program Aid to Localities

Opioid Abatement Program

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, 2024

A. SUMMARY OF AUDITOR'S RESULTS

1. The auditor's report expresses an **unmodified opinion** on the financial statements.
2. **No significant deficiencies and one material weakness** 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 were disclosed.
4. **No material weaknesses and no 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 **unmodified opinion**.
6. The audit disclosed **no audit findings relating to major programs**.
7. The programs tested as major were:

| Name of Program | Assistance Listing Number |
|--|---------------------------------|
| COVID-19 – Coronavirus State and Local Fiscal Recovery Funds | 21.027 |
| Education Stabilization Fund: | |
| COVID-19 Education Stabilization Fund | 84.425 |
| COVID-19-Elementary and Secondary School Emergency Relief | 84.425D |
| COVID-19-ARP – Elementary and Secondary School Emergency Relief | 84.425U |
| COVID-19-ARP – Elementary and Secondary School Emergency Relief - Homeless Children and Youth | 84.425W |

8. The **threshold for** distinguishing Type A and B programs was **\$1,453,403**.
9. The City of Danville was **not** determined to be a **low-risk auditee**.

(Continued)

CITY OF DANVILLE, VIRGINIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2024

B. FINDINGS – FINANCIAL STATEMENT AUDIT

2024-001: Audit Adjustments (Material Weakness) – Schools

Condition:

As part of our audit, we noted significant adjustments were required for the Schools.

Criteria:

Accounts payable, interfund balances, fund balance, and capital assets accounts should be reviewed in detail to ensure proper accounting treatment.

Cause:

A comprehensive review of all accounts payable, interfund balances, fund balance, and capital assets accounts was not properly completed.

Effect:

Significant adjustments were made to accounts payable, interfund balances and fund balances.

Recommendation:

We suggest management implement procedures to ensure all transactions are appropriately accounted for and reflected, including reconciliation of such accounts on a periodic basis. Additionally, the 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 2025 audit.

Views of Responsible Officials and Planned Corrective Action:

Management approved and made the adjusting journal entry that was suggested as part of our audit. The staff have discussed the documented processes and are considering additional procedures to ensure all appropriate items are accounted for.

C. FINDINGS – COMMONWEALTH OF VIRGINIA

None.

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

None.

CITY OF DANVILLE, VIRGINIA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
June 30, 2024

A. 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 accounts, and debt balances.

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.

Current Status:

Condition was not noted in the current year.

CITY OF DANVILLE, VIRGINIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2024

| Federal Granting Agency/ Recipient State Agency/ Grant Program | Federal CFDA 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 | \$ - | \$ 84,342 |
| 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 | - | 1,162,768 |
| Total SNAP Cluster | | - | 1,162,768 |
| Total U.S. Department of Agriculture | | - | 1,247,110 |
| DEPARTMENT OF HEALTH AND HUMAN SERVICES | | | |
| Passed through Southern Area Agency for the Aging | | | |
| <u>Aging Cluster</u> | | | |
| Special Programs for the Aging - Title III, Part B - Grants for Supportive Services and Senior Centers | 93.044 | - | 91,092 |
| Total Aging Cluster | | - | 91,092 |
| Passed through Commonwealth of Virginia: | | | |
| Department of Social Services: | | | |
| Guardianship Assistance | 93.090 | - | (282) |
| Title IV-E Prevention Program | 93.472 | - | 15,334 |
| Promoting Safe and Stable Families | 93.556 | - | 43,381 |
| TANF Block Grant | 93.558 | - | 630,884 |
| Refugee and Entrant Assistance State - Administered Programs | 93.566 | - | 2,745 |
| Low Income Home Energy Assistance | 93.568 | - | 147,644 |
| <u>CCDF Cluster</u> | | | |
| Child Care and Development Block Grant | 93.575 | - | (400) |
| Child Care Development Fund | 93.596 | - | 144,481 |
| Total CCDF Cluster | | - | 144,081 |

(Continued)

SCHEDULE 1

CITY OF DANVILLE, VIRGINIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2024

| Federal Granting Agency/ Recipient State Agency/ Grant Program | Federal CFDA Number | Passed- Through to Subrecipient | Federal Expenditures |
|---|------------------------------------|--|---------------------------------|
| Chafee Education and Training Vouchers Program | 93.599 | \$ - | \$ 1,016 |
| Stephanie Tubbs Jones Child Welfare Services Program | 93.645 | - | 645 |
| Foster Care - Title IV-E | 93.658 | - | 448,476 |
| Adoption Assistance | 93.659 | - | 354,230 |
| Social Services Block Grant | 93.667 | - | 603,180 |
| Chafee Foster Care Independence Program | 93.674 | - | 8,895 |
| Elder Abuse Prevention Interventions Program | 93.747 | - | 3,090 |
| Unaccompanied Alien Children Program | 93.767 | - | 10,042 |
| <u>Medicaid Cluster</u> | | | |
| Medical Assistance Program | 93.778 | - | 899,061 |
| Total Medicaid Cluster | | - | 899,061 |
| Total U.S. Department of Health and Human Services | | - | 3,403,514 |
| DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT | | | |
| Direct Payments: | | | |
| Community Development Block Grant Program, Entitlement Grants | 14.218 | 113,750 | 1,131,753 |
| Total Community Development Block Grants, Entitlement Cluster | | 113,750 | 1,131,753 |
| Home Investment Partnership Program | 14.239 | - | 383,585 |
| Office of Lead Hazard Control and Healthy Homes | 14.900 | - | 117,800 |
| | | - | 501,385 |
| Total U.S Department of Housing and Urban Development | | 113,750 | 1,633,138 |
| DEPARTMENT OF JUSTICE | | | |
| Bureau of Justice Assistance: | | | |
| Direct Payments: | | | |
| Bulletproof Vest Partnership Program | 16.607 | - | 5,860 |
| Public Safety Partnership and Community Policing Grants | 16.710 | - | 62,157 |
| Edward Byrne Memorial Justice Assistance Grant Program | 16.738 | - | 25,115 |

(Continued)

SCHEDULE 1

**CITY OF DANVILLE, VIRGINIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2024**

| Federal Granting Agency/ Recipient State Agency/ Grant Program | Federal CFDA Number | Passed- Through to Subrecipient | Federal Expenditures |
|---|------------------------------------|--|---------------------------------|
| Department of Criminal Justice Services: | | | |
| Passed through Commonwealth of Virginia: | | | |
| Office for Victims of Crime: | | | |
| Crime Victim Assistance | 16.575 | \$ - | \$ 160,512 |
| State Criminal Alien Assistance Program | 16.606 | - | 1,892 |
| Community-Based Violence Prevention Program | 16.123 | - | 168,433 |
| Total U.S. Department of Justice | | - | 423,969 |
| DEPARTMENT OF TRANSPORTATION | | | |
| Direct Payments: | | | |
| Airport Improvement Program | 20.106 | - | 2,867,618 |
| Passed through Commonwealth of Virginia: | | | |
| Highway Planning and Construction | 20.205 | - | 50,708 |
| Formula Grants for Rural Areas | 20.509 | - | 2,150,687 |
| Total U.S. Department of Transportation | | - | 5,069,013 |
| DEPARTMENT OF THE INTERIOR | | | |
| Passed through Commonwealth of Virginia: | | | |
| Department of Historic Resources: | | | |
| Historic Preservation Fund Grants-in-Aid | 15.904 | - | 54,973 |
| Total U.S. Department of the Interior | | - | 54,973 |
| DEPARTMENT OF THE TREASURY | | | |
| Direct payments: | | | |
| COVID-19 Coronavirus State and Local Fiscal Recovery Fund | 21.027 | 1,109,000 | 7,615,343 |
| Passed through Commonwealth of Virginia: | | | |
| COVID-19 Coronavirus State and Local Fiscal Recovery Fund - SCHOOLS | 21.027 | | 839,003 |
| COVID-19 Coronavirus State and Local Fiscal Recovery Fund - Department of Criminal Justice Services | 21.027 | - | 579,900 |
| COVID-19 Coronavirus State and Local Fiscal Recovery Fund - Department of Social Services | 21.027 | - | 101,143 |
| Passed through Virginia Tourism Corporation: | | | |
| COVID-19 Coronavirus State and Local Fiscal Recovery Fund - Virginia Tourism | 21.027 | - | 91,375 |
| Total Department of the Treasury | | 1,109,000 | 9,226,764 |

(Continued)

CITY OF DANVILLE, VIRGINIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2024

| Federal Granting Agency/ Recipient State Agency/ Grant Program | Federal CFDA Number | Passed- Through to Subrecipient | Federal Expenditures |
|--|---------------------------|---------------------------------------|-------------------------|
| DEPARTMENT OF HOMELAND SECURITY | | | |
| Passed through Commonwealth of Virginia: | | | |
| Department of Homeland Security: | | | |
| Disaster Grants - Public Assistance (Presidentially Declared Disasters) | 97.036 | \$ - | \$ 352 |
| Emergency Management Performance Grants | 97.042 | - | 27,013 |
| Assistance to Firefighters | 97.044 | - | 21,597 |
| Homeland Security Grant Program | 97.067 | - | 10,000 |
| | | | |
| Total U.S. Department of Homeland Security | | - | 58,962 |
| | | | |
| Total Federal Awards - City of Danville | | 1,222,750 | 21,117,443 |

Component Unit - Danville Schools

DEPARTMENT OF AGRICULTURE

Passed through Commonwealth of Virginia:

Department of Education:

Child Nutrition Cluster

| | | | |
|---|--------|---|-----------|
| National School Breakfast Program | 10.553 | - | 1,572,579 |
| National School Lunch Program | 10.555 | - | 3,177,266 |
| National School Lunch Program (Commodities) | 10.555 | - | 218,666 |
| Summer Feeding Program | 10.559 | - | 197,551 |
| Total Child Nutrition Cluster | | - | 5,166,062 |
| Child and Adult Care Food Program | 10.558 | - | 64,857 |
| COVID-19 P-EBT Administrative Costs | 10.649 | - | 6,180 |
| Total U.S. Department of Agriculture | | - | 5,237,099 |

DEPARTMENT OF EDUCATION

Passed through Commonwealth of Virginia:

Department of Education:

| | | | |
|---|--------|---|-----------|
| Title I - Educationally Deprived Children - LEA | 84.010 | - | 4,691,741 |
| Title I - Detention Home 14 | 84.013 | - | 18,004 |
| Title IV, Part A - Student Support and Academic Enrichment | 84.424 | - | 549,031 |

(Continued)

SCHEDULE 1

**CITY OF DANVILLE, VIRGINIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2024**

| Federal Granting Agency/ Recipient State Agency/ Grant Program | Federal CFDA Number | Passed- Through to Subrecipient | Federal Expenditures |
|--|------------------------------------|--|---------------------------------|
| <u>Special Education Cluster (IDEA)</u> | | | |
| Title VI-B - Special Education | 84.027 | \$ - | \$ 1,795,382 |
| Special Education Preschool Grants | 84.173 | - | 45,729 |
| Total Special Education Cluster (IDEA) | | - | 1,841,111 |
| Basic Grants to States | 84.048 | | 270,205 |
| English Language Acquisition State Grants | 84.365 | - | 46,950 |
| Title II - Part A Funds | 84.367 | - | 499,461 |
| Title V, Part B | 84.358 | - | 196,260 |
| COVID-19 Education Stabilization Fund | 84.425 | | 38,408 |
| COVID-19 Elementary and Secondary School Emergency | 84.425D | | 72,688 |
| COVID-19 American Rescue Plan—Elementary and Secondary School Emergency Relief | 84.425U | | 13,786,847 |
| COVID-19 American Rescue Plan – Elementary and Secondary School Emergency Relief –Homeless Children and Youth | 84.425W | - | 822 |
| School-Based Mental Health Services | 84.184 | - | 80,686 |
| Total U.S. Department of Education | | - | 22,092,214 |
| Total Federal Awards - Danville Schools | | - | 27,329,313 |
| Total Expenditures of Federal Awards | | \$ 1,222,750 | \$ 48,446,756 |

Primary Government

DEPARTMENT OF AGRICULTURE

Passed through Commonwealth of Virginia:

Department of Agriculture and Consumer Services:

Child Nutrition Cluster

| | | | |
|---|--------|---|---------------|
| W. W. Moore, Jr. Detention Home (Commodities) | 10.555 | - | \$ (1,106) |
| Summer Feeding Program | 10.559 | - | 1,407 |
| | | | <u>\$ 301</u> |

CITY OF DANVILLE, VIRGINIA

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS June 30, 2024

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 2024:

| <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 | \$ 113,750 |
| Averett University COVID-19 – Coronavirus State and Local Fiscal Recovery Funds | 21.027 | \$ 250,000 |
| Danville Neighborhood Development Corporation COVID-19 – Coronavirus State and Local Fiscal Recovery Funds | 21.027 | \$ 750,000 |
| Danville Redevelopment & Housing Authority COVID-19 – Coronavirus State and Local Fiscal Recovery Funds | 21.027 | \$ 109,000 |

Indirect Cost Rate

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

The Schools are using an allowed rate by the Virginia Department of Education for approved federal awards.

Outstanding Loan Balances

At June 30, 2024, the City had no outstanding loan balances requiring continuing disclosure.