

**SUPPLEMENT DATED JUNE 11, 2024
TO
OFFICIAL STATEMENT DATED JUNE 4, 2024
FOR
\$10,665,000
CITY OF DANVILLE, VIRGINIA
GENERAL OBLIGATION PUBLIC IMPROVEMENT BONDS,
SERIES 2024**

This Supplement to the Official Statement dated June 4, 2024 (the “Official Statement”), has been prepared by the City of Danville, Virginia (the “City”), in connection with the issuance of the above-referenced bonds (the “Bonds”). This Supplement corrects the principal amounts of two maturities of the Bonds and the resulting change in the net original issue premium for the Bonds.

The schedule on the inside front cover of the Official Statement is amended to correct the principal amounts of the Bonds maturing in the years 2029 and 2038.

Maturity (March 1)	Principal Amount	Interest Rate	Yield	Price	CUSIP** 236866
2029	\$395,000*	5.000%	3.180%	107.887%	WR6
2038	600,000**	5.000	3.450*	112.683	XA2

* Changed from \$390,000 in the Official Statement.

** Changed from \$605,000 in the Official Statement.

The table on page four of the Official Statement showing the Estimated Sources and Uses of Funds is deleted in its entirety and replaced with the following table:

Estimated Sources of Funds

Par Amount of Bonds	\$10,665,000.00
Net Original Issue Premium	<u>681,877.65*</u>
Total Sources	<u><u>\$11,346,877.65</u></u>

Estimated Uses of Funds

Deposit to City Project Fund	\$11,056,452.88*
Costs of Issuance (including underwriting compensation)	<u>290,424.77</u>
Total Uses	<u><u>\$11,346,877.65</u></u>

* The amounts of Net Original Issue Premium and Deposit to City Project Fund have both been decreased by \$239.80.

The table on page A-25 of Appendix A to the Official Statement is deleted in its entirety and replaced with the following table, which updates the 2029 and 2038 maturities as referenced above, as well as the corresponding interest and total columns for the Bonds and the Total Debt Service column.

Fiscal Year Ending	Total Outstanding Bond Debt Service as of June 30, 2023			Plus General Obligation Public Improvement Bonds, Series 2024 Debt Service			Total Debt Service ⁽¹⁾
	Principal	Interest	Total ⁽¹⁾	Principal	Interest	Total ⁽¹⁾	
	2024	\$ 9,341,667	\$ 8,783,168	\$ 18,124,835	-	-	
2025	11,831,667	8,334,693	20,166,360	\$ 460,000	\$ 345,802	\$ 805,802	20,972,162
2026	12,516,667	7,823,213	20,339,880	340,000	469,050	809,050	21,148,930
2027	10,941,667	7,297,303	18,238,970	355,000	452,050	807,050	19,046,020
2028	11,231,667	6,840,187	18,071,854	375,000	434,300	809,300	18,881,154
2029	11,871,667	6,389,435	18,261,102	395,000	415,550	810,550	19,071,652
2030	11,636,666	5,945,925	17,582,591	410,000	395,800	805,800	18,388,391
2031	11,311,666	5,519,638	16,831,304	430,000	375,300	805,300	17,636,604
2032	11,936,666	5,079,180	17,015,846	455,000	353,800	808,800	17,824,646
2033	12,115,000	4,624,569	16,739,569	475,000	331,050	806,050	17,545,619
2034	12,770,000	4,170,794	16,940,794	500,000	307,300	807,300	17,748,094
2035	12,990,000	3,697,200	16,687,200	525,000	282,300	807,300	17,494,500
2036	13,490,000	3,214,897	16,704,897	545,000	261,300	806,300	17,511,197
2037	13,185,000	2,723,143	15,908,143	575,000	234,050	809,050	16,717,193
2038	13,280,000	2,222,313	15,502,313	600,000	205,300	805,300	16,307,613
2039	13,150,000	1,720,631	14,870,631	630,000	175,300	805,300	15,675,931
2040	13,225,000	1,222,044	14,447,044	665,000	143,800	808,800	15,255,844
2041	13,130,000	725,744	13,855,744	690,000	117,200	807,200	14,662,944
2042	13,115,000	261,347	13,376,347	720,000	89,600	809,600	14,185,947
2043	1,175,000	23,500	1,198,500	745,000	60,800	805,800	2,004,300
2044	-	-	-	775,000	31,000	806,000	806,000
	\$234,245,000	\$86,618,924	\$320,863,924	\$10,665,000	\$5,480,652	\$16,145,652	\$337,009,576

Other than with respect to the information provided herein, this Supplement is not otherwise updating the Official Statement, which speaks as of its date.

In the opinion of Bond Counsel, under current law and subject to conditions described in the section “THE BONDS - Tax Exemption”, interest on the Bonds (as defined herein) (1) is not included in gross income for federal income tax purposes, (2) is not an item of tax preference for purposes of the federal alternative minimum tax, (3) is taken into account in determining adjusted financial statement income for applicable corporations (as defined in Section 59(k) of the Internal Revenue Code of 1986, as amended) for the alternative minimum tax imposed on such corporations, and (4) is exempt from income taxation by the Commonwealth of Virginia. A holder may be subject to other federal tax consequences as described in “THE BONDS - Tax Exemption.”

CITY OF DANVILLE, VIRGINIA
\$10,665,000
General Obligation Public Improvement Bonds,
Series 2024

Dated: Date of Delivery

Due: March 1, as shown on the inside cover

This Official Statement has been prepared by the City of Danville, Virginia (the “City”), to provide information on the City’s \$10,665,000 General Obligation Public Improvement Bonds, Series 2024 (the “Bonds”), the security therefor, the City and other relevant information. Selected information is presented on this cover page for the convenience of the reader. To make an informed decision regarding the Bonds, a prospective investor should read this Official Statement in its entirety.

- Security** The Bonds will be general obligations of the City to the payment of which its full faith and credit will be irrevocably pledged. Unless other funds are lawfully available and appropriated for timely payment of the Bonds, the City Council is authorized and required to levy and collect annually an *ad valorem* tax upon all taxable property within the City, over and above all other taxes, authorized or limited by law and without limitation as to rate or amount, sufficient to pay when due the principal of and interest on the Bonds. See “*Security for and Sources of Payment of the Bonds*” in Section Two.
- Optional Redemption** The Bonds are subject to optional redemption as set forth herein. See “*Optional Redemption*” in Section Two.
- Purpose** The proceeds of the Bonds will be used to finance the costs of various projects identified in the City’s capital improvement program and to pay the related costs of issuance.
- Interest Rates/Yields** See inside cover.
- Interest Payment Dates** March 1 and September 1, commencing September 1, 2024.
- Denominations** \$5,000 or integral multiples thereof.
- Record Dates** February 15 and August 15.
- Closing/Delivery Dates** On or about June 18, 2024.
- Registration** Full book-entry only; The Depository Trust Company, New York, New York.
- Registrar/Paying Agent** City Treasurer.
- Bond Counsel** Hunton Andrews Kurth LLP, Richmond, Virginia
- Financial Advisor** Davenport & Company, LLC, Richmond, Virginia.
- City Attorney** W. Clarke Whitfield, Jr., Esquire.
- Conditions Affecting Issuance** The Bonds are offered for delivery when, as and if issued, subject to the approving opinion of Hunton Andrews Kurth LLP, Bond Counsel, and to certain other conditions referred to herein.

CITY OF DANVILLE, VIRGINIA

MATURITIES, AMOUNTS, INTEREST RATES, YIELDS, PRICES AND CUSIP NUMBERS

**\$10,665,000
GENERAL OBLIGATION PUBLIC IMPROVEMENT BONDS,
SERIES 2024**

Maturity (March 1)	Principal Amount	Interest Rate	Yield	Price	CUSIP** 236866
2025	\$460,000	5.000%	3.450%	101.061%	WM7
2026	340,000	5.000	3.350	102.703	WN5
2027	355,000	5.000	3.250	104.488	WP0
2028	375,000	5.000	3.200	106.233	WQ8
2029	390,000	5.000	3.180	107.887	WR6
2030	410,000	5.000	3.180	109.419	WS4
2031	430,000	5.000	3.180	110.904	WT2
2032	455,000	5.000	3.190	112.270	WU9
2033	475,000	5.000	3.200	113.574	WV7
2034	500,000	5.000	3.210	114.817	WW5
2035	525,000	4.000	3.230*	106.366	WX3
2036	545,000	5.000	3.280*	114.190	WY1
2037	575,000	5.000	3.350*	113.567	WZ8
2038	605,000	5.000	3.450*	112.683	XA2
2039	630,000	5.000	3.500*	112.245	XB0
2040	665,000	4.000	3.900*	100.796	XC8
2041	690,000	4.000	4.000	100.000	XD6
2042	720,000	4.000	4.050	99.367	XE4
2043	745,000	4.000	4.100	98.697	XF1
2044	775,000	4.000	4.150	97.989	XG9

*Yield reflects Bonds priced to first optional call date of March 1, 2034.

** CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed on behalf of the American Bankers Association by FactSet Research Systems, Inc. CUSIP numbers have been included solely for the convenience of the owners of the Bonds. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP services. The City is not responsible for the selection or correctness of the CUSIP numbers set forth herein. The CUSIP number for a specific maturity is subject to being changed after the issuance of the Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part of such maturity or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Bonds.

CITY OF DANVILLE, VIRGINIA

CITY COUNCIL

Alonzo L. Jones, *Mayor*

James B. Buckner

Lawrence G. Campbell, Jr.

Bryant Hood

Barry P. Mayo

Dr. Gary P. Miller, *Vice Mayor*

Sherman M. Saunders

J. Lee Vogler

Madison J. R. Whittle

CERTAIN CITY OFFICIALS

Kenneth F. Larking
City Manager

Susan M. DeMasi
City Clerk

Michael L. Adkins
Director of Finance

W. Clarke Whitfield, Jr.
City Attorney

Bond Counsel

Hunton Andrews Kurth LLP
Richmond, Virginia

Financial Advisor

Davenport & Company LLC
Richmond, Virginia

Auditors

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

The Bonds will be exempt from registration under the Securities Act of 1933, as amended. As obligations of a political subdivision of the Commonwealth of Virginia, the Bonds will also be exempt from registration under the securities laws of Virginia.

No dealer, broker, salesman or other person has been authorized by the City to give any information or to make any representations other than those contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon as having been authorized by the City. This Official Statement does not constitute an offer to sell or a solicitation of an offer to buy, and there shall be no sale of the Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. This Official Statement is not to be construed as a contract or agreement between the City and the purchasers or owners of any of the Bonds.

All quotations from and summaries and explanations of provisions of law and documents herein do not purport to be complete, and reference is made to such laws and documents for full and complete statements of their provisions. Any statements made in this Official Statement involving estimates or matters of opinion, whether or not expressly so stated, are intended merely as estimates or opinion and not as representations of fact. This Official Statement speaks as of its date except where specifically noted otherwise and is subject to change without notice. Neither the delivery of this Official Statement, any sale made hereunder nor any filing of this Official Statement shall under any circumstances create an implication that there has been no change in the affairs of the City since the date of this Official Statement or imply that any information herein is accurate or complete as of any later date.

Certain statements contained in this Official Statement, including but not limited to the information contained in Appendix A, reflect forecasts and forward-looking statements, rather than historical facts. In this respect, the words “estimate,” “project,” “anticipate,” “expect,” “intend,” “believe,” “plan,” “budget” and similar expressions are intended to identify forward-looking statements. The achievement of certain results or other expectations contained in such forward-looking statements involves known and unknown risks, uncertainties and other factors that may cause actual results, performance or achievements described to differ materially from those stated in the forward-looking statements. All such forward-looking statements are expressly qualified by the cautionary statement in the preceding sentence, as well as any other disclaimers set forth in this Official Statement. The City does not plan to issue any updates or revisions to any such forward-looking statements.

Certain persons participating in this offering may engage in transactions that stabilize, maintain or otherwise affect the price of the Bonds, including transactions to (a) overallot in arranging the sales of the Bonds and (b) make purchases and sales of Bonds, for long or short account, on a when-issued basis or otherwise, at such prices, in such amounts and in such manner as the underwriters may determine.

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OFFICIAL STATEMENT

CITY OF DANVILLE, VIRGINIA

\$10,665,000 General Obligation Public Improvement Bonds, Series 2024

SECTION ONE: INTRODUCTION

The purpose of this Official Statement, including the cover page and Appendices hereto, is to furnish information in connection with the sale by the City of Danville, Virginia (the “City”), of its \$10,665,000 General Obligation Public Improvement Bonds, Series 2024 (the “Bonds”). The Bonds will be general obligations of the City to the payment of which the full faith and credit of the City are irrevocably pledged. Financial and other information contained in this Official Statement has been prepared by the City from its records (except where other sources are noted). This information speaks as of its date and is not intended to indicate future or continuing trends in the financial or economic position of the City.

The Issuer. Additional information regarding the City is provided in [Appendix A](#) to this Official Statement, entitled “THE CITY OF DANVILLE, VIRGINIA.” The audited financial statements for the City for the fiscal year ended June 30, 2023, are provided in [Appendix B](#) to this Official Statement.

The Bonds. The Bonds will be dated the date of their delivery, with principal payments due on March 1 in the years set forth on the inside cover. The Bonds will be issued in authorized denominations of \$5,000 and integral multiples thereof and will be held by The Depository Trust Company, New York, New York (“DTC”), or by its nominee as securities depository with respect to the Bonds. See “DESCRIPTION OF THE BONDS - Book-Entry-Only System” and [Appendix E](#).

Interest on the Bonds will be payable semi-annually on each March 1 and September 1, commencing September 1, 2024, until the earlier of maturity or redemption. As long as the Bonds are held by DTC or its nominee, interest will be paid to Cede & Co., as nominee of DTC, in same day funds on each interest payment date.

Use of Proceeds. The City is issuing the Bonds to (a) finance the costs of various projects identified as part of the City’s capital improvement program and (b) pay the related costs of issuance, all as further described in the subsection “Plan of Financing” in Section Two.

Redemption. At the option of the City, the Bonds maturing on or after March 1, 2035, are subject to redemption prior to maturity, in whole or in part (in integral multiples of \$5,000), at any time on or after March 1, 2034. A more complete description of the redemption features is provided in the subsection “Optional Redemption” in Section Two.

Delivery. The Bonds are offered for delivery, when, as and if issued, subject to the approval of their validity by Hunton Andrews Kurth LLP, Bond Counsel, and to certain other conditions referred to herein. Certain legal matters will be passed upon for the City by the City Attorney, W. Clarke Whitfield, Jr., Esquire. It is expected that the Bonds will be available for delivery, at the expense of the City, in New York, New York, through the facilities of DTC, on or about June 18, 2024.

Auditors. The City’s financial statements for the fiscal year ended June 30, 2023, are included as [Appendix B](#) to this Official Statement and have been audited by the independent public accounting firm of Brown, Edwards & Company, L.L.P. Such financial statements have been included in reliance upon the report of Brown, Edwards & Company, L.L.P. Since the date of its report included herein, Brown, Edwards & Company, L.L.P., has not been engaged to perform and has not performed any procedures relating to the financial statements addressed in that report or relating to this Official Statement. The City’s financial statements are also available for inspection at the Office of the Director of Finance, 427 Patton Street, Danville, Virginia 24541.

Ratings. The Bonds have been rated as shown on the cover page hereto by Moody’s Investors Service, 7 World Trade Center, 250 Greenwich Street, New York, New York 10007; by S&P Global Ratings, 55 Water Street, New York, New York 10041; and by Fitch Ratings, One State Street Plaza, New York, New York 10004. A more complete description of the ratings are provided in the subsection “Ratings” in Section Three.

Financial Advisor. Davenport & Company LLC, Richmond, Virginia, is employed as Financial Advisor to the City in connection with the issuance of the Bonds. *See the subsection “Financial Advisor” in Section Three.*

Continuing Disclosure. The City has agreed to execute a Continuing Disclosure Agreement at closing to assist the underwriter in complying with the provisions of Rule 15c2-12 (the “Rule”), promulgated by the U.S. Securities and Exchange Commission (the “SEC”) and as in effect on the date hereof, that requires the provision of certain annual financial information and event notices. *See the subsection “Continuing Disclosure” in Section Three.*

Additional Information. Any questions concerning the content of this Official Statement should be directed to Michael L. Adkins, Director of Finance, 427 Patton Street, Danville, Virginia 24541 (434-799-5186).

SECTION TWO: THE BONDS

Authorization of the Bonds

The Bonds are being issued pursuant to (1) the Constitution of the Commonwealth of Virginia (the “Commonwealth”), (2) the provisions of the Public Finance Act of 1991 (Chapter 26 of Title 15.2 of the Code of Virginia of 1950, as amended), (3) the City Charter, (4) an ordinance adopted by the City Council on September 6, 2022, (5) an ordinance adopted by the City Council on March 19, 2024, and (6) a resolution (the “Bond Resolution”), adopted by the City Council on April 16, 2024.

Description of the Bonds

The Bonds will be dated the date of their delivery and will mature on March 1 in the years set forth on the inside cover. Interest on the Bonds will be payable on March 1 and September 1, commencing September 1, 2024, by check or draft mailed to the registered owners at their addresses as they appear on the registration books on the February 15 and August 15 immediately preceding each March 1 and September 1 provided, however, that as long as the Bonds are held by DTC or its nominee, interest will be paid to Cede & Co., as nominee of DTC, in same day funds on each interest payment date. If such interest payment date is not a business day, such payment shall be made on the next succeeding business day with the same effect as if made on the interest payment date, and no additional interest shall accrue. The registration books are kept by the City Treasurer, who has been appointed paying agent and registrar (the “Paying Agent”).

Form and Denomination

The Bonds will be issued by means of a book-entry system with no physical distribution of Bond certificates made to the public. One Bond certificate for each maturity will be issued to DTC, or its nominee, and immobilized in its custody. Beneficial Owners (as hereinafter defined) will not receive physical bond certificates representing their interests in the Bonds purchased. So long as DTC or its nominee is the registered owner of the Bonds, references in this Official Statement to the owners of the Bonds shall mean DTC or its nominee and shall not mean the Beneficial Owners. The Bond Resolution contains provisions applicable to periods when DTC or its nominee is not the registered owner. *See the subsection herein “Book-Entry-Only System.”*

Optional Redemption

The Bonds maturing on or before March 1, 2034, are not subject to redemption prior to maturity. At the option of the City, the Bonds maturing on or after March 1, 2035, are subject to redemption prior to maturity, in whole or in part (in integral multiples of \$5,000), at any time on or after March 1, 2034, upon payment of 100% of the Bonds to be redeemed plus interest accrued and unpaid to the date fixed for redemption.

Manner of Redemption

If less than all of the Bonds are called for redemption, the maturities of the Bonds (or the portions thereof) to be redeemed will be selected by the chief financial officer of the City in such manner as such officer may determine to be in the best interests of the City.

If less than all of the Bonds of a maturity are called for redemption, the particular Bonds within such maturity (or the portions thereof) to be redeemed will be selected by DTC or any successor securities depository pursuant to its rules and procedures or, if the book entry system is discontinued, by the Registrar by lot in such manner as the Registrar in its discretion may determine.

The portion of any Bond to be redeemed will be in the principal amount of \$5,000 or some integral multiple thereof. In selecting Bonds for redemption, each Bond will be considered as representing that number of Bonds that is obtained by dividing the principal amount of such Bond by \$5,000. If a portion of a Bond is called for redemption, a new Bond in principal amount equal to the unredeemed portion thereof will be issued to the registered owner upon the surrender thereof.

Notice of Redemption

The City shall cause notice of the call for redemption identifying the Bonds or portions thereof to be redeemed to be sent by facsimile or electronic transmission, registered or certified mail or overnight express delivery, not less than 30 nor more than 60 days prior to the date fixed for redemption, to DTC, or its nominee, as the registered owner of the Bonds. The City shall not be responsible for giving notice of redemption to anyone other than DTC or another qualified securities depository or its nominee unless no qualified securities depository is the registered owner of the Bonds. If no qualified securities depository is the registered owner of the Bonds, notice of redemption shall be sent to the registered owners of the Bonds.

In the case of an optional redemption, the notice may state that (i) it is conditioned upon the deposit of moneys, in an amount equal to the amount necessary to effect the redemption, no later than the date fixed for redemption or (ii) the City retains the right to rescind such notice on or prior to the date fixed for redemption (in either case, a "Conditional Redemption"), and such notice and optional redemption shall be of no effect if such moneys are not so deposited or if the notice is rescinded as described herein. A Conditional Redemption may be rescinded at any time. The City shall give prompt notice of such rescission to the affected bondholders. Any Bonds subject to Conditional Redemption where redemption has been rescinded shall remain outstanding, and the rescission shall not constitute an event of default. Further, in the case of a Conditional Redemption, the failure of the City to make funds available on or before the date fixed for redemption shall not constitute an event of default, and the City shall give immediate notice to all organizations registered with the SEC as securities depositories or the affected bondholders that the redemption did not occur and that the Bonds called for redemption and not so paid remain outstanding.

Book-Entry-Only System

DTC will act as securities depository for the Bonds pursuant to a book-entry system. Information regarding DTC and its book-entry system appears as [Appendix E](#). Such information has been provided by DTC, and the City assumes no responsibility for the accuracy or completeness of such information. The City may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event Bond certificates will be printed and delivered.

Plan of Financing

The City plans to use the proceeds of the Bonds (1) for the purpose of financing the costs of various projects identified on the City's capital improvement program, including, without limitation, (a) parks and recreational facility improvements, (b) fire and police equipment, (c) information technology software and equipment, (d) public building improvements (including, without limitation, roof, elevator and HVAC improvements), (e) street improvements, (f) municipal airport improvements, and (g) any other capital expenditures (other than for capital expenditures relating

to the City’s water, sewer, gas and/or electric systems) (collectively, the “Projects”) and (2) to pay the costs of issuing the Bonds.

The following table sets forth the anticipated application of the proceeds of the Bonds for the purposes described above:

Estimated Sources of Funds

Par Amount of Bonds	\$10,665,000.00
Net Original Issue Premium	<u>682,117.45</u>
Total Sources	<u><u>\$11,347,117.45</u></u>

Estimated Uses of Funds

Deposit to City Project Fund	11,056,692.68
Costs of Issuance (including underwriting compensation)	<u>290,424.77</u>
Total Uses	<u><u>\$11,347,117.45</u></u>

Security for and Sources of Payment of the Bonds

The Bonds are general obligations of the City to the payment of which the City’s full faith and credit are irrevocably pledged. While the Bonds remain outstanding and unpaid, the City Council is authorized and required, unless other funds are lawfully available and appropriated for the timely payment of the Bonds, to levy and collect annually an *ad valorem* tax upon all taxable property within the City, over and above all other taxes, authorized or limited by law and without limitation as to rate or amount, sufficient to pay when due the principal of and interest on the Bonds.

Bondholders’ Remedies in the Event of Default

Section 15.2-2659 of the Code of Virginia of 1950, as amended, provides that upon an affidavit filed with the Governor of the Commonwealth by any holder of or paying agent for a general obligation bond in default as to payment of principal, premium, if any, or interest, the Governor shall conduct a summary investigation and, if satisfied that such default has occurred, the Governor shall order the State Comptroller to withhold all funds appropriated and payable by the Commonwealth to the political subdivision so in default and apply the amount so withheld to payment of the defaulted principal, premium and interest.

Under the intercept provision, neither the State Comptroller nor the Commonwealth has any legal obligation to make any payment on behalf of the City other than from the funds appropriated and payable to the City. Commonwealth aid that is payable to the City and that is subject to interception is derived primarily from the Commonwealth’s General Fund, with the remaining aid being payable from the Highway Maintenance and Construction Fund of the Virginia Department of Transportation and certain other funds.

Section 15.2-2659 also provides for notice to the registered owners of such bonds of the default and the availability of withheld funds. The State Comptroller advises that to date no order to withhold funds pursuant to Section 15.2-2659 (or its predecessor provisions Section 15.1-227.61 or Section 15.1-225) has ever been issued. Although no Virginia court has had occasion to review or approve Section 15.2-2659 (or its predecessor provisions), the Attorney General of Virginia has opined that appropriated funds may be withheld by the Commonwealth as a remedy for payment defaults under general obligation bonds, pursuant to the provisions of Section 15.1-225 (a predecessor provision to Section 15.2-2659). In the fiscal year ended June 30, 2023, of the approximately \$47,113,136.75 total direct appropriations paid by the Commonwealth to the City, approximately \$24,780,193.59 was deposited in the City’s general fund and its transportation-related fund. The amount of aid appropriated by the Commonwealth to the City varies from year to year and may not in a particular year equal or exceed all of the payment obligations of the City potentially subject to the intercept provision.

Neither the Bonds nor the proceedings with respect thereto specifically provide any remedies that would be available to a bondholder if the City defaults in the payment of principal of or interest on the Bonds, and neither the Bonds nor such proceedings provide for the appointment of a trustee to protect and enforce the interests of the bondholders upon the occurrence of such a default. Upon any default in the payment of principal or interest, a bondholder may, among other things, seek a writ of mandamus from an appropriate court requiring the City Council to levy and collect taxes as described above. The mandamus remedy, however, may be impracticable and difficult to enforce. Furthermore, the right to levy and collect taxes and to enforce payment of the Bonds may be limited by bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance and similar laws and by equitable principles, which may limit the specific enforcement of certain remedies.

Chapter 9 of the United States Bankruptcy Code (the “Bankruptcy Code”) permits a municipality such as the City, if insolvent or otherwise unable to pay its debts as they become due, to file a voluntary petition for the adjustment of debts, provided that such municipality is “specifically authorized, in its capacity as a municipality or by name, to be a debtor....” Bankruptcy Code §109(c)(2). Current Virginia statutes do not expressly authorize the City or municipalities generally to file for bankruptcy under Chapter 9. Chapter 9 does not authorize the filing of involuntary petitions against municipalities such as the City.

Bankruptcy proceedings by the City could have adverse effects on bondholders, including (1) delay in the enforcement of their remedies, (2) subordination of their claims to the claims of those supplying goods and services to the City after the initiation of bankruptcy proceedings and to the administrative expenses of bankruptcy proceedings and (3) imposition without their consent of a reorganization plan reducing or delaying payment of the Bonds. The Bankruptcy Code contains provisions intended to ensure that, in any reorganization plan not accepted by at least a majority of a class of creditors such as the holders of general obligation bonds, such creditors will have the benefit of their original claim or the “indubitable equivalent.” The effect of these and other provisions of the Bankruptcy Code cannot be predicted and may be affected significantly by judicial interpretations.

The City has never defaulted in the payment of principal of or premium or interest on any indebtedness.

Approval of Legal Proceedings

Certain legal matters relating to the authorization and validity of the Bonds will be subject to the approving opinion of Hunton Andrews Kurth LLP, Bond Counsel, in substantially the form set forth in Appendix C (the “Bond Opinion”), which will be furnished at the expense of the City upon delivery of the Bonds. The Bond Opinion will be limited to matters relating to authorization and validity of the Bonds and to the tax-exempt status of interest on the Bonds as described in the section “Tax Exemption” below. Bond Counsel has not been engaged to investigate the financial resources of the City or its ability to provide for payment of the Bonds, and the Bond Opinion will make no statement as to such matters or as to the accuracy or completeness of this Official Statement or any other information that may have been relied on by anyone in making the decision to purchase Bonds.

Certain legal matters will be passed upon for the City by the City Attorney, W. Clarke Whitfield, Jr., Esquire.

Tax Exemption

Opinion of Bond Counsel. In the opinion of Bond Counsel and in accordance with customary opinion practice, under current law, interest, including any accrued original issue discount (“OID”), on the Bonds (a) is not included in gross income for federal income tax purposes, (b) is not an item of tax preference for purposes of the federal alternative minimum tax, (c) is taken into account in determining adjusted financial statement income for applicable corporations (as defined in Section 59(k) of the Internal Revenue Code of 1986, as amended, and applicable regulations thereunder (the “Code”)) for the alternative minimum tax imposed on such corporations, and (d) is exempt from income taxation by the Commonwealth. Except as discussed below regarding OID, no other opinion is expressed by Bond Counsel regarding the tax consequences of the ownership of or the receipt or accrual of interest on the Bonds.

Bond Counsel's opinion is given in reliance upon certifications by representatives of the City as to certain facts relevant to both the opinion and requirements of the Code, and is subject to the condition that there is compliance subsequent to the issuance of the Bonds with all requirements of the Code that must be satisfied in order for interest thereon to remain excludable from gross income for federal income tax purposes. The City has covenanted to comply with the current provisions of the Code regarding, among other matters, the use, expenditure and investment of the proceeds of the Bonds and the timely payment to the United States of any arbitrage rebate amounts with respect to the Bonds. Failure by the City to comply with such covenants, among other things, could cause interest, including any accrued OID, on the Bonds to be included in gross income for federal income tax purposes retroactively to their date of issue. The City may in its discretion, but has not covenanted to, take any and all such actions as may be required by future changes in the Code and applicable regulations in order that interest on the Bonds remain excludable from gross income for federal income tax purposes.

Bond Counsel's opinion represents its legal judgment based in part upon the representations and covenants referenced therein and its review of current law, but is neither a guarantee of a result nor binding on the Internal Revenue Service (the "IRS") or the courts. Bond Counsel assumes no duty to update or supplement its opinion to reflect any facts or circumstances that may come to Bond Counsel's attention after the date of its opinion or to reflect any changes in law or the interpretation thereof that may occur or become effective after such date.

Customary practice in the giving of legal opinions includes not detailing in the opinion all of the assumptions, conditions, limitations and exclusions that are part of the conclusions therein. See "*Statement on the Role of Customary Practice in the Preparation and Understanding of Third-Party Legal Opinions*," 63 *Bus. Law.* 1277 (2008), and "*Legal Opinion Principles*," 53 *Bus. Law.* 831 (May 1998), updated by "*Statement of Opinion Practices*," 74 *Bus. Law.* 801, 807 (2019). Purchasers of the Bonds should seek advice or counsel concerning such matters as they deem prudent in connection with their purchase of Bonds.

Alternative Minimum Tax

Individuals – Bond Counsel's opinion states that under current law interest on the Bonds is not an item of preference and is not subject to the alternative minimum tax on individuals.

Applicable Corporations – Bond Counsel's opinion also states that under current law interest on the Bonds is taken into account in determining adjusted financial statement income for applicable corporations (as defined in Section 59(k) of the Code) for the alternative minimum tax imposed on such corporations. Under current law, an "applicable corporation" generally is a corporation with average annual adjusted financial statement income for a three-taxable-year period ending after December 31, 2021, that exceeds \$1 billion.

Original Issue Discount. The initial public offering prices of each maturity of the Bonds maturing in the years 2042, 2043 and 2044 (the "OID Bonds") will be less than their stated principal amount. In the opinion of Bond Counsel, under current law, the difference between the stated principal amount and the initial offering price of each maturity of the OID Bonds to the public (excluding bond houses and brokers) at which a substantial amount of such maturity of such Bonds is sold will constitute OID. The offering prices set forth on the inside cover of this Official Statement for the OID Bonds are expected to be the initial offering prices to the public at which a substantial amount of each maturity of such Bonds will be sold.

Under the Code, for purposes of determining the holder's adjusted basis in an OID Bond, OID treated as having accrued while the holder holds such Bond will be added to the holder's basis. OID will accrue on a constant yield-to-maturity method. The adjusted basis will be used to determine taxable gain or loss upon the sale or other disposition (including redemption or payment at maturity) of an OID Bond.

Prospective purchasers of the OID Bonds should consult their own tax advisors with respect to the calculation of accrued OID and the state and local tax consequences of owning or disposing of such Bonds.

Original Issue Premium. Bonds purchased, whether upon issuance or otherwise, for an amount (excluding any amount attributable to accrued interest) in excess of their principal amount will be treated for federal income tax purposes as having amortizable bond premium. A holder's basis in such a Bond must be reduced by the amount of

premium that accrues while such Bond is held by the holder. No deduction for such amount will be allowed, but it generally will offset interest on the Bonds while so held. Purchasers of such Bonds should consult their own tax advisors as to the calculation, accrual and treatment of amortizable bond premium and the state and local tax consequences of holding such Bonds.

Other Tax Matters. In addition to the matters addressed above, prospective purchasers of the Bonds should be aware that the ownership of tax-exempt obligations may result in collateral federal income tax consequences to certain taxpayers, including, without limitation, financial institutions, property and casualty insurance companies, S corporations, foreign corporations subject to the branch profits tax, recipients of Social Security or Railroad Retirement benefits and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations. Prospective purchasers of the Bonds should consult their tax advisors as to the applicability and impact of such consequences.

The IRS has a program to audit state and local government obligations to determine whether the interest thereon is includable in gross income for federal income tax purposes. If the IRS does audit the Bonds, under current IRS procedures, the IRS will treat the City as the taxpayer, and the owners of the Bonds will have only limited rights, if any, to participate.

Prospective purchasers of the Bonds should consult their own tax advisors as to the status of interest on the Bonds under the tax laws of any state other than the Commonwealth.

There are many events that could affect the value, liquidity and/or marketability of the Bonds after their issuance, including but not limited to public knowledge of an audit of the Bonds by the IRS, a general change in interest rates for comparable securities, a change in federal or state income tax rates, legislative or regulatory proposals affecting state and local government securities and changes in judicial interpretation of current law. In addition, certain tax considerations relevant to owners of Bonds who purchase Bonds after their issuance may be different from those relevant to purchasers upon issuance. Neither the opinion of Bond Counsel nor this Official Statement purports to address the likelihood or effect of any such potential events or such other tax considerations, and purchasers of the Bonds should seek advice concerning such matters as they deem prudent in connection with their purchase of Bonds.

SECTION THREE: MISCELLANEOUS

Pending Litigation and Administrative Proceedings

The City and its employees have been named from time to time as defendants in various claims, which are being defended by the City Attorney and associated counsel. The City's potential liability is protected partially by sovereign immunity, indemnification agreements and insurance through the Virginia Risk Sharing Association. The City Attorney is of the opinion that none of the litigation currently pending against the City reasonably can be expected to have a material adverse effect on the City's financial condition.

According to the City Attorney, no litigation has been served or, to the best of his knowledge, information and belief, is pending or threatened against the City that would affect the validity of the Bonds or the right of the City to levy or collect annually an *ad valorem* tax upon all taxable property within the City, over and above all other taxes, authorized or limited by law and without limitation as to rate or amount, sufficient to pay when due the principal of and interest on the Bonds.

Ratings

Fitch Ratings ("Fitch"), Moody's Investors Service, Inc. ("Moody's") and S&P Global Ratings ("S&P") have assigned ratings of "AA-", "Aa1/Aa3" and "AA-", respectively, to the Bonds. The Moody's rating of "Aa1" gives effect to the state-aid intercept program described in "Bondholders' Remedies in the Event of Default" in Section Two. The Moody's rating of "Aa3" and the S&P and Fitch ratings are based solely on the creditworthiness of the City. Such ratings reflect only the respective views of such organizations and any desired explanation of the significance of such ratings should be obtained from the rating agency furnishing the same, at the following addresses: Moody's Investors Service, Inc., 7 World Trade Center, 250 Greenwich Street, 23rd Floor, New York, New York

10007; S&P Global Ratings, 55 Water Street, New York, New York 10041; and Fitch Ratings, One State Street Plaza, New York, New York 10004.

The City furnished to such rating agencies the information contained in this Official Statement and certain publicly available materials and information about the City. Generally, rating agencies base their ratings on such materials and information, as well as investigations, studies, and assumptions of the rating agencies. There is no assurance that the ratings will continue for any given period of time or that such ratings will not be revised, suspended or withdrawn if, in the judgment of the rating agencies, circumstances so warrant. A revision, suspension or withdrawal of one or more ratings may have an adverse effect on the market price of the Bonds.

If a significant default or other financial crisis should occur in the affairs of the United States or of any of its agencies or political subdivisions, then such event could adversely affect the market for, and the ratings, liquidity and market value of, outstanding debt obligations, including the Bonds.

Financial Advisor

Davenport is employed as financial advisor to the City in connection with the issuance of the Bonds. The financial advisor's fee for services rendered with respect to the sale of the Bonds is contingent upon the issuance and delivery of the Bonds. Davenport, in its capacity as financial advisor, does not assume any responsibility for the information, covenant and representations contained in any of the legal documents provided, agreed to or made by others with respect to the federal income tax status of the Bonds, or the possible impact of any present, pending or future actions taken by any legislative or judicial bodies.

Davenport, as the financial advisor to the City, has provided the following sentence for inclusion in this Official Statement: Although Davenport has assisted in the preparation of this Official Statement, Davenport is not obligated to undertake, and has not undertaken to make, an independent verification or to assume responsibility for the accuracy, completeness or fairness of the information contained in this Official Statement.

Sale at Competitive Bidding

After competitive bidding on June 4, 2024, the Bonds were awarded to KeyBanc Capital Markets (the "Underwriter"). The Underwriter has supplied the information as to the offering prices of and yields on the Bonds set forth on the inside cover page hereof. If all of the Bonds are resold to the public at such public offering prices or yields, the Underwriter has informed the City that it anticipates total underwriting compensation of \$40,424.77 (0.379041% of the aggregate principal amount). The Underwriter may change the public offering prices or yields from time to time.

Continuing Disclosure

Current Undertaking. To permit compliance by the underwriter with the continuing disclosure requirements of the Rule, the City will execute a Continuing Disclosure Agreement (the "CDA") at closing agreeing to provide certain annual financial information and event notices required by the Rule. Such information will be filed through the Electronic Municipal Market Access System ("EMMA") maintained by the Municipal Securities Rulemaking Board and may be accessed through the Internet at emma.mrsb.org. As described in [Appendix D](#), the CDA requires the City to provide only limited information at specific times, and the information provided may not be all the information necessary to value the Bonds at any particular time. The City may from time to time disclose certain information and data in addition to that required by the CDA. If the City chooses to provide any additional information, the City shall have no obligation to continue to update such information or to include it in any future disclosure filing.

Failure by the City to comply with the CDA is not an event of default under the Bonds or the Bond Resolution. The sole remedy for a default under the CDA is to bring an action for specific performance of the City's covenants hereunder, and no assurance can be provided as to the outcome of any such proceeding.

Prior Undertakings. Except as described in this subsection “Prior Undertakings,” the City has complied in all material respects with its prior continuing disclosure undertakings under the Rule during the last five years. The City timely filed its annual financial information for fiscal year 2020 on EMMA, but inadvertently failed to link such filing to the CUSIP numbers for its General Obligation Public Improvement and Refunding Bonds, Series 2020A (Federally Tax-Exempt), and General Obligation Public Improvement Refunding Bonds, Series 2020B (Federally Taxable) (together, the “2020 Bonds”). The City also failed to provide timely notice of the incurrence of two material financial obligations in May 2021 (the “2021 Obligations”) to the holders of its General Obligation Public Improvement Bonds, Series 2019 (the “2019 Bonds”), and the 2020 Bonds. The City has since linked the annual financial information for fiscal year 2020 to the CUSIP numbers for the 2020 Bonds and provided notice of the incurrence of the 2021 Financial Obligations to the holders of the 2019 Bonds and the 2020 Bonds.

The City also inadvertently failed to link its annual financial information and operating data for fiscal year 2018 and to file its annual budget for fiscal year 2019 as an obligated person with respect to the Danville-Pittsylvania Regional Industrial Facility Authority’s Revenue Bonds (Berryhill Project), Series 2011 (Taxable) (the “2011 RIFA Bonds”). The 2011 RIFA Bonds matured in September 2019.

Approval of Official Statement

All summaries in this Official Statement of provisions of the Constitution of the Commonwealth, the statutes of the Commonwealth, the ordinances and resolutions of the Council (including the Bond Resolution), the Bonds, the CDA and other documents and instruments are subject to the detailed provisions and judicial interpretations to which reference is hereby made for further information. Such summaries do not purport to be complete statements of any or all of such provisions.

Any statements in this Official Statement involving matters of opinion or estimates, whether or not expressly so stated, are intended as such and not representations of fact. No representation is made that any of the estimates will be realized. Neither this Official Statement nor any statement that may have been made verbally or in writing is to be construed as a contract with the holder of the Bonds.

The attached Appendices are an integral part of this Official Statement and must be read together with the balance of this Official Statement.

The execution of this Official Statement has been duly authorized by the City Council. The City has deemed this Official Statement “final” as of its date within the meaning of the Rule.

CITY OF DANVILLE, VIRGINIA

By: /s/ Kenneth F. Larking
City Manager

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APPENDIX A

THE CITY OF DANVILLE, VIRGINIA

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THE CITY

Introduction

The City, situated on the Dan River, is located near the North Carolina state line in the Piedmont section of Virginia. U.S. Highways 29, 58, and 360 provide primary access to the City. The City is located adjacent to the southern part of Pittsylvania County and covers an area of approximately 44 square miles, including approximately 26 square miles annexed by the City on December 31, 1987. The City was founded in 1793 and incorporated in 1830.

Government

The City is operated by a Council-Manager form of government. The City Council comprises nine members who are elected at large to serve four-year terms. The elections are held biennially with five members being elected in one biennium and four in the next. The Mayor and Vice-Mayor are elected by members of the City Council from its membership.

The City Manager is appointed by the City Council as the Chief Executive Officer of the City and is responsible to the City Council for the proper administration of the City government. He appoints all department heads of the City, with the exception of the City Attorney, City Clerk and certain elected officials.

The City currently employs approximately 974 full-time and 124 part-time employees.

All services normally offered by municipalities are provided by the City, including the operation of a utilities department that provides water, sewer, gas, electric and telecommunications services.

The School Board members are elected by the voters at large. Under Virginia law, all operations of the School Board are completely independent of the City Council and the City Administration. The City Council is required to make an annual appropriation to the School Board, but has no legal authority to direct how the appropriated moneys are spent. The School Board currently employs approximately 1,105 full-time employees.

Labor Relations

As part of the 2020 legislative session, the Virginia General Assembly voted to provide localities the authority to recognize labor unions or employee associations as bargaining representatives of any public employee bargaining unit for purposes of bargaining collectively for terms and conditions of employment. The legislation was subsequently signed by the Governor with an amendment making this legislation effective May 1, 2021. To date, the City Council has not adopted an ordinance or resolution authorizing collective bargaining or allowing any such union or employee association to be recognized as an exclusive bargaining representative.

Under Virginia law, any employees of the City, who, in concert with two or more other such employees, for the purpose of obstructing, impeding or suspending any activity or operation of their employing agency or any other governmental agency, strikes or willfully refuses to perform the duties of their employment, shall, by such action, be deemed to have terminated their employment and shall thereafter be ineligible for employment in any position or capacity during the next twelve months by the Commonwealth, or any county, city, town or other political subdivision of the Commonwealth, or by any department or agency thereof.

The City has neither negotiated nor bargained with its employees in any manner concerning any aspect of the terms and conditions of the employment of its employees.

Pursuant to Virginia law, the City provides a grievance procedure for the resolution of various personnel complaints.

Certain City Officials and Administrative Staff Members

City Council

The current members of the City Council are:

Alonzo L. Jones, Mayor, was elected to City Council in 2010 and was re-elected in 2014 and 2018. He has served as Mayor since July 2018. Mr. Jones received his education in the Danville Public Schools, served in the United States Armed Forces and is currently employed by Danville Community College. He is a Commissioner for the Danville Redevelopment & Housing Authority, serves on the Board of Directors for Smart Beginnings, is a Trustee at Bible Way Cathedral and served on the Leadership Forum at Averett University. He is the founder and President of One Accord Unlimited, Inc. Mr. Jones is a past School Board member for Danville Public Schools, appointed by City Council in 2004 and elected in 2006, and a former member of the BB&T Advisory Board.

Gary P. Miller, M.D. F.A.C.C., Vice Mayor, a local cardiologist, was appointed to City Council in 2008 to fill an unexpired term, was then elected in 2010 and was re-elected in 2014 and 2018. Dr. Miller has served as Vice Mayor since July 2020. Dr. Miller received his Bachelor of Science in Biology in 1970 from Virginia Polytechnic Institute and State University in Blacksburg and his medical degree at the Medical College of Virginia (now VCU Health System). He was the Fifth District representative to the Virginia Board of Medicine, appointed by Governor Allen from 1997-2001, and has served as a Counselor to the Medical Society of Virginia for the Fifth District. He is the co-owner and President of Cardiology Consultants of Danville, Inc. Dr. Miller currently serves on the Board of the Danville-Pittsylvania Regional Industrial Facility Authority and the Danville Utility Commission.

James B. Buckner was elected to City Council in May 2014 and was re-elected in 2018. Prior to serving on City Council, Mr. Buckner was appointed by the City Council to the Transportation Advisory Board and Fair Housing Board for the City in 2012 and served in such capacity until his election to City Council. A native of the City, Mr. Buckner graduated from George Washington High School in 1997. He worked for Dan River Mills/Schoolfield Division, Dimon Tobacco, and then owned and operated The Temple nightclub in downtown Danville. He later worked at Goodyear Tire and Rubber in Danville before leaving to open Pawn Shops America in 2009, which he sold in 2016. Mr. Buckner is a realtor with Wilkins & Co. Realtors and currently serves on the boards of the West Piedmont Planning District Commission, the Metropolitan Planning Commission and the Transportation Advisory Board.

L. G. "Larry" Campbell Jr. was elected to City Council in May 2008 and was re-elected in 2012, 2016 and 2020 and has served as Co-Assistant Pastor at Bible Way Cathedral Church since 1994. The Rev. Campbell received his Bachelor of Arts in History from Averett University and his Master's degree in Guidance from North Carolina A & T University. He serves as a board member for Goodwill, Daden, Rotary Club, Big Brothers and Big Sisters, the Boys and Girls Club, the Ministers Alliance, Head Start and Neighbors Helping Neighbors. The Rev. Campbell is Vice President of the NAACP and serves on the Community Health Coalition. He founded the Wisdom in Networking Program (an ex-offender back-to-work initiative). The Rev. Campbell also currently serves on the board of the Staunton River Regional Industrial Facility Authority.

Bryant Hood was elected to City Council in November 2020 to complete the unexpired term of former City Council Member Adam J. Tomer. Mr. Hood studied at George Washington High School, is the founder and CEO of The Stayhood Foundation and Economics Through Edutainment (ETE) and is a Qualified Mental Health Paraprofessional with Focus Point Mental Health. Mr. Hood currently serves on the Board of the Danville Development Council and has been appointed by Governor Ralph Northam to serve on the Virginia Data Advisory Committee.

Barry P. Mayo was elected to City Council in May 2020. He is a native of Danville and a graduate of George Washington High School. He attended the University of New York and Northcentral University, where he received his bachelor's degree in Liberal Arts and a master's degree in Education Athletic Administration, respectively. Mr. Mayo currently works at Danville Community College with the TARE and SCALE-UP programs, which focus on training citizens of the City and Pittsylvania County for employment, job preparation and short term career studies. Previously, Mr. Mayo worked with Pittsylvania Community Action for twelve years, including serving as a Case Manager for SouthWest Cares assisting ex-offenders re-entering the community. Mr. Mayo also worked for District 14's Probation & Parole, assisting returning citizens with the re-entry process. Mr. Mayo has served as a mentor for

young men ages 8-18 and has been active in the community throughout his life. He currently serves on the Board of Directors for Piedmont Access to Health Services (PATHS) and on the board of Pittsylvania County Community Action.

Sherman M. Saunders was appointed to City Council in December 2001 to fill the unexpired term of City Council Member Daniel W. Marshall III, who was elected to the Virginia General Assembly. He had previously served on City Council from 1996 to 2000 and was subsequently re-elected in 2004, 2008, 2012, 2016 and 2020. Mr. Saunders became Mayor in January 2008 and served through June 2016. On November 1, 2012, he retired from Pittsylvania County Community Action, Inc., after 42 years of service, with 33 years as the Executive Director. Mr. Saunders served on the Board of Directors of the Pittsylvania County Economic Development Organization and Roman Eagle Nursing Home. He is a former board member of the Danville Chamber of Commerce and past president of the Pittsylvania County Chamber of Commerce. Mr. Saunders is a veteran of the United States Army and currently serves on the Danville-Pittsylvania Regional Industrial Facility Authority and the Staunton River Regional Industrial Facility Authority and as a board member for the City of Danville Employee Retirement System.

J. Lee Vogler, Jr. was elected to City Council in May 2012 and was re-elected in 2016 and 2020. Mr. Vogler served as Vice Mayor from July 2018 to June 2020. A native of Southside Virginia, Mr. Vogler graduated from Virginia Commonwealth University in 2010 with a bachelor's degree in Political Science. He is currently employed as the Marketing Director for Andrew Brooks Media Group. Mr. Vogler is involved in several community activities, including founding and leading the group "Moving Danville Forward" and serving on the boards of Danville Center Stage and the Langhorne House. He currently serves on the boards of the Danville-Pittsylvania Regional Industrial Facility Authority and the West Piedmont Planning District Commission and as the Chairman of the Metropolitan Planning Organization.

Madison J.R. Whittle was elected to City Council in May 2016 and was re-elected in 2020. A native of Danville, he attended Sacred Heart Catholic School, graduated from George Washington High School, and became a local entrepreneur and small business owner. In 1988, he founded MJRW, Inc., and has gone on to strengthen his expertise in real estate, specifically in property management as owner-developer of numerous residential and commercial properties throughout the City of Danville and other areas. Mr. Whittle is a member of the Danville Rotary Club and has been honored as a Paul Harris Fellow Sustainer. He is also a member of the Danville Pittsylvania County Chamber of Commerce and the Danville Cancer Society and a founding member of the Crossroads Christian Counseling Mission. Mr. Whittle is also a club member at the Virginia International Raceway in Alton, Virginia, and currently serves on the board of the Dan River Business Development Center.

City Staff

Senior members of the City staff include the following individuals:

Kenneth F. Larking, City Manager, began work for the City of Danville in March 2013 as Deputy City Manager. He served as interim City Manager from December 2015 until April 2016, at which time he was appointed City Manager. Mr. Larking began his local government career as the Budget and Performance Manager for the City of Hickory, North Carolina, from April 1999 to January 2003, before serving as Town Manager of Yadkinville, North Carolina, from January 2003 to February 2010. He subsequently served as Assistant County Manager of Moore County, North Carolina, from February 2010 to March 2013. Mr. Larking received his B.A. and M.P.A. from Appalachian State University in 1995 and 1999, respectively. Mr. Larking was born in Kitchener, Ontario, Canada and spent his childhood in Alberta, New Jersey, Texas, Arizona, and North Carolina, where he graduated from high school. Mr. Larking serves as Treasurer for Virginia First Cities, is a member of the International City/County Manager's Association, and the Virginia Local Government Management Association. In July 2022, he was awarded a certificate of completion for the Senior Executives in State and Local Government Program at the John F. Kennedy School of Government at Harvard University.

Earl B. Reynolds, Jr., Deputy City Manager, received his B.S. from Fayetteville State University in 1973. He went on to receive his M.A. degree and later his M.S. from the State University of New York, Albany, in 1974 and 1978, respectively. He has been involved in Virginia local government for almost 40 years as a regional planning district program specialist, Planning Chief and Assistant City Manager for Roanoke, City Manager for Martinsville, Deputy Housing Authority Director for Roanoke, Community Development Director and now Deputy City Manager

for Danville. Mr. Reynolds has also served as President of the Virginia Municipal League and President of the Virginia Local Government Management Association.

Susan M. DeMasi, City Clerk, is a certified Municipal Clerk having received certification from IIMC Municipal Clerk's Institute. Ms. DeMasi was formerly a Legal Assistant at the law firm of Daniel, Medley & Kirby in Danville, Virginia. In 2011, she was appointed by the City Council as the City Clerk. Ms. DeMasi is an active member of the International Institute of Municipal Clerks and Virginia Municipal Clerks Association.

W. Clarke Whitfield, Jr., City Attorney, received his B.A. from the University of Virginia in 1990 and his J.D. from Regent University School of Law in 1993. Mr. Whitfield was in private practice from 1993 to 1998. He was appointed Assistant City Attorney in 1998 and appointed City Attorney on June 1, 2004. Mr. Whitfield is active in various professional and community organizations. He served as a member of the board of directors and as the President for the Local Government Attorneys of Virginia (having also served as the Treasurer and Vice President), as well as the past President of the Pittsylvania County Bar Association, the Danville Bar Association and the Danville Optimist Club.

Michael L. Adkins, CPA, Chief Financial Officer, received his B.S. in Accounting from Virginia Polytechnic Institute and State University in 1992 and his Certified Public Accountant Certificate in 1993. He received his M.B.A. from Averett University in 1996, where he also served as an adjunct faculty member. Mr. Adkins was employed in both public accounting and private industry prior to his employment with the City. Mr. Adkins began his career with the City in May 2005 as Assistant Director of Finance and began serving as Interim Director of Finance in July 2014, before being appointed as the Director of Finance in October 2014, and later named Chief Financial Officer in 2021. He also serves as Treasurer of the Danville-Pittsylvania Regional Industrial Facility Authority and Executive Secretary of the Employees Retirement System of the City of Danville. Mr. Adkins is a member of the Government Finance Officers Association and the Virginia Government Finance Officers Association.

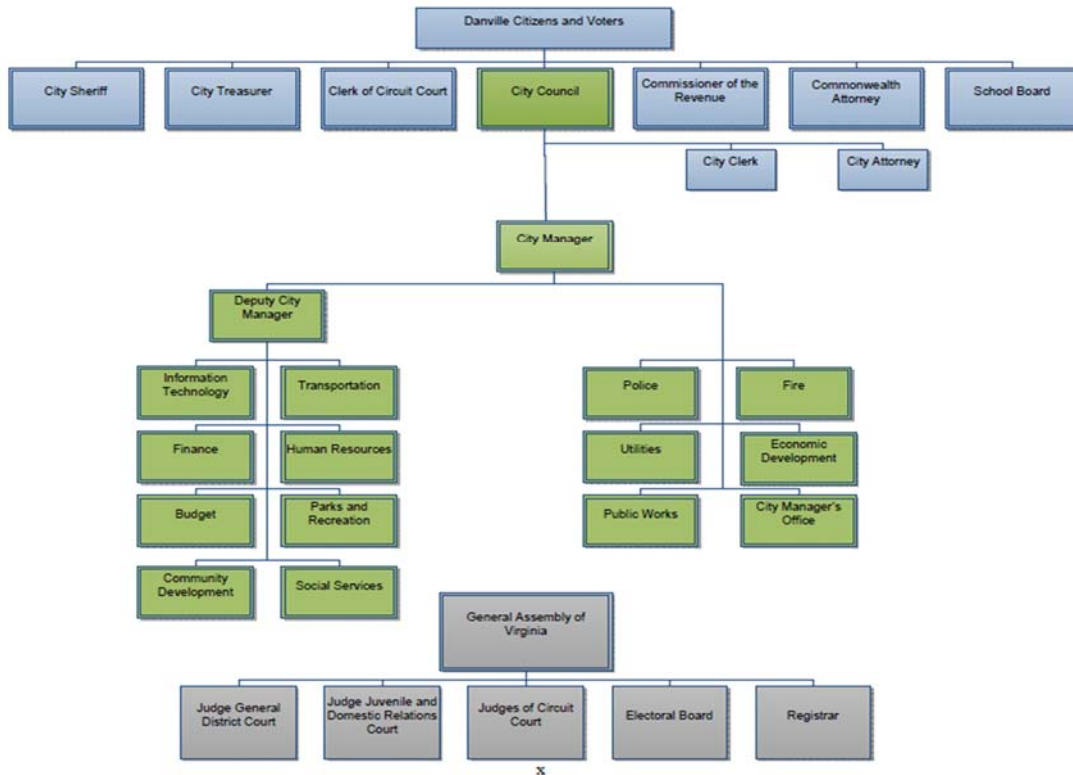
Henrietta Weaver, CPA, Budget Director, received her B.S. in Accounting and her master's degree in Accountancy from Georgia Southern University. She is a Certified Public Accountant and is licensed in Virginia, North Carolina, and Georgia. Ms. Weaver worked in public accounting as an external auditor of governmental entities and non-profits for nearly a decade before joining the City of Danville in 2015. Ms. Weaver began her career with the City as an Accountant III, providing accounting and reporting services for the Employees' Retirement System, the City's utility funds, and the Danville Pittsylvania Regional Industrial Facility Authority. In 2021, Ms. Weaver was promoted to the position of Budget Director. She is a member of the Government Finance Officers Association and the Virginia Government Finance Officers Association.

Corrie Bobe, Director of Economic Development and Tourism, joined the department in November 2009. In this role, Ms. Bobe is responsible for leading the organization's mission to improve the economic health and quality of life of the City through the creation and retention of jobs, building of local wealth, and increasing the tax base. Prior to this position, Ms. Bobe served as Assistant Director and led redevelopment efforts within Danville's award-winning River District. She also serves as staff to the Industrial Development Authority of Danville, Virginia, the Danville Pittsylvania Regional Industrial Facility Authority and the Staunton River Regional Industrial Facility Authority. Ms. Bobe is a member of the West Piedmont Workforce Investment Board, a member of the Virginia Economic Developers Association where she serves as co-chair of the Downtown Special Interests Group, a member of the International Economic Development Council, Secretary of the Dan River Business Development Center Board of Directors, Chair of the Southern Virginia Regional Alliance, and a member of the SOVA Taskforce. Ms. Bobe is a native of Danville and graduated from Virginia Tech with a Bachelor of Science degree in Marketing Management. She is also a graduate of the University of Oklahoma's Economic Development Institute and the Danville Pittsylvania County Chamber of Commerce's Leadership Southside program. Ms. Bobe has been named to the Virginia 500 Power List by Virginia Business Magazine for three consecutive years.

Dr. Angela Hairston, Ed.D., Superintendent of Danville Public Schools, has served in such role since December 2020. Prior to her appointment, she served as Superintendent of Winston-Salem/Forsyth County Schools in North Carolina. She is a native of Southside Virginia and completed her secondary education in the Pittsylvania School System. She received a Bachelor's degree in Mathematics and Business Management from Averett University and began her career in education in the Halifax County and Virginia Beach School systems before returning to Danville to teach mathematics at George Washington High School. Dr. Hairston later served as the first principal of

Westwood Middle School. Dr. Hairston continued her education by earning a Master’s degree in Secondary School Administration from Hampton University in Hampton, Virginia, and a Doctorate Degree in Educational Leadership from Virginia Polytechnic Institute and State University in Blacksburg, Virginia. Dr. Hairston continued her career in the state of Georgia serving as a director of human resources, a principal, and an assistant principal for the Gwinnett County Public Schools, as a region superintendent and principal for the DeKalb County School District and as a superintendent for localities in Georgia and North Carolina.

City of Danville Organizational Chart



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Utility Systems

The Department of Utilities provides water, wastewater, natural gas, electric and limited telecommunications services.

Water/Wastewater System. The City has owned and operated a potable water supply system since 1876. The water treatment plant has a design capacity of 18 million gallons per day (“MGD”) and is presently treating about 5.27 MGD. The system now consists of approximately 2,082 hydrants and approximately 331 miles of distribution mains ranging in size from 2” to 36” and serves approximately 17,011 residential, commercial and industrial accounts within the City limits. It complies with the Waterworks Regulations of the Commonwealth of Virginia State Board of Health and regulations of the federal Environmental Protection Agency. The system also serves customers outside the City limits through master meters to the Pittsylvania County Service Authority and two master meters to Caswell County, North Carolina.

The water distribution grid consists of six service areas - one service area supplied from the Ballou Park Reservoirs (one holding up to eight million gallons and one holding up to four million gallons) and a Westover standpipe and five high-pressure service areas at higher elevations with storage tanks supplied by pumps. Total aggregate storage on the system is 16.45 million gallons. Static pressures in the system range from 20 pounds per-square-inch (“PSI”) at the higher elevations to over 90 PSI at the lower elevations. Distribution mains in the older sections of the City are over 100 years old and are being replaced or renovated.

Major future system initiatives in the City’s Capital Improvement Program include replacement of mains, extensions into the unserved portions of the City and replacement of major water distribution mains in Ballou Park. A recent Water Treatment Plant project included the installation of mixing and aeration equipment in the eight-million-gallon reservoir to reduce trihalomethane levels below state and federal levels. In 2022, the City completed its Water Systems Master Plan, outlining the City’s construction program for the system over a 10-year period. This plan identified various infrastructure improvements and modifications. Main replacements are prioritized according to industry criteria. The Water Treatment Plant has a design capacity of 18 MGD, and the average monthly production is 5.23 MGD.

The City’s Industrial Water System was constructed in 1966. It has a capacity of three MGD with 3% of the capacity now being used. This system provides industrial “process” water for Goodyear Tire and Rubber Company and serves as a backup non-potable water supply for the City’s Southside pumping station and Northside Wastewater Treatment Plant (“NSWWTP”). Reserve capacity is available to serve additional industrial customers.

The City’s wastewater treatment facility has a design capacity of 20.0 MGD. Present usage is about 6.29 MGD, down substantially over recent years due to manufacturing plant closures in the community. A \$7.3 million improvement project was completed in 2000 to address maintenance needs, reserve capacity and additional requirements imposed by regulatory agencies. The City completed modifications to the plant in 2012 to allow operations at reduced capacities of 6 to 12 MGD in order to lower operating costs. These modifications changed the plant process from a pure oxygen activated sludge plant to a conventional activated sludge plant using ambient air. Plant modifications also included converting the two floatation grit separators into high-rate primary clarifiers. The NSWWTP, which includes the plant, nine system pump stations, the industrial pre-treatment program and bio-solids disposal, is operated by INFRAMARK Water & Infrastructure.

Gas System. The City’s gas system is one of three municipally-owned gas utility systems in the Commonwealth. The gas system began business on January 27, 1874, and was delivered into possession of the Town of Danville on May 1, 1876. It manufactured coal gas that was used to light the streets of Danville. On December 5, 1950, the system was switched from manufactured gas to natural gas, and Danville became the first customer to receive gas on the Transcontinental Gas (“TRANSCO”) pipeline.

The TRANSCO pipeline is a 10,500-mile system that transports natural gas to markets in the eastern United States. It secures natural gas from onshore and offshore wells in Texas and Louisiana and supplies a portion of the natural gas requirements for cities from Texas to Pennsylvania. The City’s gas system is connected only to the TRANSCO pipeline. The City Gate Station is located 2.5 miles west of the City limits. From this location, two steel mains carry gas into the City at 285 PSI to supply the gas distribution grid.

The distribution system contains 12 district regulator stations that supply suitable pressures to customers via approximately 337 miles of distribution mains, ranging in size from 1¼” to 16”. Gas is distributed to approximately 14,813 service accounts, including the following large industries: Goodyear Tire and Rubber Company, Blue Ridge Fiberboard, DanChem Technologies, Nestle, Intertape Inc. and Unarco. The distribution grid supplies gas at intermediate- and low-pressures through a system of steel, cast iron and polyethylene plastic gas mains.

The City has contracted with Symmetry Energy Solutions to manage its natural gas capacity and storage assets. TRANSCO capacity assets consist of 16,910 dekatherms per day of firm transportation, plus 3,876 dekatherms per day of storage service, for a total deliverability of up to 20,786 dekatherms per day to the City Gate. Gas supply is provided at a discount through a municipal prepay arrangement with Municipal Energy Resource Corporation.

Electric System. The City’s electric distribution system covers approximately 500 square miles, including the City and portions of three adjacent counties. The 1,800 miles of 12,470/7,200-volt distribution lines originate from 17 substations that are serviced by 122 miles of 69,000-volt transmission lines. At the end of the fiscal year that ended June 30, 2023, approximately 42,632 meters were in service. The typical residential customer paid an average annual bill of \$1,830.29 for electricity used domestically. In March 2006, the City became a member of American Municipal Power, Inc. (“AMP”). AMP is a nonprofit wholesale power supplier and services provider for 131 member communities in eight states. The objective of the membership is to obtain a cost-effective, diversified portfolio of electric generation assets and a power supply contract consistent with the City’s self-sufficiency strategy to meet the electric needs of its utility customers. The City has multiple contracts with AMP to participate in large generating projects. Such projects are intended to decrease exposure to the volatility of the wholesale energy market for the purchase of electric power. These projects are also intended to be the means for the City to stabilize future retail rates.

The City’s electric system served a peak load of 203,089 kilowatts (“kW”) with 910,113,553 kilowatt hours (“kWh”) of energy purchased for the fiscal year ended June 30, 2023. The City sold a three-unit hydroelectric generating plant with a maximum capacity of 10,607 kW and a 450-kW unit at the Talbott Dam site to Northbrook Energy on February 10, 2021. The City purchases all of the energy, capacity, and renewable energy credits associated with this small hydro facility. For fiscal year ending June 30, 2023, Pinnacles generated 35,508,629 kWh of energy. Appalachian Electric Power also provides transmission service for all purchased power to three of the City’s delivery points. Each delivery point has a capacity of 252,000 kW, which is just above the system’s historic consumption of 246,800 kW.

In January 2016, the City and STS Hydropower finalized a twenty-year agreement for the City to purchase 4.55 megawatts of electricity generated at the Schoolfield dam located in the City. Both the City Council and the Utility Commission unanimously approved the project. The agreement became effective on December 1, 2016, and expires on November 30, 2036. The terms include a \$63.50/megawatt hour rate with a 1.75% annual escalation. The generation represents approximately 1% of the City’s peak load.

The City recently completed improvements to its electric system generation, transmission, substation and distribution facilities, including upgrades to the Southside substation in June 2023 and the Westover substation in December 2022.

The City maintains a Five-Year Capital Improvement Plan (the “CIP”) for major infrastructure improvements funded through electric system revenues, reserves, and proceeds from the issuance of bonds. See “*CITY INDEBTEDNESS AND CAPITAL PLANS – Capital Improvement Plan.*” In addition, the City’s annual operating budgets include funding for ongoing operating, maintenance, and capital upgrade needs to provide reliable, cost-competitive electric power for its customers and offer an attractive electric power supply to potential businesses and industries looking at sites within the Danville service area.

Telecommunications System. The State Corporation Commission of the Commonwealth granted the City (d/b/a Danville Department of Utilities) a certificate of public convenience and necessity on November 1, 2002, to provide local exchange telecommunications services in the City and the Counties of Halifax, Henry, Patrick, and Pittsylvania. The City is also registered with the Federal Communications Commission as a telecommunications service provider.

The City completed the initial construction of “nDanville” in 2004. nDanville is a 154 route-mile fiber optic broadband network that covers the City and Pittsylvania County. Phase One involved connecting all municipal government and public school buildings, and Phase Two allowed nDanville to start serving businesses.

nDanville’s open access architecture provides opportunities for service providers to take advantage of a municipally constructed and operated telecommunication system to conduct business in return for a share of their revenues. As described below, the business model allows service providers to make use of nDanville as if it were their own network by activating and deactivating customer services freely without the interaction of the network operator (i.e., Danville Utilities). The open access model provides an equal “broadband marketplace” that promotes competition.

nDanville’s operating principle, since its inception, is that the City’s businesses, institutions, and households should have affordable broadband services on par with those available elsewhere in the Commonwealth in order to ensure access to entertainment, cultural, health and especially educational and economic opportunities. Many advanced broadband applications require fiber optic communications, particularly those requiring symmetrical up and down bandwidth greater than a few megabits per second. Conventional cable and DSL services offer only limited asymmetrical bandwidth.

Gross operating revenues were \$859,843 during fiscal year 2023. This compared favorably to the prior fiscal year, showing an increase of approximately \$109,390. Currently, there are over 200 businesses and 300 residences connected and using the network through third-party service providers. The City and the service providers enter into revenue sharing agreements that provide funding for the network. Revenues are also generated by services rendered to the City’s public schools and Pittsylvania County public schools. Payments for services to schools and libraries are subsidized with federal “E-Rate” funds.

Transportation

The transportation network supporting commerce and industry in the City includes general aviation service at Danville Regional Airport, rail passenger service by Amtrak, rail freight service by Norfolk Southern Railway and a local public transportation service. The major highways include U.S. 29, a divided four-lane north-south route, and U.S. 58, a divided four-lane east-west route.

Air Service. The City owns the Danville Regional Airport, which is located just east of the City and supports air freight, charter services, flight instruction and corporate business aviation activities.

Passenger Rail Service. Amtrak has one northbound and one southbound train per day serving the City, providing transportation to New York, New York; Washington, D.C.; New Orleans, Louisiana; Charlotte, North Carolina; and other points.

Trucking. Five motor freight carriers have terminals in the City, and numerous carriers offer daily local service from nearby cities.

Public Transportation. The Danville Transit System provides public transportation service through a unique service model combining fixed route and reservation based operations to improve access and convenience. The system maintains a 27-bus fleet.

Public Education

The Danville Public Schools are organized into four instructional levels—two preschools, six elementary schools, two middle schools, one alternative school and two high schools. George Washington High School offers a comprehensive high school program. Galileo Magnet High School features air and space technology, biotechnology and advanced communications programs. Galileo also offers an International Baccalaureate Program. Langston Focus School serves students in grades 6-12 needing more individualized educational programs to be successful. Also on the Langston Campus is a credit recovery program for students who work individually using technology to complete one course at the time. Students also attend programs through the Piedmont Governor’s School for Math, Science and Technology, as well as the Adult and Career Education Center. W.W. Moore Detention Home Program also has an educational program for students.

The entering total public school enrollment for the past five years is set forth in the table below:

2019-2020	2020-2021	2021-2022	2022-2023	2023-2024
5,690	5,583	5,736	5,557	5,588

While current school sites were constructed over a period from 1934 to 1995, there is an ongoing maintenance and improvement program. All sites have been upgraded with high-speed local area computer networks that interconnect all classrooms and administrative functions through a wide area network that provides Internet access throughout the system.

In April 2022, the City issued its \$127,000,000 General Obligation School Bonds, Series 2022, to finance a program of capital improvements for school purposes. Such school bonds were issued after the City voters approved at a referendum in November 2021 both the issuance of such bonds and the imposition of additional sales tax and a local use tax of up to 1% to finance the costs of school projects (including associated debt service). The authority to impose such additional taxes will expire in May 2041.

The School Board anticipates using the proceeds of such school bonds to pay for a program of capital improvements benefitting Danville Public Schools, including without limitation: renovations to George Washington High School including the interior and exterior of the main building, the career and technology classrooms, gym, cafeteria, and outdoor recreational areas. Uses also include similar renovation plans at Johnson Elementary School and renovations to the Langston High School site.

Higher Education

Danville Community College (“DCC”) is a two-year institution of higher education under the statewide Virginia Community College System. DCC’s service area includes the City of Danville, Pittsylvania County and Halifax County. DCC, its employees, and students are governed by the policies established by the State Board for Community Colleges and with the support and advice of the Danville Community College Board. DCC offers a wide variety of programs ranging from college transfer to occupational and technical programs. DCC also offers a comprehensive program of adult and continuing education, career training, and customized classes to meet the needs of business and industry. For the recently completed 2022-2023 academic year, DCC had an estimated total enrollment of approximately 3,466 students (including approximately 651 online students). Enrollment for the 2023-2024 academic year began with 3,680 students (including 701 online students) across all of its educational programs.

Averett University, founded in 1859, is a private, co-educational, liberal arts institution located in the City, offering undergraduate and graduate degree programs. Averett University has a total enrollment of more than 1,300 students representing 24 states and 20 countries, and offers more than 40 undergraduate programs and 12 graduate degree programs. Averett University also offers evening and summer programs, as well as online education courses, for traditional and non-traditional students in numerous locations across Virginia.

Medical

Sovah Health – Danville (formerly Danville Regional Medical Center), located in the City, provides acute and emergent care services to the citizens of the City and the counties of Pittsylvania, Virginia, and Caswell, North Carolina. Sovah Health – Danville is currently licensed for 250 beds and 20 bassinets. The hospital has comprehensive surgical services, 24-hour emergency services, an advanced wound healing center, cardiac rehabilitation center, two cardiac catheterization labs, a one-day surgery center, and medical & radiation oncology services. Sovah Health – Danville is accredited by American College of Cardiology Accreditation Services for Chest Pain Center, Heart Failure & Cardiac Cath Lab; recognized by The Joint Commission as a Certified Advanced Primary Stroke Center; accredited by the American College of Surgeons’ Commission on Cancer; and is a member of the Duke Heart Network and Duke Telestroke Network.

ECONOMIC AND DEMOGRAPHIC DATA

Population

The following table indicates the City's and the Commonwealth's comparative population data since 1980.

	1980	1990	2000	2010	2020	2022*
City of Danville	45,642	53,056	48,411	43,055	42,590	42,348
Commonwealth of Virginia	5,346,818	6,187,358	7,078,515	8,001,024	8,644,727	8,696,955

Sources: U.S. Census Bureau; Weldon Cooper Center for Public Service, University of Virginia.
 * July 1, 2022, estimate (latest information available).

Employment

The Danville-area industries have diversified considerably since the City's historic focus on textiles, tires, tobacco and glass.

Selected data are presented below to illustrate employment conditions in the City.

NON-AGRICULTURAL EMPLOYMENT FOR THE CITY OF DANVILLE

Industry	Average Employment
Health Care and Social Assistance	5,267
Manufacturing	3,928
Retail Trade	3,621
Accommodation and Food Services	3,151
Educational Services	1,792
Administrative, Support, Waste Management	852
Public Administration	988
Other Services (except Public Administration)	767
Professional, Scientific, and Technical Services	675
Transportation and Warehousing	405
Wholesale Trade	586
Finance and Insurance	560
Construction	404
Real Estate and Rental and Leasing	316
Management of Companies and Enterprises	177
Arts, Entertainment, and Recreation	257
Information	122
Utilities	109
Unclassified Establishments	109
Agriculture, Forestry, Fishing and Hunting	*
TOTAL	24,086

Source: Virginia Employment Commission. Second Quarter of 2023 Quarterly Census of Employment and Wages (latest information available).

* Confidential data.

TEN LARGEST EMPLOYERS IN THE CITY OF DANVILLE

The following table sets forth the ten largest employers in the City as of June 30, 2023:

Employer	Product	Estimated Employment
Goodyear Tire & Rubber Co.	Manufacturer	1,944
Sovah Health	Medical Services	1,700
Danville City Public Schools	Education	1,150
City of Danville	Government	962
Buitoni Food Co.	Manufacturer	500
Caesars Virginia	Casino	428
Roman Eagle	Healthcare/Retirement	314
Essel Propack America - EPL	Manufacturer	308
EBI	Manufacturer	234
Averett University	Education	225

Source: Department of Finance, City of Danville.

Unemployment

The following tables show various unemployment data for the City and the Commonwealth since 2013:

Year	<u>City of Danville</u>			<u>Commonwealth of Virginia</u>		
	Labor Force	Unemployed	Unemployment Rate	Labor Force	Unemployed	Unemployment Rate
2013	19,789	1,894	9.6	4,238,377	236,320	5.6
2014	19,649	1,673	8.5	4,258,856	217,948	5.1
2015	19,184	1,365	7.1	4,233,981	185,900	4.4
2016	19,125	1,141	6.0	4,254,348	169,526	4.0
2017	20,117	1,126	5.6	4,352,977	159,687	3.7
2018	19,654	1,003	5.1	4,359,053	130,779	3.0
2019	19,183	952	5.0	4,414,972	122,471	2.8
2020	19,160	1,924	10.0	4,342,950	280,533	6.5
2021	18,632	1,185	6.4	4,331,297	168,742	3.9
2022	18,713	869	4.6	4,435,858	127,053	2.9
2023*	19,213	879	4.6	4,615,871	137,227	3.0

Source: Bureau of Labor Statistics.

* As of October 2023 (latest information available for the City).

Per Capita Personal Income Estimates

The following table shows the per capita income estimates for the Danville Micropolitan Statistical Area (“MSA”) and the Commonwealth since 2016.

	2016	2017	2018	2019	2020	2021	2022
Danville MSA	\$33,433	\$34,582	\$35,835	\$37,261	\$40,604	\$43,930	\$44,986
Commonwealth of Virginia	52,659	54,380	56,133	58,368	61,474	66,838	68,985

Source: U.S. Department of Commerce, Bureau of Economic Analysis.

* Latest information available.

Note: Danville MSA includes the City and Pittsylvania County.

Taxable Retail Sales

The City’s retail sales information for the calendar years 2013 through 2022 is presented below.

Calendar Year	Taxable Retail Sales ⁽¹⁾
2013	\$741,247,957
2014	737,900,623
2015	770,375,645
2016	787,030,012
2017	793,761,924
2018	801,635,146
2019	781,216,282
2020	817,774,685
2021	916,459,674
2022	962,299,795

Source: Virginia Department of Taxation.

⁽¹⁾ Includes only those sales subject to Virginia Sales and Use Tax.

Building Permits

The value of building permits issued for each of the past ten fiscal years is shown below:

Fiscal Year	Residential		Commercial		Total	
	No.	Value	No.	Value	No.	Value
2014	482	\$ 4,463,208	171	\$ 31,570,742	653	\$ 36,033,950
2015	559	5,366,361	161	44,285,872	720	49,652,233
2016	377	3,650,832	182	43,222,570	559	46,873,402
2017	328	3,426,354	159	50,193,652	487	53,620,006
2018	253	3,178,468	136	30,694,033	389	33,872,501
2019	334	3,877,530	157	27,445,899	491	31,323,429
2020	298	3,262,691	143	53,824,986	441	57,087,677
2021	145	3,076,134	114	30,148,737	259	33,224,871
2022*	340	8,139,482	166	216,198,056	506	224,337,538
2023*	406	10,555,786	249	255,492,401	655	266,048,187

Source: Inspection Division, Department of Engineering, City of Danville.

* Data for Fiscal Years 2022 and 2023 includes the initial construction permits related to the casino development described in the section below.

Casino Development

At a referendum held on November 3, 2020, City voters approved the location of a casino gaming establishment at the former Dan River Mills Schoolfield Division site within the geographic boundaries of the City. Regulatory approval was granted by the Virginia Lottery Board and in September 2020, the City negotiated a comprehensive casino development agreement (the “Casino Agreement”) with Caesars Entertainment (“Caesars”), providing for the details of the casino project that Caesars proposes to build and its financial commitments to the City. The Casino Agreement (as amended and restated in May 2024) states that Caesars will make an initial capital investment of at least \$750 million to develop the project on the Schoolfield site, including a casino, restaurant options, a 300-room hotel and 40,000 square feet of conference center space. Caesars has estimated that the project will result in approximately 900 construction-related jobs during the development of the project and that, upon completion, the casino’s operations will require between 900 and 1,300 full-time equivalent employees on an annualized basis.

The Casino Agreement requires Caesars to make a lump sum payment of \$15 million to the City and a payment of \$5 million to purchase the Schoolfield property from the City's economic development authority. The Casino Agreement also provides for Caesars to pay an annual gaming fee as well as applicable fees and taxes imposed by the City and the Commonwealth. The annual gaming fee is determined pursuant to a revenue sharing formula, but Caesars has agreed to a minimum annual payment of \$5 million, which began September 1, 2023. After combining the gaming fee payments to be received from the revenue sharing formula with Caesars and the City's share of the related state and local fees and taxes to be paid by Caesars, the City expects to receive 8.5% of the first \$200 million in adjusted gross receipts derived from the casino resort operations, 13% of adjusted gross receipts between \$200 million and \$400 million, and 18% of adjusted gross receipts that exceed \$400 million. Caesars has estimated that, within the first three years of the commencement of full resort operations, new annually recurring revenues to the City (including the gaming fee and the applicable fees and taxes) will exceed \$30 million.

Pursuant to the Casino Agreement, in December 2020 Caesars made the lump sum payment of \$15 million to the City and purchased the Schoolfield property from the City's economic development authority for \$5 million, as discussed above. On September 16, 2021, Caesars unveiled the design plan for the casino, announcing that site preparation was already underway. In May 2023, Caesars erected a temporary structure on the site to house a temporary casino facility. The temporary casino facility has been generating average monthly net gaming revenues of nearly \$19 million, providing the City approximately \$1.6 million of revenue each month. As of March 1, 2024, construction of the casino resort is on schedule for an opening in late calendar year 2024.

FINANCIAL INFORMATION

Budgeting, Accounting, and Auditing

No later than April 1 of each year, the City Manager is required by the City Charter to prepare and submit to the City Council for its consideration a proposed annual budget (the "Budget") for the ensuing fiscal year beginning on the next July 1 and ending on June 30 of the following year. The Budget is to be based upon detailed estimates furnished by the departments and divisions of the City. No later than April 30, the City Manager, after consultation with the City Council, is required to have the Budget completed and ready for introduction at a regular or special meeting of the City Council. A public hearing on the Budget is held after a synopsis of the Budget is published in a newspaper having general circulation in the City and notice is given of the public hearing. After the conclusion of the public hearing, the City Council may insert new items of expenditure or may increase, decrease or strike out items of expenditure in the Budget, except for items of expenditure for debt service or items required by the City Charter or other provisions of law that cannot be reduced or stricken out. Prior to the beginning of each fiscal year, the City Council will pass an appropriation ordinance that will be based on the Budget submitted by the City Manager and will levy such taxes for the ensuing fiscal year as may be necessary to meet the appropriations not met by other revenues and all sums required by law to be raised for account of the City debt. The total amount of appropriations will not exceed the estimated revenues of the City.

A modified accrual basis of accounting is maintained for general governmental operations whereby expenditures are recorded when paid or when liabilities are incurred and revenues are recorded in the period when earned and available to fund appropriations for that period. The accrual basis of accounting is used in the Enterprise Funds and Internal Service Funds.

An annual audit is made of the accounts and records maintained in the offices of the Director of Finance and the School Board. The annual audit is made by independent certified public accountants appointed by the City Council. The financial statements of the City, presented in Appendix B to this Official Statement, are accompanied by a letter from Brown, Edwards & Company, L.L.P., Certified Public Accountants, Lynchburg, Virginia, the City's independent auditors. Brown, Edwards & Company, L.L.P., will not be reviewing any matters in connection with this Official Statement or any other matters related to the issuance of the Bonds.

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Five-Year Summary of General Fund Revenues and Expenditures

The financial data presented below summarize General Fund revenues and expenditures for the past five completed fiscal years. Data for fiscal years 2019 through 2023 have been compiled from the City's audited financial statements for such fiscal years. Financial data for the fiscal year ended June 30, 2023, should be read in conjunction with the related financial statements and notes thereto appearing in [Appendix B](#).

FIVE-YEAR SUMMARY OF GENERAL FUND REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

Revenues	2019	2020	2021	2022	2023
Property taxes	\$ 33,310,771	\$ 34,153,100	\$ 35,746,442	\$ 36,409,703	\$ 38,063,053
Other local taxes	27,198,315	27,164,991	30,105,742	33,123,711	37,598,436
Fines and forfeitures	386,050	312,163	291,892	259,670	219,762
Permits, privilege fees, and regulatory licenses	210,412	225,428	227,984	682,743	506,392
Revenue from use of money and property	1,605,235	1,138,935	406,128	(1,084,474)	987,126
Charges for services	3,794,107	3,614,031	3,150,022	2,670,780	2,898,129
Miscellaneous	72,885	71,956	293,667	164,833	114,343
Contributions			3,500	1,000	-
Recovered costs	4,523,323	7,125,623	7,247,169	6,929,265	7,527,089
Intergovernmental	19,251,439	19,658,583	19,458,370	19,733,440	22,062,558
<i>Total Revenues</i>	<i>\$ 90,352,537</i>	<i>\$ 93,464,810</i>	<i>\$ 96,930,916</i>	<i>\$ 98,890,671</i>	<i>\$109,976,888</i>
Other Sources:					
Utilities	14,848,000	15,353,000	15,353,000	16,382,603	15,717,500
Issuance of Debt	120,859	-	-	262,084	147,974
<i>Total Revenues and Other Sources</i>	<i>\$105,321,396</i>	<i>\$108,817,810</i>	<i>\$112,283,916</i>	<i>\$115,535,358</i>	<i>\$125,842,362</i>
Expenditures					
General government administration	\$ 8,508,828	\$ 10,583,130	\$ 11,365,262	\$ 10,891,991	\$ 13,054,516
Judicial administration	6,683,011	7,071,957	7,094,844	7,607,074	8,391,922
Public safety	28,697,885	30,116,548	28,368,548	30,744,593	35,002,931
Public works	3,418,421	3,439,511	3,513,922	4,646,665	4,942,275
Health and welfare	9,129,170	8,883,604	9,062,253	8,461,683	8,994,240
Education	21,096,331	20,989,478	20,599,440	25,880,622	18,502,936
Parks, recreation, and cultural	4,510,886	4,369,398	4,465,591	4,623,385	5,016,110
Community development	2,540,157	2,131,242	1,900,600	1,911,017	2,049,362
Non-departmental	7,238,297	7,031,629	9,445,878	11,299,582	11,638,443
Debt Service					
Principal	3,363,625	3,673,417	3,998,093	4,307,627	3,735,891
Interest/Other Charges	1,673,231	1,830,603	1,542,089	1,598,443	1,802,767
<i>Total Expenditures</i>	<i>\$ 96,859,842</i>	<i>\$100,120,517</i>	<i>\$101,356,520</i>	<i>\$111,972,682</i>	<i>\$113,131,393</i>
Operating Transfers/Out	8,039,609	5,432,050	7,147,993	4,248,960	4,052,358
<i>Total Expenditures and Other Uses</i>	<i>\$104,899,451</i>	<i>\$105,447,235</i>	<i>\$108,504,513</i>	<i>\$116,221,642</i>	<i>\$117,183,751</i>
Net changes in fund balance	\$ 421,945	\$ 3,370,575	\$ 3,779,403	(\$ 686,284)	\$ 8,658,611
Fund balance, beginning of year	\$ 39,518,570	\$ 39,940,514	\$ 43,311,089	\$ 47,090,492	\$ 46,404,208
Fund balance, end of year	\$ 39,940,514	\$ 43,311,089	\$ 47,090,492	\$ 46,404,208	\$ 55,062,819

Source: Department of Finance, City of Danville.

General Fund Budget

The financial data presented below summarizes the adopted General Fund Budgets for fiscal years 2023 and 2024.

GENERAL FUND BUDGETS FOR FISCAL YEARS 2023 AND 2024

	<u>2023</u>	<u>2024</u>
Revenues		
General Property Tax	\$ 36,963,520	\$ 38,347,010
Other Local Taxes	31,579,500	48,230,430
Licenses, Permits, Privilege	283,330	424,040
Fines/Forfeitures	299,600	277,760
Rev-Use Money/Property	696,940	1,969,170
Charges for Services	3,389,630	3,140,340
Miscellaneous	25,100	25,100
Recovered Cost	8,490,570	8,897,070
Non-Categorical State Aid	5,528,740	5,382,620
Categorical Aid State Shared	5,637,550	6,021,050
Categorical Aid State	10,070,100	10,250,110
Total Revenues	<u>\$102,964,580</u>	<u>\$122,964,700</u>
Expenditures		
General Government	\$ 12,895,380	\$ 14,289,190
Judicial Administration	8,190,080	8,921,750
Public Safety	34,932,523	38,124,220
Non-Departmental	12,807,290	14,890,120
Community & Economic Development	2,257,270	3,543,580
Public Works & Transportation	4,964,270	5,251,410
Health & Welfare	9,494,885	9,951,320
Parks, Recreation, & Cultural	5,796,630	6,296,580
Support of Schools	22,812,500	25,369,100
Support of Other Entities	1,720,080	1,583,820
Total Expenditures	<u>\$115,870,908</u>	<u>\$128,221,090</u>
Debt Service		
Principal Retirement	\$ 3,665,488	\$ 3,886,740
Interest Payments & Other Charges	1,688,474	1,888,460
Total Debt Service	<u>\$ 5,353,962</u>	<u>\$ 5,775,200</u>
Excess (deficiency)	\$(18,260,290)	\$(11,031,590)
Other Financing Sources (Uses):		
Transfers in	\$17,673,000	\$15,588,000
Transfers out	(1,312,710)	(5,701,960)
Total other Financing Sources (Uses)	<u>16,360,290</u>	<u>9,886,040</u>
Net Change in Fund Balances	\$(1,900,000)	\$(1,145,550)
Fund Balance, Beginning of Year	46,404,208	55,062,819
Fund Balance, End of Year	<u>\$44,504,208</u>	<u>\$53,917,269</u>

Source: Department of Finance, City of Danville.

Fiscal Year 2024 Budget Discussion

The General Fund budget for fiscal year 2024 was adopted on June 20, 2023, and includes no tax increases. The fiscal year 2024 General Fund budgeted revenues of \$138,552,700 (which differs from the amount referenced in the table above because it includes transfers in) represents a 14.9% increase from the fiscal year 2023 budgeted amount. Most of this increase is related to gaming tax and supplemental revenue from Caesars Virginia in the amount of \$13,000,000. Of this amount, \$8,000,000 is sourced from state-collected gaming tax revenue and \$5,000,000 is the annual minimum local supplement that Caesars Virginia agreed to pay as part of the casino development agreement with the City. Combining the state-collected tax and the direct payment from Caesars Virginia, the City will receive 8.5% of the casino's net gaming revenue for the first \$200 million, 13% of revenues between \$200 million and \$400 million, and 18% of revenues that exceed \$400 million.

In addition to casino-derived revenues, the fiscal year 2024 budget also includes an increase of \$1.35 million in general property taxes from increased assessed values of real and personal property, as well as an increase of \$3.6 million in local consumer-based taxes which include sales tax, business licenses, prepared meals tax, and lodging taxes.

The increase in budgeted expenditures for fiscal year 2024 incorporates casino-derived revenues for initiatives that are intended to provide transformative enhancements to the local economy. Such enhancements include economic development initiatives, public school enhancements, tourism and marketing programs, an update to the City's comprehensive plan, programming for youth, blight eradication, and crime reduction efforts. Increased revenue from taxes has been budgeted to continue the City's pay-for performance system, implementation of a pay study, and other employee benefits to ensure the City attracts and retains a dynamic and qualified workforce. The fiscal year 2024 budget does include use of unassigned fund balance in the amount of \$1.15 million for one-time economic development efforts.

General Fund Revenues and Expenditures

The General Fund is the primary operating fund maintained by the City to account for revenue derived from City property taxes, other local taxes, fines, forfeitures, licenses, fees, permits, reimbursement of certain City expenses shared by the Commonwealth, certain Commonwealth-collected revenues and transfers from the Enterprise Fund. General Fund expenditures include the costs of general City government, transfers to the School Operating Fund to pay the local share of operating the City's public school system, certain capital expenditures and transfers to the Debt Service Fund to provide for the payment of debt service on the City's general government and school bonds.

The following is a discussion of the General Fund revenue structure and major classifications of General Fund expenditures.

Revenues

General Property Taxes - An annual ad valorem tax is levied by the City Council on the assessed value of real and personal property located within the City as of July 1 and January 1, respectively. Except as referenced in the following paragraph, there are no constitutional or statutory limitations upon the City's ability to levy taxes on real or personal property. The ratio of the assessed value of real property to its fair market value is 100%. Real property taxes and personal property taxes are payable in two installments on December 5 and June 5 of the fiscal year in which they are levied. The penalty for late payment is 10% of the amount of taxes due. Interest on delinquent taxes and penalties accrues at a rate of 10% per annum. Property taxes (including penalties for late payment of prior years' taxes) represented 30% of total General Fund revenues and other sources for the fiscal year ended June 30, 2023.

Pursuant to the Personal Property Tax Relief Act of 1998 (Chapter 35.1, Title 58.1 of the Code of Virginia of 1950, as amended), personal property taxes applicable to the first \$20,000 in assessed value of certain individually owned motor vehicles were to be eliminated over a period of time. Such legislation provided a formula for the Commonwealth generally to reimburse localities, including the City, for up to 100% of the decrease in revenues attributable to such tax. The timing and the amount of such reimbursements, however, were subject to annual

appropriation and further modification by the General Assembly. Implementation of such reimbursements began with fiscal year 1998, with the level of reimbursement reaching 70%. Beginning in 2006, reimbursement by the Commonwealth to localities was capped at \$950 million annually. The City received \$3,593,576 in the fiscal year ended June 30, 2023.

Other Local Taxes - The City levies various other local taxes, including: a sales and use tax; business, professional, and occupational license taxes; a motor vehicle license tax; a meals tax; a recordation tax; and a tax on consumer telephone bills. Other local taxes represented 30% of total General Fund revenues and other sources for the fiscal year ended June 30, 2023.

Intergovernmental Revenue - The City received revenue from the Commonwealth for a portion of shared categorical expenses, including certain expenditures for social services and the operation of constitutional offices. The City also receives a significant amount of aid from the Commonwealth in support of the public school system; however, such revenues are credited directly to the School Operating Fund and are not reflected in the General Fund. Revenues from the Commonwealth represented 18% of total General Fund revenues and other sources for the fiscal year ended June 30, 2023.

Other Revenues - Other sources of revenues for the General Fund represent 22% of total General Fund revenues and other sources for the fiscal year ended June 30, 2023, and include permits, privilege fees and regulatory licenses, fines and forfeitures, interest on General Fund investments, transfers from the Utility Fund, certain charges for services rendered, various recovered costs and miscellaneous other sources.

Expenditures

Costs of General City Government - Payments for the costs of the operation of the City government are made from the General Fund. Such costs include expenditures for public safety, general administration, public works, health and welfare, education, community development and social services. This classification represented 77% of total General Fund expenditures and other uses for the fiscal year ended June 30, 2023.

Transfer to Special Revenue Funds - The City transfers moneys from the General Fund to the Special Revenue Funds, principally the School Operating Fund, to pay the City's share of the costs of operating the public school system. This transfer represented 16% of total expenditures and other uses from the General Fund for the fiscal year ended June 30, 2023. No debt service on the City's school bonds is paid from the School Operating Fund.

Transfers to Debt Service Fund - Debt service requirements on City general government and school bonds are paid by transfers from the General Fund to the Debt Service Fund. Such transfers represented 5% of total General Fund expenditures and other uses for the fiscal year ended June 30, 2023.

Transfers to the Capital Fund - The City has elected to finance certain capital projects from current revenues, and such expenditures comprise the primary portion of this category. These transfers were 2% of the total expenditures and other uses of the General Fund for the fiscal year ended June 30, 2023.

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Operating Data

The tables below represent a summary of real and personal property tax levies and collections for recent fiscal years.

REAL PROPERTY TAX LEVIES AND COLLECTIONS

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

Source: Department of Finance, City of Danville.

⁽¹⁾ Real estate taxes are assessed on a fiscal year basis, with the 1st half due on December 5 of each year and the 2nd half due on June 5 of each year.

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PERSONAL PROPERTY/MACHINERY AND TOOLS TAX LEVIES AND COLLECTIONS

Fiscal Year	Tax Rate Per \$100⁽⁵⁾	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 Through June 30, 2023	Uncollected Balance At June 30, 2023⁽²⁾	Percentage of Original Levy Collected At June 30, 2023
2014	\$3.00	\$10,560,822	\$3,503,575	33.18%	\$ 7,057,247 ⁽³⁾	66.82%	\$7,057,247	\$10,560,822	-	100.00%
2015	3.00	10,897,755	3,621,758	33.23	7,275,997 ⁽³⁾	66.77	7,275,997	10,897,755	-	100.00
2016	3.00	11,197,466	3,938,661	35.17	7,258,805 ⁽³⁾	64.83	7,258,806	11,197,466	-	100.00
2017	3.00	11,183,892	4,094,676	36.61	7,089,216 ⁽³⁾	63.39	7,089,216	11,183,892	-	100.00
2018	3.50	13,362,140	5,200,943	38.92	8,161,197 ⁽³⁾	61.08	7,987,739	13,188,682	\$ 173,458	98.70
2019	3.50	13,546,839	4,986,240	36.81	8,560,599 ⁽³⁾	63.19	8,409,372	13,395,612	151,227	98.88
2020	3.60	14,006,837	5,363,605	38.29	8,643,232 ⁽³⁾	61.71	8,479,150	13,842,755	164,082	98.83
2021	3.60	15,199,589	5,791,027	38.10	9,408,562 ⁽³⁾	61.90	9,142,484	14,933,511	266,078	98.25
2022	3.60	16,523,796	6,461,929	39.11	10,061,867 ⁽⁴⁾	60.89	9,270,885	15,732,814	790,982	95.21
2023	3.60	16,899,604	6,240,897	36.93	10,658,707	63.07	-	6,240,897	10,658,707	36.93

Source: Department of Finance, City of Danville.

⁽¹⁾ Beginning on January 1, 1999, the City has levied taxes on a calendar year basis with 1st half taxes due on June 5th and 2nd half taxes due on December 5th.

⁽²⁾ According to state law, uncollected personal property taxes are collectible five years following the year of levy.

⁽³⁾ Personal property tax uncollected reported as of June 30 of subsequent fiscal year.

⁽⁴⁾ This includes the 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. PPTRA funds amounting to \$3,593,576 are received in three installments during July, August and November each year, therefore, are shown as uncollected at June 30.

⁽⁵⁾ Personal property tax rate shown is for personal property, which is the largest portion of the tax levy. However, data includes (a) Machinery and Tools (\$1.50 per \$100), (b) Mobile Home (\$0.73 per \$100 for year prior to 2018 and \$.80 per year effective with FY 2018, and \$0.84 per \$100 effective with FY 2020) and (c) Aircraft (\$0.30 per \$100).

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The following table provides a listing of the fifteen largest real estate taxpayers in the City for the period ended June 30, 2023.

FIFTEEN LARGEST REAL ESTATE TAXPAYERS

Taxpayer	Total Assessed Value	% of Total Assessed Value⁽¹⁾
Danville Regional Medical Center LLC	\$ 78,709,300	3.25
Goodyear Tire and Rubber Company	30,147,700	1.25
JTI Leaf Services US LLC	22,575,100	0.93
Danville Mall LLC (Piedmont Mall LLC)	15,752,800	0.65
River District Tower LLC	14,814,800	0.61
Daniel Group Inc.	13,155,000	0.54
NAP Coleman Marketplace LLC	13,073,100	0.54
Piedmont Lands of Virginia LLC	13,051,000	0.54
EBI LLC	11,069,200	0.46
Litehouse, Inc.	11,017,600	0.46
Essel Propack	10,914,400	0.45
Wal-Mart Real Estate Business Trust	10,158,200	0.42
Sams Real Estate Business Trust	9,121,300	0.38
Pemberton Lofts LLC	8,890,000	0.37
Marshall, Robert & Margaret D. (Rev Trust)	8,286,600	0.34
	\$270,736,100	11.18%

Source: Department of Finance, City of Danville.

⁽¹⁾ Total Fiscal Year 2023 Assessed Real Estate Value is \$2,420,541,900 for the City of Danville.

Local tax revenues are derived primarily from real and personal property located within the City. Both real and personal property were assessed at the estimated fair market value for the years shown below. The following table illustrates the trends in value:

SCHEDULE OF ASSESSED PROPERTY VALUES⁽¹⁾

Fiscal Year	Assessed Value of Real Property	Assessed Value of Personal Property	Assessed Value of Machinery and Tools	Assessed Value of Mobile Homes	Assessed Value of Public Service Corp.	Assessed Value of Aircraft	Total Assessed Value
2014	\$2,245,455,200	\$303,862,061	\$85,276,081	\$3,157,546	\$46,364,169	\$5,596,700	\$2,689,711,757
2015	2,234,658,900	314,269,866	88,642,291	3,089,306	46,364,169	5,376,000	2,692,400,532
2016	2,240,747,200	322,874,514	89,676,124	2,825,460	46,578,273	8,061,770	2,710,763,341
2017	2,235,165,800	329,465,928	97,330,638	2,816,476	48,506,117	7,601,044	2,720,886,003
2018	2,270,914,500	340,099,963	112,709,350	3,061,340	49,032,295	7,469,241	2,783,286,689
2019	2,261,428,500	347,473,090	117,196,127	3,025,660	60,222,468	7,040,932	2,796,386,777
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

Source: Department of Finance, City of Danville.

⁽¹⁾ Real property is assessed on a fiscal year basis; all other property is assessed on calendar year basis.

**PROPERTY TAX RATES
(Per \$100 Assessed Value)**

Fiscal Year	Real Property⁽¹⁾	Personal Property	Machinery and Tools	Aircraft
2014	\$0.73	\$3.00	\$1.50	\$0.30
2015	0.73	3.00	1.50	0.30
2016	0.73	3.00	1.50	0.30
2017	0.73	3.00	1.50	0.30
2018	0.80	3.50	1.50	0.30
2019	0.80	3.50	1.50	0.30
2020	0.84	3.60	1.50	0.30
2021	0.84	3.60	1.50	0.30
2022	0.84	3.60	1.50	0.30
2023	0.84	3.60	1.50	0.30

Source: Department of Finance, City of Danville.

⁽¹⁾ Includes mobile homes.

Pension Fund Information

The City participates in two public employee retirement systems: (1) the Employees’ Retirement System of the City of Danville (“ERS”), which is a single-employer defined benefit plan established in 1946 and placed under the management of a board of trustees for the purpose of providing retirement, disability and death benefits for full-time, permanent employees of the City and (2) the Virginia Retirement System (“VRS”), which is a multi-employer public retirement system that acts as a common investment and administrative agent for political subdivisions in the Commonwealth (and is therefore not reflected as a City pension trust fund).

The City makes annual contributions to the ERS plan. As of a June 30, 2022, actuarial date (rolled forward to a measurement date of June 30, 2023) the value of assets for the ERS plan was approximately \$282.5 million and the net pension fund liability was approximately \$276.8 million, resulting in an overfunded amount of approximately \$5.7 million.

With respect to the ERS plan, the City Council adopted a resolution on December 4, 2012, abolishing the practice of granting post-retirement cost of living adjustments (“COLA”) for its retirees. The COLA approach was replaced with a bonus system calling for appropriations by City Council from its annual expense budget based on affordability and sustainability criteria that include the funded status of the ERS plan, the status of the City’s budget, and the amount of the City’s normal cost contribution to the pension plan. As a result, along with favorable market performance, the unfunded liability decreased \$28.2 million in the year following adoption. The City has maintained the funding ratio at approximately 100% for the past five years. The City Council also adopted a resolution on August 20, 2019, to require an employee contribution for those hired on or after September 1, 2019. The employee contribution for such employees is 50% of the City’s full contribution rate, but is capped at the VRS employee contribution rate (currently 5%).

The City contributes to VRS for constitutional officers and their employees. The latest VRS valuation data available to the City is dated June 30, 2022 (rolled forward to a measurement date of June 30, 2023). As of that date, with respect to the City’s portion of the VRS plan, the actuarial value of assets was approximately \$31.125 million and the actuarial accrued liability was approximately \$31.489 million, resulting in a net pension liability amount of approximately \$364,000.

In addition to the City’s participation in the VRS plan, the Danville Public Schools contribute to VRS for their professional and non-professional employees.

See Notes 16 through 20 in the City’s audited financial statements attached hereto as Appendix B for a more detailed description of the ERS and VRS plans of the City and Schools.

Post-Employment Benefits Other than Pensions

The City is a non-participating employer under the State’s Line of Duty Act (“LODA”), and therefore directly funds the cost of benefits provided under LODA. Participants in the plan include eligible public safety employees and volunteers of the City who are disabled or killed in the line of duty and their eligible family members. The City pays the following for eligible claimants under the plan: health benefit plan premiums for any claimant and/or eligible spouse and family member; 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, claimants become ineligible for LODA under the following circumstances: eligibility for Medicare due to age; income greater than pre-disability income; or remarriage by a surviving spouse. Existing participants with a death or disability eligibility date prior to July 1, 2017, and current/existing spouses who remarried prior to July 1, 2017, are grandfathered.

As of July 1, 2021, there were 19 retirees receiving benefits under LODA and 295 active employees eligible for LODA should the circumstances arise. Sixty-five of those eligible were Danville Life Saving Crew members. As of June 30, 2023, the City’s total OPEB liability was \$4,822,534, which was determined based on an actuarial valuation performed as of July 1, 2021.

In accordance with Governmental Accounting Standards Board (“GASB”) Statement No. 75 (“GASB No. 75”) entitled “Accounting and Financial Reporting for Postemployment Benefits Other than Pensions,” the City recognizes the costs of its Other Postemployment Benefits (“OPEB”) during the period of its employee’s active employment, while the benefits are being earned, and reports its unfunded actuarial accrued liability in order to accurately report the total future cost of postemployment benefits and the financial impact on the City. These GASB 75 requirements are very similar to requirements for pension benefits. The City implemented GASB No. 75 and incorporated such information into its financial statements beginning in fiscal year 2018.

As of June 30, 2023, the following changes in the City’s net OPEB liability were estimated:

Balance at June 30, 2022	\$4,938,694
Service Cost	75,871
Interest Cost	180,020
Changes in Benefit Terms	-
Differences Between Expected and Actual Experience	-
Changes of Assumptions	(97,590)
Benefit Payments	(274,461)
Net Change in OPEB Liability	(116,160)
Balance at June 30, 2023	\$4,822,534

Source: Department of Finance, City of Danville.

For further information regarding the City’s Post-Employment Benefits Other than Pensions, see Note 21 to the City’s audited financial statements attached hereto as Appendix B.

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CITY INDEBTEDNESS AND CAPITAL PLANS

Debt Administration

The Constitution of Virginia authorizes a city in Virginia to issue bonds and notes secured by a pledge of its full faith and credit. The Constitution limits the amount of such indebtedness to 10% of the assessed valuation of real estate subject to taxation by the city.

According to the Public Finance Act of 1991, the City can issue bonds only in accordance with its City Charter. The City Charter provides that the City shall not issue any bonds without approval by the qualified voters at an election, except that the City Council may authorize bonds or notes for the purposes and in the amounts in any one fiscal year as set out below without an election. Contractual obligations other than bonds and notes are excluded from the election requirement.

Purpose	Amount Per Fiscal Year
Capital expenditures other than capital expenditures relating to the City’s water, sewer, gas and/or electric systems	\$6,000,000
Capital expenditures relating to the City’s water, sewer, gas and/or electric systems or other specific undertakings from which the City may derive a revenue	\$10,000,000
Capital expenditures relating to City’s water treatment, wastewater treatment, stormwater treatment, solid waste disposal or recycling facilities and any extraordinary maintenance improvements or expansions of transmission and distribution infrastructure for the electric or gas systems	\$25,000,000
Notes in anticipation of authorized bonds	The amount of authorized bonds
Compensation required by court order in annexation proceedings	No limit
Refunding bonds	Amount required to refund the refunded bonds
Anticipation of collection of revenue for the current fiscal year	\$500,000

Statement of Legal Debt Margin at March 31, 2024

Debt Limit Per Constitution in Virginia --	
10% Assessed Value of Real Estate at June 30, 2023 (\$2,486,931,132)	\$248,693,113
Deduct:	
Gross Bonded Debt	231,383,333
Less Bonds Issued Pursuant to Section 10, Article VII of the Constitution of Virginia:	<u>(6,480,000)</u>
Net Debt Applicable Against Limit	<u>(224,903,333)</u>
Legal Debt Margin at March 31, 2024	<u>\$ 23,789,780</u>

Source: Department of Finance, City of Danville.

General Obligation Bonded Debt Incurred Since Fiscal Year ended June 30, 2023

Other than the Series 2024 Bonds to be issued as part of this offering, the City has issued no other general obligation bonded debt since the fiscal year ended June 30, 2023.

Statement of Bonded Debt

The following table sets forth the annual principal and interest payments on the outstanding general obligation long-term bonded indebtedness of the City, including literary loans and general obligation indebtedness expected to be paid from utility revenues and the 1% additional sales tax, but excluding indebtedness payable solely from utility revenues and debt on installment loans and lease obligations.

ESTIMATED GENERAL OBLIGATION BONDED DEBT SERVICE REQUIREMENTS

Fiscal Year Ending	Total Outstanding Bond Debt Service as of June 30, 2023			Plus General Obligation Public Improvement Bonds, Series 2024 Debt Service			Total Debt Service ⁽¹⁾
	Principal	Interest	Total ⁽¹⁾	Principal	Interest	Total ⁽¹⁾	
	2024	\$ 9,341,667	\$ 8,783,168	\$ 18,124,835	-	-	
2025	11,831,667	8,334,693	20,166,360	\$ 460,000	\$ 345,802	\$ 805,802	20,972,162
2026	12,516,667	7,823,213	20,339,880	340,000	469,050	809,050	21,148,930
2027	10,941,667	7,297,303	18,238,970	355,000	452,050	807,050	19,046,020
2028	11,231,667	6,840,187	18,071,854	375,000	434,300	809,300	18,881,154
2029	11,871,667	6,389,435	18,261,102	390,000	415,550	805,550	19,066,652
2030	11,636,666	5,945,925	17,582,591	410,000	396,050	806,050	18,388,641
2031	11,311,666	5,519,638	16,831,304	430,000	375,550	805,550	17,636,854
2032	11,936,666	5,079,180	17,015,846	455,000	354,050	809,050	17,824,896
2033	12,115,000	4,624,569	16,739,569	475,000	331,300	806,300	17,545,869
2034	12,770,000	4,170,794	16,940,794	500,000	307,550	807,550	17,748,344
2035	12,990,000	3,697,200	16,687,200	525,000	282,550	807,550	17,494,750
2036	13,490,000	3,214,897	16,704,897	545,000	261,550	806,550	17,511,447
2037	13,185,000	2,723,143	15,908,143	575,000	234,300	809,300	16,717,443
2038	13,280,000	2,222,313	15,502,313	605,000	205,550	810,550	16,312,863
2039	13,150,000	1,720,631	14,870,631	630,000	175,300	805,300	15,675,931
2040	13,225,000	1,222,044	14,447,044	665,000	143,800	808,800	15,255,844
2041	13,130,000	725,744	13,855,744	690,000	117,200	807,200	14,662,944
2042	13,115,000	261,347	13,376,347	720,000	89,600	809,600	14,185,947
2043	1,175,000	23,500	1,198,500	745,000	60,800	805,800	2,004,300
2044	-	-	-	775,000	31,000	806,000	806,000
	\$234,245,000	\$86,618,924	\$320,863,924	\$10,665,000	\$5,482,902	\$16,147,902	\$337,011,826

Source: Department of Finance, City of Danville.

⁽¹⁾ Totals may not add due to rounding.

The rapidity with which the above-referenced debt, as of June 30, 2023, will be repaid is as follows:

Year	Amount Maturing*	Percentage of Principal Repaid*
5 Years	\$ 55,863,335	23.85%
10 Years	114,735,000	48.98
15 Years	180,450,000	77.03
20 Years	234,245,000	100.00

* Table does not reflect the issuance of the Series 2024 Bonds.

The following table sets forth the debt service requirements for the City's undertakings that are subject to annual appropriation by City Council, including certain lease revenue bonds issued by the Danville IDA and certain moral obligation support agreements of the City.

**DEBT SERVICE REQUIREMENTS
SUBJECT TO APPROPRIATION UNDERTAKINGS⁽¹⁾⁽²⁾⁽³⁾
As of June 30, 2023**

Fiscal Year	Principal	Interest	Total
2024	\$837,500	\$214,478	\$1,051,978
2025	690,500	199,488	889,988
2026	10,597,000	175,224	10,772,224
2027	606,000	15,965	621,965
2028	617,000	4,597	621,597
TOTAL	\$14,164,000	\$841,586	\$15,005,586

Source: Department of Finance, City of Danville.

⁽¹⁾ The debt service payments reflected in this table include (a) the rental payments due in connection with the Danville IDA's (i) \$10,000,000 Public Facility Lease Revenue Note, Series 2021A (Federally Taxable), and (ii) \$4,184,000 Public Facility Lease Revenue Refunding Bond, Series 2021B (Federally Taxable), each issued on May 18, 2021, and (b) the City's share of the Danville-Pittsylvania Regional Industrial Facility Authority ("RIFA") moral obligation arrangements.

⁽²⁾ Included in the figures in this table are contingent payments the City is expected to make under a Support Agreement dated August 1, 2019, with RIFA that pledges the City's moral obligation in support of half of the amount of debt service payments on RIFA's \$2,545,000 Revenue Refunding Bonds (Cane Creek Project), Series 2019 (Taxable).

⁽³⁾ Not included in the figures in this table are contingent payments that the City may make under the following arrangements (but is not expected to be called upon to make because other revenues are anticipated to be sufficient):

- (a) a Moral Obligation Agreement dated January 6, 2011, with American National Bank in the maximum remaining amount of \$1,800,413;
- (b) a Moral Obligation Agreement dated March 19, 2013, with Virginia Small Business Financing Authority in the maximum remaining amount of \$348,691;
- (c) a Moral Obligation Agreement dated March 22, 2013, with American National Bank in the maximum remaining amount of \$647,804;
- (d) a Moral Obligation Agreement dated March 29, 2013, with Virginia Community Capital in the maximum remaining amount of \$1,141,684;
- (e) a Moral Obligation Agreement dated June 24, 2013, with American National Bank in the maximum remaining amount of \$1,120,145;
- (f) a Moral Obligation Agreement dated April 12, 2016, with American National Bank in the maximum remaining amount of \$784,286;
- (g) a Moral Obligation Agreement dated December 30, 2016, with American National Bank in the maximum remaining amount of \$307,630;
- (h) a Moral Obligation Agreement dated January 19, 2021, with Movement Bank in the maximum remaining amount of \$524,000; and
- (h) a Moral Obligation Agreement dated June 15, 2021, with American National Bank in the maximum remaining amount of \$956,000.

Each of these moral obligation undertakings supports economic projects financed by the Danville IDA. Payments under all agreements are subject to annual appropriations by the City Council. The City does not currently expect that City payments will be requested under these agreements.

Key Debt Ratios

Set forth below are the City's key debt ratios for the fiscal years indicated.

Fiscal Year Ended June 30	Population	<u>Assessed Value</u>		<u>Bonded Debt</u>		<u>Ratio of Bonded Debt to Assessed Value</u>		<u>Bonded Debt Per Capita</u>	
		Real & Personal Property	General Fund Supported	Self-Sustaining Utilities	General Fund Supported	Self-Sustaining Utilities	General Fund Supported	Self-Sustaining Utilities	
2014	42,912	\$2,689,711,757	\$34,379,976	\$55,712,660	1.28	2.07	\$ 801.17	\$1,298.30	
2015	42,975	2,692,400,532	35,893,854	51,844,337	1.33	1.93	835.23	1,206.38	
2016	42,544	2,710,763,341	40,692,518	51,156,794	1.50	1.89	956.48	1,202.30	
2017	41,898	2,719,983,192	44,302,180	46,345,271	1.63	1.70	1,057.38	1,106.15	
2018	41,358	2,783,286,689	47,086,136	51,863,973	1.69	1.86	1,138.50	1,254.03	
2019	40,590	2,796,386,777	45,379,138	47,365,047	1.62	1.69	1,117.99	1,166.91	
2020	40,044	2,797,711,046	48,729,288	54,393,579	1.64	1.78	1,216.89	1,358.35	
2021	42,590	2,887,389,944	47,939,470	51,036,951	1.66	1.77	1,125.60	1,198.33	
2022	42,597	3,024,543,492	51,964,153	46,792,514	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	

Source: Department of Finance, City of Danville.

Note: The above bonded debt excludes lease revenue bonds and capital leases for equipment and other obligations that are subject to annual appropriation of funds by City Council for payment of debt service if the City had any of those types of debt in the applicable fiscal year. The table above also excludes \$127 million general obligation school bonds, the debt service on which is expected to be repaid primarily by an additional 1% sales tax levy.

Fiscal Year Ended June 30	General Fund Expenditures and Transfers ⁽¹⁾	<u>Debt Service⁽⁴⁾</u>		<u>Percentage of Debt Service to Total Expenditures and Transfers</u>	
		General Fund Supported ⁽²⁾	Self-Sustaining Utilities ⁽³⁾	General Fund Supported	Self-Sustaining Utilities
2012	\$103,391,295	\$5,019,639	\$5,255,176	4.85%	5.08%
2013	106,338,114	2,535,106	5,548,634	2.38	5.22
2014	96,219,849	2,627,291	5,910,354	2.73	6.14
2015	97,425,074	2,997,576	6,457,773	3.08	6.63
2016	98,699,153	3,134,170	6,354,661	3.18	6.44
2017	105,956,937	4,512,363	6,731,365	4.26	6.35
2018	104,328,063	4,668,273	6,719,510	4.47	6.44
2019	104,899,451	5,018,545	6,944,393	4.78	6.62
2020	105,552,567	5,313,968	6,551,344	5.03	6.21
2021	108,504,513	5,573,953	5,932,249	5.14	5.47
2022	117,764,221	5,898,808	6,135,708	5.01	5.21
2023	117,183,751	5,403,229	5,375,723	4.61	4.59

Source: Department of Finance, City of Danville.

⁽¹⁾ Includes General Fund, Danville School Board, Danville Development Council and Transfers Out.

⁽²⁾ Includes tax supported bonds, school bonds, reimbursables, leases, notes and long-term debt.

⁽³⁾ Includes utility supported bonds, reimbursables, leases, notes and long-term debt.

⁽⁴⁾ Excludes \$127 million general obligation school bonds, the debt service on which is expected to be repaid primarily by an additional 1% sales tax levy.

Capital Improvement Plan

The City Council approved the Capital Improvement Plan (CIP) for fiscal years 2024-2028 on June 20, 2023. The CIP is normally reviewed and updated on an annual basis as a part of the budget process to reflect changing priorities, cost estimates and financing strategies. The City Council appropriates funds for capital project expenditures on a project-by-project basis as the funding sources become available.

ADOPTED GENERAL FUND CAPITAL PROJECTS – FY 2024 CITY COUNCIL APPROVED GENERAL FUND CAPITAL PROJECTS – FY 2024-2028

Uses of Funds	<u>CITY COUNCIL APPROVED</u>					<u>5-Yr. Total</u>
	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2024-28
Community Development	\$ 605,000	\$ 500,000	\$ 500,000	\$ 500,000	\$ 500,000	\$ 2,605,000
Economic Development	4,465,492	3,225,000	3,125,000	3,125,000	3,125,000	17,065,492
Fire Department	1,470,500	3,264,108	13,500,000	2,430,000	13,165,000	33,829,608
Information Technology	275,000	575,000	500,000	550,000	300,000	2,200,000
Parks & Recreation	2,745,000	6,120,000	3,120,000	3,095,000	3,095,000	18,175,000
Police Department – Adult Det.	369,000	0	0	0	0	369,000
Police Department – Juvenile Det.	100,000	0	0	0	0	100,000
Police Department – Admin	337,000	262,000	262,000	262,000	0	1,123,000
Public Works – Building & Grounds	2,175,000	2,675,000	1,625,000	1,950,000	2,625,000	11,050,000
Public Works – Building & Grounds Unscheduled	0	0	0	0	28,950,000	28,950,000
Public Works – Engineering & Streets	4,001,400	3,267,000	2,525,000	9,625,000	6,781,044	26,199,444
Public Works – Engineering & Streets Unscheduled	0	0	0	6,000,000	184,175,000	190,175,000
Transportation Services	5,432,842	300,000	2,768,000	2,200,000	-	10,700,842
Public Schools						
Total Projects	\$21,976,234	\$20,188,108	\$27,925,000	\$29,737,000	\$242,716,044	\$342,542,386

Sources of Funds	<u>CITY COUNCIL APPROVED</u>					<u>5-Yr. Total</u>
	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2024-28
General Fund Revenues	-	\$ 9,973,108	\$19,465,360	\$ 9,724,287	\$ 53,256,044	\$ 92,418,799
General Fund Balance	\$ 3,333,729	-	-	-	-	3,333,729
To Be Determined	1,601,813	7,975,000	3,975,000	3,950,000	130,545,000	148,046,813
State Grants	1,921,202	25,000	2,118,440	8,867,713	56,700,000	69,632,355
Reprogrammed Funds	169,950	-	-	-	-	169,950
Debt Financing	11,193,467	2,000,000	2,000,000	2,000,000	2,000,000	19,193,467
Aid to Localities – VA Fire Program	165,000	165,000	165,000	165,000	165,000	825,000
Contribution-in-Aid	50,000	50,000	50,000	50,000	50,000	250,000
Federal Grants	3,541,073	-	151,200	4,980,000	-	8,672,273
Total Funds	\$21,976,234	\$20,188,108	\$27,925,000	\$29,737,000	\$242,716,044	\$342,542,386

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**SUMMARY OF CAPITAL PROJECTS AND
FUNDING SOURCES FOR UTILITY ENTERPRISE FUNDS
ADOPTED CAPITAL PROJECTS – FY 2024
COUNCIL APPROVED CAPITAL PROJECTS – FY 2024-2028**

	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	5 Yr. Total
Uses of Funds						
Wastewater Fund	\$18,050,000	\$15,900,000	\$1,400,000	\$1,400,000	\$1,400,000	\$38,150,000
Water Fund	3,100,000	3,100,000	3,100,000	3,000,000	3,000,000	15,300,000
Gas Fund	1,100,000	500,000	500,000	500,000	500,000	3,100,000
Electric Fund	9,500,000	4,000,000	3,500,000	3,500,000	3,500,000	24,000,000
Total	\$31,750,000	\$23,500,000	\$8,500,000	\$8,400,000	\$8,400,000	\$80,550,000
Sources of Funds						
Bonds	\$14,500,000	\$ 7,000,000	\$6,500,000	\$6,500,000	\$6,500,000	\$40,000,000
Utility Fund Revenues	3,250,000	2,500,000	2,000,000	1,900,000	1,900,000	11,550,000
Grants	14,000,000	14,000,000	0	0	0	29,000,000
Total	\$31,750,000	\$23,500,000	\$8,500,000	\$8,400,000	\$8,400,000	\$80,550,000

APPENDIX B

**BASIC FINANCIAL STATEMENTS OF THE CITY
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Danville, Virginia (the "City"), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Danville, Virginia, as of June 30, 2023, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities, and Towns* and the *Specifications for Audits of Authorities, Boards, and Commissions*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Report on the Audit of the Financial Statements (Continued)

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

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

Report on the Audit of the Financial Statements (Continued)

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying combining and individual nonmajor fund financial statements and schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 21, 2023 on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

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

CERTIFIED PUBLIC ACCOUNTANTS

Lynchburg, Virginia
December 21, 2023

Management's Discussion and Analysis

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

Financial Highlights

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

Overview of the Financial Statements

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

Government-Wide Financial Statements – The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

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

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

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

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

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

The government-wide financial statements include not only the City itself (known as the primary government), but also the legally separate Danville Public Schools and the Industrial Development Authority for which the City is financially accountable. Financial information for these component units is presented in a separate column to emphasize that they are legally separate from the primary government.

Fund Financial Statements – A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

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

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

The City maintains seven individual governmental funds. Information is presented separately in the Balance Sheet-Governmental Funds and in the Statement of Revenues,

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

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

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

Internal service funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the City, or to other governments on a cost reimbursement basis. The internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds is provided in the form of combining statements in the other supplementary information part of the financial section of this report. The City has three internal service funds providing services to other City departments as follows:

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

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

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

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

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

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

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

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

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

Government-Wide Financial Analysis (Primary Government)

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

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

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

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

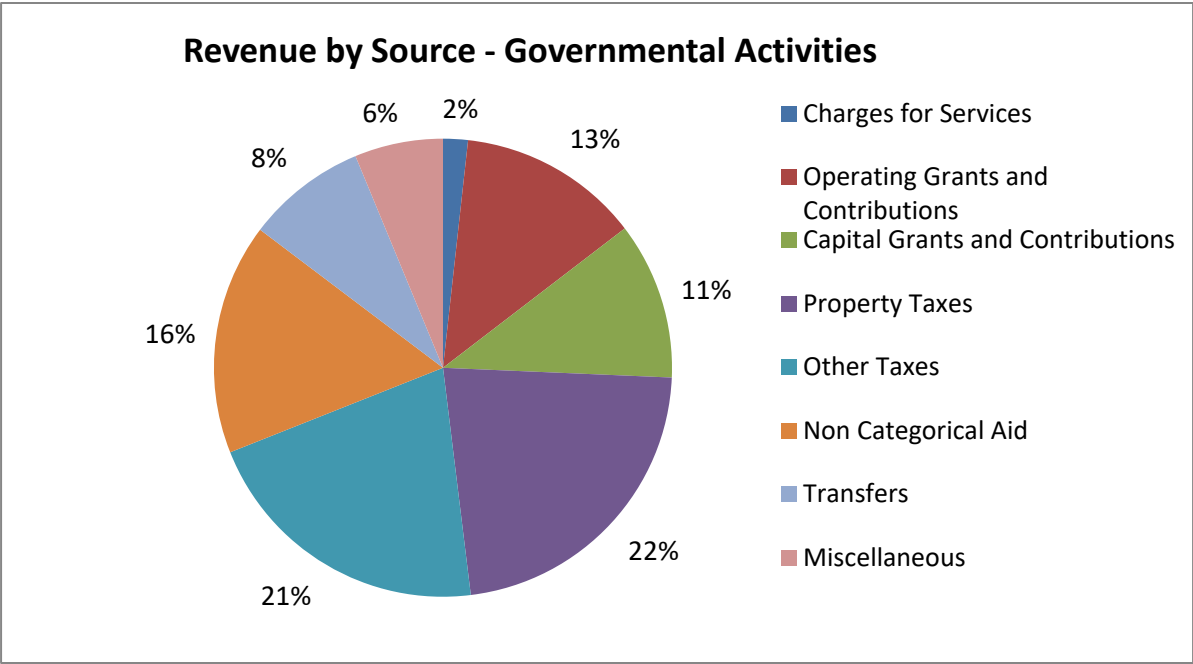
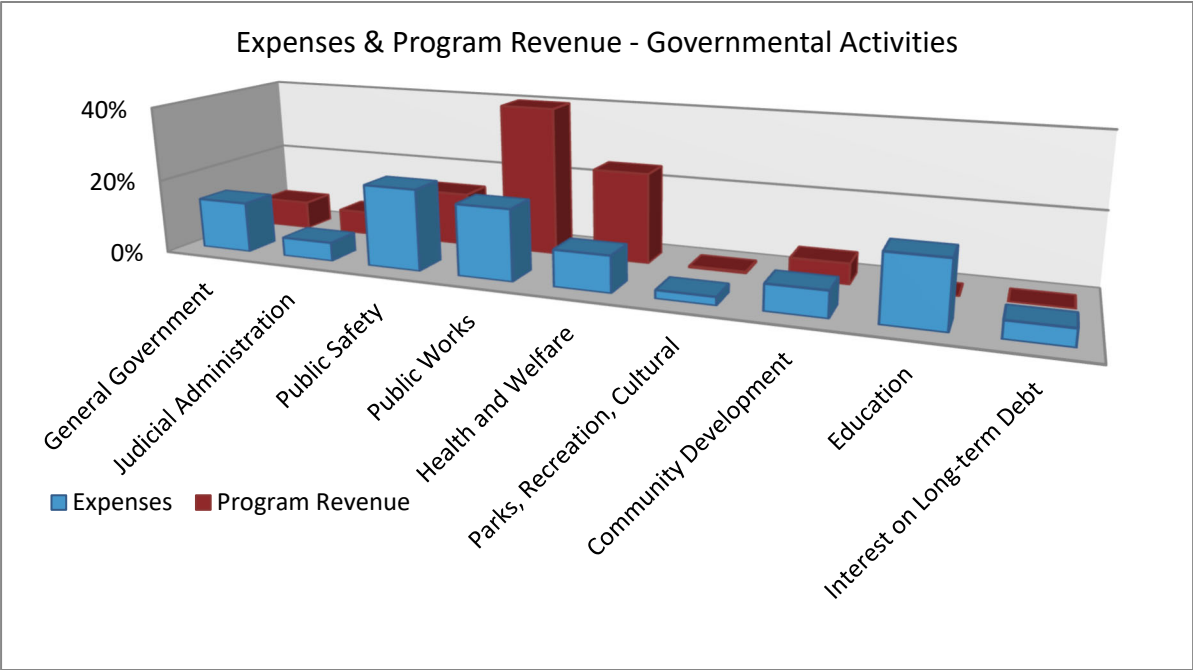
	Governmental Activities		Business-Type Activities		Total	
	2023	2022	2023	2022	2023	2022
Current and other assets	\$282,582,723	\$283,983,021	\$99,259,616	\$94,112,636	\$381,842,339	\$378,095,657
Capital assets	148,425,814	121,905,750	319,551,705	314,421,961	467,977,519	436,327,711
Total assets	\$431,008,537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

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

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

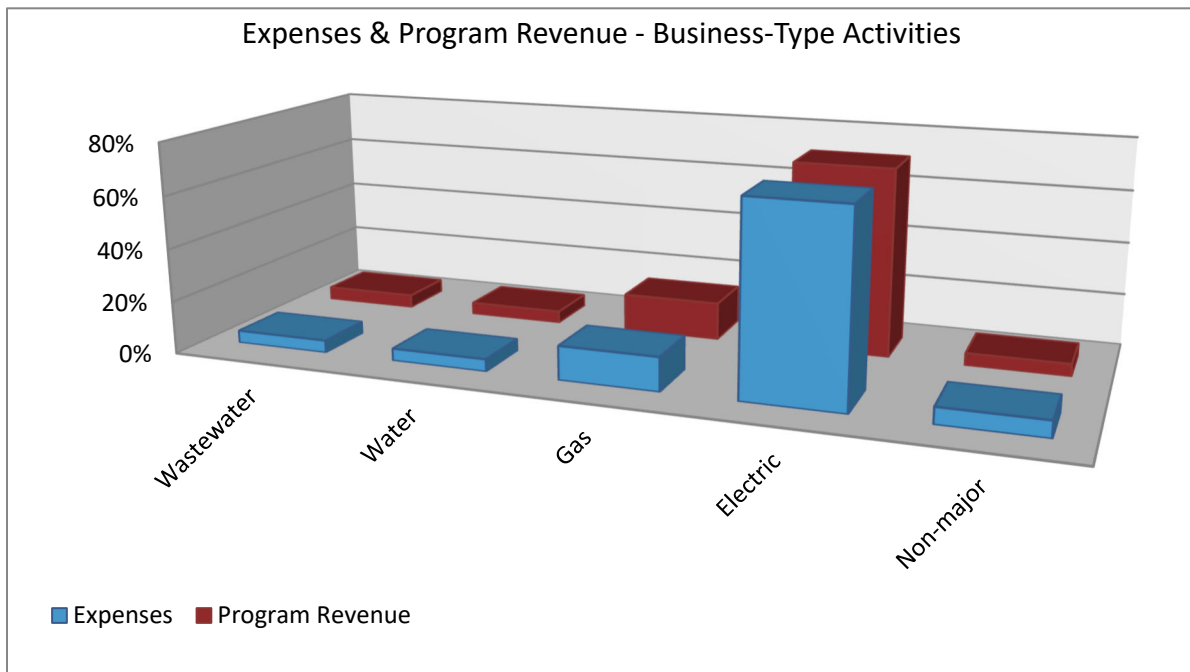
	Governmental Activities		Business-Type Activities		Total Primary Government	
	2023	2022	2023	2022	2023	2022
Revenues:						
Program Revenues:						
Charges for Services	\$ 3,117,891	\$ 2,927,770	\$ 174,014,503	\$ 172,660,157	\$ 177,132,394	\$ 175,587,927
Operating Grants and Contributions	22,922,171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

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



Business-Type Activities

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



Financial Analysis of the Government’s Funds

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

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

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

General Fund – The General Fund, which is the chief operating fund of the City, reports a combined fund balance at June 30, 2023 of \$55,062,819. This is an increase of \$8,658,611 compared to last year’s fund balance of \$46,404,208. The General Fund reported an unassigned fund balance of \$37,259,038 an increase of \$2,941,167 from the June 30, 2022, unassigned fund balance of \$34,317,871. The ability of the General Fund to generate cash on demand can be calculated by comparing both the unassigned fund balance and total fund balance to total funds expended. Unassigned fund balance represents 33% of total General Fund expenditures while total fund balance represents 49% of total fund expenditures. When transfers out of

\$4,052,358 are added to expenditures, then unassigned fund balance is 32% percent of expenditures and transfers out. The following table represents General Fund support shown as transfers out:

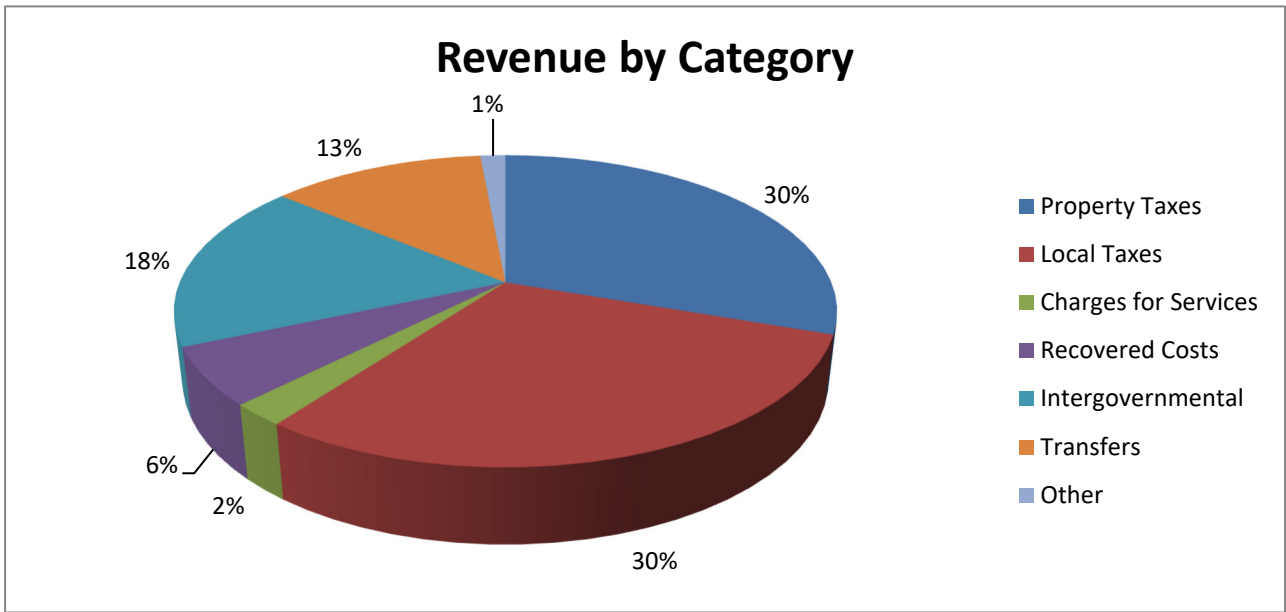
Support of CIP Projects	\$ 2,581,617
Support of Regional Industrial Facility Authority	142,798
Support of Motorized Equipment	512,710
Support of Grants	815,233
Total	<u>\$ 4,052,358</u>

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

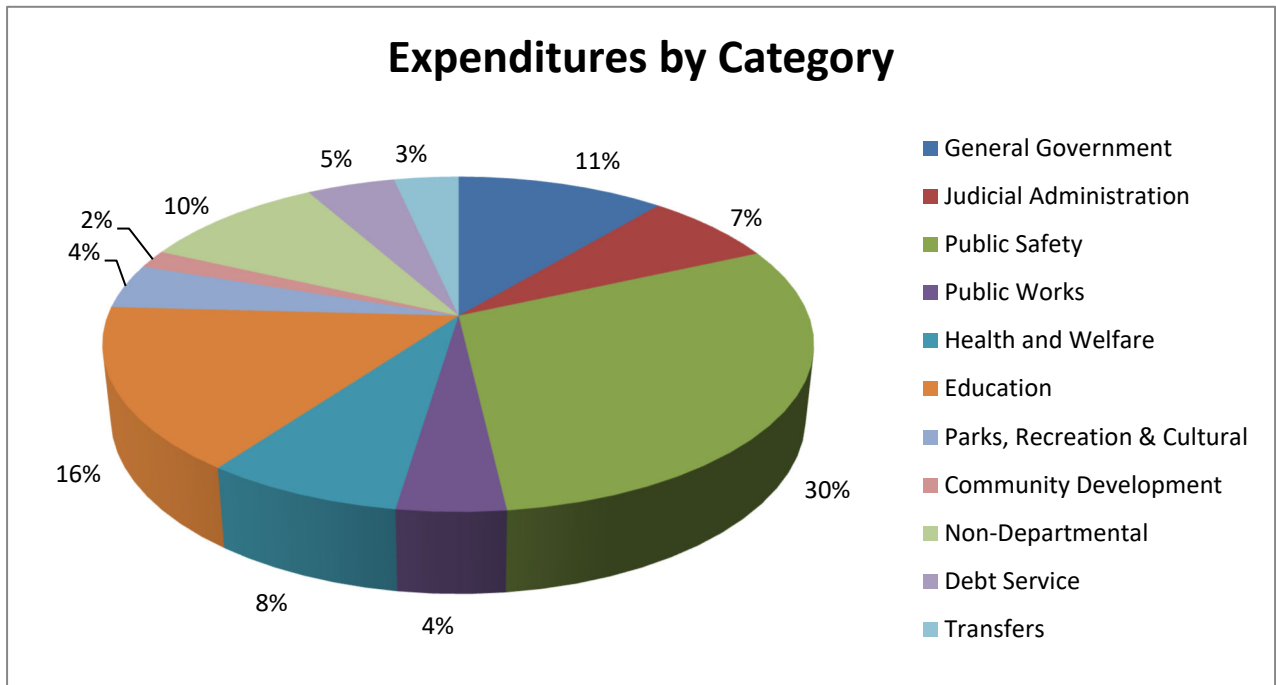
Some key factors of the change in fund balance are as follows:

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

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



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



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

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

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

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

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

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

Charges for Services increased in the Electric Fund by \$1,922,433 primarily due to the seasonal rate effect of the Power Cost Adjustment rate. A prior year administrative change in the Power Cost Adjustment, which allows for the recording of a regulatory asset that represents purchased power costs that have not yet been billed to the customers, included establishing a separate rate for high load factor customers. Purchased power costs increased \$2,085,628 in FY 2023, which is in direct relation to the increase seen in natural gas rates during the early months of FY 2023. While the Wastewater Fund remained virtually unchanged from the prior year with an increase of \$68,733 in Charges for Services, the Water Fund experienced a decrease of \$96,493 primarily due to the composition and manufacturing requirements of the industrial customer base. Gas

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

The increase in the interest income and market value adjustment category resulted from continued upward changes in the market value in the current fiscal year versus prior fiscal year. Income before contributions and transfers for all enterprise funds combined decreased \$7,666,600 from the prior year, primarily due to the significant increase in expenditures.

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

General Budgetary Highlights

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

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

Differences between the City's original operating budget for expenditures and transfers and the final amended budget resulted from carryforwards and prior year encumbrances of \$7,575,016 and additional appropriations totaling \$4,300,900:

Appropriations with matching revenue:

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

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

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

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

- Another contributing factor was the increase of sales tax, meals tax, and business licenses reflecting retail sales growth and inflationary effects. Other Local Taxes were ahead of the final budget by \$2,918,936. Almost every category of local tax revenue exceeded budgeted expectations, while the remaining categories were close to budgeted expectations. The primary components of this positive variance relate to local sales tax, business licenses, prepared meals tax, recordation fees, and motor vehicle taxes. Most categories of local tax revenue exceeded pre-pandemic levels. Local Sales Taxes were collected at 106% of budget, Business Licenses were at 116% of budget, and Prepared Meals Tax collections also exceeded estimates at 104% of budget. Areas contributing to the budget variance include:

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

Some key factors of unexpended appropriations are as follows:

- City support of Public Schools had an unexpended balance of \$9,390,117. Danville City Schools pulls local funding as needed and is allowed to carry unspent funding forward for future years. The unencumbered portion of this amount is reserved as a carryforward for fiscal 2024.
- Public Safety expenditures came in \$3,286,734 under budget primarily due to a decrease in the purchase of equipment by the police department along with a decrease in services and supplies by adult and juvenile detention.
- The \$1,850,193 negative budget variance in nondepartmental expenditures arose from increased claims for the City's group health insurance.
- Savings in the Health and Welfare sector of \$1,141,454 reflect lower utilization of Social Service programs.

Capital Assets and Debt Administration

Capital Assets

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

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

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

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

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

Long-Term debt

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

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

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

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

The City of Danville's debt management policy states that debt supported by General Fund tax revenue will not exceed 3.0% of total taxable assessed value of property within City limits. For

the purposes of calculating this ratio, assessed value includes real property and personal property. At June 30, 2023, debt to assessed value was 1.72%.

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

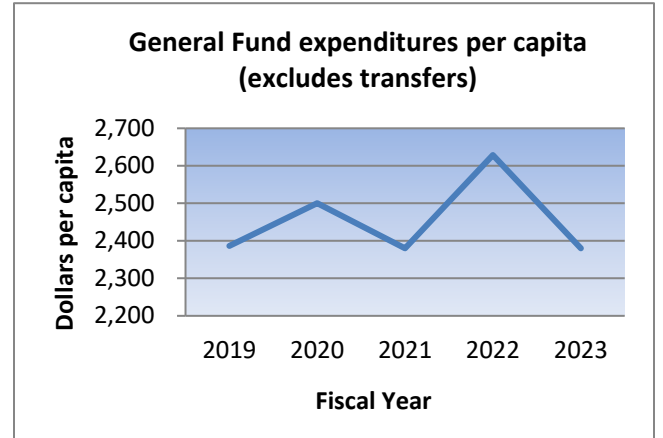
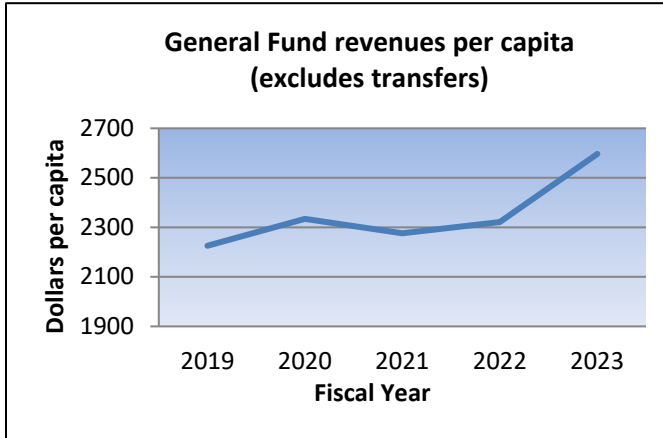
Economic Factors and Next Year's Budget and Rates

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

- As of September 30, 2023, the average unemployment rate for the City of Danville was 4.8%, which is an increase from a rate of 3.3% at September 30, 2022. This rate was higher than the 3.0% state rate as well as the 3.6% national rate in September 2023.
- Danville continues to make economic, community, and workforce development a priority in its effort to reduce unemployment.
- Natural growth in both real estate assessments and personal property assessments will provide an additional \$1.4 million in revenue compared to fiscal year 2023.
- A total increase in other local tax revenue of \$16.6 million compared to the fiscal year 2023 approved budget. Specifically, this included projected increases in local sales tax revenue of \$437,950, meals tax revenue of \$1,367,220, business license revenue of \$1,370,000, hotel/motel tax revenue of \$442,150, and state and local gaming revenue of \$13,000,000.
- Salary increases based on pay-for-performance for City employees.
- During fiscal year 2024, management continued its goal to stabilize and lower utility rates for electric services charged to its consumers despite congestion charges incurred during past winters. The Power Cost Adjustment utilized by Danville Utilities will allow these costs, along with increasing operating costs, to be recovered through gradual, small rate increases over the next few years.
- Danville has an estimated population of 42,348. The most recent data shows per capita income of \$38,904 for the Danville Metropolitan Area, an increase of \$1,757 over the 2022 figure, but lower than the \$47,210 per capita income for the Commonwealth of Virginia.
- Danville is located in the southern region of the United States. According to the consumer price index, Danville and the southern region have a lower cost of living compared to other regions in the United States.

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

Other Financial Indicators



General Fund revenues per capita have trended upward over the last five years despite the economic downturn over previous years. Revenues have increased 22% over the five-year period. Expenditures per capita decreased from 2022 to 2023, primarily due to a slight decline in population. While Danville’s population trended downward for several years, it has now increased and is remained constant the past few years. It is anticipated that through the economic, community, and workforce development efforts, along with the downtown revitalization, the City will continue to see population increases in the following years.

Requests for Information

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



BASIC FINANCIAL STATEMENTS



CITY OF DANVILLE, VIRGINIA

STATEMENT OF NET POSITION

June 30, 2023

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

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

CITY OF DANVILLE, VIRGINIA

STATEMENT OF ACTIVITIES
Year Ended June 30, 2023

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

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

CITY OF DANVILLE, VIRGINIA

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

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

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

CITY OF DANVILLE, VIRGINIA

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION**

June 30, 2023

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

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

CITY OF DANVILLE, VIRGINIA

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

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

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

CITY OF DANVILLE, VIRGINIA

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF THE GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2023**

Net change in fund balances – total governmental funds	\$	(402,826)
Amounts reported for governmental activities in the Statement of Activities are different because:		
Governmental funds report outlays for capital assets as expenditures. However, in the Statement of Activities the cost of these assets is allocated over their estimated useful lives and reported as depreciation and amortization expense. The components of capital outlay, depreciation and amortization expense, and other various transactions involving capital assets are as follows:		
Outlays for capital assets and right of use assets	\$ 37,574,793	
Book value of capital assets disposed	(63,113)	
Depreciation and amortization	<u>(12,398,592)</u>	25,113,088
Transactions involving debt principal and cash flows relating to other long-term items are expenditures in the governmental funds, however these transactions increase or decrease long-term items in the Statement of Net Position.		
Principal payments on long-term debt and leases	4,742,287	
Issuance of debt	(9,540,000)	
Premium on new bonds issued	(476,730)	
Leases issued during the year	(10,569,480)	
Amortization of premium	937,656	
Amortization of deferred loss	(53,811)	
Change in accrued interest	<u>(1,685,405)</u>	(16,645,483)
Governmental funds report pension contributions as expenditures. However, in the Statement of Activities the cost of pension benefits earned net of employee contributions is reported as pension expense.		
Change in pension related assets, liabilities, and deferred inflows/outflows.		(3,714,767)
Governmental funds report other postemployment benefits contributions as expenditures. However, in the Statement of Activities the cost of other postemployment benefits earned net of employee contributions is reported as other postemployment benefits expense.		
Change in other postemployment benefits related assets, liabilities, and deferred inflows/outflows.		237,818
Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
Change in obligation to IDA	571,000	
Change in Tobacco Commission obligation payable	43,333	
Change in workers' compensation	(41,628)	
Change in compensated absences	<u>(328,805)</u>	243,900
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.		
		1,602,181
The net of internal service funds is reported with governmental activities.		
		<u>(735,925)</u>
Total change in net position – governmental activities	\$	<u><u>5,697,986</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 BALANCE –
BUDGET TO ACTUAL – GENERAL FUND
Year Ended June 30, 2023**

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

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

CITY OF DANVILLE, VIRGINIA
STATEMENT OF NET POSITION –
PROPRIETARY FUNDS
June 30, 2023

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

(Continued)

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

CITY OF DANVILLE, VIRGINIA
STATEMENT OF NET POSITION –
PROPRIETARY FUNDS
June 30, 2023

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

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

CITY OF DANVILLE, VIRGINIA

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION –
 PROPRIETARY FUNDS
 Year Ended June 30, 2023

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

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

CITY OF DANVILLE, VIRGINIA

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

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

(Continued)

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

EXHIBIT 10

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

CITY OF DANVILLE, VIRGINIA

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

	Enterprise Funds		
	Wastewater	Water	Gas
RECONCILIATION TO EXHIBIT 8			
Cash and investments	\$ 7,572,674	\$ 9,758,308	\$ 15,227,541
Cash and investments – held by fiscal agents	-	-	-
Cash and investments – restricted	-	6,976,211	-
	<u>\$ 7,572,674</u>	<u>\$ 16,734,519</u>	<u>\$ 15,227,541</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES			
Operating income (loss)	\$ 805,361	\$ 497,565	\$ 3,042,617
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Depreciation charged to operations	1,965,150	1,554,848	1,575,310
Pension expense net of employer contributions	158,142	277,537	174,325
Landfill postclosure care	-	-	-
Nonoperating revenue, net	30,120	165,880	195,471
Change in noncash employee benefits charged to operations	-	33,187	20,767
Change in operating assets and liabilities			
Change in receivables	(16,536)	(136,480)	1,369,112
Change in inventories	-	(391,900)	8,511
Change in prepaids	1,310	12,548	-
Change in accounts payable	485,404	387,864	(1,187,430)
Change in refundable deposits	-	-	-
	<u>\$ 3,428,951</u>	<u>\$ 2,401,049</u>	<u>\$ 5,198,683</u>
Net cash provided by (used in) operating activities	<u>\$ 3,428,951</u>	<u>\$ 2,401,049</u>	<u>\$ 5,198,683</u>
SUPPLEMENTAL CASH FLOW INFORMATION			
Capital asset additions obtain through leases liabilities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

EXHIBIT 10

Enterprise Funds			Internal Service Funds
Electric	Nonmajor Enterprise Funds	Total	
\$ 22,099,114	\$ 3,188,754	\$ 57,846,391	\$ 4,311,287
-	-	-	50,000
10,498,662	-	17,474,873	-
<u>\$ 32,597,776</u>	<u>\$ 3,188,754</u>	<u>\$ 75,321,264</u>	<u>\$ 4,361,287</u>
\$ 2,559,394	\$ (5,096,639)	\$ 1,808,298	\$ (1,435,072)
8,237,386	1,295,624	14,628,318	926,176
980,808	314,329	1,905,141	134,404
-	(90,000)	(90,000)	-
2,339,499	10,509	2,741,479	43,883
40,380	31,391	125,725	2,026
4,470,866	35,852	5,722,814	(511)
(607,169)	2,901	(987,657)	(725)
41,519	864	56,241	216
(123,466)	(166,093)	(603,721)	148,808
163,965	-	163,965	-
<u>\$ 18,103,182</u>	<u>\$ (3,661,262)</u>	<u>\$ 25,470,603</u>	<u>\$ (180,795)</u>
<u>\$ 209,880</u>	<u>\$ -</u>	<u>\$ 209,880</u>	<u>\$ 668,645</u>

CITY OF DANVILLE, VIRGINIA

**STATEMENT OF FIDUCIARY NET POSITION –
FIDUCIARY FUNDS
June 30, 2023**

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

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

CITY OF DANVILLE, VIRGINIA

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION –
FIDUCIARY FUNDS
Year Ended June 30, 2023**

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

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

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

Note 1. Summary of Significant Accounting Policies

A. Financial Reporting Entity

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

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

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

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

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

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

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

(Continued)

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

Note 1. Summary of Significant Accounting Policies (Continued)

A. Financial Reporting Entity (Continued)

Jointly Governed Organizations: City Council, in conjunction with the Board of Supervisors of Pittsylvania County, Virginia (the “County”), established Danville-Pittsylvania Community Services (“DPCS”) in 1972 to implement the provisions of Chapter 10 of Title 37.1 of the *Code of Virginia* (1950), as amended. The primary function of DPCS is the establishment and operation of behavioral health services, developmental disability services, and substance abuse prevention programs within the City and County. Seven members of the fifteen-member board of directors are appointed by City Council, and the County’s Board of Supervisors appoints the remaining eight members. The Board of Directors approves its own budget and maintains oversight of all programs. Most of the funding for DPCS comes from state and federal grants, as well as from charges for services. The City and County provide some financial assistance, but DPCS is not financially dependent on the City or the County. While not a component unit of the City or the County, DPCS is considered to be a jointly governed organization since neither the City nor the County has determinable ongoing financial interests in, or responsibilities for, DPCS. For the year ended June 30, 2023, the City provided \$602,050 in funding for DPCS.

In 2001, the Danville-Pittsylvania Regional Industrial Facility Authority (the “Facility Authority”) was created by ordinance of the Board of Supervisors of Pittsylvania County, Virginia, and the City Council of Danville, Virginia, to promote and further the purposes of the Virginia Regional Industrial Facilities Act, Chapter 64, Title 15.2 of the *Code of Virginia* (1950), as amended (Facility Act). The Facility Authority is an entity jointly owned by the City of Danville and Pittsylvania County and is a political subdivision of the Commonwealth of Virginia. The Facility Authority is empowered, among other things, to borrow money to pay the costs of real estate and all improvements located in industrial parks intended to be occupied by manufacturing, warehousing, distribution, office, or other commercial enterprise. In addition, the Facility Authority is authorized under the Facility Act to issue revenue bonds to finance facilities for such enterprises and to refund such bonds. The Facility Authority has no taxing power. For the year ended June 30, 2023, the City provided approximately \$1,750,000 in funding to the Facility Authority. The City has a moral obligation to continue to provide funding to the Facility Authority both for debt service as well as ongoing construction projects.

B. Basis of Presentation

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

(Continued)

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

Note 1. Summary of Significant Accounting Policies (Continued)

B. Basis of Presentation (Continued)

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

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

Governmental fund types

The City reports the following major governmental funds:

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

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

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

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

The City reports the following nonmajor governmental funds:

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

(Continued)

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

Note 1. Summary of Significant Accounting Policies (Continued)

B. Basis of Presentation (Continued)

Governmental fund types (Continued)

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

Proprietary fund types

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

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

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

Fiduciary fund types

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

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

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

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

(Continued)

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

Note 1. Summary of Significant Accounting Policies (Continued)

C. Measurement Focus and Basis of Accounting

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

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both “measurable” and “available.” Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period for most non-grant revenues. Reimbursement basis grants are recognized as revenue when all eligibility requirements are met and are considered available if they are collected within one year of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

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

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

Fiduciary funds, including the Pension Trust Fund, are reported using the economic resources measurement focus and utilize the accrual basis of accounting.

(Continued)

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

Note 1. Summary of Significant Accounting Policies (Continued)

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

- **Cash and cash equivalents**

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

- **Investments**

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

- **Receivables**

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

- **Inventories and Prepaid Items**

Primary government

Inventories in the General Fund consist of supplies, valued using the average cost method, and are reported using the consumption method, in which an expenditure is reported when the supplies are removed from inventory and used. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased. Inventories in the Enterprise Funds consist primarily of parts held for repairs or construction, and are valued using the average cost method.

Component units

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

(Continued)

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

Note 1. Summary of Significant Accounting Policies (Continued)

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

- **Property Held For Sale**

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

- **Capital Assets**

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

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

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

	City	DPS	IDA
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.

(Continued)

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

Note 1. Summary of Significant Accounting Policies (Continued)

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

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

For purposes of measuring all financial statement elements related to pension and OPEB plans, information about the fiduciary net position of the City's Plans and the additions to/deductions from the City's Plans' net fiduciary position have been determined on the same basis as they were reported by the Virginia Retirement System (the "VRS") or the Employees' Retirement System of the City of Danville, Virginia (the "ERS"). For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

- **Deferred Outflows/Inflows of Resources**

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

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

(Continued)

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

Note 1. Summary of Significant Accounting Policies (Continued)

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

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

- Unavailable revenue is reported only in the governmental funds balance sheet for receivables not collected within 60 days of year end. These amounts are deferred and recognized as inflows of resources in the period that the amounts become available.
- Changes in proportion and differences between employer contributions and proportionate share of employer contributions in the Virginia Retirement System's teacher cost sharing pool or OPEB cost sharing pool plans. This difference is deferred and recognized in expense over the average remaining service life of the employees who are subject to the plan, and may be reported as a deferred outflow or inflow as appropriate.
- Lease-related amounts are recognized at the inception of leases in which the City and IDA is the lessor. The deferred inflow of resources is recorded in an amount equal to the corresponding lease receivable plus certain additional amounts received from the lessee at or before the commencement of the lease term that relate to future periods, less any lease incentives paid to, or on behalf of, the lessee at or before the commencement of the lease term. The inflow of resources is recognized in a systematic and rational manner over the term of the lease.

• **Compensated Absences and Other Employee Benefits**

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

a. Vacation Pay

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

(Continued)

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

Note 1. Summary of Significant Accounting Policies (Continued)

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

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

- b. Sick Pay**

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

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

- c. Group Health Insurance**

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

- d. Workers' Compensation**

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

- **Long-Term Debt**

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

(Continued)

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

Note 1. Summary of Significant Accounting Policies (Continued)

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

- **Leases**

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

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

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

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

- **Net Position/Fund Balance**

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

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

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

(Continued)

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

Note 1. Summary of Significant Accounting Policies (Continued)

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

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

Nonspendable – includes amounts associated with inventories, prepaids, long-term loans, and notes receivable.

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

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

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

Unassigned – consists of the residual amounts in the City’s General Fund. The General Fund is the only fund that reports positive unassigned fund balance amounts. In other governmental funds, if expenditures incurred for specific purposes exceeded restricted, committed, or assigned to those purposes, it may be necessary to report a negative unassigned fund balance.

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

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

(Continued)

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

Note 1. Summary of Significant Accounting Policies (Continued)

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

• **Regulatory Assets and Deferred Inflows**

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

E. Estimates

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

F. Budgetary Information

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

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

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

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

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

(Continued)

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

Note 1. Summary of Significant Accounting Policies (Continued)

G. Fair Value Measurements

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

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

Note 2. Deposits and Investments

Deposits

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

Investments

Investment policy

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

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

(Continued)

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

Note 2. Deposits and Investments (Continued)

Investments (Continued)

Credit risk

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

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

Concentration of credit risk

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

Interest rate risk

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

Custodial credit risk

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

(Continued)

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

Note 2. Deposits and Investments (Continued)

Investments (Continued)

The City's investments consist of the following:

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

City investments by credit rating consist of the following:

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

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

(Continued)

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

Note 2. Deposits and Investments (Continued)

Investments (Continued)

Fair value

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

	Level 1	Level 2	Level 3	Total
Investments by fair value level				
State bonds	\$ -	\$ 1,628,377	\$ -	\$ 1,628,377
Municipal bonds	-	4,163,350	-	4,163,350
U.S. government bonds	-	73,836,996	-	73,836,996
	\$ -	\$ 79,628,723	\$ -	\$ 79,628,723

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

	Component Units		
	Primary Government	Danville Public Schools	Industrial Development Authority
Deposits and investments:			
Demand deposits	\$ 50,877,074	\$ 684,699	\$ 11,417,716
Cash on hand	64,300	575	-
Money market fund – held by custodian in escrow	116,021	-	-
Bonds	79,628,723	-	-
Certificates of deposit	6,007,444	-	-
LGIP	6,819,622	464,535	-
SNAP	160,767,520	-	-
	\$ 304,280,704	\$ 1,149,809	\$ 11,417,716
Statement of net position:			
Cash and investments – unrestricted	\$ 138,046,005	\$ 1,149,809	\$ 4,638,390
Cash and investments – restricted	166,118,678	-	6,779,326
Cash held by custodian in escrow	116,021	-	-
	\$ 304,280,704	\$ 1,149,809	\$ 11,417,716

(Continued)

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

Note 2. Deposits and Investments (Continued)

Investments (Continued)

Restricted cash at June 30, 2023, consisted of:

	Primary Government
Unspent bond proceeds	\$ 160,767,520
Unspent grants	2,086,498
Cemetery perpetual care	2,989,224
State and federal forfeiture funds	275,436
	\$ 166,118,678

Employees' Retirement System Investments

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

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

Based on an asset allocation study completed in 2022, the Trustees implemented the following asset deployment (based upon market value) to best achieve the long-term goals of the System in terms of compound total rate of return and assumed risk:

Domestic Equities	35%
Bonds	20
Real Estate	15
International Equities	10
Emerging Markets	10
Real Estate – Timber	5
Private Equity	5

(Continued)

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

Note 2. Deposits and Investments (Continued)

Employees' Retirement System Investments (Continued)

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

For the year ended June 30, 2023, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 8.13%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Interest rate risk

The System had the following investments subject to interest rate risk as of June 30, 2023:

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

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

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

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

(Continued)

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

Note 2. Deposits and Investments (Continued)

Employees' Retirement System Investments (Continued)

Credit risk

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

The System's exposure to credit risk as of June 30, 2023 is as follows:

<u>Investment Type/Rating</u>	<u>AAA</u>	<u>AA</u>	<u>A</u>	<u>BBB</u>	<u>U.S. Government Guaranteed</u>	<u>Not rated</u>	<u>Total</u>
Government agencies	\$ -	\$ 237,559	\$ -	\$ -	\$ -	\$ -	\$ 237,559
Government backed CMOS	-	-	-	-	16,947,091	-	16,947,091
Government bond funds	-	-	-	-	4,943,429	-	4,943,429
Government CMBS	-	-	-	-	889,686	-	889,686
Corporate bond funds	417,319	965,961	10,904,022	12,009,319	-	2,434,856	26,731,477
Short-term investments	-	-	-	-	-	4,298,323	4,298,323
	<u>\$ 417,319</u>	<u>\$ 1,203,520</u>	<u>\$ 10,904,022</u>	<u>\$ 12,009,319</u>	<u>\$ 22,780,206</u>	<u>\$ 6,733,179</u>	<u>\$ 54,047,565</u>

Concentration of credit risk

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

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

Foreign currency risk

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

Unfunded commitments

The System had non-marketable alternative investments that have associated unfunded commitments at June 30, 2023. These investments were in private equity and real estate funds, which had a fair value of \$20,250,185 and unfunded commitments of \$7,403,482 at June 30, 2023.

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

(Continued)

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

Note 2. Deposits and Investments (Continued)

Employees' Retirement System Investments (Continued)

Fair value

The System categorizes its fair value measurements within the fair value hierarchy established by GAAP. The System has the following recurring fair value measurements as of June 30, 2023:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments by fair value level				
Equity securities				
Domestic equity funds	\$ 132,616,365	\$ -	\$ -	\$ 132,616,365
International equity funds	<u>30,086,516</u>	<u>-</u>	<u>-</u>	<u>30,086,516</u>
Total equity securities	<u>162,702,881</u>	<u>-</u>	<u>-</u>	<u>162,702,881</u>
Debt securities				
Corporate bond funds	-	26,731,477	-	26,731,477
U.S. government bond funds	-	4,943,429	-	4,943,429
Collateralized mortgage obligation	-	18,074,336	-	18,074,336
Other fixed income	<u>-</u>	<u>150</u>	<u>-</u>	<u>150</u>
Total debt securities	<u>-</u>	<u>49,749,392</u>	<u>-</u>	<u>49,749,392</u>
Total investments by fair value level	<u>\$ 162,702,881</u>	<u>\$ 49,749,392</u>	<u>\$ -</u>	212,452,273
Investments measured at NAV				
Real estate				
Real estate funds				44,832,959
Real estate funds – timberland				<u>11,854,306</u>
Total real estate funds				56,687,265
Private equity funds				<u>8,395,879</u>
Total investments measured at NAV				<u>65,083,144</u>
Total investments measured at fair value				<u>\$ 277,535,417</u>

(Continued)

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

Note 2. Deposits and Investments (Continued)

Employees' Retirement System Investments (Continued)

Fair value (Continued)

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

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

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

Investments Measured at NAV

Investments measured at NAV per share are as follows:

	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency (If Currently Eligible)</u>	<u>Redemption Notice Period</u>
Real estate funds	\$ 44,832,959	\$ -	Quarterly	90 or 10 day, varies per fund
Real estate funds – timberland	11,854,306	616,955	Not eligible	N/A
Private equity funds	<u>8,395,879</u>	<u>6,786,527</u>	Not eligible	N/A
Total investments measured at NAV	<u>\$ 65,083,144</u>	<u>\$ 7,403,482</u>		

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

(Continued)

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

Note 2. Deposits and Investments (Continued)

Investments Measured at NAV (Continued)

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

Private equity funds. This type includes four closed-end commingled funds that take private ownership of companies. The fair values of the investments have been determined using the NAV per share (or its equivalent) of the ERS's ownership interest in partners' capital. All of the investments are generally considered to be illiquid investments. Distributions from each fund will be received as the underlying investments of the funds are liquidated. It is expected that the underlying assets of the funds will have a life from 6 to 14 years from inception. It is also possible for the investments to be sold in the secondary market.

Note 3. Property Taxes

The City levies real estate taxes on all real property on a fiscal year basis, at a rate enacted by the City Council on the assessed value of property (except public utility property) as determined by the Director of Real Estate Assessments of the City. The Commonwealth of Virginia assesses public utility property. Neither the City nor the Commonwealth of Virginia imposes a limitation on the tax rate. All property is assessed at 100% of fair market value and reassessed each year as of July 1 at which time property taxes attach as an enforceable lien. The Director of Real Estate Assessments, by authority of City ordinance, prorates billings for property where construction is incomplete as of July 1, but completed during the year. Any taxes paid after the due date are subject to a 10% penalty. Real estate taxes are billed in equal semi-annual installments due December 5 and June 5. The tax rate effective for fiscal year 2023 was \$0.84 per \$100 of assessed value.

Personal property tax assessments on tangible business property and all motor vehicles are based on 100% of fair market value of the property as of January 1 of each year. For a vehicle, the tax may be prorated for the length of time the vehicle is in the City. Personal property taxes do not create a lien on property. Interest at the rate of 10% per annum is added to the delinquent tax and penalty. The taxes receivable balance at June 30, 2023 includes amounts not yet received from the January 1, 2023 levy due June 5, 2023. Personal property taxes are billed in equal semi-annual installments due June 5 and December 5. The tax rate for fiscal year 2023 was \$3.60 for motor vehicles and tangible property and \$1.50 for machinery and tools per \$100 of assessed value. Under the provisions of the Personal Property Tax Relief Act of 1998, the state's share of the local personal property tax payment is an annual amount of \$3,593,576.

(Continued)

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

Note 4. Receivables

Receivables consist of the following:

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

Note 5. Due From Other Governments

Amounts due from other governments consist of the following:

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

(Continued)

CITY OF DANVILLE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

Note 6. Energy Cost Adjustments

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

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

Note 7. Loans Receivable

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

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

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

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

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

(Continued)

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

Note 7. Loans Receivable (Continued)

Loans receivable consist of the following:

Revitalization loans	\$	265,376
Deferred loans		292,373
Low interest loans		577,349
Forgivable loans		<u>2,337,103</u>
		3,472,201
Less: allowance for doubtful accounts		<u>(2,578,042)</u>
	\$	<u><u>894,159</u></u>

Note 8. Interfund Balances and Activity

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

	Due To (Fund)	
	General Fund	Total
Due From (Fund)		
Community Development	\$ 743,061	\$ 743,061
Motorized Equipment	2,682,077	2,682,077
Central Services	<u>397,363</u>	<u>397,363</u>
	<u>\$ 3,822,501</u>	<u>\$ 3,822,501</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, 2023

Note 8. Interfund Balances and Activity (Continued)

Transfers between funds for the current year were as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>	<u>Net Transfers</u>
Governmental Funds:			
General Fund	\$ 15,717,500	\$ (4,052,358)	\$ 11,665,142
Community Development Fund	-	(125,000)	(125,000)
Capital Projects Fund	12,250,577	(792,050)	11,458,527
Special Revenue Fund	1,132,283	(13,915,498)	(12,783,215)
Economic Development Fund	4,380,836	-	4,380,836
	<u>\$ 33,481,196</u>	<u>\$ (18,884,906)</u>	<u>\$ 14,596,290</u>
Enterprise Funds:			
Wastewater Fund	\$ -	\$ (705,760)	\$ (705,760)
Water Fund	-	(953,300)	(953,300)
Gas Fund	-	(3,196,330)	(3,196,330)
Electric Fund	-	(10,572,610)	(10,572,610)
Sanitation Fund	400,000	-	400,000
Telecommunication Fund	-	(81,000)	(81,000)
Internal Service Fund	512,710	-	512,710
	<u>\$ 912,710</u>	<u>\$ (15,509,000)</u>	<u>\$ (14,596,290)</u>

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

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

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

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

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

(Continued)

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

Note 9. Balances Between City and Component Units

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

	Due From	Due To
Primary Government:		
Governmental Activities	\$ 13,617,965	\$ 2,853,612
Component Units:		
Danville Public Schools	\$ 2,853,612	\$ 583,401
Danville Industrial Development Authority – payable	-	46,564
Danville Industrial Development Authority – loan	-	12,988,000
	2,853,612	13,617,965
Less: long-term portion	-	(12,408,000)
Current portion	\$ 2,853,612	\$ 1,209,965

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

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

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

These amounts are due in the following installments:

Year Ending June 30,	Due From City To IDA	
	Principal	Interest
2024	\$ 580,000	\$ 206,361
2025	588,000	197,689
2026	10,597,000	175,224
2027	606,000	15,965
2028	617,000	4,596
	\$ 12,988,000	\$ 599,835

(Continued)

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

Note 10. Capital Assets

Changes in capital assets were as follows:

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

(Continued)

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

Note 10. Capital Assets (Continued)

Governmental activities

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

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

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

(Continued)

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

Note 10. Capital Assets (Continued)

Component unit – Danville Public Schools

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

(Continued)

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

Note 10. Capital Assets (Continued)

Component unit – Industrial Development Authority

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets, not depreciated:				
Land	\$ 4,148,663	\$ 564,146	\$ (34,500)	\$ 4,678,309
Construction in progress	1,881,663	6,949,971	-	8,831,634
	<u>6,030,326</u>	<u>7,514,117</u>	<u>(34,500)</u>	<u>13,509,943</u>
Total capital assets, not depreciated				
Capital assets, depreciated:				
Building	25,709,352	595,361	(192,755)	26,111,958
Equipment	75,000	-	-	75,000
	<u>25,784,352</u>	<u>595,361</u>	<u>(192,755)</u>	<u>26,186,958</u>
Total capital assets, depreciated, net				
Less accumulated depreciation	<u>(4,813,708)</u>	<u>(658,298)</u>	<u>14,862</u>	<u>(5,457,144)</u>
Total capital assets, depreciated, net	<u>20,970,644</u>	<u>(62,937)</u>	<u>(177,893)</u>	<u>20,729,814</u>
Total capital assets, net	<u>\$ 27,000,970</u>	<u>\$ 7,451,180</u>	<u>\$ (212,393)</u>	<u>\$ 34,239,757</u>

(Continued)

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

Note 11. Long-Term Liabilities

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

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

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

Tobacco commission obligation

The City, in conjunction with the IDA, has noted that certain grant recipients are not performing under their agreements with the City and Tobacco Commission. In accordance with the grant agreements, the City is liable to the Tobacco Commission up to the full amount of the Tobacco Commission funds provided in the original award. The City reached an agreement to repay these funds to the Tobacco Commission over four years, and will attempt to recover the funds from the grant recipients. At June 30, 2023, all amounts owed to the Tobacco Commission have been repaid.

(Continued)

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

Note 11. Long-Term Liabilities (Continued)

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

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

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

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

(Continued)

CITY OF DANVILLE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

Note 11. Long-Term Liabilities (Continued)

Debt service for future years is as follows:

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

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

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

(Continued)

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

Note 11. Long-Term Liabilities (Continued)

Component unit obligations

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

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

IDA

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

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

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

(Continued)

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

Note 12. Leases

City and the IDA as Lessor

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

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

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

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

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

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

(Continued)

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

Note 12. Leases (Continued)

City and DPS as Lessee

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

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

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

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

DPS – lease liability

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

Aggregate maturities for DPS are as follows:

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

(Continued)

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

Note 13. Landfill Postclosure Costs

The City closed its former landfill site in 1993. In accordance with federal and state laws, the City placed a final cover on this site and was required to perform certain maintenance and monitoring functions for a minimum of ten years after closure. The presence of certain contaminants has been detected in the groundwater on adjacent property, and the City is subject to a corrective action plan that requires continued monitoring of the site until at least 2031. Management estimates that remaining postclosure monitoring costs will be approximately \$720,000 as of June 30, 2023, which has been recorded as a liability in the Sanitation Fund. Actual costs may be higher due to inflation, changes in technology, changes in regulations, or other unforeseen circumstances.

Note 14. Unavailable/Unearned Revenue

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

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

(Continued)

CITY OF DANVILLE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

Note 15. Fund Balances

Fund balances are classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the City is bound to observe constraints imposed upon the use of the resources in the governmental funds.

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

(Continued)

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

Note 16. Summary of Pension Related Matters

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

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

(Continued)

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

Note 16. Summary of Pension Related Matters (Continued)

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

Note 17. Danville Employees' Retirement System

Plan Description

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

(Continued)

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

Note 17. Danville Employees' Retirement System (Continued)

Plan Description (Continued)

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

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

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

Employees Covered by Benefit Terms

As of the July 1, 2021 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

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

(Continued)

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

Note 17. Danville Employees' Retirement System (Continued)

Contributions

Contributions made by the City on behalf of active members are established by the City of Danville, based on actuarial estimates (performed annually on July 1) of future plan benefits to be paid. Since March 1, 1979, employees' contributions have been paid by the City. Contributions for employees hired after September 30, 1991 are considered to be 100% City contributions. These contributions, like the City's portion of pre-October 1, 1991 employees, vest after five years of creditable service. The contribution rate made on behalf of active members is currently 5% of compensation for general employees and 6.5% of compensation for public safety employees. Contributions to the pension plan from the City were \$3,392,137 and \$3,516,085 for the years ended June 30, 2023 and 2022, respectively.

Employees hired after September 1, 2019 are required to make contributions to the plan. The contribution rate made by active members is currently 2.267% of compensation for general employees and 5.380% of compensation for public safety employees.

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

Prior to 2013, the City generally awarded cost-of-living adjustments (COLAs) to retirees, and an expectation for COLAs was included in assumptions used to calculate the actuarial accrued liability. In 2012, the City Council approved an ordinance to state that retirees will no longer receive COLAs, effective July 1, 2013. On the same date, the City Council adopted a resolution to approve a new retiree bonus policy. The retiree bonus policy calls for a one-time bonus for retirees each year that certain criteria are met. In no case would the retiree bonus exceed 50% of a retiree's monthly benefit. The bonuses will be funded directly from the City's budget, and must be approved by City Council when bonus criteria are met. Council may choose to follow, modify, or ignore the bonus policy. The first such bonus, totaling \$415,000, was awarded in the fall of 2014, and was recognized as a contribution into the plan for the year ending June 30, 2015. The most recent bonus was issued in July 2022, and was for \$615,930.

Measurement Date

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

(Continued)

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

Note 17. Danville Employees' Retirement System (Continued)

Actuarial Assumptions

The total pension liability in the City's Retirement Plan was based on an actuarial valuation as of July 1, 2022, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2023.

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

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

Actuarial Cost Method

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

Employees Included in the Calculations

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

(Continued)

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

Note 17. Danville Employees' Retirement System (Continued)

Actuarial Assumptions (Continued)

Employees Included in the Calculations (Continued)

Retirement Age:

General Employees	
Age	Probability of Retirement
50-54	0.000
55-59	0.035
60	0.050
61	0.070
62	0.098
63	0.137
64	0.192
65	0.269
66	0.376
67-69	0.200
70+	1.000

Policemen and Firemen	
Age	Probability of Retirement
50-54	0.150
55	0.100
56	0.120
57	0.140
58	0.160
59	0.180
60	0.200
61-64	0.250
65+	1.000

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

Pension Plan Fiduciary Net Position

Detailed information about the Employees' Retirement System of the City of Danville, Virginia's Fiduciary Net Position is available in the separately issued 2023 Annual Comprehensive Financial Report (Annual Report). A copy of the 2023 ERS ACFR may be downloaded from the City's website at <http://www.danville-va.gov/360/Employees-Retirement-System-Board> or by writing to the Finance Director, 427 Patton Street, Danville, VA 24541.

(Continued)

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

Note 17. Danville Employees' Retirement System (Continued)

Long-Term Expected Rate of Return

The long-term expected rate of return on pension investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. This is then modified through a Monte-Carlo simulation process, by which a (downward) risk adjustment is applied to the baseline expected return. The risk adjustment may also reflect the City's selection of a more conservative assumption. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2023, and the final investment return assumption, are summarized in the following table:

Asset Class (Strategy)	Arithmetic Long-Term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return
Domestic Equity	6.25 %	45.00 %
International Equity	6.50	10.00
Fixed Income – U.S. Investment Grade	2.05	20.00
Private Equity/Timber	7.75	10.00
Real Estate	4.85	15.00
Cash Equivalents	0.30	0.00
Total weighted average real return	5.38	100.00 %
Inflation	2.50	
Total Return without Adjustment	7.88	
Risk Adjustment	(0.88)	
Total Expected Return	7.00 %	

Discount Rate

The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that City contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

(Continued)

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

Note 17. Danville Employees' Retirement System (Continued)

Changes in Net Pension Asset

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

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

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

	1.00% Decrease (6.00%)	Current Discount Rate (7.00%)	1.00% Increase (8.00%)
City's net pension liability (asset)	<u>\$ 27,370,465</u>	<u>\$ (5,679,145)</u>	<u>\$ (33,219,957)</u>

(Continued)

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

Note 17. Danville Employees' Retirement System (Continued)

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

For the year ended June 30, 2023, the City recognized pension expense for the ERS of \$9,768,099. At June 30, 2023, the City reported deferred outflows of resources and deferred inflows of resources related to the ERS from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 3,904,010	\$ 769,686
Change in assumptions	7,125,026	-
Net difference between projected and actual earnings on pension plan investments	7,142,918	-
	\$ 18,171,954	\$ 769,686

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

Year Ending June 30,	Increase to Pension Expense
2024	\$ 4,536,693
2025	1,095,108
2026	9,666,219
2027	1,738,114
2028	366,134
Thereafter	-

Note 18. Virginia Retirement System

Plan Description

All constitutional officers that are full-time, salaried permanent employees of the City, (the "Political Subdivision") are automatically covered by the VRS Retirement Plan upon employment. This multi-employer cost-sharing is administered by the Virginia Retirement System (the "System") along with plans for other employer groups in the Commonwealth of Virginia. Members earn one month of service credit for each month they are employed and for which they and their employer pay contributions to VRS. Members are eligible to purchase prior service, based on specific criteria as defined in the *Code of Virginia*, as amended. Eligible prior service that may be purchased includes prior public service, active military service, certain periods of leave, and previously refunded service.

(Continued)

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

Note 18. Virginia Retirement System (Continued)

Plan Description (Continued)

The System administers three different benefit structures for covered employees – Plan 1, Plan 2, and Hybrid. Each of these benefit structures has a different eligibility criteria. The specific information for each plan and the eligibility for covered groups within each plan are available at:

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

Employees Covered by Benefit Terms

As of the June 30, 2021 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	Members
Inactive members or their beneficiaries currently receiving benefits	98
Inactive members:	
Vested inactive members	17
Non-vested inactive members	64
Inactive members active elsewhere in VRS	67
Total inactive members	148
Active members	126
Total covered employees	372

(Continued)

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

Note 18. Virginia Retirement System (Continued)

Contributions

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

The political subdivision’s contractually required contribution rate for the year ended June 30, 2023 was 11.72% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2021.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the political subdivision were \$713,758 and \$637,976 for the years ended June 30, 2023 and 2022, respectively.

Net Pension Liability

The net pension liability is calculated separately for each employer and represents that particular employer’s total pension liability determined in accordance with GASB Statement No. 68, less that employer’s fiduciary net position. For political subdivisions, the net pension liability was measured as of June 30, 2022. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2021 rolled forward to the measurement date of June 30, 2022.

Actuarial Assumptions

The total pension liability for General Employees in the Political Subdivision’s Retirement Plan was based on an actuarial valuation as of June 30, 2021, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2022.

Inflation	2.50%
General Employees – Salary increases, including inflation	3.50 – 5.35%
Public Safety Employees with hazardous duty benefits – Salary increases, including inflation	3.50 – 4.75%
Investment rate of return	6.75%, net of pension plan investment expense, including inflation

(Continued)

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

Note 18. Virginia Retirement System (Continued)

Actuarial Assumptions (Continued)

Mortality rates: General employees – 15 to 20% of deaths are assumed to be service related. Public Safety Employees – 45% to 70% of deaths are assumed to be service related. Mortality is projected using the applicable Pub-2010 Mortality Table Projected to 2020 with various set backs or set forwards for both males and females.

The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study are as follows:

General Employees – Largest 10 – Non-Hazardous Duty and All Others (Non 10 Largest): Updated mortality table; adjusted retirement rates; adjusted withdrawal rates to better fit experience at each year age and service through 9 years of service; no change to disability rates; no change to salary scale; no change to line of duty disability; and no change to discount rate.

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

Long-Term Expected Rate of Return

The long-term expected rate of return on pension System investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension System investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimate of arithmetic real rates of return for each major asset class are summarized in the following table:

(Continued)

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

Note 18. Virginia Retirement System (Continued)

Long-Term Expected Rate of Return (Continued)

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

* The above allocation provides for a one-year return of 7.83%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected rate of return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 6.94%, including expected inflation of 2.50%. On October 10, 2019, the VRS Board elected a long-term rate of 6.72% which is roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation at that time, providing a median return of 7.11%, including expected inflation of 2.50%

Discount Rate

The discount rate used to measure the total pension liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Consistent with the phased-in funding provided by the General Assembly for state and teacher employer contributions, political subdivisions were also provided with an opportunity to use an alternate employer contribution rate. For the year ended June 30, 2023, the alternate rate was the employer contribution rate used in the fiscal year 2012 or 100% of the actuarially determined employer contribution rate from the June 30, 2017 actuarial valuations, whichever was greater. From July 1, 2022 on, participating employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

(Continued)

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

Note 18. Virginia Retirement System (Continued)

Changes in Net Pension Liability

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

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

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

	1.00% Decrease (5.75%)	Current Discount Rate (6.75%)	1.00% Increase (7.75%)
	(5.75%)	Rate (6.75%)	(7.75%)
Political subdivision's net pension liability (asset)	\$ 4,156,689	\$ 364,027	\$ (2,772,692)

(Continued)

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

Note 18. Virginia Retirement System (Continued)

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

For the year ended June 30, 2023, the City recognized pension expense of \$76,450. At June 30, 2023, the political subdivision reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 295,418
Change in assumptions	322,873	-
Net difference between projected and actual earnings on pension plan investments	-	928,162
Contributions subsequent to measurement date	713,758	-
Total	\$ 1,036,631	\$ 1,223,580

The \$713,758 reported as deferred outflows of resources related to pensions resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the fiscal year ended June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	Increase (Reduction) to Pension Expense
2024	\$ (316,219)
2025	(392,942)
2026	(623,499)
2027	431,953

Pension Plan Data

Information about the VRS Political Subdivision Retirement Plans is also available in the separately issued VRS 2022 Annual Comprehensive Financial Report (Annual Report). A copy of the 2022 VRS Annual Report may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2022-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

(Continued)

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

Note 19. Virginia Retirement System – School Nonprofessional Employees

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

Employees Covered by Benefit Terms

As of the June 30, 2021 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	Members
Inactive members or their beneficiaries currently receiving benefits	48
Inactive members:	
Vested inactive members	4
Non-vested inactive members	19
Inactive members active elsewhere in VRS	7
Total inactive members	30
Active members	72
Total covered employees	150

Contributions

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

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

(Continued)

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

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

Changes in Net Pension Liability (Asset)

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

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

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

	1.00% Decrease (5.75%)	Current Discount Rate (6.75%)	1.00% Increase (7.75%)
School division's net pension liability (asset)	\$ 196,840	\$ (923,614)	\$ (1,849,683)

(Continued)

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

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

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

For the year ended June 30, 2023, the school division recognized pension expense (benefit) of \$(129,973). At June 30, 2023, the school division reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 220,741
Change in assumptions	118,088	-
Net difference between projected and actual earnings on pension plan investments	-	307,905
Employer contributions subsequent to the measurement date	215,304	-
Total	\$ 333,392	\$ 528,646

The \$215,304 reported as deferred outflows of resources related to pensions resulting from the school division’s contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	Increase (Reduction) to Pension Expense
2024	\$ (132,260)
2025	(210,778)
2026	(211,378)
2027	143,858
2028	-
Thereafter	-

Pension Plan Data

Information about the VRS Political Subdivision Retirement Plans is also available in the separately issued VRS 2022 Annual Comprehensive Financial Report (Annual Report). A copy of the 2022 VRS Annual Report may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2022-annual-report.pdf>, or by writing to the System’s Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

(Continued)

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

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

Payables to the Pension Plan

At June 30, 2023, \$2,807 was payable to the Virginia Retirement System for the legally required contributions related to June 2023 payroll.

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

General Information about the Teacher Cost Sharing Plan

Plan Description

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

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

Contributions

The contribution requirement for active employees is governed by §51.1-145 of the *Code of Virginia*, as amended, but may be impacted as a result of funding provided to School Divisions by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement. Each School Division’s contractually required contribution rate for the year ended June 30, 2023 was 16.62% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2021. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the School Division were \$6,451,991 and \$6,562,283 for the years ended June 30, 2023 and June 30, 2022, respectively.

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

(Continued)

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

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

General Information about the Teacher Cost Sharing Plan (Continued)

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

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

For the year ended June 30, 2023, the School Division recognized pension expense of \$825,170. Since there was a change in proportionate share between measurement dates, a portion of the pension expense was related to deferred amounts from changes in proportion and from differences between employer contributions and the proportionate share of employer contributions. Beginning with the June 30, 2022 measurement date, the difference between the expected and actual contributions is included with the pension expense calculation.

At June 30, 2023, the School Division reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 2,769,964
Change in assumptions	3,787,336	-
Net difference between projected and actual earnings on pension plan investments	-	5,237,485
Changes in proportion and differences between Employer contributions and proportionate share of contributions	2,068,157	873,802
Employer contributions subsequent to the measurement date	6,451,991	-
Total	\$ 12,307,484	\$ 8,881,251

(Continued)

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

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

General Information about the Teacher Cost Sharing Plan (Continued)

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

The \$6,451,991 reported as deferred outflows of resources related to pensions resulting from the School Division’s contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	Increase (Reduction) to Pension Expense
2024	\$ (627,420)
2025	(1,457,811)
2026	(3,491,717)
2027	2,551,190
2028	-
Thereafter	-

Net Pension Liability

The net pension liability (NPL) is calculated separately for each system and represents that particular system’s total pension liability determined in accordance with GASB Statement No. 67, less that system’s fiduciary net position. As of June 30, 2022, NPL amounts for the VRS Teacher Employee Retirement Plan is as follows (amounts expressed in thousands):

	Teacher Employee Retirement Plan
Total pension liability	\$ 54,732,329
Plan fiduciary net position	45,211,731
Employers’ net pension liability	\$ 9,520,598

Plan fiduciary net position as a percentage of the total pension liability 82.61%

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

(Continued)

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

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

General Information about the Teacher Cost Sharing Plan (Continued)

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

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

	1.00% Decrease (5.75%)	Current Discount Rate (6.75%)	1.00% Increase (7.75%)
School division’s proportionate share of the VRS Teacher Employee Retirement plan net pension liability	\$ 71,748,863	\$ 40,171,214	\$ 14,460,063

Pension Plan Fiduciary Net Position

Detailed information about the VRS Teacher Retirement Plan’s Fiduciary Net Position is available in the separately issued VRS 2022 Annual Comprehensive Financial Report (Annual Report). A copy of the 2022 VRS Annual Report may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2022-annual-report.pdf>, or by writing to the System’s Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Payables to the Pension Plan

At June 30, 2022, \$117,694 was payable to the Virginia Retirement System for the legally required contributions related to June 2022 payroll.

Note 21. Other Postemployment Benefits – Local Plan

Plan Description

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

(Continued)

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

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

Benefits Provided

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

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

Employees Covered by Benefit Terms

The number of participants at July 1, 2021 was as follows:

Retirees currently receiving benefits	19
Active participants *	295
Total	314

* Includes 65 Danville Life Saving Crew members.

Total OPEB Liability

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

Actuarial Assumptions and Other Inputs

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

Inflation	2.75%
Salary increases, including inflation	3.50%
Healthcare cost trend rates	6.00% Initial, 4.25% Ultimate
Retirees’ share of benefit-related costs	Same as Health Care Trend
Actuarial cost method	Entry Age Normal

(Continued)

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

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

Actuarial Assumptions and Other Inputs (Continued)

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

Active Crew Members: Age and gender information was provided by the City for 65 Active Crew Members. Date of hire was assumed to be at age 30, or current age less one year, if younger than 30.

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

Retirement Rates:

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

Disability Rates:

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

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

The actuarial assumptions used in the June 30, 2023 valuation were based on the results of an actuarial experience study performed on July 1, 2021 for the City’s public safety employees. The same assumptions were applied to all participants.

(Continued)

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

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

Changes in the Total OPEB Liability

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

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

The following presents the total OPEB liability, as well as what the City’s total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.87%) or one percentage point higher (4.87%) than the current discount rate:

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

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

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

	1.00% Decrease (3.25%)	Current Ultimate Trend Rate (4.25%)	1.00% Increase (5.25%)
Total OPEB liability	<u>\$ 4,284,485</u>	<u>\$ 4,822,534</u>	<u>\$ 5,467,623</u>

(Continued)

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

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

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

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

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

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
2024	\$ (219,248)
2025	(219,248)
2026	(219,248)
2027	(219,248)
2028	(219,248)
Thereafter	(947,584)

(Continued)

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

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

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

Plan Descriptions

Group Life Insurance Program

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

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

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

Teacher Employee Health Insurance Credit Program

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

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

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

General Employee Health Insurance Credit Program

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

(Continued)

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

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

Plan Descriptions (Continued)

General Employee Health Insurance Credit Program (Continued)

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

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

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</i> 51.1-506 and 51.1-508 and may be impacted as a result of funding provided to school divisions and governmental agencies by the Virginia General Assembly.
Total rate:	1.34% of covered employee compensation. Rate allocated 60/40; 0.80% employee and 0.54% employer. Employers may elect to pay all or part of the employee contribution.
June 30, 2023 Contribution – general employees	\$54,763
June 30, 2023 Contribution – teachers	\$192,214
June 30, 2022 Contribution – general employees	\$41,252
June 30, 2022 Contribution – teachers	\$184,115

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

(Continued)

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

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

Contributions (Continued)

Health Insurance Credit Program

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

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

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

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

Group Life Insurance Program

General Employees

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

Teachers

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

(Continued)

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

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

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

Teacher Health Insurance Credit Program

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

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

General Employee Health Insurance Credit Program

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

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

(Continued)

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

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

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

General Employee Health Insurance Credit Program (Continued)

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

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

Group Life Insurance Program – General School Employees

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

Group Life Insurance Program – Teachers

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

(Continued)

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

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

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

Teacher Health Insurance Credit Program

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

General Employee Health Insurance Credit Program

	Deferred Outflows of Resources	Deferred Inflows of Resources
	<u> </u>	<u> </u>
Differences between expected and actual experience	\$ -	\$ 10,633
Change in assumptions	8,886	-
Net difference between projected and actual earnings on OPEB plan investments	502	-
Employer contributions subsequent to the measurement date	<u>54,768</u>	<u>-</u>
	<u>\$ 64,156</u>	<u>\$ 10,633</u>

The deferred outflows of resources related to OPEB resulting from the Schools' contributions subsequent to the measurement date will be recognized as a reduction of the Net OPEB Liability in the fiscal year ended June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense, in future reporting periods as follows:

(Continued)

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

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

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

Group Life Insurance Program – General

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

Group Life Insurance Program – Teachers

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

Teacher Health Insurance Credit Program

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

(Continued)

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

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

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

General Employee Health Insurance Credit Program

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

Actuarial Assumptions and Other Inputs

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

Inflation	2.50%
Salary increases, including inflation:	
• Locality – general employees	3.50 – 5.35%
• Teachers	3.50 – 5.95%
Healthcare cost trend rates:	
• Under age 65	7.00 – 4.75%
• Ages 65 and older	5.25 – 4.75%
Investment rate of return, net of expenses, including inflation	6.75%

Mortality rates used for the various VRS OPEB plans are the same as those used for the actuarial valuations of the VRS pension plans. The mortality rates are discussed in Note 18.

(Continued)

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

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

Net OPEB Liabilities

The net OPEB liabilities represent each program’s total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of June 30, 2022, net OPEB liability amounts for the various VRS OPEB programs are as follows (amounts expressed in thousands):

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

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

Group Life Insurance and Health Insurance Credit Programs

The long-term expected rate of return on VRS investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimate of arithmetic real rates of return for each major asset class are summarized in the following table:

(Continued)

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

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

Net OPEB Liabilities (Continued)

Group Life Insurance and Health Insurance Credit Programs (Continued)

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

* The above allocation provides for a one-year return of 7.83%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected rate of return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 6.72%, including expected inflation of 2.50%. On October 10, 2019, the VRS Board elected a long-term rate of 6.75% which is roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation at that time, providing a median return of 7.11, including inflation of 2.50%.

Discount Rate

The discount rate used to measure the GLI and HIC OPEB liabilities was 6.75%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Guidance and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2022, the rate contributed by the employer for the OPEB liabilities will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2020 on, participating employers are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the OPEB plans' fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total OPEB liability.

(Continued)

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

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

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

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

	1.00% Decrease (5.75%)	Current Discount Rate (6.75%)	1.00% Increase (7.75%)
GLI Net OPEB liability – general employees	\$ 212,705	\$ 146,177	\$ 92,414
GLI Net OPEB liability – teachers	3,195,657	2,196,151	1,388,414
Teacher HIC Net OPEB liability	5,980,852	5,306,824	4,735,468
General Employee HIC Net OPEB liability	149,104	134,554	122,016

OPEB Plan Fiduciary Net Position

Information about the various VRS OPEB plan fiduciary net position is available in the separately issued VRS 2022 Annual Comprehensive Financial Report (Annual Report). A copy of the 2022 VRS Annual Report may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2022-annual-report.pdf>, or by writing to the System’s Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Payables to the OPEB Plan – Schools

At June 30, 2023, the following amounts were payable to the Virginia Retirement System for the legally required contributions related to June 2023 payroll.

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

(Continued)

CITY OF DANVILLE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

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

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

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

(Continued)

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

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

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

Note 23. Service Contracts

Power Purchase Contracts – American Municipal Power

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

AMP Fremont Energy Center (87 Members)

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

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

(Continued)

CITY OF DANVILLE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

Note 23. Service Contracts (Continued)

Power Purchase Contracts – American Municipal Power (Continued)

AMP Fremont Energy Center (87 members) (Continued)

In 2012, to provide permanent financing for the 90.69% Interest, AMP issued, in two series, \$546,085,000 of its AMP Fremont Energy Center Project Revenue Bonds (the “2012 AFEC Bonds”), consisting of taxable and tax-exempt obligations. The AFEC Bonds are net revenue obligations of AMP, secured by a master trust indenture and payable from amounts received by AMP under the AFEC Power Sales Contract. In 2017, AMP issued bonds (the “2017 AFEC Bonds”) to refund a portion of the 2012 AFEC Bonds. The balance of the 2012 AFEC Bonds were refunded with a portion of the proceeds of bonds issued by AMP in 2021 (the “2021 AFEC Bonds” and, together with the 2017 AFEC Bonds, the “AFEC Bonds”). As of June 30, 2023, \$378,790,000 aggregate principal amount of AFEC Bonds was outstanding.

In each of April 2021 and December 2022, AMP executed a Gas Supply Contract (each, a “Gas Supply Contract”) with Tennergy Corporation (“Tennergy”) under the terms of which Tennergy will provide a portion of the natural gas made available to Tennergy under the terms of a Prepaid Natural Gas Sales Agreement (each, a “Prepaid Natural Gas Sales Agreement”) between Tennergy and a subsidiary of Morgan Stanley. In December 2021, AMP executed a Gas Supply Contract with The Black Belt Energy District (“Black Belt”) under the terms of which Black Belt will provide a portion of the natural gas made available to Black Belt under the terms of a Prepaid Natural Gas Sales Agreement between Black Belt and a subsidiary of J. Aron & Company LLC. Under each Gas Supply Contract, AMP receives the benefit of a discount from market index gas priced.

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

Combined Hydroelectric Projects (79 Members)

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

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

As of June 30, 2023, \$2,061,218,235 aggregate principal amount of the Combined Hydroelectric Bonds were outstanding under the indenture securing the Combined Hydroelectric Bonds.

(Continued)

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

Note 23. Service Contracts (Continued)

Power Purchase Contracts – American Municipal Power (Continued)

Combined Hydroelectric Projects (79 Members) (Continued)

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

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

Meldahl Hydroelectric Project (48 Members)

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

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

As of June 30, 2023, \$632,385,000 aggregate principal amount of the Meldahl Bonds were outstanding under the indenture securing the Meldahl Bonds.

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

Greenup Hydroelectric Project (47 Members)

In connection with the development of the Meldahl Project, Hamilton agreed to sell and AMP agreed to purchase a 48.6% undivided ownership interest (the “AMP Interest”) in the Greenup Hydroelectric Facility. On May 11, 2016, AMP issued \$125,630,000 aggregate principal amount of its Greenup Hydroelectric Project Revenue Bonds, Series 2016A (the “Greenup Bonds”) and, with a portion of the proceeds thereof, acquired the AMP Interest. The Greenup Bonds are secured by a separate power sales contract that has been executed by the same Members (with the exception of Hamilton, which retained title to a 51.4% ownership interest in the Greenup Hydroelectric Facility) that executed the Meldahl Power Sales Contract. As of June 30, 2023, \$116,830,000 aggregate principal amount of the Greenup Bonds was outstanding.

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

(Continued)

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

Note 23. Service Contracts (Continued)

Power Purchase Contracts – American Municipal Power (Continued)

Prairie State Energy Campus (68 Members)

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

From July 2008 through September 2010, AMP Issued five series of Prairie State Energy Campus Revenue Bonds (collectively, the “Initial Prairie State Bonds”) to finance PSEC project costs and PESEC related expenses. The Initial Prairie State Bonds consist of tax-exempt, taxable and tax advantaged Build America Bonds issued in the original aggregate principal amount of \$1,696,800,000. In 2015, 2017, 2019, and 2021, AMP issued bonds (the “Prairie State Refunding Bonds” and, together with the Initial Prairie State Bonds, the “Prairie State Bonds”) to refund all of the callable tax-exempt Initial Prairie State Bonds issued in 2008 and 2009, certain of callable outstanding Initial Prairie State Bonds issued as Build America Bonds, and certain of the bonds issued in 2015 and 2019 to refund the Initial Prairie State Bonds. As of June 30, 2023, AMP had \$1,345,725,000 aggregate principal amount of Prairie State Bonds outstanding.

AMP sells the power and energy from the PSEC Ownership Interest pursuant to a take-or-pay power sales contract (the “Prairie State Power Sales Contract”) with 68 Members (the “Prairie State Participants”). The Prairie State Bonds are net revenue obligations of AMP, secured by a master trust indenture, payable primarily from the payments to be made by the Prairie State Participants under the terms of the Prairie State Power Sales Contract. The capacity factor for the Prairie State Energy Campus for the fiscal year ending December 31, 2022, was 83.8%.

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

(Continued)

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

Note 23. Service Contracts (Continued)

Power Purchase Contracts – American Municipal Power (Continued)

Prairie State Energy Campus (68 Members) (Continued)

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

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

Litigation Relating to Combined Hydroelectric and Meldahl Projects

In August 2017, AMP filed a lawsuit against Voith Hydro, Inc (“Voith”), the supplier of major powerhouse equipment, including the turbines and generators for the Combined Hydroelectric Projects and the Meldahl Project (as hereinafter defined). On February 1, 2023, AMP and Voith executed a Settlement Agreement and Mutual Release resolving all claims between the parties, and the Court dismissed the case with prejudice. Pursuant to the terms of the Settlement Agreement and Mutual Release: Voith will provide to AMP, at Voith’s cost, certain equipment, parts, and services; AMP will make payments to Voith totaling \$25 million; and the future purchase and sale of goods and services for the Combined Hydroelectric Projects will be governed by agreed-upon terms and conditions. Resolution of the claims pursuant to the Settlement Agreement and Mutual Release will not have a material impact on the financial condition of AMP, the Combined Hydroelectric Projects, the Meldahl Project, or the Participants in either project.

Natural Gas Purchase Contracts – MuniGas

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

(Continued)

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

Note 23. Service Contracts (Continued)

Other Power Purchase Contracts

Schoolfield Hydro

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

Kentuck Solar

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

Whitmell Solar

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

Ringgold Solar

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

Pinnacles Hydro Generation Plant

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

(Continued)

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

Note 23. Service Contracts (Continued)

Other Power Purchase Contracts (Continued)

AMP Solar Project

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

Locust Ridge Wind

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

Danville Battery Storage

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

Note 24. Commitments and Contingencies

Litigation

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

Grant programs

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

(Continued)

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

Note 24. Commitments and Contingencies (Continued)

Construction contracts

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

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

Arbitrage

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

Encumbrance commitments

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

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

Take-or-pay contracts

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

Moral obligations

The IDA has several moral obligations for debt service in place for various organizations within the Danville, Virginia area. The total debt outstanding related to these moral obligations is \$9,687,101.

As discussed in Note 1, the City has a moral obligation for debt service at the Danville-Pittsylvania Regional Facility Authority. Total debt outstanding at the Facility Authority is \$360,000 with a final maturity of 2025; the City and Pittsylvania County each provide equal funding for the debt service.

VRS retirement

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

(Continued)

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

Note 25. Incentive Grants

The City, often in conjunction with the Authority, has awarded performance grants to companies within the City to foster economic development. Disbursements under these grants vary based on the performance requirements and period in which the company has to perform. During the current fiscal year, the City awarded approximately \$50,000 in new grants and paid approximately \$985,080 in such grant funds for awards for current and prior years from the Economic Development Fund. Additional performance grants, for which performance requirements have not yet been substantially met, total approximately \$3,916,500 and will be funded by the City through the Authority.

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

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

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

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

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

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

(Continued)

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

Note 26. Risk Management

Primary government

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

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

One City employee is covered by a surety bond.

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

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

(Continued)

CITY OF DANVILLE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

Note 26. Risk Management (Continued)

Self-Insurance

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

		<u>Beginning</u>	<u>Changes in</u>	<u>Claim</u>	<u>End</u>
		<u>of Year</u>	<u>Claims and</u>	<u>Payments</u>	<u>of Year</u>
			<u>Reserves</u>		
Workers' compensation	2023	\$ 1,970,161	\$ 405,448	\$ 336,246	\$ 2,039,363
	2022	2,579,035	57,095	665,969	1,970,161
	2021	1,796,259	4,290,221	3,507,445	2,579,035
Health insurance	2023	\$ 932,673	\$ 14,350,173	\$ 14,354,828	\$ 928,018
	2022	702,195	13,048,978	12,818,500	932,673
	2021	790,967	9,380,735	9,469,507	702,195

Component Unit – Danville Public Schools

DPS are a member of the School Systems of Virginia Group Self-Insurance Association (the "Association"), a public entity risk pool for workers' compensation insurance. All members of the Association have agreed to assume any liability under the Virginia Workers' Compensation Act of any and all members. The Association has operated at a profit and has declared dividends on a regular basis since the Schools entered the pool in 1982. The Schools have elected to have the Association hold the Board's dividends as a reserve against possible future claims. At June 30, 2023, the cumulative amount held in escrow amounted to \$260,154. This amount is included on the Statement of Net Position with other receivables. During the current fiscal year, the Schools paid \$159,237 in workers' compensation claims.

Note 27. New Accounting Standards

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

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

(Continued)

CITY OF DANVILLE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
June 30, 2023

Note 27. New Accounting Standards (Continued)

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

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

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

Note 28. Tax Abatements

The City has real estate tax abatement agreements with 74 individuals or businesses who have constructed or renovated property within the City limits as of June 30, 2023. These agreements are structured in accordance with the State’s Economic Development Assistance Program. The abatements are available for residents, hotel, or commercial structures. For all three abatements, the structure must be no less than 50 years old, be accessed by a Real Estate Assessor prior to rehabilitation, and the structure may remain the same after rehabilitation to continue to qualify for the abatement. The exemption shall begin on July 1 of the tax year following completion of the rehabilitation or renovation and will run with the real estate for a period of no longer than 15 years for residential structures and 5 years for hotel and commercial structure. Hotel and commercial exemptions follow a 5 year descending abatement rate starting at 100% and descending 20% each year for the next 5 years. There is a \$50 fee for residential structures and \$100 fee for hotel and commercial structures for the City to process each application for the abatement, and each qualifying rehabilitation or renovation must occur within two years of the application’s acceptance.

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

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

(Continued)

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

Note 28. Tax Abatements (Continued)

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

Note 29. Casino

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

Note 30. Prior Period Adjustment

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

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

**REQUIRED
SUPPLEMENTARY INFORMATION**

CITY OF DANVILLE, VIRGINIA

**REQUIRED SUPPLEMENTARY INFORMATION –
SCHEDULE OF CHANGES IN NET PENSION ASSET AND RELATED RATIOS –
DANVILLE EMPLOYEES’ RETIREMENT SYSTEM
June 30, 2023**

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

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

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

EXHIBIT 13

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

CITY OF DANVILLE, VIRGINIA

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

Year Ended June 30,	Actuarially Determined Contribution	Contributions in Relation to Actuarially Determined Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
2023	\$ 3,236,611	\$ 3,392,137	\$ (155,526)	\$ 51,041,688	6.65 %
2022	3,325,072	3,516,085	(191,013)	46,987,738	7.48
2021	3,612,142	3,853,028	(240,886)	45,228,296	8.52
2020	4,043,361	3,608,286	435,075	43,872,041	8.22
2019	4,712,599	4,782,997	(70,398)	42,945,709	11.14
2018	4,078,291	3,276,604	801,687	43,151,947	7.59
2017	2,857,851	2,857,851	-	43,309,556	6.60
2016	2,937,843	2,937,843	-	42,444,501	6.92
2015	3,583,779	3,998,392	(414,613)	39,745,625	10.06
2014	6,228,799	5,849,278	379,521	38,027,568	15.38

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

CITY OF DANVILLE, VIRGINIA

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

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

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

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

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

EXHIBIT 15

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

CITY OF DANVILLE, VIRGINIA

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

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

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

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

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

EXHIBIT 16

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

CITY OF DANVILLE, VIRGINIA

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

Entity Fiscal Year Ended June 30,	Contractually Determined Contribution	Contributions in Relation to Contractually Determined Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
Primary Government – Constitutional Officers					
2023	\$ 713,758	\$ 713,758	\$ -	\$ 6,218,820	11.48 %
2022	637,976	637,976	-	5,613,749	11.36
2021	617,858	617,858	-	5,542,097	11.15
2020	625,011	625,011	-	5,649,541	11.06
2019	584,271	584,271	-	5,431,818	10.76
2018	589,197	589,197	-	5,329,915	11.05
2017	572,985	572,985	-	5,156,900	11.11
2016	597,078	597,078	-	4,944,269	12.08
2015	592,339	592,339	-	4,906,673	12.07
Schools – Nonprofessional Employees					
2023	215,304	215,304	-	3,702,282	5.82
2022	123,893	123,893	-	2,625,089	4.72
2021	106,726	106,726	-	2,508,185	4.26
2020	90,525	90,525	-	2,370,974	3.82
2019	86,013	86,013	-	2,249,743	3.82
2018	87,044	87,044	-	1,927,099	4.52
2017	75,562	75,562	-	1,763,226	4.29
2016	157,146	157,146	-	1,788,926	8.78
2015	157,999	157,999	-	2,145,082	7.37

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

CITY OF DANVILLE, VIRGINIA

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER'S SHARE OF NET PENSION LIABILITY –
VRS TEACHER RETIREMENT PLAN
June 30, 2023

School Division Fiscal Year Ended June 30,	Employer's Proportion of the Net Pension Liability	Employer's Proportionate Share of the Net Pension Liability	Employer's Covered Payroll	Employer's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2023	42.19 %	\$ 40,171,214	\$ 39,107,690	102.72 %	82.61 %
2022	41.36	32,109,634	36,937,510	86.93	85.46
2021	42.21	61,422,269	37,348,749	164.46	71.47
2020	42.31	55,684,997	35,879,963	155.20	73.51
2019	38.57	45,360,000	31,410,746	144.41	74.81
2018	39.64	48,745,000	31,339,331	155.54	72.92
2017	41.42	58,050,000	31,568,468	183.89	68.28
2016	42.64	53,666,000	32,356,641	165.86	70.68
2015	44.88	54,235,000	32,833,731	165.18	70.88

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

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

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

CITY OF DANVILLE, VIRGINIA

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PENSION CONTRIBUTIONS –
VRS TEACHER RETIREMENT PLAN
June 30, 2023

Year Ended June 30,	Contractually Required Contribution	Contributions in Relation to Contractually Required Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
2023	\$ 6,451,991	\$ 6,451,991	\$ -	\$ 42,712,725	15.11 %
2022	6,562,283	6,562,283	-	39,107,690	16.78
2021	6,127,637	6,127,637	-	36,937,510	16.59
2020	5,856,953	5,856,953	-	37,348,749	15.68
2019	5,611,419	5,611,419	-	35,879,963	15.64
2018	5,124,075	5,124,075	-	31,410,746	16.31
2017	4,510,278	4,510,278	-	31,339,331	14.39
2016	4,439,145	4,439,145	-	31,568,468	14.06
2015	4,596,302	4,596,302	-	32,356,641	14.21

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

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

CITY OF DANVILLE, VIRGINIA

**REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS –
LOCAL PLAN – LODA
June 30, 2023**

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

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.

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

CITY OF DANVILLE, VIRGINIA

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

Entity Fiscal Year Ended June 30,	Employer's Proportion of the Net OPEB Liability	Employer's Proportionate Share of the Net OPEB Liability	Employer's Covered Payroll	Employer's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability
Schools:					
Virginia Retirement System – Health Insurance Credit – Teachers					
2023	0.4249 %	\$ 5,306,824	\$ 39,107,690	13.57 %	15.08 %
2022	0.4177	5,361,340	36,937,510	14.51	13.15
2021	0.4260	5,557,631	37,348,749	14.88	9.95
2020	0.4271	5,590,000	35,879,963	15.58	8.97
2019	0.3883	4,930,000	31,410,746	15.70	8.08
2018	0.4000	5,040,000	31,339,331	16.08	7.04
Virginia Retirement System – Group Life Insurance – Non-Teachers					
2023	0.0121	146,177	2,625,089	5.57	67.21
2022	0.0121	141,226	2,508,185	5.63	67.45
2021	0.0116	193,585	2,370,974	8.16	52.64
2020	0.0115	187,000	2,249,743	8.31	52.00
2019	0.0102	154,000	1,927,099	7.99	51.22
2018	0.0096	145,000	1,763,226	8.22	48.86
Virginia Retirement System – Group Life Insurance – Teachers					
2023	0.1824	2,196,151	39,107,690	5.62	67.21
2022	0.1794	2,088,121	36,937,510	5.65	67.45
2021	0.1820	3,036,948	37,348,749	8.13	52.64
2020	0.1830	2,978,000	35,879,963	8.30	52.00
2019	0.1657	2,517,000	31,339,331	8.03	51.22
2018	0.1703	2,564,000	31,568,468	8.12	48.86

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

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

CITY OF DANVILLE, VIRGINIA

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF OPEB CONTRIBUTIONS
June 30, 2023

Entity Fiscal Year Ended June 30,	Contractually Required Contribution	Contributions in Relation to Contractually Required Contribution	Contribution Deficiency (Excess)	Employer's Covered Payroll	Contributions as a Percentage of Covered Payroll
Schools:					
VRS Health Insurance Credit – Non-Teachers					
2023	\$ 54,768	\$ 54,768	\$ -	\$ 3,702,282	1.48 %
2022	52,779	52,779	-	2,625,089	2.01
VRS Health Insurance Credit Teachers					
2023	458,811	458,811	-	42,712,725	1.07
2022	435,692	435,692	-	39,107,690	1.11
2021	447,080	447,080	-	36,937,510	1.21
2020	448,252	448,252	-	37,348,749	1.20
2019	429,856	429,856	-	35,879,963	1.20
2018	386,288	386,288	-	31,410,746	1.23
VRS Group Life Insurance – Non-Teachers					
2023	54,763	54,763	-	3,702,282	1.48
2022	41,252	41,252	-	2,625,089	1.57
2021	10,584	10,584	-	2,508,185	0.42
2020	10,438	10,438	-	2,370,974	0.44
2019	9,978	9,978	-	2,249,743	0.44
2018	8,733	8,733	-	1,927,099	0.45
VRS Group Life Insurance – Teachers					
2023	192,214	192,214	-	42,712,725	0.45
2022	184,115	184,115	-	39,107,690	0.47
2021	201,102	201,102	-	36,937,510	0.54
2020	198,344	198,344	-	37,348,749	0.53
2019	189,587	189,587	-	35,879,963	0.53
2018	165,932	165,932	-	31,339,331	0.53

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

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

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, 2023

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

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

This schedule is intended to show information for 10 years. Since fiscal year 2022 (plan year 2021) is the first year for this presentation, no earlier data is available. Additional years will be included as they become available.

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

CITY OF DANVILLE, VIRGINIA

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION June 30, 2023

Note 1. Changes of Benefit Terms

Pension

There have been no actuarially material changes to the Virginia Retirement System (the “System”) benefit provisions since the prior actuarial valuation.

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

Other Postemployment Benefits (OPEB) – VRS

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

Other Postemployment Benefits (OPEB) – LODA

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

Note 2. Changes of Assumptions – VRS Plans

The actuarial assumptions used in the June 30, 2021, valuation were based on the results of an actuarial experience study for the period from July 1, 2016, through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Largest 10 – Non-Hazardous Duty:

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

(Continued)

CITY OF DANVILLE, VIRGINIA

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2023**

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

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

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

Largest 10 – Hazardous Duty/Public Safety Employees:

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

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

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

(Continued)

CITY OF DANVILLE, VIRGINIA

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2023**

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

Teacher cost-sharing pool

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

Note 3. Methods and Assumptions – Employees’ Retirement System

Valuation date:

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

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal
Amortization method	Level percentage of payroll
Remaining amortization period	30 years
Asset valuation method	Five-year moving average
Inflation	2.50%
Salary increases	5.50%, including inflation
Investment rate of return	7.00%
Retirement age – general employees	3.50% at age 55 increasing to 100% at age 70
Retirement age – police and fire employees	15% between ages 50 and 54 increasing to 100% at age 65
Mortality	Pub-2010G Mortality Tables

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



APPENDIX C

PROPOSED FORM OF BOND COUNSEL OPINION

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*Set forth below is the proposed form of the opinion of Hunton Andrews Kurth LLP, Bond Counsel.
It is preliminary and subject to change prior to delivery of the Bonds.*

[Closing Date]

Mayor and Council
City of Danville
Danville, Virginia

City of Danville, Virginia

**\$10,665,000
General Obligation Public Improvement Bonds,
Series 2024**

Ladies and Gentlemen:

We have examined the applicable law and certified copies of proceedings and documents relating to the issuance and sale by the City of Danville, Virginia (the “City”), of its \$10,665,000 General Obligation Public Improvement Bonds, Series 2024 (the “Bonds”). Reference is made to the form of the Bonds for information concerning their details, including payment and redemption provisions, their purposes and the proceedings pursuant to which they are issued.

Without undertaking to verify the same by independent investigation, we have relied on certifications by representatives of the City as to certain facts relevant to both our opinion and requirements of the Internal Revenue Code of 1986, as amended (the “Code”). The City has covenanted to comply with the current provisions of the Code regarding, among other matters, the use, expenditure and investment of the proceeds of the Bonds and the timely payment to the United States of any arbitrage rebate amounts with respect to the Bonds, all as set forth in the proceedings and documents relating to the issuance of the Bonds (the “Covenants”).

Based on the foregoing, in accordance with customary opinion practice and assuming the due authorization, execution and delivery of all documents by parties other than the City, we are of the opinion that:

1. The Bonds have been authorized and issued in accordance with the Constitution and statutes of the Commonwealth of Virginia, including the City Charter and the Public Finance Act of 1991, and constitute valid and binding obligations of the City, and, unless other funds are lawfully available and appropriated for timely payment of the Bonds, the City Council is authorized and required to levy and collect annually an *ad valorem* tax upon all taxable property within the City, over and above all other taxes, authorized or limited by law and without limitation as to rate or amount, sufficient to pay when due the principal of and interest on the Bonds.

2. The rights of the holders of the Bonds and the enforceability of such rights may be limited or otherwise affected by (a) bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance and other laws affecting the rights of creditors generally and (b) principles of equity, whether considered at law or in equity.

3. Under current law, interest, including any accrued original issue discount (“OID”), on the Bonds (a) is not included in gross income for federal income tax purposes, (b) is not an item of tax preference for purposes of the federal alternative minimum tax, and (c) is taken into account in determining adjusted financial statement income for applicable corporations (as defined in Section 59(k) of the Code) for the alternative minimum tax imposed on such corporations. The opinions in (a) and (b) of the preceding sentence are subject to the condition that there is compliance subsequent to the issuance of the Bonds with all requirements of the Code that must be satisfied in order that interest thereon not be included in gross income for federal income tax purposes. Failure by the City to comply with the Covenants, among other things, could cause interest, including any accrued OID, on the Bonds to be included in gross income for federal income tax purposes retroactively to their date of issue. In the case of the Bonds maturing in the years 2042, 2043 and 2044 (the “OID Bonds”), the difference between (i) the stated principal amount of each

maturity of the OID Bonds and (ii) the initial offering price to the public (excluding bond houses and brokers) at which a substantial amount of such maturity is sold will constitute OID; OID will accrue for federal income tax purposes on a constant yield-to-maturity method; and a holder's basis in an OID Bond will be increased by the amount of OID treated for federal income tax purposes as having accrued on such OID Bond while the holder holds the OID Bond. The City may in its discretion, but has not covenanted to, take any and all such actions as may be required by future changes in the Code and applicable regulations in order that interest on the Bonds remain excludable from gross income for federal income tax purposes. We express no opinion regarding other federal tax consequences of the ownership of or receipt or accrual of interest on the Bonds.

4. Under current law, interest, including any accrued OID, on the Bonds is exempt from income taxation by the Commonwealth of Virginia.

The opinions set forth above are based on existing law, which is subject to change. Such opinions are further based on our knowledge of facts as of the date hereof. Our services as bond counsel to the City have been limited to delivering the foregoing opinion based on our review of such proceedings and documents as we deem necessary to approve the validity of the Bonds and the tax-exempt status of the interest thereon. Our services have not included financial or other non-legal advice. We express no opinion herein as to the financial resources of the City, its ability to provide for payment of the Bonds or the accuracy or completeness of any information, including the City's Preliminary Official Statement dated May 23, 2024, and its Official Statement dated June 4, 2024, that may have been relied upon by anyone in making the decision to purchase Bonds. We assume no duty to update or supplement these opinions to reflect any facts or circumstances that may hereafter come to our attention or to reflect any changes in any law that may hereafter occur or become effective.

Very truly yours,

APPENDIX D

FORM OF CONTINUING DISCLOSURE AGREEMENT

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FORM OF CONTINUING DISCLOSURE AGREEMENT

This **CONTINUING DISCLOSURE AGREEMENT** dated June 18, 2024 (the “Disclosure Agreement”), is executed and delivered by the City of Danville, Virginia (the “Issuer”), in connection with the issuance by the Issuer of its General Obligation Public Improvement Bonds, Series 2024 (the “Bonds”). The Issuer hereby covenants and agrees as follows:

Section 1. Purpose. This Disclosure Agreement is being executed and delivered by the Issuer for the benefit of the holders of the Bonds and in order to assist the original purchasers of the Bonds in complying with the provisions of Section (b)(5)(i) of Rule 15c2-12, as amended (the “Rule”), promulgated by the Securities and Exchange Commission (the “SEC”), by providing certain annual financial information and event notices required by the Rule (collectively, “Continuing Disclosure”).

Section 2. Annual Disclosure. (a) The Issuer shall provide annually financial information and operating data in accordance with the provisions of Section (b)(5)(i) of the Rule as follows:

(i) financial statements of the Issuer, prepared in accordance with generally accepted accounting principles; and

(ii) the operating data with respect to the Issuer generally of the type described in the section entitled “FINANCIAL INFORMATION – Operating Data” in Appendix A of the Issuer’s Official Statement dated June 4, 2024, relating to the Bonds.

If the financial statements filed pursuant to Section 2(a)(i) are not audited, the Issuer shall subsequently file such statements as audited, when available.

(b) The Issuer shall file annually with the Municipal Securities Rulemaking Board (the “MSRB”) the financial information and operating data described in subsection (a) above (collectively, the “Annual Disclosure”) no later than the March 31 following the end of the Issuer’s fiscal year, commencing with the Issuer’s fiscal year ended June 30, 2024.

(c) Any Annual Disclosure may be included by specific reference to other documents previously provided to the MSRB or filed with the SEC; provided, however, that any final official statement incorporated by reference must be available from the MSRB.

(d) The Issuer shall file with the MSRB in a timely manner notice specifying any failure of the Issuer to provide the Annual Disclosure by the date specified.

Section 3. Event Disclosure. The Issuer shall file with the MSRB in a timely manner not in excess of ten (10) business days after the occurrence of the event, notice of the occurrence of any of the following events with respect to the Bonds:

(a) principal and interest payment delinquencies;

(b) non-payment related defaults, if material;

(c) unscheduled draws on debt service reserves reflecting financial difficulties;

(d) unscheduled draws on any credit enhancement reflecting financial difficulties;

(e) substitution of credit or liquidity providers, or their failure to perform;

(f) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;

- (g) modifications to rights of the holders of the Bonds, if material;
- (h) bond calls, if material, and tender offers;
- (i) defeasance of all or any portion of the Bonds;
- (j) release, substitution, or sale of property securing repayment of the Bonds, if material;
- (k) rating changes;
- (l) bankruptcy, insolvency, receivership, or similar event of the Issuer;*
- (m) the consummation of a merger, consolidation, or acquisition involving the Issuer or the sale of all or substantially all of the assets of the Issuer, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;
- (n) appointment of a successor or additional trustee or the change of name of a trustee, if material;
- (o) incurrence of a financial obligation (as hereinafter defined) of the Issuer, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the Issuer, any of which affect holders of the Bonds, if material; and
- (p) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of the financial obligation of the Issuer, any of which reflect financial difficulties.

The term “financial obligation” means a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) guarantee of (i) or (ii). The term “financial obligation” does not include municipal securities as to which a final official statement has been provided to the MSRB consistent with the Rule.

Section 4. Termination. The obligations of the Issuer hereunder will terminate upon the redemption, defeasance (within the meaning of the Rule) or payment in full of all the Bonds.

Section 5. Amendment. The Issuer may modify its obligations hereunder without the consent of Bondholders, provided that the Issuer receives an opinion of nationally recognized bond counsel to the effect that this Disclosure Agreement as so modified complies with the Rule as it exists at the time of modification. The Issuer shall within a reasonable time thereafter file with the MSRB a description of such modification(s).

Section 6. Defaults. (a) If the Issuer fails to comply with any covenant or obligation regarding Continuing Disclosure specified in this Disclosure Agreement, any holder (within the meaning of the Rule) or beneficial holder of Bonds then outstanding may, by notice to the Issuer, proceed to protect and enforce its rights and the rights of the holders by an action for specific performance of the Issuer’s covenant to provide the Continuing Disclosure.

(b) Notwithstanding anything herein to the contrary, any failure of the Issuer to comply with any obligation regarding Continuing Disclosure specified in this Disclosure Agreement (i) shall not be deemed to constitute an event of default under the Bonds or the resolution providing for the issuance of the Bonds and (ii) shall not give rise to any right or remedy other than that described in Section 6(a) above.

* For the purposes of the event identified in Subsection (3)(l) above, the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for an obligated person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the obligated person, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the obligated person.

Section 7. Filing Method. Any filing required hereunder shall be made by transmitting such disclosure, notice or other information in electronic format to the MSRB through the MSRB's Electronic Municipal Market Access System pursuant to procedures promulgated by the MSRB.

Section 8. Additional Disclosure. The Issuer may from time to time disclose certain information and data in addition to the Continuing Disclosure. Notwithstanding anything herein to the contrary, the Issuer shall not incur any obligation to continue to provide, or to update, such additional information or data.

Section 9. Counterparts. This Disclosure Agreement may be executed in several counterparts; each of which shall be an original, and all of which shall constitute but one and the same instrument.

Section 10. Governing Law. This Disclosure Agreement shall be construed and enforced in accordance with the laws of the Commonwealth of Virginia.

CITY OF DANVILLE, VIRGINIA

Mayor, City of Danville, Virginia

City Manager, City of Danville, Virginia

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APPENDIX E

**INFORMATION REGARDING THE DEPOSITORY
TRUST COMPANY AND ITS BOOK-ENTRY SYSTEM**

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INFORMATION REGARDING THE DEPOSITORY TRUST COMPANY AND ITS BOOK-ENTRY SYSTEM

The description that follows of the procedures and recordkeeping with respect to beneficial ownership interests in the Bonds, payments of principal of and premium, if any, and interest on the Bonds to The Depository Trust Company, New York, New York (“DTC”), its nominee, Participants or Beneficial Owners (each as hereinafter defined), confirmation and transfer of beneficial ownership interests in the Bonds and other Bond-related transactions by and between DTC, Participants and Beneficial Owners is based solely on information furnished by DTC.

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for each maturity of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world’s largest depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity, corporate and municipal debt issues and money market instruments (from over 100 countries) that DTC’s participants (the “Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others, such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (the “Indirect Participants”). DTC has a Standard & Poor’s rating of AA+. The DTC Rules applicable to its Direct and Indirect Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of the Bonds under the DTC system must be made by or through the Direct Participants, which will receive a credit for the Bonds on DTC’s records. The ownership interest of each actual purchaser of each Bond (the “Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. The Beneficial Owners will not receive written confirmation from DTC of their purchase. The Beneficial Owners, however, are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of the Direct or Indirect Participants acting on behalf of the Beneficial Owners. The Beneficial Owners will not receive certificates representing their ownership interests in the Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by the Direct Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of the Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holding on behalf of their customers.

Conveyance of notices and other communications by DTC to the Direct Participants, by the Direct Participants to the Indirect Participants, and by the Direct and Indirect Participants to the Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to DTC. If less than all of the Bonds are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the City or the Registrar as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payments of principal of and interest on the Bonds will be made to Cede & Co. or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit the Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the City or the Registrar on payable date in accordance with their respective holdings shown on DTC's records. Payments by the Direct and Indirect Participants to the Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the City or the Registrar, subject to any statutory or regulatory requirements as may be in effect from time to time. Payments of principal of and interest on the Bonds to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City or the Registrar, disbursement of such payments to the Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of the Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the Bonds at any time by giving reasonable notice to the City or the Registrar. Under such circumstances, in the event that a successor securities depository is not obtained, Bond certificates will be printed and delivered.

The City may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered.

The information in this Appendix E concerning DTC and DTC's book-entry system has been obtained from sources that the City believes to be reliable, but the City takes no responsibility for the accuracy thereof.

Neither the City nor the Registrar has any responsibility or obligation to the Direct or Indirect Participants or the Beneficial Owners with respect to: (a) the accuracy of any records maintained by DTC or any Direct or Indirect Participant; (b) the payment by any Direct or Indirect Participant of any amount due to any Beneficial Owner in respect of the principal of and interest on the Bonds; (c) the delivery or timeliness of delivery by any Direct or Indirect Participant of any notice to any Beneficial Owner that is required or permitted under the terms of the Bond Resolution to be given to Bondholders; or (d) any other action taken by DTC, or its nominee, Cede & Co., as Bondholder, including the effectiveness of any action taken pursuant to an Omnibus Proxy.

So long as Cede & Co. is the registered owner of the Bonds, as nominee of DTC, references in this Official Statement to the Owners of the Bonds shall mean Cede & Co. and shall not mean the Beneficial Owners, and Cede & Co. will be treated as the only holder of Bonds for all purposes under the Bond Resolution.

The City may enter into amendments to the agreement with DTC or successor agreements with a successor securities depository, relating to the book-entry system to be maintained with respect to the Bonds without the consent of the Beneficial Owners or Bondholders.