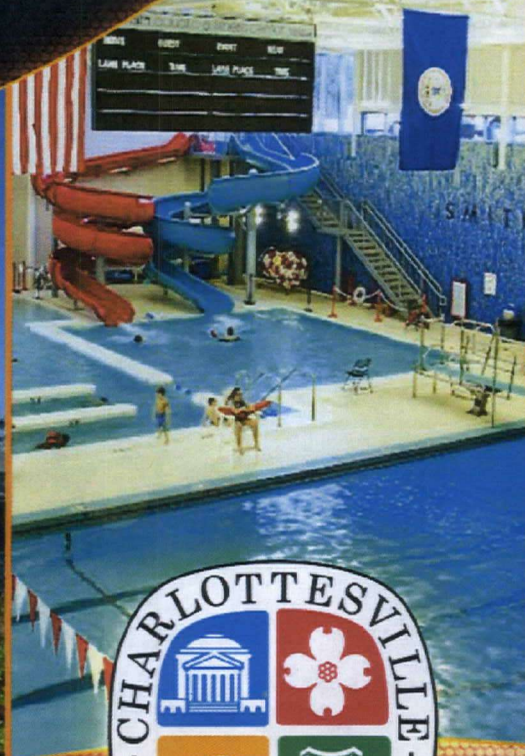


FISCAL YEAR ENDED  
**JUNE 30, 2014**



CITY OF CHARLOTTESVILLE, VIRGINIA  
**COMPREHENSIVE ANNUAL  
FINANCIAL REPORT**

[WWW.CHARLOTTESVILLE.ORG/FINANCE](http://WWW.CHARLOTTESVILLE.ORG/FINANCE)



# **CITY OF CHARLOTTESVILLE, VIRGINIA**

**Comprehensive Annual Financial Report  
Fiscal Year Ended June 30, 2014**

**Prepared by  
Department of Finance**

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# CITY OF CHARLOTTESVILLE, VIRGINIA

## COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED JUNE 30, 2014

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# CITY OF CHARLOTTESVILLE, VIRGINIA

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# CITY OF CHARLOTTESVILLE, VIRGINIA

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## **INTRODUCTORY SECTION**



CITY OF CHARLOTTESVILLE  
"A World Class City"

Office of Director of Finance

P.O. Box 911 • Charlottesville, Virginia 22902  
Telephone 434-970-3200 • Fax 434-970-3232



November 26, 2014

Honorable Mayor and Members  
of the City Council  
City of Charlottesville, Virginia

Dear Council Members:

We are pleased to submit to you the comprehensive annual financial report of the City of Charlottesville (the City) for the fiscal year ended June 30, 2014, in accordance with Section 11-96 of the City Code. This report was prepared by the City's Finance Department. It has been audited by the City's independent auditors, Cherry Bekaert LLP. Their opinions are included in this report. All disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included.

Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control that it has established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of material misstatements.

Generally accepted accounting principles (GAAP) requires management to provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it.

The City is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act of 1996 and U.S. Office of Management and Budget Circular A-133, *Audits of State and Local Governments and Non-profit Organizations*. Information related to this single audit, including the schedule of expenditures of federal awards, findings and questioned costs, recommendations, and auditors' reports on the internal control structure and compliance with applicable laws and regulations are contained in a separate report, which is available upon request from the Director of Finance.

## **THE REPORTING ENTITY AND ITS SERVICES**

The City is located in Central Virginia, approximately 100 miles southwest of Washington, D.C. and 70 miles northwest of Richmond, Virginia. As the seat of both the City and Albemarle County governments, Charlottesville serves as an economic, cultural and educational center in Central Virginia. As the home of the University of Virginia, one of the most prestigious and highly-regarded universities in the country, the City derives a number of benefits, both economic and in the quality of life, from being associated with this area.

The City provides a full range of services. These services include police and fire protection, solid waste collection and disposal, education, parks, recreational and cultural activities, street and highway maintenance and construction, health and welfare, and community and economic development. In addition to these general governmental activities, the City also operates gas, water, and wastewater systems and a municipal golf course as enterprise funds and maintains a pension trust fund and a post-employment benefits fund for its employees.

The financial reporting entity includes all funds of the Primary Government (i.e., the City), as well as the component units for which the City is financially accountable. The City of Charlottesville Public Schools (the School Board or Schools) and the Charlottesville Economic Development Authority (CEDA) are included in the report as discretely presented component units in separate columns in the government-wide financial statements to emphasize that they are legally separate from the City and to differentiate their financial position and results of operations from that of the City. Both of these component units are administered by separate boards. School Board members are elected At Large and CEDA members are appointed by City Council. The Charlottesville Redevelopment and Housing Authority (CRHA) is not included in the reporting entity because the City is not financially accountable for the CRHA.

## **ECONOMIC CONDITION AND OUTLOOK**

A number of key economic indicators continued to show positive growth. Meals tax revenue increased by 0.7% in fiscal year 2014 and 9.83% in fiscal year 2013. Lodging tax revenue increased by 0.03% in fiscal year 2014 and 4.45% in fiscal year 2013. When meals and lodging taxes are adjusted for a payment due date change in fiscal year 2013, the true economic increase for meals tax

is 3.58% and lodging tax 4.14%. Sales tax increased by 8.5% in fiscal year 2014 but the true economic increase was 3.67% due to a state tax department audit in fiscal year 2013.

For tax year 2014, residential real estate assessments increased in value by 2.51%, which is the first increase since 2009. Commercial property values increased for a second straight year in 2014, this time by 1.21%. Combined existing residential and commercial property increased in value by 2.02%. The total value of property in the City, including new construction, increased by 3.40% in tax year 2014. In addition, the City's unemployment rate has stabilized from its high in 2010 and, as of July 2014, is at 5.4%. That rate is below the national unemployment rate of 6.5%, and the same as the State's rate of 5.4%. The unemployment rate for the Charlottesville MSA stood at 4.8% during this same period.

Despite continued uncertainty at the national level, the City continues to maintain a stable outlook compared to many other local governments. In fact, the City's sound financial policies were confirmed again in May 2014 when both Moody's Investor Services and Standard & Poor's evaluated the City and conferred their top rating (Aaa and AAA, respectively) on the City's latest bond issue. The relative strength of the Charlottesville area is due in large part to its central Virginia location and the nature of the local economy which includes the University of Virginia. In addition, Charlottesville is the commercial hub for a metropolitan area population of over 190,000. The predominant economic sectors are healthcare, service related industries, leisure and hospitality, and education. One emerging sector is defense related businesses, which includes the National Ground Intelligence Center, the Defense Intelligence Agency, and the National Geospatial-Intelligence Agency. The City has also attracted companies specializing in business and financial services, information technology, biotechnology and software development.

The University of Virginia and its Medical Center continue to be the area's largest employer, providing over 17,000 jobs and making the City a regional center for quality education and healthcare. The University has avoided layoffs to date and continues its plans to grow student enrollment at a moderate rate over the next decade. In addition, the University enjoys nationally ranked men's and women's teams in many major sports, including baseball, lacrosse, and soccer. The University's John Paul Jones Arena, which at 15,000 seats is the largest arena in the Commonwealth of Virginia, annually attracts over 500,000 visitors from around the state to the area.



The City's downtown has shown dramatic changes during the past decade, in particular during the past five years, as a result of both on-going public and private investment in new construction and renovation/restoration projects. The Downtown Mall is thriving, with an exciting combination of residential and retail units, restaurants, a movie complex, music venues, an ice skating rink, and the Charlottesville Pavilion, as well as a number of office complexes and financial institutions, all of which draw local residents and tourists to the area. The Citywide retail vacancy rate dropped again this year and remains near its all-time low at 3.25% in July 2014.

A growing number of companies are seeking to locate in the City. The 2014 *Inc.* 5000 list includes a number of rapidly growing Charlottesville firms including SNL Financial, RKG, Willow Tree Apps, GovSmart, and Nest Realty. The City gained 783 new private sector jobs between 2013 and 2014, pushing the total number of City based jobs to the highest level in a decade.

Arts and entertainment continue to draw large numbers of visitors to Charlottesville. The Paramount Theater, a 1,200-seat multi-purpose auditorium, and the Jefferson Theater, a 1,000-seat music venue, play host to many events throughout the year. Also attracting people downtown is the Charlottesville Pavilion, which has an annual attendance of nearly 100,000 patrons. The Pavilion recently completed another season featuring a number of national caliber artists. The covered, 3,500-seat facility is expected to play a key role in continuing to attract those seeking entertainment.

The City maintains controlling interest in over 1,500 parking spaces at two facilities downtown. Every effort is made to keep parking available and affordable for residents, workers, and visitors alike. In 2013, over 1,100,000 people used these parking facilities. At current usage levels, parking supply exceeds demand, allowing opportunity for continued growth in the entertainment, retail, and tourism sectors.

The West Main Street corridor continues to see significant new private sector investment. A Marriott Residence Inn hotel is under construction with a planned opening in June 2015. At the opposite end of the corridor, The Flats at West Village, just opened as an eight story, 595-bedroom student oriented apartment complex. Throughout the corridor, building redevelopments have brought new life to West Main Street. Also, during the past year, several restaurants and retail stores opened bringing more people to the West Main area.

The Preston Avenue area represents an opportunity for similar development and changes are underway. The former Coca Cola bottling facility has new ownership and just announced significant renovation plans to convert the space to retail and office uses. A new brewery has moved into vacant space in the Monticello Dairy Building at the western end of the corridor. The City will continue to look for opportunities to collaborate with private developers as redevelopment occurs along this corridor.

Despite economic challenges faced by communities throughout the country in the past several years, continued capital investments in the City give us reason to be optimistic about the future. In 2013, 581 commercial construction permits were issued with an investment value of \$66,656,477. Several notable examples include: the CFA Institute, which relocated 400 employees into 240,000 square feet of renovated space in the former Martha Jefferson Hospital; a 147-room extended stay Homewood Suites hotel completed construction and opened in June; and Citywalk, a large 300-unit residential complex also opened in June. The City's proactive approach to welcoming investment continues to prove effective with support from a zoning ordinance that encourages denser, mixed-use development to help provide opportunities to expand the tax base and encourage quality commercial development. This activity provides a vibrant environment allowing us to continue to improve our city and the services it can provide to citizens, in an orderly and financially responsible manner.

## **MAJOR INITIATIVES**

***For the Year*** The fiscal year 2014 budget, with a General Fund increase of 1.3% over the fiscal year 2013 budget, focused on the continued delivery of efficient and effective government services to the City residents, businesses, and visitors, with no tax increases to our residents or businesses. The real estate tax rate remained unchanged at \$.95 per \$100 of assessed value for the calendar year. The budget reflected the City's emphasis on outreach to the community by enhancing neighborhoods, improving education, creating more and better jobs, creating an environmentally sustainable community, building and expanding all modes of transportation, and delivering quality services to all. In 2012, City Council adopted a new set of priorities for 2012-2014:

- Reduce poverty by increasing sustainable employment among less skilled and educated residents

- Provide a comprehensive support system for children
- Build an interconnected network of multi-modal transportation including bikeways, trails and transit system
- Thoroughly research the feasibility of a City Market District in Downtown
- Redevelop the City's corridors
- Cultivate healthy streams and rivers through effective Stormwater management practices

Other recent acknowledgements of Charlottesville's success include the following:

- Most Exciting Place in Virginia (#1) – Movoto Real Estate
- Top 5 New American Foodie Cities – Wine Enthusiast Magazine 2014
- America's Favorite Mountain Towns (#9) – Travel + Leisure Magazine 2014
- Top 5 Destinations Every American Should Visit – Orbitz Worldwide 2014
- Best College Town in America (#1) – Traveler's Today 2014
- America's Healthiest Small Cities (#6) – Daily Finance 2014
- AAA Bond Rating – *Moody's and Standard and Poor's*, 2014
- Top 100 Places to Live (#26) – Livability.com 2013
- Top Ten Book-Loving Cities (#4) – Livability.com 2013
- Best Small Cities for Working Women (#4) – nerdwallet.com 2013

**For the Future** Our emphasis for fiscal year 2015 will be to ensure that Charlottesville continues to provide high quality services, create innovative approaches to service delivery, provide good value to our citizens, explore possibilities for public/private partnerships as well as privatization opportunities, and is results-oriented, all guidelines for the directions in which we move. These



efforts will continue throughout the year and for many years to come. We continue to monitor closely both the state budget and the local economy as they will impact our financial planning and budget strategy in the upcoming months. We also continue to face increasing capital funding demands for a variety of areas, including the City Schools, strategic economic opportunities and public facilities. These and many other requests will have to be prioritized and planned for in order to assure continued success of our City. The solid financial foundation coupled with our commitment to providing innovative services that make a difference in our community will help us achieve the goals established by the City Council.

### **OTHER INFORMATION**

**Independent Audit** State law requires that the financial statements of the City be audited annually by a certified public accounting firm selected by City Council. An audit of the financial records of the City have been performed by the accounting firm of Cherry Bekaert LLP for the year ended June 30, 2014. The audit was also designed to meet the requirements of the Single Audit Act of 1996 and the related U.S. Office of Management and Budget Circular A-133. The independent auditor's report on the government-wide financial statements and the fund financial statements and required supplementary information is included in the financial section of this report.

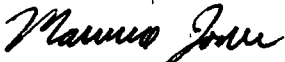
**Awards** The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2013. This was the thirty-fourth (34th) consecutive such award received by the City. In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized Comprehensive Annual Financial Report that satisfies both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. We believe that our current report continues to meet the Certificate of Achievement program requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

**Acknowledgements** The preparation of this report on a timely basis could not have been accomplished without the dedicated service of each member of the Finance Department. Each

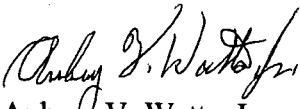
Honorable Mayor and Members  
of the City Council  
November 26, 2014

deserves our appreciation for their contribution made in the preparation of this report. In closing, we would like to thank the members of City Council for your continued interest and support in planning and conducting the financial matters of the City in a responsible and progressive manner.

Respectfully submitted,



Maurice T. Jones, City Manager



Aubrey V. Watts, Jr.

Chief Operating Officer/Chief Financial Officer



Bernard Wray

Director of Finance



Government Finance Officers Association

**Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting**

Presented to

**City of Charlottesville  
Virginia**

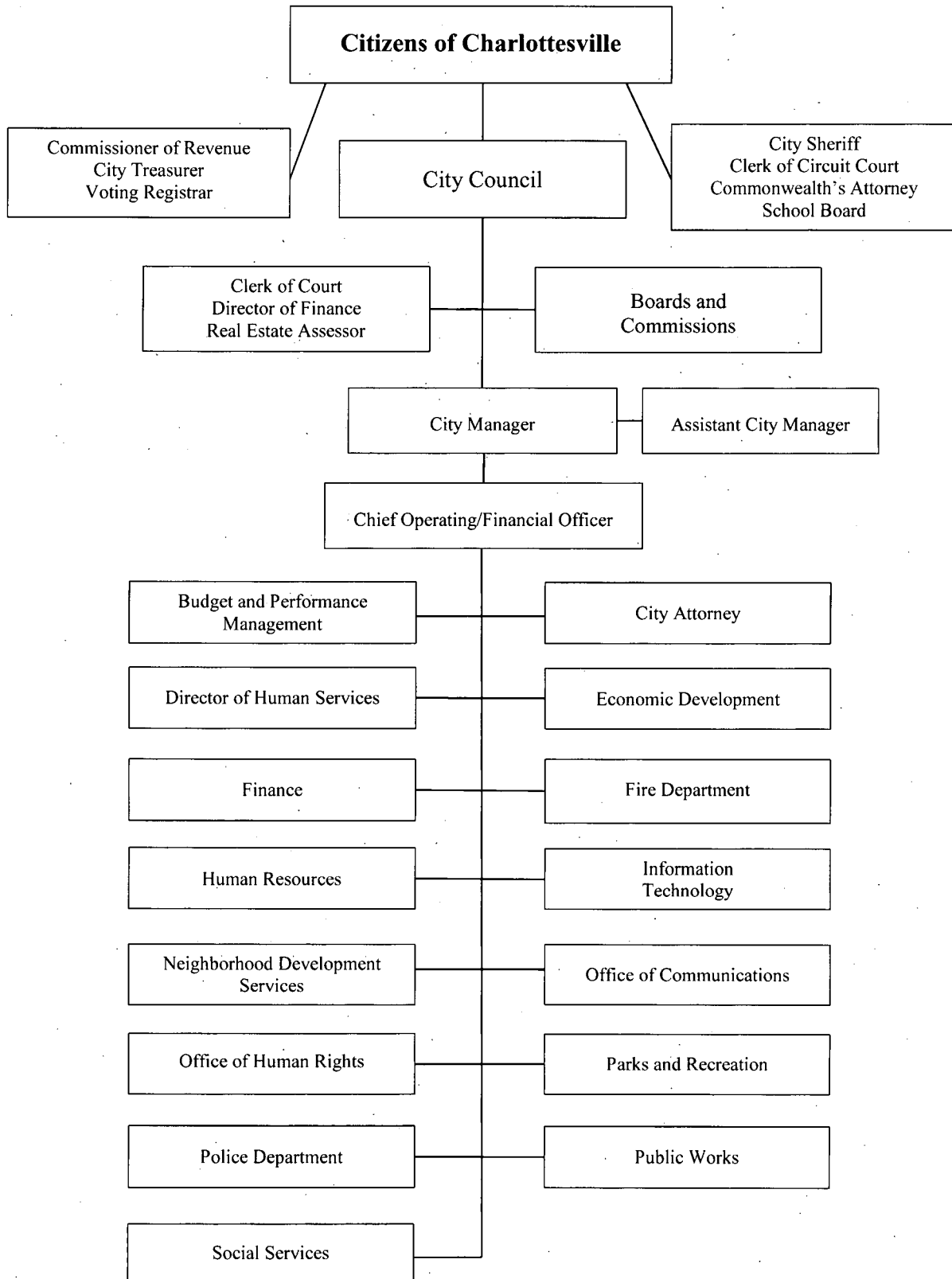
For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2013**

Executive Director/CEO



# City Organizational Chart



# **CITY OF CHARLOTTESVILLE, VIRGINIA**

## **LIST OF ELECTED AND APPOINTED OFFICIALS**

**JUNE 30, 2014**

### **ELECTED OFFICIALS**

#### **Council Members:**

Satyendra Singh Huja	Mayor
Dede Smith	Vice-Mayor
Bob Fenwick	Council Member
Kathy Galvin	Council Member
Kristin Szakos	Council Member

#### **Constitutional Officers:**

Jason A. Vandever	City Treasurer
Todd D. Divers	Commissioner of Revenue
Warner D. Chapman	Commonwealth's Attorney
James E. Brown, III	City Sheriff
Llezelle A. Dugger	Clerk of Circuit Court

### **APPOINTED OFFICIALS**

Maurice T. Jones	City Manager
Aubrey V. Watts, Jr.	COO, CFO
David Ellis	Assistant City Manager
Leslie M. Beauregard	Director, Budget and Performance Management
S. Craig Brown	City Attorney
Paige Rice	Clerk of Council
Chris Engel	Director of Economic Development
Bernard Wray	Director of Finance
Charles Werner	Fire Chief
H. Galloway Beck	Director of Human Resources
Karen Parker	Director of Information Technology
James E. Tolbert	Director of Neighborhood Development Services
Timothy J. Longo Sr.	Chief of Police
Judith M. Mueller	Director of Public Works
Roosevelt Barbour	Real Estate Assessor
Brian Daly	Director of Parks and Recreation
Sheri L. Iachetta	General Registrar
Diane E. Kuknyo	Director of Social Services
Michael Murphy	Director of Human Services
Miriam Dickler	Director of Communications

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## **FINANCIAL SECTION**

## **Report of Independent Auditor**

To the Honorable Members of the City Council  
City of Charlottesville, Virginia

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the individual discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Charlottesville, Virginia (the "City"), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the *Specifications for Audit of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the individual discretely presented component units, each major fund, and the aggregate remaining fund information of the City as of June 30, 2014, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Emphasis of Matter**

As discussed in Note 1 to the basic financial statements, the City adopted the provisions of Governmental Accounting Standards Board Statement No. 65, *Items Previously Reported as Assets and Liabilities*, effective July 1, 2013. The City also adopted the provisions of Governmental Accounting Standards Board Statement No. 67, *Financial Reporting for Pension Plans*, effective July 1, 2013. Our opinion is not modified with respect to these matters.

## **Other Matters**

### *Required Supplementary Information*

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

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory, supplementary, and statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary section is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements as a whole.

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

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated November 26, 2014, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 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.

*Cherry Bekart LLP*

Richmond, Virginia  
November 26, 2014

# **CITY OF CHARLOTTESVILLE, VIRGINIA**

## **Management's Discussion and Analysis Year Ended June 30, 2014**

---

As management of the City of Charlottesville, Virginia, we offer readers this narrative overview and analysis of the financial activities of the City of Charlottesville, Virginia for the fiscal year ended June 30, 2014. Please read it in conjunction with the transmittal letter at the front of this report and the City's financial statements, which follow this section. The intent of this discussion and analysis is to evaluate the City's financial performance as a whole.

### **FINANCIAL HIGHLIGHTS**

#### **Government-wide**

- The City's total net position, on a government-wide basis excluding component units, totaled \$259.4 million at June 30, 2014. Of this amount, \$92.5 million is unrestricted.
- The City's total net position increased by \$17.4 million over the prior year. This increase is the sum of a \$16.1 million increase for the governmental net position and a \$1.3 million increase in business-type net position.

#### **Governmental Funds**

- At June 30, 2014, the City's governmental funds reported combined ending fund balances of \$61.1 million (a decrease of \$3.6 million over the prior year). Approximately 44.7 percent, or \$27.3 million, of this amount is unassigned.
- The General Fund, on a current financial resource measurement focus and the modified accrual basis of accounting, reported excess revenues over budget of \$901,566 due primarily to several of the tax revenues (meals, business license and personal property) performing better than expected. The expenditures and other financing sources (net) finished out the year under budget primarily due to several agencies – Comprehensive Services Act, The Blue Ridge Detention Center, the Charlottesville Albemarle Regional Jail and Transit all needing fewer local dollars than originally anticipated. City departments continue to do a very good job of monitoring their budgets which resulted in expenditures less than budget. Savings resulted from vacancies, efficiencies and staff's constant due diligence with city tax dollars.
- At the end of the fiscal year, unassigned fund balance for the General Fund was \$27.3 million, or 19.8 percent of total General Fund expenditures and transfers, net.

#### **Long-term Liabilities**

- The City's total liabilities, consisting of general obligation bonds, literary loans and notes payable, increased by \$3.8 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 of Charlottesville's basic financial statements. The City's basic financial statements comprise the following three components:

- *Government-wide financial statements, Exhibits A and B*
- *Fund financial statements, Exhibits C, D, E and F*
- *Notes to the financial statements*

This report contains other supplementary information in addition to the basic financial statements themselves.

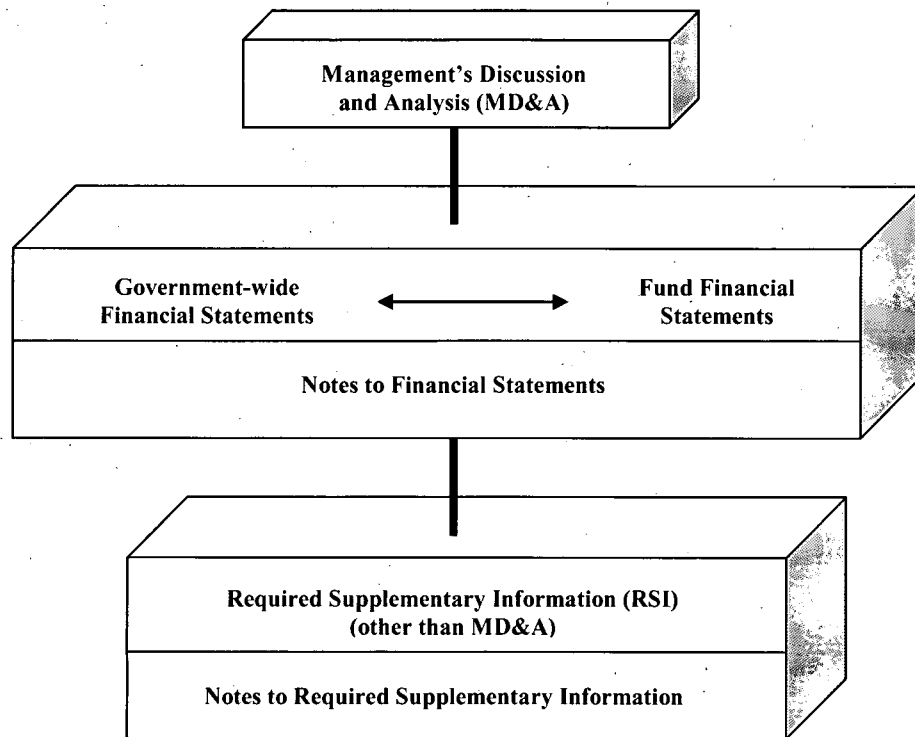
The basic financial statements include two kinds of statements presenting different views of the City:

- The first two statements are *government-wide financial statements* that provide both *long-term* and *short-term* information about the City's overall financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the City's government, reporting the City's operations in *more detail* than the government-wide statements.
  - *Governmental fund* statements tell how *general government* services like public safety were financed in the *short term* as well as what amounts remain for future spending.
  - *Proprietary fund* statements offer *short- and long-term* financial information about the activities the government operates *like businesses*, such as the public utility systems (water, sewer, and gas) and the golf course.
  - *Fiduciary fund* statements provide information about the financial relationship in which the City acts solely as a *trustee or agent* for the benefit of others, to whom the resources in question belong, such as the City's retirement plan.

The financial statements also include *notes* that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of *required supplementary information* that further explains and supports the information in the financial statements. Figure A shows how the required parts of this *Management's Discussion and Analysis* and the City's *basic financial statements* are arranged and relate to one another.



**Figure A**  
**Required Components of City's Financial Statements**



The government-wide financial statements provide both long-term and short-term information about the City's overall financial status. The fund financial statements focus on the individual parts of the City government, reporting the City's operations in more detail than the government-wide statements. Both perspectives (government-wide and fund) allow the user to address relevant questions, broaden the basis of comparison (year-to-year or government-to-government) and enhance the City's accountability.

## 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 financial information on all of the City's assets and liabilities, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

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 for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused accrued vacation leave.)

Both of the 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*).

In the Statement of Net Position and the Statement of Activities, the City is divided into three categories:

- *Governmental activities* – Most of the City's basic services are included here, such as the activities of the police, fire, public works, social services, parks and recreation departments, and general administration. Property taxes and state and federal grants finance most of these activities.
- *Business-type activities* – The City charges fees to customers to cover the cost of certain services it provides. The City's water, sewer, and gas systems as well as the golf course are included here.
- *Component units* – The City includes two separate legal entities in its report – the City of Charlottesville Economic Development Authority and the Charlottesville Public Schools. Although legally separate, these "component units" are important because the City is financially accountable for them and provides operating funding.

## 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 the funds of the City of Charlottesville, Virginia can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

- \* ***Governmental Funds.*** Most of the City's basic services are included in governmental funds, which focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances remaining at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed *short-term* view that helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. Because this information does not encompass the long-term focus of the government-wide financial statements, additional information is provided on a subsequent page that explains the relationship (or differences) between the government-wide and fund financial statements.

- \* **Proprietary Funds.** Services for which the City charges customers a fee are generally reported in proprietary funds. Proprietary fund statements, like the government-wide financial statements, provide both short-term and long-term financial information. The City's enterprise funds (one type of proprietary fund) are the same as its business-type activities, with the exception of the Internal Service Funds' allocation, but they provide more detail and additional information, such as a *statement of cash flows*. The City also uses internal service funds (another kind of proprietary fund) to report activities that provide supplies and services for the City's other programs and activities – such as the Risk Management Fund and the Information Technology Fund.
- \* **Fiduciary Funds.** Fiduciary funds are used to report assets held in a trustee or agency capacity for others outside the government. The City maintains two pension trust funds for retirement and post-employment benefits. These activities are reported in a separate statement of fiduciary net assets. The City excludes this activity from its government-wide financial statements because the City cannot use these assets to finance its operations.

The Total Governmental Funds column requires reconciliation because of the different measurement focus from the government-wide statements (current financial resources versus total economic resources) which is reflected at the bottom of or following each statement. The flow of current financial resources will reflect bond proceeds and inter-fund transfers as other financing sources as well as capital expenditures and bond principal payments as expenditures. The reconciliation will eliminate these transactions and incorporate the capital assets and long-term obligations (bond and others) into the Governmental Activities column (in the government-wide statements).

## NOTES TO THE FINANCIAL STATEMENTS

The notes provide additional information that is necessary to acquire a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found following Exhibit F-2 at the end of the basic financial section of this report.

## OTHER INFORMATION

In addition to the basic financial statements and accompanying notes, this report also presents *required supplementary information and notes*. General and Social Service fund budget and actual reports are presented on a budgetary reporting basis as Exhibits G and H. Progress in funding its obligation to provide pension and other post-employment benefits (OPEB) to its employees is provided as Exhibit I. The supplementary section has combining and individual financial statements of non-major governmental funds, Exhibits J, K, K-1, K-2, K-3, K-4, K-5 and K-6 and internal service funds are presented as L-1, L-2, L-3 and L-4. Financial Statements for the Charlottesville School Board – Component unit are presented in Exhibits M-1, M-2, M-3, M-4, M-5, M-6 and M-7.

## FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

### Statement of Net Position

The following table reflects the condensed Statement of Net Position:

**City of Charlottesville, Virginia**  
**Condensed Statement of Net Position**  
**June 30, 2014 and 2013**

**Table I**

	Governmental Activities		Business-Type Activities		Total		Total Percentage Change 2013-2014
	2014	2013	2014	2013	2014	2013	
<b>Assets:</b>							
Current and other assets	\$ 117,925,313	\$ 118,730,524	\$ 39,155,565	\$ 37,059,160	\$ 157,080,878	\$ 155,789,684	0.8 %
Capital assets	221,249,613	203,690,956	68,002,767	62,999,055	289,252,380	266,690,011	8.5
Total assets	<u>339,174,926</u>	<u>322,421,480</u>	<u>107,158,332</u>	<u>100,058,215</u>	<u>446,333,258</u>	<u>422,479,695</u>	5.6
<b>Deferred Outflow of Resources</b>	<u>81,495</u>	<u>113,411</u>	<u>69,372</u>	<u>122,957</u>	<u>150,867</u>	<u>236,368</u>	(36.2)
<b>Liabilities:</b>							
Long-term liabilities							
outstanding	78,338,362	78,619,390	47,470,369	42,235,739	125,808,731	120,855,129	4.1
Other liabilities	22,109,141	21,896,117	9,163,779	8,633,745	31,272,920	30,529,862	2.4
Total liabilities	<u>100,447,503</u>	<u>100,515,507</u>	<u>56,634,148</u>	<u>50,869,484</u>	<u>157,081,651</u>	<u>151,384,991</u>	3.8
<b>Deferred Inflow of Resources</b>	<u>29,806,158</u>	<u>29,092,202</u>	<u>179,526</u>	<u>177,229</u>	<u>29,985,684</u>	<u>29,269,431</u>	2.4
<b>Net position:</b>							
Net investment in capital assets	139,313,423	105,462,444	25,036,215	37,760,064	164,349,638	143,222,508	14.8
Restricted							
General government	269,203	291,453	-	-	269,203	291,453	(7.6)
Public safety	548,074	321,917	-	-	548,074	321,917	70.3
Education	73,084	-	-	-	73,084	-	-
Parks, recreation & culture	-	56,303	-	-	-	56,303	(100.0)
Health and welfare	107,494	1,272	-	-	107,494	1,272	8,350.8
Conservation and development	1,443,581	1,520,702	-	-	1,443,581	1,520,702	(5.1)
Permanent fund, nonexpendable	162,501	162,501	-	-	162,501	162,501	-
Unrestricted	<u>67,085,400</u>	<u>85,110,590</u>	<u>25,377,815</u>	<u>11,374,395</u>	<u>92,463,215</u>	<u>96,484,985</u>	(4.2)
Total net position	<u>\$ 209,002,760</u>	<u>\$ 192,927,182</u>	<u>\$ 50,414,030</u>	<u>\$ 49,134,459</u>	<u>\$ 259,416,790</u>	<u>\$ 242,061,641</u>	7.2

Net position (the difference between assets and liabilities plus deferred outflows of resources less deferred inflows of resources) may serve over time as a useful indicator of a government's financial position. In the case of the City of Charlottesville, the net position was \$259.4 million at the close of fiscal year 2014. The largest portion of the City's net position (63.4%) reflects its net investment in capital assets (e.g., land, buildings, equipment, and infrastructure) less accumulated depreciation, less any related outstanding debt and adding unspent proceeds from debt used to acquire those assets. The City uses these assets to provide services to its citizens and consequently, these assets are not available for future spending. The resources needed to repay the debt related to these capital assets must be provided from other sources.

Approximately 1% of the City's net position is subject to external restrictions. The remaining balance of unrestricted net position (\$92.5 million or 35.6%) may be used to meet the City's ongoing obligations to citizens and creditors.

### **Governmental Activities**

The net position of the City's governmental activities increased from \$192.9 million to \$209 million as shown by the increase by \$16.1 million on the Statement of Activities. The increase is primarily due to an increase in net position in the internal service funds – governmental type activities.

### **Business-type Activities**

The net position of the City's business-type activities increased by \$1.3 million primarily due to a colder winter resulting in higher gas consumption by the University of Virginia and all customers. These resources are not to be used to make up for a net position deficit in the governmental activities. In general, the City can only use the unrestricted net position to finance the continued operations of its enterprise operations, which include the Water, Sewer, Stormwater, Gas and Meadowcreek Golf Course enterprise funds.

## Statement of Activities

The following table shows the revenues and expenses of the governmental and business-type activities:

**City of Charlottesville, Virginia**  
**Changes in Net Position**  
**For the Years Ended June 30, 2014 and 2013**

**Table II**

	Governmental Activities		Business-Type Activities		Total		Total Percentage Change 2013-2014
	2014	2013	2014	2013	2014	2013	
Revenues:							
Program Revenues:							
Charges for services	\$ 22,277,401	\$ 21,637,752	\$ 56,138,826	\$ 50,241,223	\$ 78,416,227	\$ 71,878,975	9.1 %
Operating grants and contributions	29,333,261	29,528,159	-	-	29,333,261	29,528,159	(0.7)
Capital grants and contributions	13,502,908	6,848,481	-	-	13,502,908	6,848,481	97.2
General Revenues:							
Property taxes	58,158,711	56,060,959	-	-	58,158,711	56,060,959	3.7
Other taxes	40,179,645	39,539,573	-	-	40,179,645	39,539,573	1.6
Grants and contributions*	24,353,298	27,910,750	-	-	24,353,298	27,910,750	(12.7)
Interest and investment earnings	259,548	276,657	32,668	62,128	292,216	338,785	(13.7)
Total revenues	188,064,772	181,802,331	56,171,494	50,303,351	244,236,266	232,105,682	5.2
Expenses:							
General government	24,270,356	23,535,445	-	-	24,270,356	23,535,445	3.1
Public safety	33,358,970	32,597,684	-	-	33,358,970	32,597,684	2.3
Community services	20,704,251	20,052,677	-	-	20,704,251	20,052,677	3.2
Health and welfare	29,785,968	30,274,966	-	-	29,785,968	30,274,966	(1.6)
Parks, recreation and culture	12,666,217	12,368,616	-	-	12,666,217	12,368,616	2.4
Education	45,368,328	51,677,155	-	-	45,368,328	51,677,155	(12.2)
Conservation and development	8,870,158	10,373,102	-	-	8,870,158	10,373,102	(14.5)
Interest on long term debt	2,241,591	2,359,980	-	-	2,241,591	2,359,980	(5.0)
Water	-	-	8,834,334	8,162,082	8,834,334	8,162,082	8.2
Sewer	-	-	11,503,795	9,858,802	11,503,795	9,858,802	16.7
Gas	-	-	28,239,126	23,788,374	28,239,126	23,788,374	18.7
Stormwater	-	-	136,514	-	136,514	-	-
Golf	-	-	901,509	871,628	901,509	871,628	3.4
Total expenses	177,265,839	183,239,625	49,615,278	42,680,886	226,881,117	225,920,511	0.4
Change in net position before transfers	10,798,933	(1,437,294)	6,556,216	7,622,465	17,355,149	6,185,171	180.6
Transfers	5,276,645	5,233,180	(5,276,645)	(5,233,180)	-	-	-
Change in net position	16,075,578	3,795,886	1,279,571	2,389,285	17,355,149	6,185,171	180.6
Net position - beginning of year	192,927,182	189,131,296	49,134,459	46,745,174	242,061,641	235,876,470	2.6
Net position - end of year	\$ 209,002,760	\$ 192,927,182	\$ 50,414,030	\$ 49,134,459	\$ 259,416,790	\$ 242,061,641	7.2

\* Not restricted to specific programs.

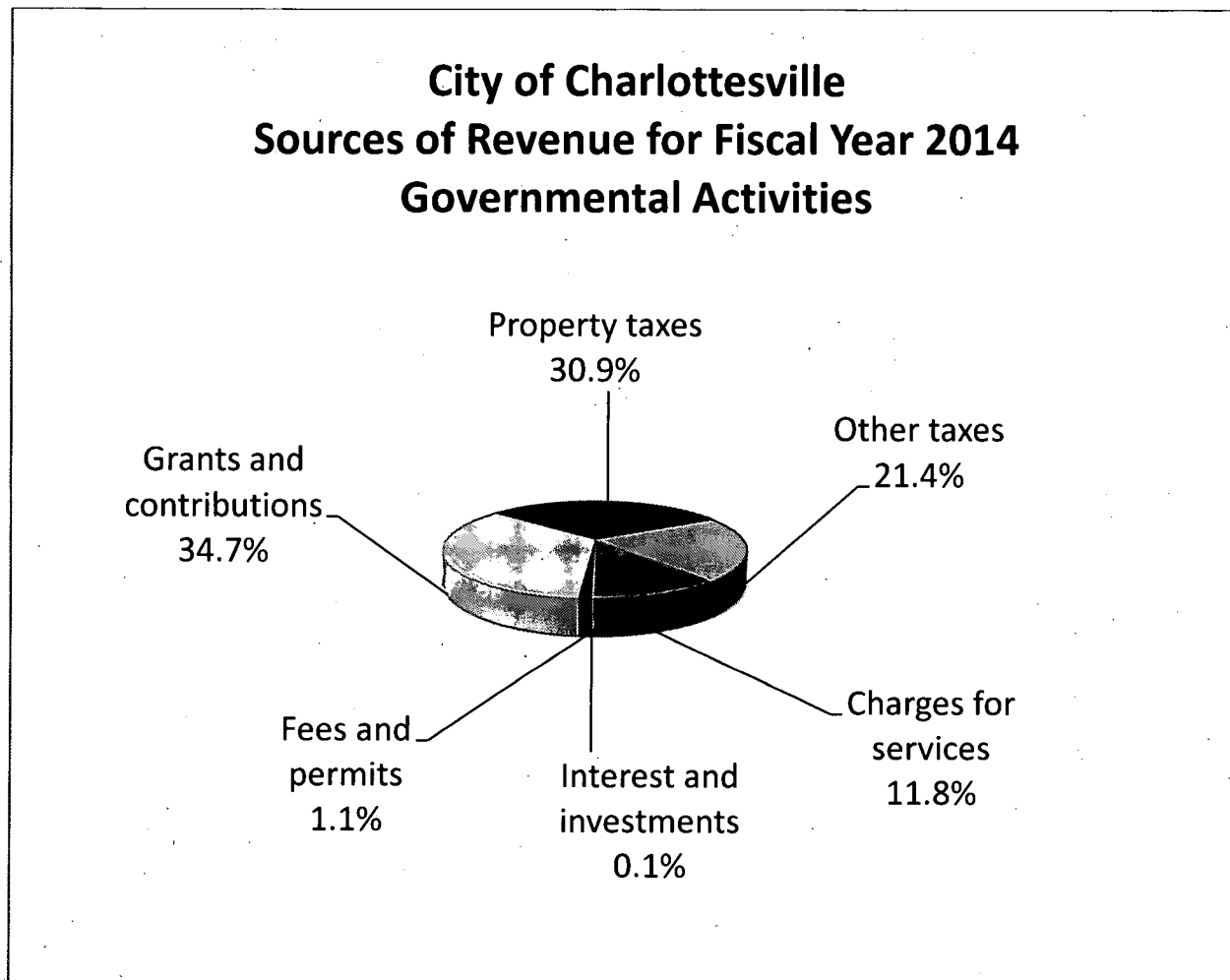
## Governmental Activities

The City's total revenues from governmental activities were \$188.1 million for the fiscal year ended June 30, 2014, an increase of \$6.3 million. The more significant changes are the following:

- Property taxes – an increase of \$2.1 million, primarily from an increase in meals tax, business license tax revenues, and personal property taxes.
- Grants and contributions – a decrease of \$3.6 million, primarily decreased grant awards.
- Capital grants and contributions – an increase of \$6.7 million, primarily from an increase in reimbursed revenues received for construction on the Route 250 Bypass.

Approximately 52.3% of the City's revenue from governmental activities comes from property and other taxes (52.5% in 2013).

## Revenues by Source – Governmental Activities

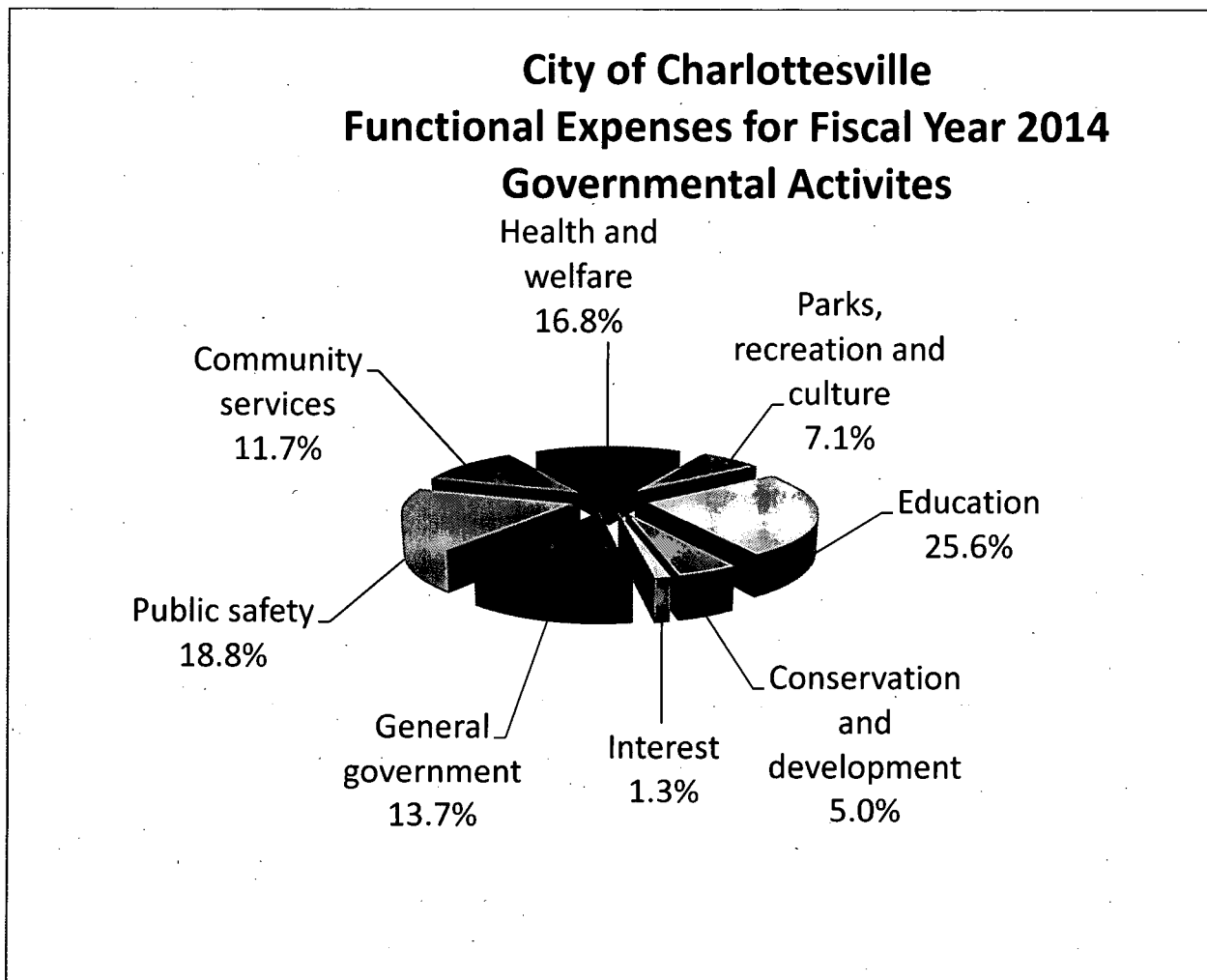


The City's expenses decreased by \$6 million in 2014. Expenses for fiscal year 2014 cover a wide range of services, with 16.8% or \$29.8 million related to health and welfare, 25.6% or \$45.4 million for education (primarily payments to the City's Public Schools, a component unit), and 18.8% or \$33.4

million related to public safety. For fiscal year 2014, the City changed its spending in the following areas:

- Education – a decrease of \$6.3 million, representing the prior year's transfer of capital assets to the public schools, a component unit.
- Conservation and development – a decrease of \$1.5 million, primarily due to decreased grant awards and spending being focused in other areas.

#### Expenses by Function – Governmental Activities

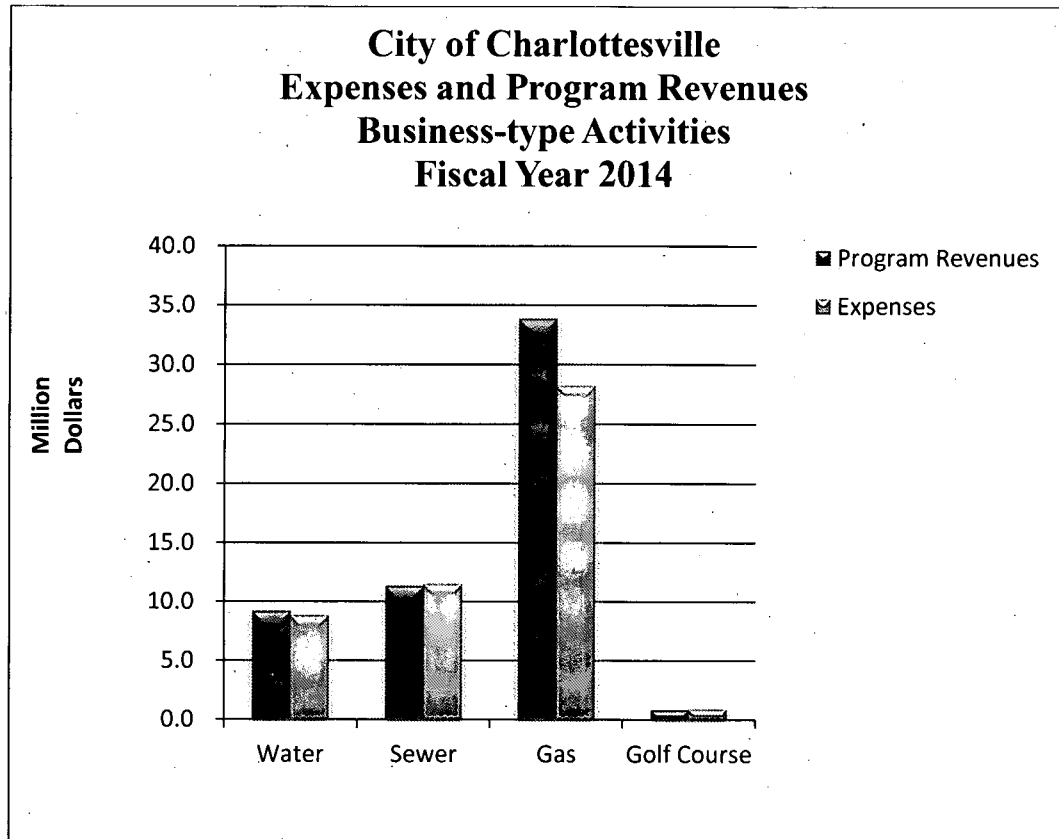




### Business-Type Activities

Net position for the City's business-type activities increased by \$1.3 million primarily due to a colder winter resulting in higher gas consumption by the University of Virginia and all customers.

Gas wholesale prices increased during the Fiscal year of 2014, starting with a price of \$3.707 per the NYMEX index in July 2013 and ending with a price of \$4.619 in June 2014. There was also an increased consumption by the University of Virginia for gas and an increase in consumption by all consumers due to the colder than normal winter, resulting in an increase in utility revenues.



### FINANCIAL ANALYSIS OF THE CITY'S FUNDS

The City of Charlottesville uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

#### Governmental Funds

The focus of Charlottesville's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. In particular, restricted, committed, assigned, and unassigned fund balances may serve as a useful measure of a city's net resources available at the end of a fiscal year. For the fiscal year ended June 30, 2014, the governmental funds reported combined ending fund balances of \$61.1 million, a decrease of \$3.6 million in comparison with the prior year. Included in this are the following major transactions:

- \$23.2 million spent in the Capital Projects Fund for capital outlay to fund Route 250 Bypass/Meadowcreek Parkway, Buford STEM Lab, CHS STEM Lab, Ivy Rd/Fontaine Ave Fire Station, Belmont Bridge Replacement, Park Land Acquisitions, CHS Site Lighting – Phase III, Rives Park Renovations, Central Library Restroom Renovation, Land purchase for improvements and use for school programs, Parks and Recreation Improvements, School Improvements, and bridge, road and sidewalk construction and other projects.
- \$44.1 million contributed by the City's governmental funds to finance the Public Schools' operations.

Approximately \$27.4 million of the combined total fund balances constitutes committed and assigned fund balance, which generally is available for spending at the government's discretion. This balance includes \$11.9 million committed for debt service. It also includes \$1.3 million for non-major governmental funds.

Nonspendable fund balance is \$1.5 million. This amount represents assets that are not readily available to the City for current expenditures. The City also has \$4.9 million in restricted fund balance. Restricted fund balance represents resources that have restrictions placed on them by an outside party. In this case, the City has received grant funds that must be used for a specific purpose and has also received bond proceeds that have not yet been spent.

The remaining fund balance at June 30, 2014, indicated as unassigned, is \$27.3 million in the General Fund. This amount represents 19.8% of General Fund expenditures and transfers (net) and is a measure of the General Fund's liquidity. Total fund balance of the General Fund increased by \$0.9 million in fiscal year 2014.

### **Proprietary Funds**

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

The Water Fund had a decrease in net position of \$408,546. The Sewer Fund had a decrease in net position of \$954,537. The Gas Fund had an increase in net position of \$1.5 million. The Stormwater Fund had an increase in net position of \$853,629. The Golf Fund had a decrease in net position of \$73,415.

## GENERAL FUND BUDGETARY HIGHLIGHTS

### General Fund For the Year Ended June 30, 2014

Table III

	Original Budget	Amended Budget	Actual	Variance Positive (Negative)
Revenues				
Property taxes	\$ 58,616,898	\$ 50,623,542	\$ 51,533,641	\$ 910,099
Other taxes	38,090,620	46,083,976	47,166,289	1,082,313
Intergovernmental	29,533,446	29,610,003	30,384,084	774,081
Other	10,127,477	10,603,858	9,918,050	(685,808)
Total	136,368,441	136,921,379	139,002,064	2,080,685
Expenditures and transfers (net)				
Expenditures	119,532,491	126,773,803	120,694,692	6,079,111
Transfers (net)	15,449,430	17,917,684	17,405,806	511,878
Total	134,981,921	144,691,487	138,100,498	6,590,989
Change in Fund Balance	\$ 1,386,520	\$ (7,770,108)	\$ 901,566	\$ 8,671,674

The City's budget ordinance includes, as part of the original budget for expenditures, the amount of \$435,987 for encumbrances re-appropriated from June 30, 2013, as well as continuing appropriations from the prior year totaling \$7,931,392 and \$2,549,358 for Landfill Remediation Reserve.

Differences between the original and the final amended budget for the City's General Fund for expenditures and other financing uses, net, totaled \$9,709,566. This difference is primarily due to the continuing appropriations from the prior year and supplemental appropriations during the year.

Actual total revenues were greater than the amended budget by \$2,080,685, primarily due to higher than estimated tax revenues. Several of the significant differences between budgeted and actual revenue were in meals tax, real estate tax and personal property tax. Expenditures and transfers were below budget by \$6.6 million.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

The City of Charlottesville's investment in capital assets for its governmental and business-type activities as of June 30, 2014, amounts to \$289.3 million (net of depreciation). This investment includes land, municipal and school buildings and improvements, water, sewer and gas distribution systems, machinery and equipment, roads, and bridges.

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

- Central Library Restroom Renovation
- Route 250 Bypass/Meadowcreek Parkway
- Fontaine Fire Station
- Buford and CHS STEM Labs
- Land Purchase for Future Improvements and use for School Programs
- Charlottesville High School Site Lighting – Phase III
- Parkland Acquisitions

The City's fiscal year 2014 capital budget provides approximately \$11.2 million for various capital projects. Some of the major categories include \$2.3 million in school related projects, \$3.5 million for transportation projects, \$1 million for parks and recreation facility improvements, \$1.3 million for facility capital projects, \$0.8 million for stormwater initiatives, \$0.1 million for public safety and justice, \$0.2 million for economic development, and \$2 million for other governmental commitments. General obligation bonds have been issued for a portion of the funding, in accordance with the City's on-going, five year capital plan.

**City of Charlottesville's Capital Assets**  
(net of accumulated depreciation)  
**June 30, 2014 and 2013**

**Table IV**

	Governmental Activities		Business-Type Activities		Total		Total Percentage Change 2013-2014
	2014	2013	2014	2013	2014	2013	
Land	\$ 18,514,142	\$ 17,316,007	\$ 2,114,048	\$ 2,114,048	\$ 20,628,190	\$ 19,430,055	6.2 %
Assets under construction	19,531,560	-	-	-	19,531,560.00	-	-
Buildings and improvements	108,120,349	109,506,181	563,339	599,966	108,683,688	110,106,147	(1.3)
Vehicles	11,096,263	10,064,720	591,087	644,763	11,687,350	10,709,483	9.1
Equipment	4,010,050	5,032,872	961,372	918,664	4,971,422	5,951,536	(16.5)
Streets	24,496,480	25,190,452	-	-	24,496,480	25,190,452	(2.8)
Bridges	2,946,895	3,030,022	-	-	2,946,895	3,030,022	(2.7)
Infrastructure	32,533,874	33,550,702	-	-	32,533,874	33,550,702	(3.0)
Distribution and collection systems	-	-	63,772,921	58,721,614	63,772,921	58,721,614	8.6
<b>Total</b>	<b>\$ 221,249,613</b>	<b>\$ 203,690,956</b>	<b>\$ 68,002,767</b>	<b>\$ 62,999,055</b>	<b>\$ 289,252,380</b>	<b>\$ 266,690,011</b>	<b>8.5</b>

Additional information about the City of Charlottesville's capital assets can be found in note 8 of the notes to the financial statements.

**Long-term Liabilities**

At the end of the current fiscal year, the City of Charlottesville had total bonded debt (including notes payable and literary loans) outstanding of \$126.3 million. This entire amount is backed by the full faith and credit of the City and \$48.1 million is being repaid by the City's utilities.

**City of Charlottesville's Outstanding Debt  
General Obligation Bonds, Literary Loans and Notes Payable  
June 30, 2014 and 2013**

**Table V**

	Governmental Activities		Business-Type Activities		Total		Total Percentage Change
	2014	2013	2014	2013	2014	2013	2013-2014
General obligation bonds	\$ 78,067,345	\$ 78,676,333	\$ 48,149,184	\$ 43,325,574	\$ 126,216,529	\$ 122,001,907	3.5 %
Literary loans payable	50,403	70,421	-	-	50,403	70,421	(28.4)
Installment notes payable	-	402,486	-	-	-	402,486	(100.0)
Total	<u>\$ 78,117,748</u>	<u>\$ 79,149,240</u>	<u>\$ 48,149,184</u>	<u>\$ 43,325,574</u>	<u>\$ 126,266,932</u>	<u>\$ 122,474,814</u>	3.1

Charlottesville's total debt increased by \$3.8 million during the fiscal year. On its most recent bond issue in May 2014, the City's bond rating was reaffirmed by Standard & Poor's Corporation and Moody's Investors Service, as AAA and Aaa, respectively.

State statutes limit the amount of general obligation debt a government entity may issue to 10 percent of its total assessed valuation of real property. The current debt limitation for the City of Charlottesville is \$550,366,950. This is significantly more than the City's current total outstanding debt.

Additional information on the City of Charlottesville's long-term liabilities can be found in note 9 of the notes to the financial statements.

### **ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES**

- The City's unemployment rate has stabilized from its high in 2010 and as of July 2014 is at 5.4%. This compares favorably to the national unemployment rate of 6.5%, and is the same as the state's rate of 5.4%.
- City employment levels increased slightly from 20,256 in July 2013 to 21,149 in July 2014 based on current Virginia Employment Commission statistics.
- The City has a population of 46,623, according to the Weldon Cooper Center for Public Service.

These indicators were taken into account when adopting the General Fund budget for 2014. Amounts available for appropriation in the General Fund budget for 2014 are \$148.2 million, an increase of 1.3% over the 2013 budget of \$146.3 million.

### **CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide citizens, taxpayers, customers, investors, and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the funds it receives. If you have questions about this report or need additional financial information, contact the Director of Finance, City of Charlottesville, 605 East Main Street, Charlottesville, Virginia 22902.

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## **BASIC FINANCIAL SECTION**

**STATEMENT OF NET POSITION**  
**JUNE 30, 2014**

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	School Board	Economic Development Authority
<b>ASSETS</b>					
Cash and cash equivalents (note 3)	\$ 54,277,006	\$ 30,013,813	\$ 84,290,819	\$ 7,199,598	\$ 2,185,039
Investments (note 3)	17,983,172	-	17,983,172	-	985,290
Interest receivable	46,773	-	46,773	-	-
Accounts receivable, net	396,703	4,321,862	4,718,565	1,094,523	-
Special assessments receivable	3,997	-	3,997	-	-
Taxes receivable, net	30,488,461	-	30,488,461	-	-
Loans receivable (note 5)	2,503,663	-	2,503,663	-	-
Notes receivable	-	-	-	-	1,318,401
Due from other governments (note 6)	12,936,085	-	12,936,085	2,608,300	-
Internal balances	(1,794,494)	1,794,494	-	-	-
Inventories	208,207	426,416	634,623	48,655	-
Prepaid expenses	157,112	2,598,980	2,756,092	-	-
Prepaid rent	-	-	-	-	22
Net OPEB asset (note 11)	718,628	-	718,628	-	-
Capital assets (note 8):					
Capital assets not being depreciated	38,045,702	2,114,048	40,159,750	982,889	-
Capital assets being depreciated	183,203,911	65,888,719	249,092,630	25,619,485	-
<b>Total assets</b>	<b>339,174,926</b>	<b>107,158,332</b>	<b>446,333,258</b>	<b>37,553,450</b>	<b>4,488,752</b>
<b>DEFERRED OUTFLOW OF RESOURCES</b>					
Deferred charges on refunding resulting in loss transactions	81,495	69,372	150,867	-	-
<b>LIABILITIES</b>					
Accounts payable	7,153,985	4,435,502	11,589,487	945,707	-
Accrued liabilities	4,285,597	178,566	4,464,163	5,585,417	189,537
Customer deposits	-	827,958	827,958	-	65,895
Due to other governments	1,130,534	-	1,130,534	-	-
Unearned revenue	5,083	24,467	29,550	53,028	201,782
Accrued interest payable	851,443	525,970	1,377,413	-	-
Long-term liabilities (note 9):					
Due within one year	8,682,499	3,171,316	11,853,815	723,607	130,000
Due in more than one year	78,338,362	47,470,369	125,808,731	2,200,264	-
<b>Total liabilities</b>	<b>100,447,503</b>	<b>56,634,148</b>	<b>157,081,651</b>	<b>9,508,023</b>	<b>587,214</b>
<b>DEFERRED INFLOW OF RESOURCES</b>					
Deferred tax revenue	28,742,520	-	28,742,520	-	-
Deferred charges on refunding resulting in gain transactions	1,063,638	179,526	1,243,164	-	-
<b>Total deferred inflow of resources</b>	<b>29,806,158</b>	<b>179,526</b>	<b>29,985,684</b>	<b>-</b>	<b>-</b>
<b>NET POSITION</b>					
Net investment in capital assets	139,313,423	25,036,215	164,349,638	26,141,646	-
Restricted for: (note 2a)					
General government	269,203	-	269,203	-	-
Public safety	548,074	-	548,074	-	-
Education	73,084	-	73,084	1,581,104	-
Health and welfare	107,494	-	107,494	-	-
Conservation and development	1,443,581	-	1,443,581	-	200,000
Permanent fund, nonexpendable	162,501	-	162,501	-	-
Unrestricted	67,085,400	25,377,815	92,463,215	322,677	3,701,538
<b>Total net position</b>	<b>\$ 209,002,760</b>	<b>\$ 50,414,030</b>	<b>\$ 259,416,790</b>	<b>\$ 28,045,427</b>	<b>\$ 3,901,538</b>

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



## CITY OF CHARLOTTESVILLE, VIRGINIA

## EXHIBIT B

STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2014

FUNCTIONS/PROGRAMS	Program Revenues				Net (Expense) Revenue and Changes in Net Position			Component Units	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			School Board	Economic Development Authority
					Governmental Activities	Business-type Activities	Total		
PRIMARY GOVERNMENT:									
Governmental activities:									
General government	\$ 24,270,356	\$ 14,156,093	\$ 2,275,679	\$ -	\$ (7,838,584)	\$ -	\$ (7,838,584)		
Public safety	33,358,970	10,969	2,647,082	-	(30,700,919)	-	(30,700,919)		
Community services	20,704,251	1,820,062	8,184,560	13,486,069	2,786,440	-	2,786,440		
Health and welfare	29,785,968	4,203,244	15,664,102	-	(9,918,622)	-	(9,918,622)		
Parks, recreation and culture	12,666,217	1,785,912	265,890	-	(10,614,415)	-	(10,614,415)		
Education (includes contribution to school board)	45,368,328	273,615	232,043	-	(44,862,670)	-	(44,862,670)		
Conservation and development	8,870,158	27,506	63,905	16,839	(8,761,908)	-	(8,761,908)		
Interest on long-term debt	2,241,591	-	-	-	(2,241,591)	-	(2,241,591)		
Total governmental activities	177,265,839	22,277,401	29,333,261	13,502,908	(112,152,269)	-	(112,152,269)		
Business-type activities:									
Water	8,834,334	9,163,447	-	-	-	329,113	329,113		
Sewer	11,503,795	11,338,460	-	-	-	(165,335)	(165,335)		
Gas	28,239,126	33,856,411	-	-	-	5,617,285	5,617,285		
Stormwater	136,514	940,046	-	-	-	803,532	803,532		
Golf	901,509	840,462	-	-	-	(61,047)	(61,047)		
Total business-type activities	49,615,278	56,138,826	-	-	-	6,523,548	6,523,548		
TOTAL PRIMARY GOVERNMENT	\$ 226,881,117	\$ 78,416,227	\$ 29,333,261	\$ 13,502,908	(112,152,269)	6,523,548	(105,628,721)		
COMPONENT UNITS:									
Economic Development Authority	\$ 626,078	\$ 616,875	\$ -	\$ -				\$ -	\$ (9,203)
School Board	65,298,601	3,001,456	9,670,976	-				(52,626,169)	-
TOTAL COMPONENT UNITS	\$ 65,924,679	\$ 3,618,331	\$ 9,670,976	\$ -				(52,626,169)	(9,203)
General Revenues:									
General property taxes					58,158,711	-	58,158,711	-	-
Sales tax					10,747,757	-	10,747,757	-	-
Utility tax					4,539,149	-	4,539,149	-	-
Communications tax					3,221,105	-	3,221,105	-	-
Meals tax					8,156,709	-	8,156,709	-	-
Lodgings tax					2,933,227	-	2,933,227	-	-
Other taxes					4,139,312	-	4,139,312	-	-
Business license tax					6,442,386	-	6,442,386	-	-
Grants and contributions not restricted to specific programs					24,353,298	-	24,353,298	12,894,380	-
Payment from City					-	-	-	38,188,615	-
Interest and investment earnings					259,548	32,668	292,216	1,486	64,060
Transfers, net					5,276,645	(5,276,645)	-	-	-
Total general revenues and transfers					128,227,847	(5,243,977)	122,983,870	51,084,481	64,060
Change in net position					16,075,578	1,279,571	17,355,149	(1,541,688)	54,857
Net position - July 1, 2013					192,927,182	49,134,459	242,061,641	29,587,115	3,846,681
Net position - June 30, 2014					\$ 209,002,760	\$ 50,414,030	\$ 259,416,790	\$ 28,045,427	\$ 3,901,538

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

## CITY OF CHARLOTTESVILLE, VIRGINIA

EXHIBIT C

**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**JUNE 30, 2014**

	General Fund	Capital Projects Fund	Debt Service Fund	Social Services Fund	Other Governmental Funds	Total
<b>ASSETS</b>						
Cash and cash equivalents	\$ 15,968,483	\$ 8,688,652	\$ 11,912,980	\$ 69,109	\$ 1,193,744	\$ 37,832,968
Investments	17,983,172	-	-	-	-	17,983,172
Interest receivable	46,773	-	-	-	-	46,773
Accounts receivable, net	314,446	-	-	12,950	39,388	366,784
Taxes receivable, net	30,488,462	-	-	-	-	30,488,462
Special assessments receivable	-	3,997	-	-	-	3,997
Due from other governments (note 6)	3,086,762	3,724,095	-	560,503	5,564,725	12,936,085
Due from other funds (note 7)	3,680,730	-	-	-	-	3,680,730
Loans receivable (note 5)	-	1,370,000	-	-	1,133,663	2,503,663
Total assets	<u>\$ 71,568,828</u>	<u>\$ 13,786,744</u>	<u>\$ 11,912,980</u>	<u>\$ 642,562</u>	<u>\$ 7,931,520</u>	<u>\$ 105,842,634</u>
<b>LIABILITIES AND FUND BALANCES</b>						
<b>LIABILITIES:</b>						
Accounts payable	\$ 1,266,138	\$ 5,473,559	\$ -	\$ 18,889	\$ 284,727	\$ 7,043,313
Accrued liabilities	2,564,329	70,254	45,000	207,915	1,157,588	4,045,086
Due to other governments	-	-	-	-	1,130,534	1,130,534
Due to other funds (note 7)	-	-	-	57,434	3,502,164	3,559,598
Unearned revenue - other	5,083	-	-	-	-	5,083
Total liabilities	<u>3,835,550</u>	<u>5,543,813</u>	<u>45,000</u>	<u>284,238</u>	<u>6,075,013</u>	<u>15,783,614</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Deferred tax revenue	28,925,464	-	-	-	-	28,925,464
<b>FUND BALANCES (note 2b):</b>						
Nonspendable	-	1,370,000	-	-	172,501	1,542,501
Restricted	725,441	3,880,755	-	-	335,995	4,942,191
Committed	7,004,685	2,992,176	11,867,980	341,914	-	22,206,755
Assigned	3,786,220	-	-	16,410	1,348,011	5,150,641
Unassigned	27,291,468	-	-	-	-	27,291,468
Total fund balances	<u>38,807,814</u>	<u>8,242,931</u>	<u>11,867,980</u>	<u>358,324</u>	<u>1,856,507</u>	<u>61,133,556</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 71,568,828</u>	<u>\$ 13,786,744</u>	<u>\$ 11,912,980</u>	<u>\$ 642,562</u>	<u>\$ 7,931,520</u>	<u>\$ 105,842,634</u>

(continued)

## CITY OF CHARLOTTESVILLE, VIRGINIA

EXHIBIT C, CONTINUED

**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**JUNE 30, 2014**

Total fund balances per Balance Sheet for Governmental Funds	\$ 61,133,556
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Amounts reported for governmental activities in the Statement of Net Position  
(Exhibit A) are different because:

Capital assets used in government activities are not financial resources and therefore are not reported in the fund statements. The Statement of Net Position, however, includes these assets, net of accumulated depreciation.

220,211,387

Other long-term assets are not available to pay current-period expenditures and therefore are deferred in the governmental funds and are not included in fund balance.

Property taxes receivable

182,946

Net OPEB asset

718,628

Internal service funds are used by management to charge the cost of certain activities, such as insurance and telecommunication to individual funds. The assets and liabilities of certain internal service funds are included in governmental activities in the Statement of Net Position.

Internal Service Funds net position

12,930,563

Some liabilities, including general governmental bonds payable, are not due and payable in the current period and therefore are not reported as fund liabilities. All liabilities are included in the Statement of Net Position.

Accrued interest payable

(851,443)

Unamortized premium on bonds

(4,121,342)

Bonds and loans payable

(78,117,748)

Deferred amount of refunding

(982,143)

Compensated absences

(2,101,644)

Net position of governmental activities

\$ 209,002,760

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

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2014**

	General Fund	Capital Projects Fund	Debt Service Fund	Social Services Fund	Other Governmental Funds	Total
<b>REVENUES</b>						
Taxes	\$ 98,699,930	\$ -	\$ -	\$ -	\$ -	\$ 98,699,930
Fees and permits	1,966,895	-	-	-	-	1,966,895
Intergovernmental	30,384,084	12,206,322	170,452	8,534,690	15,130,752	66,426,300
Charges for services	5,864,471	-	-	-	5,055,910	10,920,381
Fines	393,398	-	-	-	-	393,398
Investment earnings	247,921	-	11,627	-	-	259,548
Miscellaneous	1,445,365	347,237	-	34,412	139,746	1,966,760
Total revenues	139,002,064	12,553,559	182,079	8,569,102	20,326,408	180,633,212
<b>EXPENDITURES</b>						
Current:						
General government	14,325,138	500,082	-	-	-	14,825,220
Public safety	32,373,829	7,131	-	-	228,239	32,609,199
Community service	7,912,046	2,817,118	-	-	11,067,365	21,796,529
Health and welfare	4,826,561	-	-	11,801,241	13,321,137	29,948,939
Parks, recreation and culture	11,255,362	388,515	-	-	95,945	11,739,822
Education	44,114,873	164,139	-	-	-	44,279,012
Conservation and development	4,911,427	2,134,408	-	-	423,700	7,469,535
Other activities	975,456	-	-	-	-	975,456
Debt service:						
Retirement of principal	-	-	6,685,521	-	-	6,685,521
Interest	-	-	2,725,366	-	-	2,725,366
Miscellaneous	-	-	100,571	-	-	100,571
Capital outlay	-	23,165,369	-	-	-	23,165,369
Total expenditures	120,694,692	29,176,762	9,511,458	11,801,241	25,136,386	196,320,539
Revenues over (under) expenditures	18,307,372	(16,623,203)	(9,329,379)	(3,232,139)	(4,809,978)	(15,687,327)
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers in (note 7)	5,576,645	6,389,022	9,017,662	3,230,761	5,077,895	29,291,985
Transfers out (note 7)	(22,982,451)	(311,015)	-	-	(63,389)	(23,356,855)
Issuance of debt (note 9)	-	5,740,000	-	-	-	5,740,000
Refunding bonds issued (note 9)	-	-	1,390,695	-	-	1,390,695
Premium on issuance of debt (note 9)	-	293,084	124,402	-	-	417,486
Payment to refunding bond escrow agent	-	-	(1,506,186)	-	-	(1,506,186)
Sale of capital assets	-	107,650	-	-	-	107,650
Total other financing sources (uses)	(17,405,806)	12,218,741	9,026,573	3,230,761	5,014,506	12,084,775
Net change in fund balance	901,566	(4,404,462)	(302,806)	(1,378)	204,528	(3,602,552)
<b>FUND BALANCE - JULY 1, 2013</b>	<b>37,906,248</b>	<b>12,647,393</b>	<b>12,170,786</b>	<b>359,702</b>	<b>1,651,979</b>	<b>64,736,108</b>
<b>FUND BALANCE - JUNE 30, 2014</b>	<b>\$ 38,807,814</b>	<b>\$ 8,242,931</b>	<b>\$ 11,867,980</b>	<b>\$ 358,324</b>	<b>\$ 1,856,507</b>	<b>\$ 61,133,556</b>

(continued)

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2014**

Net change in fund balances - total governmental funds (Exhibit D) \$ (3,602,552)

Amounts reported for governmental activities in the Statement of Activities (Exhibit B) are different because:

Governmental funds report the cost of equipment and facilities acquired as current expenditures while the Statement of Activities reports depreciation expense to allocate those expenditures over the life of the assets.

Change in capital assets	27,697,576
Depreciation expense	(9,728,290)

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

Property taxes	(361,574)
Loss on sale of assets	(26,743)

Debt proceeds provide current financing resources to governmental funds but debt issues increase long-term liabilities in the Statement of Net Position. Principal payments are expenditures in governmental funds but reduce long-term liabilities in the Statement of Net Position

New debt issued	(6,243,458)
Principal payments	6,685,521

Governmental funds report interest on long-term debt as expenditures when payments are due, while the Statement of Activities reports interest expense on the accrual basis.

Change in accrued interest	(22,453)
Amortization of bond premium	466,576
Amortization of deferred amount of refunding	110,237

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.

Compensated absences	(56,818)
Net OPEB asset	9,806

The net expense of internal service funds is combined with governmental activities on the Statement of Activities.

1,147,750

Change in net position of governmental activities

\$ 16,075,578

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

**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**JUNE 30, 2014**

	Business - Type Activities - Enterprise Funds						Internal Service Funds
	Water	Sewer	Gas	Stormwater	Golf	Total	
<b>ASSETS</b>							
Current assets:							
Cash and cash equivalents	\$ 7,621,558	\$ 6,974,339	\$ 14,225,478	\$ 1,066,611	\$ 1,100	\$ 29,889,086	\$ 16,568,765
Accounts receivable, net	654,565	519,941	660,832	20,173	755	1,856,266	29,919
Unbilled accounts receivable	641,428	818,816	1,005,352	-	-	2,465,596	-
Inventories	-	-	-	-	25,027	25,027	609,596
Prepaid expenses	-	-	2,598,980	-	-	2,598,980	157,112
Total current assets	8,917,551	8,313,096	18,490,642	1,086,784	26,882	36,834,955	17,365,392
Noncurrent assets:							
Capital assets (note 8):							
Land	-	-	584,291	-	1,337,432	1,921,723	-
Easements	12,625	95,600	84,100	-	-	192,325	-
Buildings and improvements	-	39,014	-	-	1,819,260	1,858,274	-
Vehicles	222,661	744,954	1,148,876	-	13,732	2,130,223	140,495
Transmission lines and mains	26,785,323	35,902,864	39,179,463	-	-	101,867,650	-
Equipment	679,658	383,356	1,960,044	-	183,757	3,206,815	10,418,675
Total capital assets	27,700,267	37,165,788	42,956,774	-	3,354,181	111,177,010	10,559,170
Less accumulated depreciation	(10,118,985)	(6,131,680)	(25,463,239)	-	(1,474,720)	(43,188,624)	(9,506,563)
Net noncurrent assets	17,581,282	31,034,108	17,493,535	-	1,879,461	67,988,386	1,052,607
Total assets	26,498,833	39,347,204	35,984,177	1,086,784	1,906,343	104,823,341	18,417,999
<b>DEFERRED OUTFLOW OF RESOURCES</b>							
Deferred charges on refunding resulting in loss transactions	16,280	27,959	25,133	-	-	69,372	-
<b>LIABILITIES</b>							
Accounts payable	1,089,231	1,366,919	1,936,739	1,112	15,516	4,409,517	136,657
Accrued liabilities	19,868	23,092	104,814	3,942	24,603	176,319	242,762
Accrued interest payable	267,040	235,860	23,070	-	-	525,970	-
Customer deposits	184,138	-	643,820	-	-	827,958	-
Unearned revenue	-	-	-	24,467	-	24,467	-
Due to other funds (note 7)	-	-	-	-	121,132	121,132	-
Long-term liabilities (note 9):							
Due within one year	1,015,961	1,530,429	621,809	305	2,483	3,170,987	2,348,373
Due in more than one year	16,465,000	28,974,947	1,806,470	203,329	18,208	47,467,954	334,497
Total liabilities	19,041,238	32,131,247	5,136,722	233,155	181,942	56,724,304	3,062,289
<b>DEFERRED INFLOW OF RESOURCES</b>							
Deferred charges on refunding resulting in gain transactions	91,913	76,871	10,742	-	-	179,526	-
<b>NET POSITION</b>							
Net investment in capital assets	3,075,296	4,700,809	15,366,268	-	1,879,461	25,021,834	1,052,607
Unrestricted	4,306,666	2,466,236	15,495,578	853,629	(155,060)	22,967,049	14,303,103
Total net position	\$ 7,381,962	\$ 7,167,045	\$ 30,861,846	\$ 853,629	\$ 1,724,401	\$ 47,988,883	\$ 15,355,710

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

**RECONCILIATION OF THE PROPRIETARY FUNDS  
STATEMENT OF NET POSITION TO THE  
STATEMENT OF NET POSITION FOR BUSINESS-TYPE ACTIVITIES  
JUNE 30, 2014**

	<b>Total Enterprise Funds</b>	<b>Internal Service Funds Allocation</b>	<b>Business-Type Activities Statement of Net Position</b>
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ 29,889,086	\$ 124,727	\$ 30,013,813
Accounts receivable, net	1,856,266	-	1,856,266
Unbilled accounts receivable	2,465,596	-	2,465,596
Due from other funds	-	1,915,626	1,915,626
Inventories	25,027	401,389	426,416
Prepaid expenses	2,598,980	-	2,598,980
Total current assets	36,834,955	2,441,742	39,276,697
Noncurrent assets:			
Capital assets:			
Land	1,921,723	-	1,921,723
Easements	192,325	-	192,325
Buildings and improvements	1,858,274	-	1,858,274
Vehicles	2,130,223	-	2,130,223
Transmission lines and mains	101,867,650	-	101,867,650
Equipment	3,206,815	20,067	3,226,882
Total capital assets	111,177,010	20,067	111,197,077
Less accumulated depreciation	(43,188,624)	(5,686)	(43,194,310)
Net noncurrent assets	67,988,386	14,381	68,002,767
Total assets	104,823,341	2,456,123	107,279,464
<b>DEFERRED OUTFLOW OF RESOURCES</b>			
Deferred charges on refunding resulting in loss transactions	69,372	-	69,372
<b>LIABILITIES</b>			
Accounts payable	4,409,517	25,985	4,435,502
Accrued liabilities	176,319	2,247	178,566
Accrued interest payable	525,970	-	525,970
Customer deposits	827,958	-	827,958
Unearned revenues	24,467	-	24,467
Due to other funds	121,132	-	121,132
Long-term liabilities:			
Due within one year	3,170,987	329	3,171,316
Due in more than one year	47,467,954	2,415	47,470,369
Total liabilities	56,724,304	30,976	56,755,280
<b>DEFERRED INFLOW OF RESOURCES</b>			
Deferred charges on refunding	179,526	-	179,526
<b>NET POSITION:</b>			
Net investment in capital assets	25,021,834	14,381	25,036,215
Unrestricted	22,967,049	2,410,766	25,377,815
Total net position	\$ 47,988,883	\$ 2,425,147	\$ 50,414,030

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

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2014**

	Business - Type Activities - Enterprise Funds						Internal Service Funds
	Water	Sewer	Gas	Stormwater	Golf	Total	
<b>OPERATING REVENUES</b>							
Utility charges	\$ 8,426,445	\$ 10,583,926	\$ 33,238,063	\$ 940,046	\$ -	\$ 53,188,480	\$ -
Other charges for services	309,425	32,171	600,085	-	840,462	1,782,143	24,987,745
Total operating revenues	8,735,870	10,616,097	33,838,148	940,046	840,462	54,970,623	24,987,745
<b>OPERATING EXPENSES</b>							
Purchases for resale	4,377,703	7,433,232	18,700,753	-	35,528	30,547,216	2,414,117
Personnel costs	1,139,255	1,180,892	4,267,173	92,554	441,558	7,121,432	3,203,032
Materials and supplies	279,458	179,666	668,719	1,545	118,930	1,248,318	235,123
Contractual services and charges	1,711,408	1,091,520	3,529,781	39,906	274,058	6,646,673	2,849,022
Depreciation	736,976	757,213	1,228,068	-	43,803	2,766,060	480,663
Claims incurred	-	-	-	-	-	-	11,669,587
Insurance premiums	-	-	-	-	-	-	2,324,077
Total operating expenses	8,244,800	10,642,523	28,394,494	134,005	913,877	48,329,699	23,175,621
Operating income (loss)	491,070	(26,426)	5,443,654	806,041	(73,415)	6,640,924	1,812,124
<b>NONOPERATING REVENUES (EXPENSES)</b>							
Interest expense	(579,267)	(826,077)	(69,753)	-	-	(1,475,097)	-
Interest income	10,124	10,943	11,504	97	-	32,668	-
Bond issuance expense	(42,765)	(66,860)	(4,907)	(2,509)	-	(117,041)	-
Capacity fees	421,050	721,425	-	-	-	1,142,475	-
Insurance recovery	200	-	2,096	-	-	2,296	331,577
Total nonoperating revenues (expenses), net	(190,658)	(160,569)	(61,060)	(2,412)	-	(414,699)	331,577
Income (loss) before contributions and transfers	300,412	(186,995)	5,382,594	803,629	(73,415)	6,226,225	2,143,701
Transfers in	-	-	-	50,000	-	50,000	82,000
Transfers out	(708,958)	(767,542)	(3,850,145)	-	-	(5,326,645)	(740,485)
Total transfers, net	(708,958)	(767,542)	(3,850,145)	50,000	-	(5,276,645)	(658,485)
Change in net position	(408,546)	(954,537)	1,532,449	853,629	(73,415)	949,580	1,485,216
Total net position - July 1, 2013	7,790,508	8,121,582	29,329,397	-	1,797,816	47,039,303	13,870,494
Total net position - June 30, 2014	\$ 7,381,962	\$ 7,167,045	\$ 30,861,846	\$ 853,629	\$ 1,724,401	\$ 47,988,883	\$ 15,355,710
Change in net positions						\$ 949,580	
Warehouse external sales						23,432	
Expenses associated with warehouse external sales						(22,925)	
Total allocation of warehouse external sales						507	
Internal service fund allocations						329,484	
Changes in net positions of business-type activities						\$ 1,279,571	

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



## CITY OF CHARLOTTESVILLE, VIRGINIA

## EXHIBIT E-4

**RECONCILIATION OF THE PROPRIETARY FUNDS STATEMENT OF  
REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION  
TO THE STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2014**

	Water Fund	Sewer Fund	Gas Fund	Stormwater Fund	Golf Fund	Total
<b>DIRECT REVENUES</b>						
Charges for services	\$ 8,735,870	\$ 10,616,097	\$ 33,838,148	\$ 940,046	\$ 840,462	\$ 54,970,623
Capacity fees	421,050	721,425	-	-	-	1,142,475
Insurance recovery	200	-	2,096	-	-	2,296
Warehouse external sales	6,327	938	16,167	-	-	23,432
Program revenues - Statement of Activities	9,163,447	11,338,460	33,856,411	940,046	840,462	56,138,826
<b>DIRECT EXPENSES</b>						
Purchases for resale	4,377,703	7,433,232	18,700,753	-	35,528	30,547,216
Personnel costs	1,139,255	1,180,892	4,267,173	92,554	441,558	7,121,432
Materials and supplies	279,458	179,666	668,719	1,545	118,930	1,248,318
Contractual services and charges	1,711,408	1,091,520	3,529,781	39,906	274,058	6,646,673
Depreciation	736,976	757,213	1,228,068	-	43,803	2,766,060
Interest expense	579,267	826,077	69,753	-	-	1,475,097
Bond issuance expense	42,765	66,860	4,907	2,509	-	117,041
Total fund expenses	8,866,832	11,535,460	28,469,154	136,514	913,877	49,921,837
Expenses associated with warehouse external sales	6,190	917	15,818	-	-	22,925
Internal service fund allocations	(38,688)	(32,582)	(245,846)	-	(12,368)	(329,484)
Program expenses - Statement of Activities	8,834,334	11,503,795	28,239,126	136,514	901,509	49,615,278
Revenues over (under) expenses	329,113	(165,335)	5,617,285	803,532	(61,047)	6,523,548
Interest and investment earnings	10,124	10,943	11,504	97	-	32,668
Total transfers, net	(708,958)	(767,542)	(3,850,145)	50,000	-	(5,276,645)
Change in net position	\$ (369,721)	\$ (921,934)	\$ 1,778,644	\$ 853,629	\$ (61,047)	\$ 1,279,571

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

**STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2014**

	Business - Type Activities - Enterprise Funds						Internal Service Funds
	Water	Sewer	Gas	Stormwater	Golf	Total	
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>							
Receipts from customers	\$ 8,723,396	\$ 10,445,705	\$ 34,170,659	\$ 944,342	\$ 841,155	\$ 55,125,257	\$ 24,997,978
Payments to suppliers	(6,077,618)	(8,690,487)	(23,693,023)	(40,339)	(411,156)	(38,912,623)	(19,601,385)
Payments to employees	(1,150,115)	(1,179,592)	(4,255,648)	(86,075)	(438,088)	(7,109,518)	(3,346,112)
Net cash provided by (used for) operating activities	1,495,663	575,626	6,221,988	817,928	(8,089)	9,103,116	2,050,481
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>							
Insurance recovery	200	-	2,096	-	-	2,296	331,577
Transfers in	-	-	-	50,000	-	50,000	82,000
Transfers out	(708,958)	(767,542)	(3,850,145)	-	-	(5,326,645)	(740,485)
Payments received from other funds	-	-	-	-	8,089	8,089	-
Payments received on notes receivable	129,619	272,867	-	-	-	402,486	-
Net cash provided by (used) for noncapital financing activities	(579,139)	(494,675)	(3,848,049)	50,000	8,089	(4,863,774)	(326,908)
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>							
Acquisition and construction of capital assets	(2,014,317)	(4,936,670)	(814,954)	-	-	(7,765,941)	(233,127)
Capacity fees	421,050	721,425	-	-	-	1,142,475	-
Bond proceeds	3,232,153	5,095,000	347,153	190,000	-	8,864,306	-
Bond principal paid	(1,000,068)	(1,508,126)	(794,168)	-	-	(3,302,362)	-
Bonds redeemed	(369,167)	-	(369,167)	-	-	(738,334)	-
Interest paid	(465,966)	(829,149)	(74,753)	-	-	(1,369,868)	-
Bond issuance expenses	(42,765)	(66,860)	(4,907)	(2,509)	-	(117,041)	-
Premium on bonds issued	131,629	234,367	-	11,095	-	377,091	-
Net cash provided by (used for) capital and related financing activities	(107,451)	(1,290,013)	(1,710,796)	198,586	-	(2,909,674)	(233,127)
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>							
Interest on investments	10,124	10,943	11,504	97	-	32,668	-
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>819,197</b>	<b>(1,198,119)</b>	<b>674,647</b>	<b>1,066,611</b>	<b>-</b>	<b>1,362,336</b>	<b>1,490,446</b>
<b>Balances - July 1, 2013</b>	<b>6,802,361</b>	<b>8,172,458</b>	<b>13,550,831</b>	<b>-</b>	<b>1,100</b>	<b>28,526,750</b>	<b>15,078,319</b>
<b>Balances - June 30, 2014</b>	<b>\$ 7,621,558</b>	<b>\$ 6,974,339</b>	<b>\$ 14,225,478</b>	<b>\$ 1,066,611</b>	<b>\$ 1,100</b>	<b>\$ 29,889,086</b>	<b>\$ 16,568,765</b>
<b>Reconciliation of operating income (loss) to net cash provided by operating activities</b>							
Operating income (loss)	\$ 491,070	\$ (26,426)	\$ 5,443,654	\$ 806,041	\$ (73,415)	\$ 6,640,924	\$ 1,812,124
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:							
Depreciation expense	736,976	757,213	1,228,068	-	43,803	2,766,060	480,663
(Increase) decrease in accounts receivable	(26,488)	(170,391)	313,438	(20,172)	(756)	95,631	9,855
Decrease in inventories	-	-	-	-	3,726	3,726	19,402
(Increase) decrease in prepaid expenses	-	-	(904,414)	-	-	(904,414)	330,537
Increase (decrease) in accounts payable	290,951	13,930	110,643	1,112	13,635	430,271	(461,383)
Increase in accrued liabilities	392	4,954	16,185	3,942	2,046	27,519	31,811
Increase in customer deposits	14,014	-	19,074	-	-	33,088	-
Increase in unredeemed gift certificates	-	-	-	-	1,448	1,448	-
Increase in unearned revenue	-	-	-	24,467	-	24,467	-
Increase (decrease) in compensated absences	(11,252)	(3,654)	(4,660)	2,538	1,424	(15,604)	(5,297)
Decrease in insurance claims payable	-	-	-	-	-	-	(167,231)
<b>Net cash provided by (used for) operating activities</b>	<b>\$ 1,495,663</b>	<b>\$ 575,626</b>	<b>\$ 6,221,988</b>	<b>\$ 817,928</b>	<b>\$ (8,089)</b>	<b>\$ 9,103,116</b>	<b>\$ 2,050,481</b>
<b>Noncash investing, capital and financing activities</b>							
Contribution of capital assets from government funds	-	-	-	-	\$ 3,960	\$ 3,960	-

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

**CITY OF CHARLOTTESVILLE, VIRGINIA****EXHIBIT F-1****STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUND  
JUNE 30, 2014**

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	<u>Pension Trust</u>
<b>ASSETS</b>	
Cash and cash equivalents (note 3b)	\$ 1,591,227
Interest receivable	282,263
Investments (note 3b):	
Common stocks	48,228,317
Corporate fixed income securities	6,508,140
Government and agency fixed income securities	18,732,247
Mutual funds:	
Domestic	27,336,917
International	17,834,713
Total investments	<u>118,640,334</u>
Total assets	<u>120,513,824</u>
<b>LIABILITIES</b>	
Accounts payable	<u>9,240</u>
<b>NET POSITION</b>	
Held in trust for pension and other postemployment benefits	<u>\$ 120,504,584</u>

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

## CITY OF CHARLOTTESVILLE, VIRGINIA

## EXHIBIT F-2

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION**  
**FIDUCIARY FUND**  
**YEAR ENDED JUNE 30, 2014**

	<u>Pension Trust</u>
<b>ADDITIONS</b>	
Contributions:	
Employer	\$ 12,838,932
Plan members	<u>1,018,041</u>
Total contributions	<u>13,856,973</u>
Investment earnings:	
Net increase in fair value of investments	18,127,949
Interest	1,072,410
Dividends	<u>813,753</u>
Total investment earnings	20,014,112
Less investment expenses	<u>585,553</u>
Net investment earnings (loss)	<u>19,428,559</u>
Total additions	<u>33,285,532</u>
<b>DEDUCTIONS</b>	
Pension benefits	9,262,842
Refund of plan member contributions	6,706
Other post-retirement benefits	3,545,584
Administrative expenses	<u>296,211</u>
Total deductions	<u>13,111,343</u>
Change in net position	20,174,189
Net position - July 1, 2013	<u>100,330,395</u>
Net position - June 30, 2014	<u><u>\$ 120,504,584</u></u>

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



**CITY OF CHARLOTTESVILLE, VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2014**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**(a) Description of government-wide financial statements**

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. All fiduciary activities are reported only in the fund financial statements. *Governmental activities*, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges to external customers for support. Likewise, *the primary government* is reported separately from certain legally separated component units for which the primary government is financially accountable.

**(b) Reporting entity**

The City of Charlottesville, Virginia (the City) is a political subdivision of the Commonwealth of Virginia operating under the Council-Manager form of government. The Council consists of five members elected at large. The mayor is then selected among the Council members. The Council is responsible for appointing the City Manager. The City has taxing powers subject to statewide restrictions and tax limits. The accompanying financial statements include all activities of the City, such as general operations and support services for which the government is considered to be financially accountable. The component units discussed below are included in the City Reporting Entity because the City appoints a majority of the CEDA board members, approves the budgetary request of the School Board and provides a significant amount of funding for each of these entities.

**Discretely presented component units.** The component unit columns in the government-wide financial statements include the financial data of the City's two component units. Each is presented in a separate column to emphasize that these units are legally separate from the City and each represents a functionally independent operation. These component units are fiscally dependent on the City and provide services primarily to the citizens of Charlottesville. A description of the discretely presented component units follows:

- (i) **School Board:** The City provides education through its own school system administered by the Charlottesville School Board (the School Board). The School Board has been classified as a discretely presented component unit in the financial reporting entity because it is legally separate but financially dependent. The City Council administers the School Board's appropriation of funds at the category level, approves transfers between categories, and authorizes school debt. School Board members are elected. Financial statements of the School Board are included in a discretely presented component unit column and/or row of the government-wide financial statements, as well as in the supplementary information section. The School Board does not issue separate financial statements.
- (ii) **Economic Development Authority:** The Charlottesville Economic Development Authority (the CEDA) was established to promote industry and develop trade by inducing manufacturing, industrial, and commercial enterprises to locate or remain in the City. City Council appoints the seven board members of the CEDA. By statute, the CEDA has the power to cause the issuance of tax-exempt industrial revenue bonds to qualifying enterprises wishing to utilize that form of financing. The City is involved in the day-to-day operations of the CEDA the determination of its operating budget and annual service fee rates. Financial statements of the CEDA are included in a discretely presented component unit column and/or row of the government-wide financial statements. Complete audited financial statements of the CEDA can be obtained from the Office of Economic Development, City of Charlottesville, PO Box 911, Charlottesville, VA 22902 or Room B230 at City Hall.



### **(c) Basis of presentation – government-wide financial statements**

While separate government-wide and fund financial statements are presented, they are inter-related. The governmental activities column incorporates data from governmental funds and internal service funds, while business-type activities incorporate data from the government's enterprise funds. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments in lieu of taxes where the amounts are reasonably equivalent in value to the interfund services provided and other charges between the government's water, wastewater, and gas functions and various other functions of the government. Elimination of these charges would distort the direct costs and program revenue for the various functions concerned.

The *Statement of Net Position* is designed to display the financial position of the primary government (governmental and business-type activities) and its discretely presented component units. The City reports investment in capital assets net of depreciation, including infrastructure, in the Statement of Net Position. Depreciation expense, the cost of "using up" capital assets, is included in the Statement of Activities. Noncurrent liabilities including bonds, notes and loans payable are included, separated into due within one year and due in more than one year. The net position of the City is reported in three categories – 1) net investment in capital assets; 2) restricted; and 3) unrestricted.

Effective July 1, 2013, the City adopted the provisions of GASB Statement 65, *Items Previously Reported as Assets and Liabilities*. The provisions of Statement No. 65 relevant to the City relate to changes in accounting and reporting for deferred charges for bond refunding and property tax revenue. Deferred charges resulting from the refunding of bonded debt are now presented as a deferred outflow of resources and not as an asset. In prior years, the deferred charges were included as part of bonds payable and long-term debt in Notes to the Financial Statements. The City also adopted the provisions of GASB Statement 67, *Financial Reporting for Pension Plans, an amendment of GASB Statement No. 25*. This statement is related to the net pension liability for the Supplemental Retirement or Pension Plan.

The *Statement of Activities* reports expenses before revenues of the primary government (governmental and business-type activities) and its discretely presented component units. This order emphasizes that governments identify the service needs of citizens and then raise the resources needed to meet those needs. This presentation demonstrates the degree to which direct expenses of a clearly identifiable function or segment are reduced by program revenues associated with that function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given program and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a program. All taxes and other items not included among program revenues, are reported instead as general revenues.

### **(d) Basis of presentation – fund financial statements**

The fund financial statements provide information about the government's funds, including its fiduciary funds. Separate statements for each fund category – governmental, proprietary, and fiduciary – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements.

The City reports the following major governmental funds:

The *General Fund* is used to account for and report all of the financial resources except for those not accounted for and reported in another fund. It is the City's primary operating fund. Revenues are derived primarily from property and other local taxes, state (including pass through of federal funds), federal



distributions, licenses, permits, charges for services, fees, Albemarle County Revenue Sharing and other revenue sources. A significant portion of the General Fund's revenue is transferred to other funds and the Charlottesville School Board, (a component unit), to finance operations.

The *Capital Projects Fund* is used to account for and report 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. Revenues for this fund are obtained from bond issues, a transfer from the General Fund, federal and state highway funds, PEG fee revenue and contributions from Charlottesville School Board and other local governments for shared facilities.

The *Debt Service Fund* is used to account for and report all financial resources that are restricted, committed, or assigned to expenditures for principal and interest. Payments are made on long-term general obligation debt of governmental funds including bonds, notes and other evidence of indebtedness and the cost of issuance of debt issued by the City.

The *Social Services Fund*, which is a special revenue fund, accounts for the financial resources associated with the Charlottesville Department of Social Services (CDSS). Social Services provides state and federal income support, employment assistance and social work service programs to alleviate poverty and other social problems.

Proprietary funds, all of which are considered major funds, are used to account for and report on their activities using the flow of economic resources measurement focus and the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. The purpose of a proprietary fund is to provide a service or product to the public or other governmental entities at a reasonable cost. The City reports the following enterprise funds as proprietary fund types:

The *Water Fund* accounts for the operations of the City's water distribution system.

The *Sewer Fund* accounts for the operations of the City's wastewater collection system.

The *Gas Fund* accounts for the operations of the City's natural gas distribution system.

The *Stormwater Fund* accounts for the operations of the City's waterways.

The *Golf Course Fund* accounts for the operations of the City's 18-hole municipal golf course.

The *Fiduciary Fund* accounts for the activities for the two pension trust funds for retirement and postemployment benefits. The trust funds accumulate resources for pension payments and benefits for qualified city employees. Fiduciary funds cannot be used to finance the City's operating programs and are not included in the government-wide financial statements.

Additionally, the City reports the following fund types:

*Special Revenue Funds* are nonmajor governmental funds used to account and report the proceeds of specific revenue sources that are restricted, committed or assigned to expenditures for specified purposes other than debt service or capital projects. The City has established special revenue funds to account for the Community Development Block Grant, Human Services Programs, Comprehensive Services Act, Virginia Juvenile Community Crime Control Act, Charlottesville Area Transit operations and various other grants to support projects undertaken. Cemetery perpetual care is included, which is a permanent fund.

*Internal Service Funds* are used to account for and report the financing of goods and services provided by one department primarily or solely to other departments of the City. Information Technology, Risk Management, Warehouse and Departmental Services are accounted for and reported as Internal Service Funds. In the government-wide Statement of Net Position, the assets and liabilities of these funds are allocated to both governmental and business-type activities, based on the predominate use of the fund's services. Specifically, the assets and liabilities of the Warehouse Internal Service Fund are allocated completely to the City's Enterprise Funds based on predominate usage. The remaining Internal Service Fund balances are allocated to governmental activities. In the government-wide Statement of Activities, certain transactions are assigned directly to governmental activities and the remaining net income or loss is allocated to both governmental and business-type activities, based on actual charges for services.

During the course of operations the government has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental and internal service funds) are eliminated so that only the net amount is included as *internal balances* in the governmental activities column. Similarly, balances between funds included in business-type activities (i.e., the enterprise funds) are eliminated so that only the net amount is included as *internal balances* in the business-type activities column.

Further, certain activities occur during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as transfers in the business-type activities column.

**(e) Measurement focus and basis of accounting**

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide financial statements are reported using the *economic resources measurement focus and the accrual basis of accounting*. Revenues are recorded as earned and expenses are recorded when a liability is incurred, regardless of the timing of the 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.

In applying the *susceptible to accrual* concept to intergovernmental revenues, the legal and contractual requirements of the numerous individual programs are used as guidance. There are, however, essentially two types of intergovernmental revenues. In the first type, monies must be expended on the specific purpose or project before any amounts will be paid to the City; therefore, revenues are recognized based upon when the expenditures are recorded. In the second type, monies are virtually unrestricted as to time of expenditure and are usually revocable only for failure to comply with prescribed compliance requirements. These resources are reflected as revenues at the time of receipt or earlier if the accrual criteria are met.

The government 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 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 45 days 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. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources. A summary reconciliation of the difference between total fund balances as reflected on the governmental funds balance sheet and total net position for governmental activities as shown on the government-wide Statement of Net Position and the government-wide Statement of Activities is presented in a schedule accompanying the governmental fund Balance Sheet and the Statement of Revenues, Expenditures and Changes in Fund Balance, respectively. These differences stem from governmental statements using a different measurement focus than government-wide statements.

In the fund financial statements, financial transactions and accounts of the City are organized on the basis of funds, the operation of which are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues and expenditures (or expenses for proprietary funds), as appropriate.



Property taxes, sales taxes, franchise taxes, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. In applying the susceptible to accrual concept to intergovernmental revenues, the legal and contractual requirements of the numerous individual programs are used as guidance. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 45 days of year end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount received during the period or within the availability period for this revenue source (within 45 days of year end). All other revenue items are considered to be measurable and available only when cash is received by the City.

The proprietary and pension trust funds are reported using *the economic resources measurement focus and the accrual* basis of accounting.

**(f) Cash, cash equivalents and investments**

Cash and cash equivalents are considered to be cash on hand, demand deposits, money market mutual funds and certificates of deposit with original maturities of twelve months or less from date of acquisition. Investments are reported at fair value (generally based on quoted market prices) or the net asset value per share.

**(g) Allowance for uncollectibles**

The City calculates its allowances for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. At June 30, 2014, the allowances approximated \$793,486 in the General Fund and \$1,000,142 in the Proprietary Funds (\$153,150, \$207,002, \$661 and \$639,329) for the Water, Sewer, Stormwater and Gas Funds, respectively.

**(h) Inventory of supplies and prepaid items**

Inventories are valued at cost using the weighted average method. Inventories consist of expendable materials and supplies held for future consumption. They are accounted for by the consumption method. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in government-wide financial statements.

**(i) Capital assets**

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., streets and bridges,) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. All infrastructures has been inventoried, valued and included in the basic financial statements. Capital assets are defined as assets with an initial, individual cost of \$5,000 or more and an estimated useful life of at least two years. All capital assets are valued at historical cost or estimated historical cost if actual cost was not available. Donated capital assets are valued at their estimated fair market value on the date donated.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Capital assets of the primary government, as well as the component units, are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Building/building improvements	40-50
Streets and bridges	30-50
Infrastructure (storm structures and storm pipe)	50-75
Utility transmission lines and mains	20-40
Furniture and equipment	5-10
Vehicles	5-7

**(j) Deferred outflows/inflow of resources**

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditures) until then.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

Included as both an outflow and inflow are *deferred charges on refunding* reported in the government-wide Statement of Net Position. A deferred charge 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 life of the refunded or refunding debt.

*Deferred tax revenue* are included on both the Statement of Net Position and the Balance Sheet as deferred outflow of resources. General property taxes levies assessed each year as of January 1 on the estimated market value of property are due in equal semiannual payments due June 5 and December 5. The deferred tax revenues represent payments due on December 5.

**(k) Internal balances**

Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either “due to/from other funds” (i.e., the current portion of interfund loans) or “advances to/from other funds” (i.e., the noncurrent portion of interfund loans). While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental and internal service funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activities (i.e., the enterprise funds) are eliminated so that only the net amount is included as internal balances in the business-type activities column.

**(l) Compensated absences**

City employees are granted vacation and sick leave in varying amounts as services are provided. Employees may accumulate, subject to certain limitations, unused vacation and sick leave earned. Vacation leave can be accrued up to the amount earned in one year, plus an additional week. Upon retirement, termination or death, employees may be compensated for certain amounts of unused vacation leave earned at their then current rates of pay. In addition, unused sick leave becomes credited service for pension benefit calculations, for one-half of the accumulated amount, up to a maximum of two thousand hours. All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements.

School Board employees also earn vacation and sick leave as services are provided. At June 30, 2014, the methodology for calculating the unused sick leave payable at retirement changed from the assumption that employees would resign before retirement to the assumption that employees would stay until eligible for retirement.

Sick leave earned but not taken by City and School Board employees at June 30, 2014, approximated \$13,818,412 and \$12,880,236 respectively. Upon retirement, no cash payments are made for sick leave. Therefore, the accrued balance is not recorded in the financial statements.

**(m) Risk management**

The City is exposed to various risks of loss related to torts; errors and omissions; injuries to and illnesses of employees; theft of, damage to, and destruction of assets; and natural disasters. The City employs a variety of risk management techniques, including the purchase of commercial insurance, participation in insurance pools and self-insurance. All funds of the City participate in the risk program and make payments to the Risk Management Internal Service Fund in a manner that is appropriate in allocating the costs associated with the risk involved. Claims, including incurred but not reported (IBNR) claims, are recognized as expense when incurred. There have been no significant changes in coverage from the prior year, nor have settlements exceeded coverage in the past five fiscal years.

## (n) Encumbrances

Encumbrances are used to control expenditure commitments for the year and to enhance cash management. Accounting for encumbrances is employed in all general governmental funds. Encumbrances (e.g., purchase orders and contracts) outstanding at year end are reported as assigned fund balance and do not constitute expenditures or liabilities, but are obligations that will be paid in a following fiscal year.

## 2. GOVERNMENT-WIDE AND FUND EQUITY

For government-wide, proprietary funds and fiduciary funds financial statements, equity is described as net position (total assets minus total liabilities) and is broken down into three components: (1) amount invested in capital assets, net of related debt, (2) restricted and (3) unrestricted net position. The City's policy is to consider restricted net position to have been depleted before using any of the components of unrestricted net positions. For governmental funds, equity is described as fund balance (current assets minus current liabilities), which is broken down into nonspendable, restricted, committed, assigned and unassigned fund balance.

- **Net investment in capital assets** consists of capital assets less accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt that are attributed to the acquisition, construction, or permanent improvement of those assets. Unspent debt proceeds are excluded.
- **Restricted net position** reflects net position whose use is not subject solely to the government's own discretion.
- **Unrestricted net position** consists of net position that does not meet the definition of the two preceding categories. Unrestricted net assets are often designated to indicate that management does not consider them available for general operations. Unrestricted net assets often have constraints on resources that are imposed by management, but can be modified or removed.

### (a) Net Position-Restricted – Government-wide Financial Statements:

Restricted net position on the government-wide Statement of Net Position is composed of the following:

	Governmental Activities
General government	\$ 269,203
Public safety	548,074
Education	73,084
Health and welfare	107,494
Conservation and development	1,443,581
Permanent fund, nonexpendable	162,501
Total restricted net position	<u>\$ 2,603,937</u>

The net position in the Fiduciary Funds is for Pension Trust Funds and therefore, all held in trust for pension and other post-employment benefits.

### (b) Fund Balances:

City Council is the City's highest level of decision making authority. The City Council can establish, modify or rescind a fund balance commitment through adoption of an appropriation. Assigned fund balance contains purchase orders and amounts at year end that City Council intends to use for a specific purpose.

The City maintains a minimum fund balance in the General Fund, classified as unassigned fund balance. The minimum fund balance policy is found in the City's adopted operating budget. Currently, the City is to maintain a minimum of 14% of the operating budget in fund balance plus a downturn reserve of no less than 3% of the General Fund operating budget. City Council may elect to maintain a higher unassigned fund balance to provide the City with sufficient working capital and a margin of safety to address emergencies and unexpected declines in revenue without borrowing.

For purposes of fund balance classification, expenditures are to be spent from restricted fund balance first, followed in-order by committed fund balance, assigned fund balance and lastly unassigned fund balance. The City Manager has the authority to deviate from this policy if it is in the best interest of the City.

- **Nonspendable** - Represents amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.
- **Restricted** - Represents amounts with constraints placed on the use of resources that are either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or (b) imposed by law through constitutional provisions or enabling legislation.
- **Committed** - Represents specific purposes in accordance with internal constraints imposed by formal action of the City's highest level of decision-making, Charlottesville City Council. Once adopted, the appropriation can only be removed or changed by City Council with similar action.
- **Assigned** – Represents amounts that are constrained by City Council's intent to use for specific purposes, but meet neither the restricted or committed forms of constraint. Amounts that are assigned are only temporary until City Council takes formal action with an appropriation.
- **Unassigned** – Represents the residual category for the general fund only. It is also where negative fund balance for all other governmental funds would be reported.

Fund balances are composed of the following at June 30, 2014:

	General Fund	Capital Projects Fund	Debt Service Fund	Social Services Fund	Other Governmental Funds	Total
Nonspendable:						
Loans receivable	\$ -	\$ 1,370,000	\$ -	\$ -	\$ 10,000	\$ 1,380,000
Cemetery perpetual care	-	-	-	-	162,501	162,501
Total nonspendable	-	1,370,000	-	-	172,501	1,542,501
Restricted:						
Unspent bond proceeds	-	3,880,755	-	-	-	3,880,755
Fire programs	81,483	-	-	-	154,410	235,893
Law enforcement	241,324	-	-	-	70,857	312,181
Court house security	269,203	-	-	-	-	269,203
Property cost share agreement	63,581	-	-	-	-	63,581
Youth programs	69,850	-	-	-	37,644	107,494
Education programs	-	-	-	-	73,084	73,084
Total restricted:	725,441	3,880,755	-	-	335,995	4,942,191
Committed:						
Nonrecurring vehicle and equipment purchases	2,272,981	-	-	-	-	2,272,981
Building repairs and improvements	1,082,972	-	-	-	-	1,082,972
Street, road and bridge construction	-	2,992,176	-	-	-	2,992,176
Neighborhood development services	30,680	-	-	-	-	30,680
Parks and recreation programs	175,273	-	-	-	-	175,273
Fire programs	28,453	-	-	-	-	28,453
City Council initiatives	305,123	-	-	-	-	305,123
Social services	-	-	-	341,914	-	341,914
Human service initiatives	24,268	-	-	-	-	24,268
Contingency reserve	358,371	-	-	-	-	358,371
Historic resources	29,555	-	-	-	-	29,555
Economic job fair	43,607	-	-	-	-	43,607
Law enforcement	11,015	-	-	-	-	11,015
Public service	624	-	-	-	-	624
Communications	52	-	-	-	-	52
Corporate training	29,206	-	-	-	-	29,206
Reserve for landfill remediation	2,612,505	-	-	-	-	2,612,505
Future debt service	-	-	11,867,980	-	-	11,867,980
Total committed:	7,004,685	2,992,176	11,867,980	341,914	-	22,206,755
Assigned:						
Purchases on order	800,063	-	-	16,410	-	816,473
Human services	-	-	-	-	1,348,011	1,348,011
Subsequent year's budget:						
Appropriation of fund balance	2,986,157	-	-	-	-	2,986,157
Total assigned:	3,786,220	-	-	16,410	1,348,011	5,150,641
Unassigned:	27,291,468	-	-	-	-	27,291,468
Total fund balance	<u>\$ 38,807,814</u>	<u>\$ 8,242,931</u>	<u>\$ 11,867,980</u>	<u>\$ 358,324</u>	<u>\$ 1,856,507</u>	<u>\$ 61,133,556</u>

### 3. CASH, CASH EQUIVALENTS AND INVESTMENTS

#### (a) Primary Government

At June 30, 2014, the carrying value of the City's deposits and investments, with their respective credit ratings, was as follows:

<u>Deposit and Investment Type</u>	<u>Fair Value</u>	<u>Credit Rating</u>
Demand deposits	\$ 71,090,830	N/A
Cash on hand	7,130	N/A
Commonwealth LGIP	1,034	AAAm
Money Market Mutual Funds	117,930	AAAm
Commonwealth Non-Arbitrage Program (SNAP)	11,573,895	AAAm
Non-negotiable Certificate of Deposit	1,500,000	N/A
Corporate notes	4,011,192	Aa
Federal agency notes	13,971,980	Aaa
Total deposits and investments	<u>\$ 102,273,991</u>	

#### Credit Risk:

The City has a Statement of Investment Policy in accordance with the Commonwealth of Virginia Code section 2.2-400 et. seq., 2.2-4500 et. seq., 58.1-3123 et. seq. and Trust Agreements, where applicable. Deposits and investments not exposed to credit quality risk, as defined by GAAP, are designated as "N/A" in the credit rating column.

All demand deposits of the City are maintained in bank accounts collateralized in accordance with the Virginia Security for Public Deposits Act, Section 2.2-4400 et. seq. of the Code of Virginia Vol 1, Chapter 44 or covered by federal depository insurance.

Local Government Investment Pool (LGIP) is a specialized money market-like fund created in the 1980 session of the Virginia General Assembly designed to offer a convenient and cost-effective investment vehicle for public entities. The Fund is administered by the Treasury Board of the Commonwealth of Virginia and is rated AAAm by Standard & Poors, Inc.

Money Market Mutual Funds are shares in open-end, no-load investment funds registered under the Federal Investment Company Act of 1940, provided that the fund is rated at least AAAm or the equivalent by NRSRO.

The Commonwealth of Virginia State Non-Arbitrage Program (SNAP) was established pursuant to the Local Government Non-Arbitrage Investment Act to make available to Virginia counties, cities and towns assistance with the investment of and accounting for bond proceeds in compliance with rebate requirements of the Internal Revenue Code of 1986, as amended. The program is managed by PFM Asset Management LLC, an investment advisor registered with the Securities and Exchange Commission. SNAP provides local governments with a convenient method of pooling proceeds of bonds and notes for temporary investment pending their capital project expenditures.

Corporate notes with a rating at least Aa (or its equivalent) by Moody's Investor's Service, Inc. and Standard and Poors, Inc. The final maturity shall not exceed a period of five (5) years from the time of purchase.

Federal agency obligations include bonds, notes and other obligations of the United States, and securities issued by any Aaa rated federal government agency, instrumentality or government sponsored enterprise except for Collateralized Mortgage Obligations. The final maturity shall not exceed a period of five (5) years from the time of purchase.

**Concentration of Credit Risk:**

The Policy establishes limitations on portfolio diversification by security type and institution to control concentration of credit risk as follows:

<u>Permitted Investment</u>	<u>Sector Limit</u>	<u>Issue Limit</u>
U. S. Treasury Obligations	100 %	100 %
Federal Agency Obligations	100	100
Municipal Obligations	10	3
Commercial Paper	20	3
Bankers' Acceptances	10	3
Corporate Notes	20	3
Negotiable Certificates of Deposit and Bank Deposit Notes	20	3
Money Market Mutual Funds	100	50
LGIP	50	50
Repurchase Agreements	35	35

At June 30, 2014, the sector and issue limits have not been exceeded.

**Interest Rate Risk:**

As a means of limiting exposure to fair value 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. Proceeds from the sale of bonds must be invested in compliance with the specific requirements of the bond covenants and may be invested in securities with longer maturities. At June 30, 2014, all investments in the City's portfolio had a maturity of five years or less.

**(b) City of Charlottesville Pension Trust Fund**

At June 30, 2014, the carrying value of the Trust Fund deposits and investments, with the respective credit ratings, was as follows:

<u>Deposit and Investment Type</u>	<u>Fair Value</u>	<u>Credit Rating</u>
Demand deposits	\$ 1,591,227	N/A
Common stock	48,228,317	N/A
Corporate fixed income securities	6,508,140	Aaa-Baa3
Government and agency fixed income securities		
Explicitly guaranteed by U.S. government	\$ 12,817,033	N/A
Implicitly guaranteed by U.S. government	4,837,208	Aaa-Aa1
Municipal	<u>1,078,006</u>	Aaa-Aa1
Total government fixed income securities	18,732,247	
Mutual funds - domestic	27,336,917	N/A
Mutual funds - international	<u>17,834,713</u>	N/A
Total investments	118,640,334	
Total deposits and investments	<u>\$ 120,231,561</u>	

**Credit Risk:**

Investments in the Pension Trust Fund are managed in accordance with policies adopted by the Retirement Commission. These policies set target allocations of 55% for domestic equities, 20% for fixed income, 15% for international equities, and 10% for real estate and authorizes investments in cash equivalents, fixed income securities, equity securities and mutual funds. The Statement specifically addresses the credit quality rating requirements on fixed income investments, permitting the purchase of investment grade bonds rated BBB or better. Credit ratings in the table below are ratings from Moody's Investor's Service. If the investment was rated only by Standard & Poor's Rating Services, the table below has the Moody's equivalent rating.

The following table summarizes the Pension Trusts' credit risk for corporate, implicitly guaranteed by U.S. government and municipal fixed income securities at June 30, 2014:

<u>Investment Type</u>	<u>Rating</u>	<u>% of Total Portfolio</u>
Corporate Bonds	Aaa	0.5 %
Corporate Bonds	Aa2-Aa3	1.3
Corporate Bonds	A1-A3	1.9
Corporate Bonds	Baa1-Baa3	1.8
Federal Home Loan Mortgage Corporation	Aaa-Aa1	0.2
Federal National Mortgage Association	Aaa-Aa1	3.6
Tennessee Valley Authority	Aaa-Aa1	0.2
Municipal Bonds	Aaa-Aa1	0.9

**Concentration of Credit Risk:**

The policy establishes limitations on corporate securities by issuer in order to control concentration of credit risk as follows:

Company	Not to exceed 5% of the total fund
Industry	Not to exceed 20% of the total fund

The Plan has no investment that is greater than 5% of the total portfolio, excluding mutual funds and government securities.

**Interest Rate Risk:**

The Plan has no specific limits on the maximum maturity for any security held. There is a 5% limit on holding fixed income securities in any issuer, excluding government and government agency securities.

At June 30, 2014, the Trust had the following investments and maturities:

	<u>Fair Value</u>	<u>0-5 Years</u>	<u>6-10 Years</u>	<u>11-50 Years</u>
Corporate fixed income	\$ 6,508,140	\$ 910,213	\$ 2,429,296	\$ 3,168,631
Government fixed income	18,732,247	1,721,165	2,112,827	14,898,255
Total	<u>\$ 25,240,387</u>	<u>\$ 2,631,378</u>	<u>\$ 4,542,123</u>	<u>\$ 18,066,886</u>

**Rate of Return:**

For the year ended June 30, 2014, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 19.39%. The money-weighted rate of return expresses investment performance adjusted for the changing amounts actually invested.



**(c) School Board Component Unit**

At June 30, 2014, the carrying value of the School Board component unit deposits and investments, with their respective credit ratings, was as follows:

<u>Deposit and Investment Type</u>	<u>Fair Value</u>	<u>Credit Rating</u>
Demand deposits	\$ 5,605,702	N/A
Commonwealth LGIP	1,593,896	AAAm
Total deposits and investments	<u>\$ 7,199,598</u>	

School Board deposits are invested in accordance with the City's investment policy. At June 30, 2014, excluding the demand deposits and Commonwealth LGIP, there were no investments. Accordingly, there is no credit risk, concentration of credit risk, or interest rate risk.

**(d) Charlottesville Economic Development Authority (CEDA)**

At June 30, 2014, the carrying value of the CEDA component unit deposits and investments, with their respective credit ratings, was as follows:

<u>Deposit and Investment Type</u>	<u>Fair Value</u>	<u>Credit Rating</u>
Demand deposits	\$ 2,185,039	N/A
US government fixed income security	985,290	N/A
Total deposits and investments	<u>\$ 3,170,329</u>	

The City serves as fiscal agent for the CEDA. However, the CEDA is not subject to the City's investment policy. At June 30, 2014, excluding the demand deposits and U.S. government agency securities, there were no investments. Accordingly, based on this minimal risk, the CEDA does not have the need for a formal investment policy that addresses credit risk, concentration of credit risk or interest rate risk.

**4. GENERAL PROPERTY TAXES**

The two major sources of general property taxes are as follows:

**(a) Real Estate**

The City levies real estate taxes on all real estate within its boundaries, except that exempted by statute. These levies are assessed each year as of January 1 on the estimated market value of the property. January 1 is also the date an enforceable, legal claim to the asset applies. The City reassesses all property annually.

Real estate taxes are collected in equal semiannual payments due June 5 and December 5. During the fiscal year, the real estate taxes budgeted for and reported as revenue in the fund financial statements are the second half of the January 1, 2013, assessment due December 5, 2013, and the first half of the January 1, 2014 assessment due June 5, 2014, less an allowance for uncollectibles and less taxes not considered to be available for current expenditures plus collections on previously delinquent taxes. The tax rate for both 2013 and 2014 was \$.95, per \$100 of assessed value. Real estate taxes receivable, assessed as of January 1, 2014, and due December 5, 2014, are reflected in the accompanying fund financial statements as a receivable and are offset by deferred revenue, which is consistent with the City's budget ordinance. In the government-wide financial statements, real estate taxes that are not due as of June 30, 2014, are included in deferred revenue, since they are not due for the current fiscal year.

**(b) Personal Property**

The City levies personal property taxes on motor vehicles and tangible personal business property. These levies are assessed as of January 1 and prorated for motor vehicles acquired or sold during the year, with payment in equal semiannual installments due June 5 and December 5. During fiscal year 2014, the personal property taxes budgeted for and reported as revenue in the fund financial statements are the second half of the January 1, 2013, assessment due December 5, 2013, and the first half of the January 1, 2014, assessment due June 5, 2014, less an allowance for uncollectibles and less taxes not considered to be available for current expenditures plus collections on previously delinquent taxes. The tax rate for both 2013 and 2014 was \$4.20 per \$100 of assessed value. Personal property taxes receivable, assessed during 2014 and due December 5, 2014, are reflected in the accompanying fund financial statements as a receivable and are offset by deferred revenue, which is consistent with the City's budget ordinance. In the government-wide financial statements, personal property taxes that are not due as of June 30, 2014, are included in deferred revenue, since they are not due for the current fiscal year.

In April 1998, the Virginia General Assembly passed S.B. 4005, the Personal Property Tax Relief Act of 1998, PPTRA. In its original form, PPTRA, in essence, was a vehicle-based entitlement. Beginning 2006, changes to PPTRA made by S.B. 5005 marked an end to this vehicle-based entitlement. S.B. 5005 establishes what amounts to a fixed, annual block grant to localities, the proceeds of which must be used to provide relief to the owners of qualifying vehicles. Localities determine how relief is to be distributed, within the guidelines established. The 53% relief provided during 2013 decreased to 49% for 2014 for eligible vehicles' portion of value that is \$20,000 or less. Vehicles below \$1,000 assessed value are given 100% relief.

**5. LOANS RECEIVABLE**

The Community Development Block Grant (CDBG) Special Revenue Fund has \$28,856 in outstanding installment loans and \$545,386 in deferred payment loans, which are secured by property liens. Both installment and deferred payment loans have terms from 5 to 30 years, bear an interest rate of three percent, and are payable upon sale, transfer or disposal of the property. These loans represent monies advanced to low-income qualified property owners under federally-funded housing renovation and rehabilitation projects and are fully offset on the balance sheet by an amount due to the federal government.

The Grants Special Revenue Fund has \$10,000 in an outstanding loan and \$549,421 in deferred payment loans, which are secured by property liens. The \$10,000 loan, made in 2003, to the Albemarle Housing Improvement Program (AHIP) is due in 2018. The deferred payment loans represent federally-funded monies advances to low-income qualified property owners under the HOME Investment Partnership. The terms are the same as the CDBG deferred payment loans found above and is fully offset on the balance sheet by an amount due to the federal government.

The Capital Projects has \$850,000 in an outstanding loan to Piedmont Housing Alliance (PHA). The loan to PHA is a non-interest bearing loan, that closed December, 2007 and originally had a term of 5 years. In August 2012, the loan was extended an additional 5 years. It is due by October 31, 2017, unless the property is sold.

The Capital Projects Fund has \$130,000 in an outstanding loan to Charlottesville Economic Development Authority (CEDA). CEDA used these funds to make up a six-month loan to the Lewis & Clark Exploratory Center of Virginia, Inc. (Lewis & Clark). Lewis & Clark is using the CEDA loan, grant funds from the Virginia Department of Transportation and funds from Albemarle County to construct the Lewis & Clark Exploratory Center, and improvements at Darden Towe Park. Darden Towe Park is currently jointly owned by the City and the County. The loan was extended on April 7, 2014, and is due October 30, 2014, is non-interest bearing and is subject to a 5% late charge on the outstanding balance.

The Capital Projects Fund has \$90,000 in an outstanding loan to the City Manager. The loan and its terms were part of the City Manager's employment agreement. The loan is deferred until certain real property owned by the City Manager is sold. It is non-interest bearing and has a term of ten years. The balance has been classified as noncurrent because it is not expected to be collected within one year from the Balance Sheet date.

The Capital Projects Fund has \$300,000 in an outstanding loan to Thomas Jefferson Planning District Commission (TJPDC). The loan was extended on April 21, 2014 as a short-term, no interest loan to assist with cash flow to sponsor and manage a Transportation Enhancement Grant on behalf of the City and a private developer of the property at the intersection of Jefferson Park Avenue and Emmet Street. The grant from the Virginia Department of Transportation (VDOT) is to pay for a realignment of the intersection to increase pedestrian and bicycle safety. The loan will be repaid to the City when TJPDC receives the VDOT reimbursements. It is estimated the loan will be repaid within six months of the final project completion.

The Capital Projects Fund has \$1,550,000 in an outstanding loan to The Crossings at Fourth and Preston, LLC for the transfer of property at 401 4<sup>th</sup> Street, N.W. Charlottesville, to be operated as a Single Room Occupancy facility. The loan is for a period of 31 years, interest calculated at 4.30% per annum. The entire principal balance and any accrued, unpaid, interest are due June 30, 2042, or upon sale of the property. A contra-receivable was used to offset this loan receivable.

The Capital Projects Fund has \$1,438,179 in deferred payment loans, which are secured by property liens. These loans represent monies advances to low-income qualified property owners from the Charlottesville Housing Fund. The terms of the loan are the same as the CDBG deferred payment loans found above. A contra-receivable was used to offset this loan receivable.

## 6. DUE FROM OTHER GOVERNMENTS

Amounts due from other governments at June 30, 2014, are presented below:

	<u>Federal</u>	<u>State</u>	<u>Other</u>	<u>Total</u>
City Government Activities:				
Major funds:				
General Fund	\$ 9,638	\$ 3,041,558	\$ 35,566	\$ 3,086,762
Capital Projects Fund	-	3,398,039	326,056	3,724,095
Social Services Fund	<u>1,374</u>	<u>545,076</u>	<u>14,053</u>	<u>560,503</u>
Total major funds	<u>11,012</u>	<u>6,984,673</u>	<u>375,675</u>	<u>7,371,360</u>
Non-major funds	<u>2,638,761</u>	<u>2,275,630</u>	<u>650,334</u>	<u>5,564,725</u>
Total Primary Government	<u>\$ 2,649,773</u>	<u>\$ 9,260,303</u>	<u>\$ 1,026,009</u>	<u>\$ 12,936,085</u>
Component Unit - Schools	<u>\$ 11,404</u>	<u>\$ 2,485,266</u>	<u>\$ 111,630</u>	<u>\$ 2,608,300</u>

## 7. DUE TO/FROM OTHER FUNDS AND INTERFUND TRANSFERS

- (a) Individual fund deficits in consolidated pooled cash are considered short-term receivables of the General Fund. Individual fund interfund receivable and payable balances of the City at June 30, 2014, are presented below:

	Due From <u>Other Funds</u>	Due To <u>Other Funds</u>
Major funds:		
General Fund	\$ 3,680,730	\$ -
Social Services Fund	-	57,434
Golf Course Fund	-	121,132
Total major funds	<u>3,680,730</u>	<u>178,566</u>
Non-major funds:		
Special Revenue Funds:		
Community Development Block Grant Fund	-	65,665
Grants Fund	-	52,138
Comprehensive Services Act Fund	-	545,954
Transit Fund	-	2,838,407
Total non-major funds	<u>-</u>	<u>3,502,164</u>
Total due to/from other funds	<u>\$ 3,680,730</u>	<u>\$ 3,680,730</u>

- (b) Transfers are primarily used to 1) transfer revenues that have been collected in the required fund per state law to the funds and activities that state law allows for expenditures; 2) transfer of "payment in lieu of taxes" contributions from the utility funds to the General Fund; 3) transfer funding from governmental funds to debt service and capital project funds; and 4) transfer matching funds from the General Fund and Special Revenue Funds for various grant programs.

Interfund transfers for the year ended June 30, 2014, consisted of the following:

	Transfers out:						
	<u>General</u>	<u>Capital Projects</u>	<u>Debt Service</u>	<u>Social Services</u>	<u>Nonmajor Government</u>	<u>Proprietary/Internal Serv</u>	<u>Total</u>
Transfers in:							
General Fund	\$ -	\$ 6,389,022	\$ 8,589,177	\$ 3,230,761	\$ 4,773,491	\$ -	\$ 22,982,451
Capital Projects Fund	-	-	-	-	261,015	50,000	311,015
Nonmajor governmental funds	-	-	20,000	-	43,389	-	63,389
Water Fund	708,958	-	-	-	-	-	708,958
Sewer Fund	767,542	-	-	-	-	-	767,542
Gas Fund	3,850,145	-	-	-	-	-	3,850,145
Internal Service Funds	250,000	-	408,485	-	-	82,000	740,485
Total	<u>\$ 5,576,645</u>	<u>\$ 6,389,022</u>	<u>\$ 9,017,662</u>	<u>\$ 3,230,761</u>	<u>\$ 5,077,895</u>	<u>\$ 132,000</u>	<u>\$ 29,423,985</u>

Reconciliation to exhibits:

		<u>Transfers in:</u>	<u>Transfers out:</u>
Governmental Funds	Exhibit D	\$ 29,291,985	\$ 23,356,855
Proprietary Funds	Exhibit E-3	50,000	5,326,645
Internal Service Funds	Exhibit L-2	82,000	740,485
Total		<u>\$ 29,423,985</u>	<u>\$ 29,423,985</u>

## 8. CAPITAL ASSETS

### (a) Primary Government

	Balance July 1, 2013	Increases	Decreases	Balance June 30, 2014
Governmental activities:				
Capital assets not being depreciated:				
Land and improvements	\$ 14,066,508	\$ 1,209,593	\$ 11,458	\$ 15,264,643
Infrastructure right of way	3,249,499	-	-	3,249,499
Assets under construction	-	19,531,560	-	19,531,560
Total capital assets not being depreciated	<u>17,316,007</u>	<u>20,741,153</u>	<u>11,458</u>	<u>38,045,702</u>
Other capital assets:				
Building and improvements	152,598,540	3,569,465	130,396	156,037,609
Vehicles	28,889,118	4,075,378	911,576	32,052,920
Furniture and equipment	23,583,535	558,964	150,446	23,992,053
Streets	67,307,667	-	-	67,307,667
Bridges	4,653,225	-	-	4,653,225
Infrastructure	<u>56,446,371</u>	<u>-</u>	<u>-</u>	<u>56,446,371</u>
Total other capital assets at historical cost	<u>333,478,456</u>	<u>8,203,807</u>	<u>1,192,418</u>	<u>340,489,845</u>
Less accumulated depreciation:				
Building and improvements	43,092,359	4,827,887	2,986	47,917,260
Vehicles	18,824,398	3,049,614	917,355	20,956,657
Furniture and equipment	18,550,663	1,457,866	26,526	19,982,003
Streets	42,117,215	693,972	-	42,811,187
Bridges	1,623,203	83,127	-	1,706,330
Infrastructure	<u>22,895,669</u>	<u>1,016,828</u>	<u>-</u>	<u>23,912,497</u>
Total accumulated depreciation	<u>147,103,507</u>	<u>11,129,294</u>	<u>946,867</u>	<u>157,285,934</u>
Other capital assets, net	<u>186,374,949</u>	<u>(2,925,487)</u>	<u>245,551</u>	<u>183,203,911</u>
Governmental activities capital assets, net	<u>\$ 203,690,956</u>	<u>\$ 17,815,666</u>	<u>\$ 257,009</u>	<u>\$ 221,249,613</u>

	Balance July 1, 2013	Increases	Decreases	Balance June 30, 2014
<b>Business-Type activities:</b>				
Capital assets not being depreciated:				
Land and improvements	\$ 1,921,723	\$ -	\$ -	\$ 1,921,723
Easements	192,325	-	-	192,325
Total capital assets not being depreciated	2,114,048	-	-	2,114,048
Other capital assets:				
Building and improvements	1,858,274	-	-	1,858,274
Vehicles	2,018,107	126,272	14,156	2,130,223
Equipment	3,066,687	221,695	61,500	3,226,882
Distribution and collection systems	94,439,746	7,427,904	-	101,867,650
Total other capital assets at historical cost	101,382,814	7,775,871	75,656	109,083,029
Less accumulated depreciation:				
Building and improvements	1,258,308	36,627	-	1,294,935
Vehicles	1,373,344	179,948	14,156	1,539,136
Equipment	2,148,023	180,867	63,380	2,265,510
Distribution and collection systems	35,718,132	2,376,597	-	38,094,729
Total accumulated depreciation	40,497,807	2,774,039	77,536	43,194,310
Other capital assets, net	60,885,007	5,001,832	(1,880)	65,888,719
Business-Type activities capital assets, net	\$ 62,999,055	\$ 5,001,832	\$ (1,880)	\$ 68,002,767

**(b) School Board Component Unit**

	Balance July 1, 2013	Increases	Decreases	Balance June 30, 2014
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 982,889	\$ -	\$ -	\$ 982,889
Other capital assets:				
Building and improvements	52,852,291	-	-	52,852,291
Vehicles	141,474	-	-	141,474
Furniture and equipment	3,940,235	143,380	11,095	4,072,520
Total other capital assets at historical cost	56,934,000	143,380	11,095	57,066,285
Less accumulated depreciation:				
Building and improvements	27,978,381	1,184,959	-	29,163,340
Vehicles	116,954	7,107	-	124,061
Furniture and equipment	1,592,871	577,623	11,095	2,159,399
Total accumulated depreciation	29,688,206	1,769,689	11,095	31,446,800
Other capital assets, net	27,245,794	(1,626,309)	-	25,619,485
Governmental activities capital assets, net	\$ 28,228,683	\$ (1,626,309)	\$ -	\$ 26,602,374

**(c) Allocation of Depreciation Expense**

Depreciation expense was charged to functions/programs of the Primary Government as follows:

Governmental activities:

General government	\$ 2,534,807
Public safety	1,599,668
Community services, including depreciation of general infrastructure assets	3,614,881
Health and welfare	78,826
Parks, recreation and culture	1,087,732
Capital assets held by the City's internal service funds are charged to the various functions based on their usage of the assets	294,860
Education	1,216,966
Conservation and development	686,055

Total depreciation expense - governmental activities 11,113,794

Accumulated depreciation from assets transferred from enterprise funds 15,500

Total increase in accumulated depreciation - governmental activities \$ 11,129,294

Business-Type activities:

Water	\$ 736,976
Sewer	757,213
Gas	1,228,068
Golf course	43,803
Warehouse	2,007

Total depreciation expense - business-type activities 2,768,067

Accumulated depreciation from assets transferred from governmental funds 5,972

Total increase in accumulated depreciation - business-type activities \$ 2,774,039

Depreciation expense was charged to functions/programs of the Schools component unit as follows:

Instruction and instruction-related service	\$ 1,344,963
Support services - student based	336,241
Administrative support services	88,485
Total accumulated depreciation	\$ 1,769,689

**(d) Tenancy in Common – School Board Capital Assets**

In fiscal year 2002, the Commonwealth of Virginia General Assembly passed a law to respond to GASB Statement 34 which established a local option of creating, for financial reporting purposes, a tenancy in common with the local school board when a city or county issues bonds. The sole purpose of the law was to allow cities and counties the ability to record together school assets and related debt liabilities. As a result, certain assets purchased with the City's general obligation bonds and literary loans are recorded as part of the Primary Government. According to the law, the tenancy in common ends when the associated obligation is repaid; therefore, the assets will revert to the School Board when the debt is repaid. Nothing in the law alters the authority or responsibility of the local school board or control of the assets. As a result of this change, the City has included certain school buildings in its capital assets balance at June 30, 2014.

## 9. LONG-TERM LIABILITIES

### (a) City

At June 30, 2014, the City's long-term liabilities consisted of the following:

	Interest Rates	Original Amount of Debt	Principal Amount Outstanding
Governmental Activities:			
General obligation bonds:			
General Improvement, Series 2003	2.00-4.125	\$ 15,555,000	\$ 500,000
General Improvement, Series 2004	3.00-4.25	19,913,333	1,160,000
General Improvement, Series 2006	3.45-4.12	12,500,000	4,375,000
General Improvement Refunding, Series 2008	3.25-5.00	15,617,500	7,207,500
General Improvement Refunding, Series 2009	2.00-5.00	15,875,700	10,501,450
General Improvement, Series 2010	2.00-4.38	9,956,200	7,959,600
General Improvement, Series 2011	2.00-5.00	9,425,000	7,490,000
General Improvement Refunding, Series 2012	1.25-4.50	26,870,300	26,413,100
General Improvement, Series 2013	3.00-4.00	5,610,000	5,330,000
General Improvement Refunding, Series 2014	2.125-5.00	7,130,695	7,130,695
Total bonds			78,067,345
State Literary Fund Loan, 1995	5.00	193,121	19,313
State Literary Fund Loan, 1996	5.00	207,244	31,090
Total literary loans			50,403
Total bonds and literary loans			78,117,748
Compensated absences			2,212,096
Insurance claims payable			2,569,675
Total			<u>\$ 82,899,519 *</u>
Business-Type Activities:			
General obligation bonds:			
General Improvement, Series 2003	2.00-4.125	\$ 8,295,000	\$ 445,000
General Improvement, Series 2004	3.00-4.25	1,456,667	155,000
General Improvement, Series 2006	3.45-4.12	3,000,000	1,050,000
General Improvement Refunding, Series 2008	3.25-5.00	5,222,500	2,577,500
General Improvement Refunding, Series 2009	2.00-5.00	6,494,300	4,343,550
General Improvement, Series 2010	2.00-4.38	4,903,800	3,920,400
General Improvement, Series 2010 (VRA)	2.93	5,030,409	4,491,530
General Improvement, Series 2011	2.00-5.00	8,560,000	7,260,000
General Improvement Refunding, Series 2012	1.25-4.50	7,224,700	7,041,900
General Improvement, Series 2013	3.00-4.00	8,420,000	8,000,000
General Improvement Refunding, Series 2014	2.125-5.00	8,864,305	8,864,304
Total bonds			48,149,184
Compensated absences			251,730
Total			<u>\$ 48,400,914 *</u>

The Water, Sewer, Gas and Stormwater Funds are responsible for \$16,557,676, \$29,179,555, \$2,221,953, and \$190,000 respectively, of the Business-Type Activities bonds payable.

\*Amounts exclude unamortized premium amounts on bonds.



**(b) School Board Component Unit**

At June 30, 2014, the School Board's long-term liabilities consisted of:

Notes payable	\$ 2,849
Capital leases payable	457,879
Compensated absences	2,190,656
Unfunded liability for post-employment medical benefits	272,487
Total	<u>\$ 2,923,871</u>

**(c) Changes in Long-Term Liabilities**

The following is a summary of the long-term liabilities transactions for the City and component units for the year ended June 30, 2014:

	Balance July 1, 2013	Additions	Refunding	Reductions	Balance June 30, 2014	Due Within One Year
Governmental Activities:						
Bonds payable:						
General obligation bonds	\$ 78,676,333	\$ 7,130,695	\$ 1,476,666	\$ 6,263,017	\$ 78,067,345	\$ 6,064,300
Unamortized premium	4,170,431	417,486	-	466,575	4,121,342	-
Total bonds payable	82,846,764	7,548,181	1,476,666	6,729,592	82,188,687	6,064,300
State literary loans:						
Johnson School - 1995	28,969	-	-	9,656	19,313	9,656
Burnley Moran School - 1996	41,452	-	-	10,362	31,090	10,362
Total literary loans	70,421	-	-	20,018	50,403	20,018
Notes payable:						
City Link note	402,486	-	-	402,486	-	-
Total notes payable	402,486	-	-	402,486	-	-
Compensated absences	2,161,071	2,287,622	-	2,236,597	2,212,096	263,391
Insurance claims payable	2,736,906	11,502,356	-	11,669,587	2,569,675	2,334,790
Total governmental activities	<u>\$ 88,217,648</u>	<u>\$ 21,338,159</u>	<u>\$ 1,476,666</u>	<u>\$ 21,058,280</u>	<u>\$ 87,020,861</u>	<u>\$ 8,682,499</u>

Compensated absences are paid by General Fund, Social Services Fund and Non-Major Governmental Funds responsible for salary costs.

The City Link note originated in 2004, has a life of 10 years and bears interest at 1.49%. Annual payments were due to the City's Water and Sewer Funds of \$129,618 and \$272,868, respectively. Because the City executed this note on an arms-length basis, this note has not been eliminated at the government-wide level.

Deferred amounts on refunding are reported as deferred outflow of resources or deferred inflow of resources in the governmental activities column on Exhibit A.

	Balance July 1, 2013	Additions	Refunding	Reductions	Balance June 30, 2014	Due Within One Year
Business-Type Activities:						
Bonds payable:						
General obligation bonds	\$ 43,325,574	\$ 8,864,306	\$ 738,334	\$ 3,302,362	\$ 48,149,184	\$ 3,141,108
Unamortized premium	1,977,713	439,199	-	176,141	2,240,771	-
Total bonds payable	45,303,287	9,303,505	738,334	3,478,503	50,389,955	3,141,108
Compensated absences	266,834	279,823	-	294,927	251,730	30,208
Total business-type activities	\$ 45,570,121	\$ 9,583,328	\$ 738,334	\$ 3,773,430	\$ 50,641,685	\$ 3,171,316

Compensated absences are paid by business – type activities that are responsible for salary costs.

Deferred amounts on refunding are reported as deferred outflow of resources or deferred inflow of resources in the governmental activities column on Exhibit A and E-2.

#### School Board Component Unit:

	Balance July 1, 2013	Additions	Reductions	Balance June 30, 2014	Due within one year
School Board:					
Notes payable	\$ 7,517	\$ -	\$ 4,668	\$ 2,849	\$ 2,849
Capital lease payable	931,211	-	473,332	457,879	457,879
Compensated absences	1,276,268	2,382,096	1,467,708	2,190,656	262,879
Unfunded liability for post- employment medical benefits	174,829	97,658	-	272,487	-
Total	\$ 2,389,825	\$ 2,479,754	\$ 1,945,708	\$ 2,923,871	\$ 723,607

#### (d) Debt Compliance and Repayment

The governmental activities general improvement bonds and public improvement refunding bonds are secured by the full faith and credit of the City and are payable from taxes levied on all property located within the City. Governmental activities notes payable are payable from General Fund revenues. Literary loans from the Commonwealth of Virginia are for the construction or renovation of school buildings and are collateralized by such buildings and are payable by the City from General Fund resources. The Gas, Water, Sewer and Stormwater Funds general obligation and public improvement refunding bonds are payable from revenues generated by the facilities constructed from the bond proceeds, although they are also backed by the full faith and credit of the City should the facilities not provide sufficient revenues to meet bond obligations. The City has complied with all significant financial bond covenants.

The City has no overlapping debt with other jurisdictions. At June 30, 2014, the City had a debt limit of \$550,366,950 which is 10% of assessed value of real property and a legal debt margin of \$435,968,043.

The annual requirements to amortize to maturity all long-term obligations outstanding of the City, except for compensated absences payable for which the payment dates cannot be estimated are presented on note 9 (g).

**(e) General Obligation Public Improvement Bonds and Refunding Bonds**

On May 23, 2014, the City issued \$15,995,000 principal amount of General Obligation Improvement and Refunding Bonds, Series 2014, at a true interest cost of 2.54%. The full faith and credit and unlimited taxing power of the City are pledged to the punctual payment of the principal and interest on the Bonds as they become due. The bonds will be repaid in semiannual installments of principal and interest beginning January 15, 2015, and ending July 15, 2034.

Series 2014 included \$13,910,000 of new money to fund public improvement projects as follows: \$5,740,000 of debt for general government to finance the costs of public improvement capital projects, \$2,885,000 to finance water system improvements, \$5,095,000 for sewer improvement projects and \$190,000 for stormwater improvement projects.

Series 2014 included \$2,085,000 to refund portions for bond series 2004 for both general government and utility debt. \$1,390,695 was debt of general government and \$694,305 was debt for water (\$347,153) and gas (\$357,152). The net proceeds of refunding bonds (\$2,258,150) were deposited in an irrevocable trust with an escrow agent to purchase United States Treasury Securities – State and Local Government Series certificates and notes that will provide for all the debt service due on the refunded bonds. As such, the refunded portion of the 2004 bond issue (\$2,215,000) was removed as a liability of the City. This advanced refunding was undertaken to reduce total debt service payment of \$189,520 over the next 6 years, resulting in an economic gain (present value savings) of \$180,027.

**(f) Prior Year Defeasance of Debt**

In prior years, the City defeased general obligation public improvement bonds by placing the proceeds of the new bonds in an irrevocable trust account to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the City's financial statements. At June 30, 2014, \$18,935,000 of defeased bonds remains outstanding.

**(g) Debt Service Requirements to Maturity**

**General Obligation Bonds:**

Year Ending June 30,	<u>Governmental Activities</u>		<u>Business-Type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2015	\$ 6,064,300	\$ 2,657,939	\$ 3,141,108	\$ 1,557,790
2016	6,359,780	2,544,483	3,521,838	1,551,778
2017	6,075,075	2,344,235	3,282,937	1,436,739
2018	5,853,390	2,149,741	3,276,204	1,324,065
2019	5,325,585	1,959,364	3,040,785	1,212,605
2020 - 2024	25,082,915	7,067,842	13,642,791	4,515,745
2025 - 2029	17,642,500	2,811,157	11,720,260	2,206,697
2030-2034	5,418,800	395,656	6,128,261	453,625
2035-2037	245,000	3,981	395,000	6,419
Total bonds	<u>\$ 78,067,345</u>	<u>\$ 21,934,398</u>	<u>\$ 48,149,184</u>	<u>\$ 14,265,463</u>

**Literary Loans:**

Year Ending June 30,	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2015	\$ 20,018	\$ 2,521
2016	20,019	1,519
2017	10,366	518
Total literary loans	<u>\$ 50,403</u>	<u>\$ 4,558</u>

## 10. PENSION OBLIGATIONS

### City of Charlottesville Supplemental Retirement or Pension Plan

*Plan description.* The City administers the Pension Plan, a single-employer defined benefit plan for general and public safety employees. The Pension Plan provides retirement and disability benefits to eligible plan members and their beneficiaries. The plan is governed by City Council, as provided in Article II, IV and V of Chapter 19 of the City Code, 1990, as amended, of the City of Charlottesville. City Council may amend benefits and other plan provisions, and are responsible for the management of plan assets. The Plan does not provide automatic annual increases in benefits. The Pension Plan is considered a part of the City's Reporting Entity and is included in the City's financial statements as the Pension Trust Fund (Exhibits F-1 and F-2). There is no separately issued City Supplementary Retirement or Pension Plan report.

The Pension Plan covers all regular employees that work at least half time for at least 36 weeks per year. Employer contribution is determined annually based on actuarial valuation data. Plan members are entitled to an annual retirement benefit, payable monthly for life. Public safety employees include sworn police and sheriff officers and fire fighters. Employees hired *before* July 1, 2012, and employees hired on *or after* July 1, 2012, have different pension provisions and employee contribution rates as follows:

General Employees Pension Plan – Normal Retirement Benefit		
	Before July 1, 2012	On or after July 1, 2012
Normal Retirement Age	Age 65 with 5 years of service	Age 65 with 5 years of service
Early Retirement Age (1/2% reduction for each month the actual retirement date is less than 30 years)	Age 55 with 5 years of service Age 50 with 30 years of service	Age 60 with 5 years of service Age 60 with 30 years of service
Vesting	5 years of service	5 years of service
Employee Contribution for Pension and OPEB Plans	None	3% of base salary
Pension Benefit Formula	Average Final Compensation (AFC) x 1.6% x years of creditable service	Average Final Compensation (AFC) x 1.6% x years of creditable service
Years to Calculate AFC	3 years	5 years

Public Safety Pension Plan – Normal Retirement Benefit		
	Before July 1, 2012	On or after July 1, 2012
Normal Retirement Age	Age 60	Age 60
Early Retirement Age (1/2% reduction for each month the actual retirement date is less than 30 years)	Age 55 with 5 years of service Age 50 with 25 years of service	Age 55 with 5 years of service Age 50 with 25 years of service
Vesting	5 years of service	5 years of service
Employee Contribution for Pension and OPEB Plans	None	3% of base salary
Pension Benefit Formula	Average Final Compensation (AFC) x 1.6% x years of creditable service	Average Final Compensation (AFC) x 1.6% x years of creditable service
Years to Calculate AFC	3 years	5 years
Social Security Supplement	1% of Average Final Compensation (AFC) x years of creditable service paid until Social Security retirement age with 20 years of service. Payable until full retirement age, as in effect on July 1, 2005.	1% of Average Final Compensation (AFC) x years of creditable service with 20 years of hazardous duty service. Supplement amount is limited to estimated unreduced primary social security benefit. Payable until full retirement age, as in effect on July 1, 2005.

Membership in the City's Pension Plan consists of the following at June 30, 2014, the date of the most recent actuarial valuation:

	<u>Members</u>
Retirees and beneficiaries currently receiving benefits	526
Vested terminated employees	398
Current employees:	
Vested	548
Nonvested	238
Total	<u>1,710</u>

*Summary of significant accounting policies – basis of accounting and valuation of investments.* The Pension Trust financial statements are prepared on the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. The City's contributions are recognized when due and a formal commitment to provide the contributions has been made. Benefits and refunds are recognized when due and payable in accordance with provisions of the plan. All plan investments are reported at fair value. Securities traded on a national exchange are valued at the last reported sales price on the Pension Trust Statement of Net Position date. Securities without an established market value are reported at estimated fair value.

*Funding policy.* The contribution requirements of plan members and the City are established and may be amended by City Council. Plan members hired before July 1, 2012 are not required to contribute. Plan members hired on or after July 1, 2012 must contribute 3% of base pay (annual covered salary) for Pension and Other postemployment benefits (OPEB) plans. The City's contribution rates are actuarially determined and consist of current costs plus amortization of prior service costs. The contribution rates for 2014 are based on the July 1, 2012, actuarial report. The general employee contribution rate is 15.33% and the public safety contribution rate is 26.18%.

*Annual pension cost.* The City has traditionally contributed the actuarially determined contribution (ADC) and thus has never actually had or been required to report a net pension liability (NPL). In accordance with GAAP, the City calculated the potential for a NPL and reaffirmed that none existed at June 30, 2014.

The Pension Plan's actuarially determined contribution, (ADC) and percentage of ADC contributed are as follows:

Fiscal Year <u>Ended June 30</u>	Actuarially Determined <u>Contribution</u>	Percentage of ADC <u>Contributed</u>
2014	\$ 6,900,872	100 %
2013	5,701,673	100
2012	5,890,831	100

*Net Pension Liability.* Under GASB 67, the net pension liability as of June 30, 2014 is as follows:

Total pension liability	\$ 152,845,015
Fiduciary net position	95,898,134
Net pension liability (NPL)	<u>\$ 56,946,881</u>
Fiduciary net position as a % of total pension liability	62.7%

The schedule of funding progress, presented as required supplementary information, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing relative to the actuarial accrued liability for benefits. As of June 30, 2014, the unfunded actuarial accrued liability (UAAL) has been replaced with the net pension liability which is determined using entry age actuarial cost method in place of projected unit credit cost method.

*Actuarial methods and assumptions.* The actuarial determined contribution (ADC) for the plan was determined as part of the July 1, 2014 actuarial valuation using the following methods and assumptions:

Method	Assumption
Actuarial cost method	Projected unit credit
Amortization method	Level percent of payroll with contributions increasing 4% per year, closed
Amortization period remaining	20-25 years
Asset valuation method	4-year smoothed market
Investment return, including inflation	7.5%
Projected salary increases	Range 2.5% - 5.0%
Assumed inflation rate	3.0%
Cost of living adjustment, ad hoc	1%

### **City of Charlottesville Defined Contribution Pension Plan**

Effective July 1, 2001, the City established a defined contribution plan (the “DC Plan”) for its employees. The DC Plan is administered by ICMA-RC. All eligible employees were given a one-time option to switch from the City of Charlottesville Supplementary Retirement or Pension Plan to the DC Plan. If an employee elected to switch, their benefit was frozen under the Pension Plan. A total of 159 employees elected to participate at the DC Plan’s inception. Plan provisions and contribution rates for City and employees are established and may be amended by City Council.

All new hires are given a one-time option to choose either the Pension Plan or the DC Plan when they are hired. Under the DC Plan, the city contribution rate is 8% of the employee’s base salary to their individual account, which is administered by a third party. There is no employee contribution required. DC Plan contributions vest ratably over a three year period. Employees determine how their account balance is invested from a range of available options. At June 30, 2014, there were 200 active City employees and a total of 328 participants, including terminated employees enrolled in the DC Plan. During the year, the City contributed a total of \$677,969 for active employees. Total net assets available for benefits at June 30, 2014, were \$9,122,600.

There is also a separate defined contribution plan for senior management to which the City contributes. For the year ended June 30, 2014, a total of \$579,425 was contributed for 16 active City employees. The city contribution rate is 29.83% of eligible compensation.

### **School Board Component Unit – Virginia Retirement System (VRS)**

*Plan Description.* The School Board participates in the VRS, an agent and cost-sharing multiple-employer defined benefit pension plan. Professional employees are included in a statewide teacher cost-sharing pool and non-professional employees have a separate plan. All full-time, salaried permanent employees must participate in VRS. Title 5.1 of the Code of Virginia (1950), as amended, assigns the authority to establish and amend benefit provisions to the General Assembly of Virginia. Effective July 1, 2010, there are two retirement plans in effect. Plan 1 members hired into covered positions prior to July 1, 2010. Plan 2 are members hired on or after July 1, 2010. Under Plan 1, employees are eligible for unreduced benefits at age 65 with 5 years of service, or as early as age 50 if they have at least 30 years of service. Under Plan 2, employees are eligible for unreduced retirement benefits at the normal retirement age for social security with 5 years of service, or when age and service added together equal 90 (e.g. 60 with 30 years of service credit). VRS issues a publicly available comprehensive annual financial report, which may be obtained in writing from VRS at P.O. Box 2500, Richmond, VA 23218-2500 or download from the VRS website at [www.varetire.org](http://www.varetire.org).

*Funding Policy.* Plan members are required by Title 5.1 of the Code of Virginia (1950), as amended, to contribute 5% of their annual reported compensation to the VRS. The School Board is required to contribute the remaining amounts necessary to fund its participation in the VRS using the actuarial basis specified by the Code of Virginia and approved by the VRS Board of Trustees. The School Board's contribution rates for teacher cost-sharing pool for the fiscal year ended June 30, 2014, was 13.96% of annual covered payroll. The School Board's required contribution, equal to ARC, was as follows:

<u>Year Ended</u>	<u>Contribution Dollars</u>	<u>Contribution Percentage</u>
June 30, 2014	\$ 4,750,776	13.96 %
June 30, 2013	4,820,615	13.96
June 30, 2012	4,092,371	12.21

*Annual pension cost and actuarial assumptions.* For the non-professional plan, the School Board's contribution rate for the fiscal year ending June 30, 2014, was 10.2% of annual covered payroll. The required contribution was determined as part of the June 30, 2011, actuarial valuation using the Entry Age Normal actuarial cost method. The assumptions included a 7% investment return, projected salary increased between 3.75% and 5.6% per year based on age and 2.5% cost of living adjustment. The inflation rate is 2.5%. The asset valuation method is modified market value of assets. The annual required contribution was \$174,104, which was 100% contributed.

*Funded status and funding progress.* As of July 1, 2013, the most recent actuarial date, the funded status of the non-professional plan was as follows. The schedule of funding progress, presented as required supplementary information, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing relative to the actuarial accrued liability for benefits.

Actuarial accrued liability (AAL)	\$ 10,387,685
Actuarial value of plan assets	9,133,304
Unfunded actuarial accrued liability (UAAL)	<u>\$ 1,254,381</u>
Funded ratio (actuarial value of plan assets/AAL)	87.9%
Covered payroll (annual payroll of active employees covered by the plan)	\$ 1,996,131
UAAL as a percentage of covered payroll	62.8%

## 11. OTHER POSTEMPLOYMENT BENEFIT (OPEB) OBLIGATIONS

### City of Charlottesville

*Plan description.* The City provides medical, dental and life insurance coverage for eligible Pension Plan members that elect to participate. Vested employees who separate service with the City before pension benefits are received are not eligible for OPEB benefits. The City administers the plan as part of the City's benefit program. City Council may amend benefits for current and future retirees and are responsible for the management of the assets. The OPEB Trust is considered a part of the City's Reporting Entity and is included in the City's financial statements as the Pension Trust Fund (Exhibits F-1 and F-2). There is no separately issued City other postemployment benefits report.

<u>Pension Plan Members – Medical, Dental and Life Insurance Benefits</u>		
	<u>Before July 1, 2012</u>	<u>On or after July 1, 2012</u>
Medical and Dental coverage	Must have 5 years of creditable service. Under Age 65: Can continue to participate in Health Care Program Over Age 65: Participates in program that provide Medicare Supplementary Insurance and certain wellness benefits	Must have 10 years of creditable service. Under Age 65: Can continue to participate in Health Care Program. Health and dental coverage end at Medicare eligibility age.
Life Insurance	Must have 5 years of creditable service. Two times annual salary reduced 2% per month until benefit reaches the final annual salary.	Must have 10 years of creditable service. Two times annual salary reduced 25% per year unit benefit reaches 50% of final annual salary

Membership in the City's OPEB Plan consists of the following at June 30, 2014, the date of the most recent actuarial valuation:

	<u>Members</u>
Retirees and beneficiaries currently receiving benefits	433
Current employees	<u>1,006</u>
Total	<u><u>1,439</u></u>

*Summary of significant accounting policies – basis of accounting and valuation of investments.* The Pension Trust financial statements are prepared on the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. The City's contributions are recognized when due and a formal commitment to provide the contributions has been made. Benefits and refunds are recognized when due and payable in accordance with provisions of the plan. All plan investments are reported at fair value. Securities traded on a national exchange are valued at the last reported sales price on the Pension Trust Statement of Net Position date. Securities without an established market value are reported at estimated fair value.

*Funding policy.* The contribution requirements for current and future OPEB Plan members are established and may be amended by City Council. The city contribution is determined annually by City Council. Pension Plan members hired before December 3, 2002, received 100% of the city contribution towards the cost of medical and dental insurance. For Pension Plan Members hired on or after December 3, 2002, the city contribution toward the cost of medical and dental insurance is pro-rated based on vesting requirements and years of creditable service. OPEB Plan members must pay for family members at their own expense. Surviving spouses of OPEB Plan members may elect to continue health care benefits at their own expense. Life insurance is provided at no direct cost to the plan members. DC Plan senior management is eligible for the same OPEB benefits as Pension Plan members. The contribution rates for 2014 are based on the July 1, 2012, actuarial report. The general employee contribution rate is 19.11% and the public safety contribution rate is 14.77%.

DC Plan members may be eligible for access to continue medical and dental benefits. The City does not pay any of the costs. The DC Plan member is not eligible for life insurance benefits.

*Annual OPEB cost.* The City has traditionally contributed the annual required contribution (ARC) and thus has never actually had or been required to report a net pension obligation (NPO). In accordance with GAAP, the City calculated the potential for a NPO (asset) and reaffirmed that none existed at June 30, 2014.

<u>Fiscal Year Ended June 30</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Cost Contributed</u>	<u>Net OPEB Asset</u>
2014	\$ 5,928,254	100.2 %	\$ (718,628)
2013	5,536,057	100.2	(708,822)
2012	5,039,276	100.2	(699,150)

<u>Annual Required Contribution (ARC)</u>	<u>Interest on Net OPEB Asset</u>	<u>Adjustment to the ARC</u>	<u>Increase in Net OPEB Asset</u>	<u>Net OPEB Asset June 30, 2014</u>
\$ 5,938,060	\$ 53,162	\$ 43,356	\$ 9,806	\$ 718,628



*Funded status and funding progress.* As of July 1, 2014, the most recent actuarial valuation date, the funded status of the plan was as follows:

Actuarial accrued liability (AAL)	\$	81,325,328
Actuarial value of plan assets		24,606,450
Unfunded actuarial accrued liability (UAAL)	\$	56,718,878
Funded ratio (actuarial value of plan assets/AAL)		30.3%
Covered payroll (annual payroll of active employees covered by the plan)	\$	34,244,022
UAAL as a percentage of covered payroll		165.6%

Actuarial valuations for OPEB plans involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. These actuarially determined amounts are subject to continual revisions as actual results are compared to past expectations and new estimates are made about the future. The schedule of funding progress presented immediately following the financial statements as required supplementary information, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

*Actuarial methods and assumptions.* Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the type of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between employer and plan members to that point. The actuarial calculations of the OPEB plan reflect a long-term perspective. Consistent with this perspective, actuarial valuations will use actuarial methods and assumptions that include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets. The valuation is based on a closed group. Current employees and retirees only are considered; no provision is made for future hires.

The annual required contribution (ARC) was determined as part of the July 1, 2014 actuarial valuation using the following methods and assumptions:

Method	Assumption
Actuarial cost method	Projected Unit Credit
Amortization method	Level percent of payroll, open
Amortization period	30 years
Asset valuation method	4 year smoothed market
Investment return including inflation	7.5%
Projected salary increases	Range 2.5% - 6.0%
Assumed inflation rate	3.0%
Cost of living adjustment	None
Healthcare cost trend rate	Medical trend 5.0-8.0% Dental trend 5.0%

#### **School Board Component Unit – Post-Employment Medical Plan Subsidy**

*Plan Description.* The medical plan subsidy covers all full-time employees who have met all requirements of the Virginia Retirement System (VRS) that are eligible for full, unreduced retirement benefit if they have 30 years of service credit and have at least 10 consecutive years in a full-time salaried position as of the date of retirement. The retirees are not eligible for Medicare coverage (age 65) at retirement date. Medical benefit subsidies on or before March 15, 2006, is a monthly benefit fixed at \$250 payable to the earlier of: a) is age 65; b) is 60 monthly payments; and c) is the death of the retiree. Employees who retire after June 30, 2010, and have 10 or more consecutive years of service will receive one of the following annual allotments to assist with paying for individual health insurance with Charlottesville City Schools: Category A: \$4,000 for all full-time employees and Category B: \$2,000 for all part-time employees. Employees who are eligible for full retirement and are not eligible for or who do not choose health insurance coverage will receive a one-time payment of \$5,000 (full-time) or \$2,500 (part-time). There are no

life insurance benefits. At June 30, 2014, there were 591 active employees under age 65 and 37 retirees for a total plan participation of 628 employees.

*Funding Policy.* The School Board is assumed to make contributions to the medical plan equal to the cost of the benefits (claim payments plus administrative fees not covered by the retiree contribution). The plan is funded on a pay-as-you-go basis.

*Annual OPEB cost and net OPEB obligation.* The OPEB obligation, as determined by an actuarial valuation performed at June 30, 2012, is as follows for fiscal year ended June 30, 2014.

Annual OPEB cost	\$ 213,703
Less employer contributions	<u>116,045</u>
Increase in net OPEB obligation	97,658
Net OPEB Obligations, June 30, 2013	<u>174,829</u>
Net OPEB Obligations, June 30, 2014	<u>\$ 272,487</u>

*Funding status and funding progress.* As of June 30, 2014, the most recent actuarial valuation date, the funded status of the plan was as follows:

Actuarial accrued liability (AAL)	\$ 2,123,365
Actuarial value of plan assets	-
Unfunded actuarial accrued liability (UAAL)	<u>\$ 2,123,365</u>
Funded ratio (actuarial value of plan assets/AAL)	0.0%
Covered payroll (annual payroll of active employees covered by the plan)	N/A
UAAL as a percentage of covered payroll	N/A

Actuarial valuations for OPEB plans involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. These actuarially determined amounts are subject to continual revisions as actual results are compared to past experiences and new estimates are made about the future. The schedule of funding progress presented as required supplementary information presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

*Actuarial methods and assumptions.* Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the type of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employer and the plan members to that point. The actuarial calculations of the OPEB plan reflect a long-term perspective. Consistent with this perspective, actuarial valuations will use actuarial methods and assumptions that include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

The following assumptions were used in the most recent actuarial report dated June 30, 2014:

Method	Assumption
Actuarial cost method	Projected Unit Credit
Remaining amortization period	28
Asset valuation method	Market Value
Investment return	4.0%
Healthcare cost trend rate	8% for 6 years; 7% for 7 years; 6% for 8 years and 5% thereafter

## **12. CONTINGENCIES**

The City and School Board have received a number of Federal and State grant programs, the principal of which are subject to program compliance audits pursuant to the Single Audit Act as amended. Accordingly, the City and School Board's compliance with applicable grant requirements will be established at a future date. The amount of expenditures which may be disallowed by the granting agencies cannot be determined at this time. In the opinion of management, any further disallowances of current grant program expenditures, if any, would be immaterial.

## **13. REVENUE SHARING AGREEMENT**

An Annexation and Revenue Sharing Agreement dated February 17, 1982, between the City of Charlottesville, Virginia and the County of Albemarle, Virginia was approved in a public referendum on May 18, 1982. The agreement requires the City and County annually to contribute portions of their respective real property tax bases and revenues to a Revenue and Economic Growth Sharing Fund. Distribution of the fund and the resulting net transfer of funds shall be made on each January 31 while this agreement remains in effect.

During the time this agreement is in effect, the City will not initiate any annexation procedures against the County. Also, pursuant to this agreement, a committee was created to study the desirability of combining the governments and the services presently provided by them.

This agreement became effective July 1, 1982, and remains in effect until:

1. The City and County are consolidated into a single political subdivision, or
2. The concept for independent cities presently existing in Virginia is altered by State law in such a manner that real property in the City becomes a part of the County's tax base, or
3. The City and County mutually agree to cancel or change the agreement.

During the fiscal year, the County paid \$16,931,333 to the City as a result of this agreement, which is recorded in intergovernmental revenues.

## **14. JOINT VENTURES**

### **(a) Rivanna Water and Sewer Authority**

The City is a participant with the Albemarle County Service Authority (ACSA) in a joint venture to provide water and wastewater treatment services to City residents and residents in certain areas of Albemarle County. The Rivanna Water and Sewer Authority (RWSA) was created for that purpose. RWSA is governed by a seven-member board composed of City Manager, City Director of Public Works, a Charlottesville City Councilor, an Albemarle County Executive, an Albemarle County Supervisor, and the Executive Director of ACSA, as well as a seventh member who is appointed by concurrent action of the City and County. The City and ACSA have agreed to purchase water and wastewater treatment services for all their customers solely from RWSA, at rates established to cover the operating and debt costs of RWSA, until June 30, 2013. For the year ended June 30, 2014, the City paid a total of \$11,775,535 to RWSA. Complete, audited financial statements for RWSA can be obtained at their administrative offices at 200 Franklin Street, Charlottesville, Virginia 22902.

### **(b) Rivanna Solid Waste Authority**

The City is a participant with Albemarle County in a joint venture to provide drop off recycling services at the McIntire Recycling Center on McIntire Rd. The City and County also entered into a Cost Sharing Agreement for purposes of paying any of the post-closure care and corrective action costs related to the old Ivy Landfill in the event the Rivanna Solid Waste Authority would not have the financial resources to pay such costs. Although the City entered into a Local Government Guarantee on behalf of the Rivanna Solid Waste Authority, the Virginia Department of Environmental Quality (DEQ) has no legal recourse against the City under this guarantee. The City's percentage of these shared costs is 35.5% of the total. The City share of

the local guarantee for the 2013 calendar year and for fiscal year 2014 is \$2,260,735.63. Annual certificates must be filed every December 30<sup>th</sup> to DEQ. Complete, audited financial statements for RSWA can be obtained at their administrative offices at 200 Franklin Street, Charlottesville, Virginia 22902.

**(c) Jefferson-Madison Regional Library**

The City and several neighboring counties joined together to form a regional library system for the use of their respective residents. The Jefferson-Madison Regional Library (JMRL) is governed by an eleven-member board, four of whom are appointed by the City. The participating localities share the operating costs of JMRL on the basis of the prior year's book circulation. The City contributed \$1,362,913 to JMRL for the year ended June 30, 2014. Complete, audited financial statements for JMRL can be obtained at their administrative offices at 201 East Market Street, Charlottesville, Virginia 22902.

**(d) Charlottesville – Albemarle Regional Jail**

The City and Albemarle County share the costs of operating a regional jail. The Jail is governed by a seven-member board, three of whom are appointed by the City (with one member being ex-officio), three by the County, and one jointly appointed citizen. Under the terms of the operating agreement, either the City or the County can terminate the contract with sixty days' notice. The City and County share the costs of operating the Jail (net of any reimbursements from the Federal, State and other local governments) on the ratio of City and County prisoner days of utilization for the prior year. Any excesses or deficits are reimbursed after the end of each fiscal year. For the year ended June 30, 2014, the City's share of the costs of the Jail was \$4,486,866. Complete, audited financial statements for the Jail can be obtained at their administrative offices at Avon Street Extended, Charlottesville, Virginia 22902.

**(e) Emergency Communications Center**

The City, Albemarle County and the University of Virginia jointly participate in operating a centralized dispatching facility for law enforcement and emergency services. The Emergency Communications Center (the Center) is governed by an eight-member board, three of whom are ex-officio members from the City. The Center operates under the terms of an agreement whereby any participant may discontinue its participation with one year's written notice. The operating costs of the Center are shared by the three participants on the basis of population, numbers of calls for service and annual crime statistics. For the year ended June 30, 2014, the City's share of the costs of the Center was \$1,567,491. Complete, audited financial statements for the Center can be obtained at the County Office Building, 401 McIntire Road, Charlottesville, Virginia 22902.

**(f) Charlottesville Albemarle Convention & Visitors Bureau**

This is a regional program funded by the City, Albemarle County, Charlottesville Regional Chamber of Commerce and the University of Virginia and revenues generated by the Bureau. Its purpose is to promote tourism in the area. The Bureau is governed by a Management Committee composed of the City Manager, the County Executive, the President of the Charlottesville-Albemarle Chamber of Commerce and one ex-officio, non-voting member from the University of Virginia. The Chamber of Commerce contributes an amount based on its membership dues. The City and the County contributions are based on the year's sales tax and lodging tax for each compared to total. For the year ended June 30, 2014, the City contributed \$701,832 to the Bureau.

**(g) Darden Towe Park**

The City and County jointly own and operate a park, known as Darden Towe Park (the Park). The Park is governed by a supervisory committee, consisting of two ex-officio members each from the City and County. The operating costs of the Park are shared between the two based on the average of the populations of the two localities and the relative proportion of park usage by City and County residents. For the year ended June 30, 2014, the City's share of the Park's operating costs was \$106,051. Complete, audited financial statements for the Park can be obtained at the County Office Building, 401 McIntire Road, Charlottesville, Virginia 22902.

**15. RELATED ORGANIZATIONS**

The City Council is responsible for making appointments for a variety of boards and commissions, some of which are governing boards for agencies that cooperate outside of the authority of city government. These boards include:

Albemarle – Charlottesville Regional Jail Authority  
Board of Architectural Review  
Building Code Board of Appeals  
Charlottesville – Albemarle Airport Authority  
Charlottesville – Albemarle Airport Commission  
Charlottesville – Albemarle Commission on Children and Families  
Charlottesville – Albemarle Comprehensive Services Act Community Policy and Management Team  
Charlottesville – Albemarle Regional Transportation Committee  
Charlottesville Economic Development Authority  
Charlottesville Redevelopment and Housing Authority  
Charlottesville Youth Council  
Citizen's Advisory Panel  
Community Development Block Grant Task Force  
Housing Advisory Committee  
Human Rights Commission  
JAUNT (Jefferson Area United Transportation Board)  
Jefferson Area Board of Aging Advisory Council (JABA)  
Jefferson Area Board of Aging-Board of Directors (JABA)  
Jefferson Area Community Criminal Justice Board  
Jefferson-Madison Regional Library Board (JMRL)  
Metropolitan Planning Organization Policy Board  
Monticello Area Community Action Agency Board (MACAA)  
Parks and Recreation Advisory Committee  
Personnel Appeals Board  
Piedmont Virginia Community College Board  
Planning Commission/Entrance Corridor Review Board  
PLACE Design Task Force  
Region Ten Community Services Board  
Regional Disability Service Board  
Retirement Commission  
Rivanna Solid Waste Authority  
Rivanna Water and Sewer Authority  
Sister Cities Commission  
Social Services Advisory Board  
Thomas Jefferson Planning District Commission  
Towing Advisory Board  
Tree Commission  
Vendor Appeals Board  
Water Resources Protection Program Advisory Committee

## 16. RISK MANAGEMENT

The Risk Management Fund reports liabilities for claims when it is probable that a loss has been incurred, and also includes independent estimates for claims that have been incurred but not reported. Since these claims are estimates based on currently available information, they are reviewed periodically, and the reported liabilities are revised as necessary. The net asset balance of \$10,426,534 at June 30, 2014, is a reserve for future extraordinary claims.

Major risks retained by the City include:

- Worker's compensation - \$600,000 per claim for police and fire employees and \$500,000 for all other employees.
- Employee medical care - \$125,000 per participant per year.
- Other insurance policies have deductibles of \$25,000 or less per occurrence.

The following is a reconciliation between the current and prior years' claims liabilities:

	<u>2013-2014</u>	<u>2012-2013</u>
Accrued claims, July 1	\$ 2,736,906	\$ 2,464,524
Add claims incurred during the current fiscal year including changes in estimated claim payable	11,502,356	11,190,244
Less payments on claims	<u>(11,669,587)</u>	<u>(10,917,862)</u>
Accrued claims, June 30	<u>\$ 2,569,675</u>	<u>\$ 2,736,906</u>
Claims or judgments due within one year	\$ 2,334,790	\$ 2,659,321
Claims or judgments due in more than one year	<u>234,885</u>	<u>77,585</u>
Total	<u>\$ 2,569,675</u>	<u>\$ 2,736,906</u>

Public employee dishonesty coverage, Virginia Municipal League Insurance Program is as follows:

	<u>Amount</u>
Jason A. Vandever, Treasurer	\$ 1,000,000
Llezelle A. Dugger, Clerk of the Circuit Court	1,000,000
Todd D. Divers, Commissioner of the Revenue	1,000,000
James E. Brown, III, Sheriff	1,000,000
Maurice T. Jones, City Manager	1,000,000
Aubrey Watts, Jr., Chief Operating Officer/Chief Financial Officer	1,000,000
Bernard Wray, Director of Finance	1,000,000
Jennifer Stieffenhofer, Manager Procurement and Risk Management Services	1,000,000

During the normal course of business, the City and its employees have been named as defendants in claims for personal injuries, property damage and specific performances which are being defended by the City Attorney and associated counsel. It is the opinion of the City Attorney that the resolution of such litigation will not involve a substantial liability to the City, other than what is already accrued in the government-wide financial statements.

## 17. CAPITAL LEASES

The School Board entered into a capital lease to finance the acquisition of 2,082 Fujitsu Stylistic Q550 Computer Tablets with a down payment of \$111,705. This lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of the future minimum lease payments as of the inception date. The lease commenced on September 29, 2011, for four (4) years ending October 31, 2014. At the end of the lease, there is an option to purchase the tablets or sign a new lease for updated technology.

The assets acquired through capital leases are as follows:

Asset:	
Furniture and equipment	\$ 1,973,451
Less: Accumulated depreciation	<u>(986,725)</u>
Total	<u>\$ 986,726</u>

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2014, are as follows:

Year Ending June 30, 2014:	Governmental <u>Activities</u>
2015	\$ 493,363
Total minimum lease payments	<u>493,363</u>
Less: Amount representing interest	<u>(35,484)</u>
Present value of minimum lease payments	<u>\$ 457,879</u>

## 18. CONSTRUCTION AND OTHER SIGNIFICANT COMMITMENTS

### (a) Construction Commitments

The City has active construction projects as of June 30, 2014. The projects include construction of a new fire department, street and bridge construction, and school science labs. At year end the City's commitments with contractors are as follows:

<u>Project</u>	<u>Spent-to-date</u>	<u>Remaining commitment</u>
Streets Construction	\$ 31,628,774	\$ 7,945,004
Bridge Replacement	1,942,638	324,937
Fontaine Area Fire Station	13,700,683	25,145
Science Lab-Buford and CHS	2,595,818	383,281

The remaining commitment amounts of \$8,678,367 for the street and bridge construction, fire station and school building projects were encumbered at fiscal year end. As discussed in the required supplementary information, unexpended general fund appropriations lapse at the end of the fiscal year unless carried over by Council action. Budgets for special revenue funds and debt service funds are adopted on an annual basis. The capital projects fund budget is adopted on a project life basis.

**(b) Encumbrances**

As discussed in the required supplementary information, unexpended general fund appropriations lapse at the end of the fiscal year unless carried over by Council action. Budgets for special revenue funds and debt service funds are adopted on an annual basis. The capital projects fund budget is adopted on a project life basis. At year end the amount of encumbrances expected to be honored upon performance by the vendor in the next year were as follows:

General Fund	\$ 800,063
Capital Projects Fund	11,294,442
Social Services Fund	16,410
Nonmajor governmental funds	1,123,426
Total	<u>\$ 13,234,341</u>

**19. LIQUIDATED DAMAGE CLAIM**

The Rivanna Water and Sewer Authority Board of Directors voted at their August 26, 2014 meeting to award damages in the amount of \$105,000 to the City of Charlottesville in relation to the Meadow Creek Interceptor project on a portion of the corridor of the replacement project on several parcels of City park land, including Pen Park, home of the Meadowcreek Golf Course. The contract for the project specified completion of the project by February 28, 2011. An additional (8) days beyond February 28, 2011 was granted to the contractor to complete the project. The project was completed on April 11, 2011. The liquidated damages are for the period March 9 through April 11, 2011. Settlement was received in November 2014.



## **REQUIRED SUPPLEMENTARY INFORMATION**

**SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - BUDGET BASIS  
GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2014**

REVENUES	Budgeted Amounts		Actual-Budget Basis (see note 1)	Variance Positive (Negative)
	Original	Final		
Taxes:				
Real estate	\$ 50,623,542	\$ 50,623,542	\$ 51,533,641	\$ 910,099
Personal property	6,346,440	6,346,440	6,986,644	640,204
Public service corporation	1,296,916	1,296,916	1,337,981	41,065
Penalties and interest on delinquent taxes	350,000	350,000	345,326	(4,674)
Sales and use	10,450,920	10,450,920	10,747,757	296,837
Business license	6,753,682	6,753,682	6,442,386	(311,296)
Utilities	4,453,240	4,453,240	4,539,149	85,909
Communications	3,411,900	3,411,900	3,221,105	(190,795)
Meals	7,676,310	7,676,310	8,156,709	480,399
Lodging	2,920,741	2,920,741	2,933,227	12,486
Franchise	-	-	7,000	7,000
Tax on bank stock	1,150,000	1,150,000	923,869	(226,131)
Tax on wills and deeds	450,000	450,000	565,320	115,320
Rolling stock	16,790	16,790	21,408	4,618
Short-term rental	40,000	40,000	39,196	(804)
Cigarette	585,000	585,000	674,571	89,571
Recordation	182,037	182,037	224,641	42,604
Total taxes	96,707,518	96,707,518	98,699,930	1,992,412
Licenses and permits:				
Vehicle license fees	806,000	806,000	844,866	38,866
Dog licenses	15,000	15,000	14,517	(483)
Electrical, heating and mechanical permits	200,000	200,000	235,266	35,266
Building and plumbing permits	600,000	600,000	374,950	(225,050)
Erosion control fees	-	-	17,525	17,525
Sign permits	-	-	11,325	11,325
Other permits	681,000	681,000	468,446	(212,554)
Total licenses and permits	2,302,000	2,302,000	1,966,895	(335,105)
Intergovernmental revenues:				
Revenue from Federal government	-	16,896	22,826	5,930
Revenue from State agencies:				
State highway assistance	3,602,680	3,602,680	3,708,699	106,019
Reimbursement for constitutional officers	1,544,187	1,544,187	1,514,392	(29,795)
Police assistance	2,012,682	2,012,682	2,012,664	(18)
Trailer titling tax	1,200	1,200	2,248	1,048
PPTRA revenue	3,498,256	3,498,256	3,498,256	-
Other State assistance	191,000	191,000	206,362	15,362
Revenue from other local governments:				
Revenue sharing - Albemarle County	16,931,333	16,931,333	16,931,333	-
Fire Department operations	750,000	750,000	991,711	241,711
Juvenile and Domestic Relations Court	113,381	113,381	113,381	-
Court revenue	400,000	400,000	450,044	50,044
Circuit Court reimbursement	-	-	12,628	12,628
University of Virginia service charge	30,000	30,000	33,944	3,944
Payment in lieu of taxes - CRHA	25,000	25,000	34,229	9,229
Other	433,727	493,388	851,367	357,979
Total intergovernmental revenues	29,533,446	29,610,003	30,384,084	774,081

(continued)

## CITY OF CHARLOTTESVILLE, VIRGINIA

EXHIBIT G  
Page 2 of 5SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - BUDGET BASIS  
GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2014

	Budgeted Amounts		Actual-Budget Basis (see note 1)	Variance Positive (Negative)
	Original	Final		
Charges for services:				
Recreation income	1,768,301	1,778,397	1,613,009	(165,388)
Parking meter receipts	100,000	100,000	95,721	(4,279)
Parking garage revenue	1,250,000	1,250,000	1,307,715	57,715
Solid waste collection fees	925,000	925,000	924,661	(339)
Tax abatement application fees	-	-	950	950
Other	1,916,723	2,176,423	1,922,415	(254,008)
Total charges for services	5,960,024	6,229,820	5,864,471	(365,349)
Fines:				
Parking fines	570,000	570,000	393,398	(176,602)
Miscellaneous revenues:				
Investment earnings	250,000	250,000	247,921	(2,079)
Rent	322,117	322,117	310,565	(11,552)
Proceeds from drug seizures	-	111,172	118,361	7,189
Contributions	57,872	57,872	67,350	9,478
Refund of prior year expenditures	30,000	30,000	159,203	129,203
Indirect cost recovery	150,000	150,000	104,552	(45,448)
Other	485,464	580,877	685,334	104,457
Total miscellaneous revenues	1,295,453	1,502,038	1,693,286	191,248
Total revenues	136,368,441	136,921,379	139,002,064	2,080,685
<b>EXPENDITURES - CURRENT</b>				
General government:				
Legislative:				
Mayor and Council	243,665	243,665	229,141	14,524
Reserve for Council	205,000	288,528	89,204	199,324
First Cities	17,194	17,194	17,194	-
Sister Cities	15,000	55,688	9,488	46,200
Judicial:				
City Circuit Court	789,703	834,729	780,458	54,271
General District Court	28,972	28,972	21,780	7,192
Court Services Unit	8,347	8,347	8,268	79
Juvenile and Domestic Relations Court	259,357	260,258	278,227	(17,969)
Commonwealth's Attorney	1,057,865	976,039	848,303	127,736
City Sheriff	1,016,046	1,434,314	1,087,078	347,236
Executive:				
City Manager	1,562,626	1,681,942	1,534,391	147,551
Human Rights Commission	180,000	197,000	194,047	2,953
Citywide Reserve	-	365,186	6,815	358,371
Legal:				
City Attorney	852,251	872,246	807,354	64,892
Financial administration:				
Commissioner of Revenue	1,117,156	1,117,156	1,080,282	36,874
Real Estate Assessor	773,509	777,116	777,042	74
Treasurer	1,179,764	1,182,513	1,155,458	27,055
Finance - Administration	1,326,580	1,349,256	1,349,167	89
Purchasing	340,226	349,680	349,600	80
Personnel Administration:				
Human Resources Department	1,038,690	1,080,253	1,041,948	38,305
Elections:				
Office of the Registrar	418,746	444,721	444,723	(2)
General government buildings and plant:				
Public Works - Administration	811,698	822,738	803,714	19,024
Custodial	476,078	477,050	405,961	71,089
Maintenance	831,249	2,107,311	1,035,978	1,071,333
Total general government	14,549,722	16,971,902	14,355,621	2,616,281

(continued)

**SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - BUDGET BASIS  
GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2014**

	Budgeted Amounts		Actual-Budget Basis (see note 1)	Variance Positive (Negative)
	Original	Final		
Public Safety:				
Police Protection:				
Police Department	13,715,294	14,614,831	14,587,367	27,464
Drug investigation	176,000	388,187	242,553	145,634
Fire Protection:				
Fire Department	9,417,769	9,828,195	9,715,230	112,965
Volunteer Fire Company	17,872	17,872	14,936	2,936
Other Protection:				
Contribution - Charlottesville-Albemarle Regional Jail	5,048,206	5,048,206	4,486,866	561,340
Blue Ridge Juvenile Detention Center	900,000	900,000	1,212,034	(312,034)
Office of the Magistrate	8,700	8,700	8,340	360
Traffic Engineering	783,893	1,322,961	766,020	556,941
Contribution - Emergency Communications Center	1,567,491	1,567,491	1,567,491	-
Police Explorer Post #606	-	2,601	-	2,601
Total public safety	31,635,225	33,699,044	32,600,837	1,098,207
Community Services				
Highways and streets:				
Public Service - Administration	509,133	517,940	534,754	(16,814)
Streets and sidewalks	2,957,495	3,962,746	3,611,365	351,381
Public Works - Stormwater	516,346	709,596	572,334	137,262
Street lighting	765,183	665,183	630,225	34,958
Sanitation:				
Refuse collection and disposal	2,019,568	1,855,059	1,812,830	42,229
Contribution to Ivy Landfill	300,000	300,000	269,702	30,298
Transportation:				
Contribution to JAUNT	800,922	800,922	800,922	-
Total community services	7,868,647	8,811,446	8,232,132	579,314
Health and Welfare:				
Health:				
Thomas Jefferson Health Department	425,019	425,019	425,019	-
Region Ten Community Services Board	1,001,865	1,001,865	1,001,865	-
Contributions to community organizations	817,284	817,284	817,284	-
Welfare:				
Tax relief for the elderly	480,000	480,000	416,552	63,448
Rent relief for the elderly	10,000	10,000	15,097	(5,097)
Tax relief for the disabled	127,000	127,000	108,571	18,429
Rent relief for the disabled	140,000	140,000	179,533	(39,533)
Stormwater Fee Assistance Program	25,000	25,000	7,734	17,266
Education Extension Program	43,188	43,188	31,599	11,589
Contributions to community organizations	2,000,011	2,024,279	1,928,306	95,973
Total health and welfare	5,069,367	5,093,635	4,931,560	162,075

(continued)

## CITY OF CHARLOTTESVILLE, VIRGINIA

EXHIBIT G

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**SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - BUDGET BASIS  
GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2014**

	Budgeted Amounts		Actual-Budget Basis (see note 1)	Variance Positive (Negative)
	Original	Final		
Parks, Recreation and Culture:				
Culture:				
Contribution to Jefferson - Madison Regional Library	1,362,913	1,362,913	1,362,913	-
Contributions to community organizations	234,290	234,380	237,158	(2,778)
Contributions to festivals	67,220	67,220	56,954	10,266
Recreation:				
Administration	943,368	947,538	956,823	(9,285)
Athletics	319,324	319,324	321,422	(2,098)
Aquatics	1,935,036	1,959,927	1,903,399	56,528
Recreation centers	1,714,165	1,681,694	1,643,281	38,413
Special activities	731,975	845,298	785,379	59,919
Therapeutic programs	347,354	402,424	299,365	103,059
First Tee	81,449	158,197	65,725	92,472
Parks:				
Park maintenance	3,477,973	3,757,961	3,551,770	206,191
Contribution to Towe Park operations	75,000	75,000	106,051	(31,051)
Total parks, recreation and culture	11,290,067	11,811,876	11,290,240	521,636
Education:				
Contribution to School Board component unit	38,190,050	38,190,050	38,188,615	1,435
School pupil transportation	2,082,692	2,471,898	2,443,217	28,681
School maintenance and energy management	3,371,499	3,517,249	3,506,811	10,438
Piedmont Virginia Community College	9,962	9,962	9,962	-
African American Teaching Fellows	3,938	3,938	3,938	-
Total education	43,658,141	44,193,097	44,152,543	40,554
Conservation and Development:				
Economic development:				
Office of Economic Development	453,889	542,000	466,227	75,773
Chamber of Commerce	1,400	1,400	1,400	-
Contribution to Convention and Visitors Bureau	701,832	701,832	701,832	-
Urban redevelopment and housing:				
Parking garages	266,184	266,184	234,696	31,488
Neighborhood Development Services Department	3,169,807	3,380,696	3,347,489	33,207
Historic Preservation Task Force	5,000	31,559	2,004	29,555
Thomas Jefferson Planning District	76,354	76,354	76,354	-
Albemarle Housing Improvement Program	93,364	93,364	93,364	-
Small Business Development Center	12,000	12,000	12,000	-
Total conservation and development	4,779,830	5,105,389	4,935,366	170,023
Other activities				
Virginia Municipal League	15,192	15,192	15,192	-
Employee Benefits	600,000	275,341	213,776	61,565
Contribution to Retirement Fund	-	700,000	700,000	-
Corporate training program	35,000	65,581	36,375	29,206
Thomas Jefferson Soil & Water	12,300	12,300	12,300	-
Virginia Institute for Government	2,500	2,500	2,500	-
Alliance for Innovation	2,500	2,500	2,500	-
Streamwatch	10,000	10,000	10,000	-
National League of Cities	4,000	4,000	3,813	187
Total other activities	681,492	1,087,414	996,456	90,958
Total expenditures - budgetary basis	119,532,491	126,773,803	121,494,755	5,279,048
Less encumbrances at June 30, 2014	-	-	(800,063)	800,063
Total expenditures	119,532,491	126,773,803	120,694,692	6,079,111
Revenues over expenditures	16,835,950	10,147,576	18,307,372	8,159,796

(continued)

## CITY OF CHARLOTTESVILLE, VIRGINIA

EXHIBIT G

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**SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - BUDGET BASIS  
GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2014**

	Budgeted Amounts		Actual-Budget Basis (see note 1)	Variance Positive (Negative)
	Original	Final		
<b>Other Financing Sources (Uses)</b>				
Transfers in:				
Transfer from Water Fund	708,958	708,958	708,958	-
Transfer from Sewer Fund	767,542	767,542	767,542	-
Transfer from Gas Fund	3,850,145	3,850,145	3,850,145	-
Transfer from Risk Management Fund	250,000	250,000	250,000	-
Total transfers in:	5,576,645	5,576,645	5,576,645	-
Transfers out:				
Transfer to Capital Projects Fund	(4,467,500)	(6,389,022)	(6,389,022)	-
Transfer to Social Services Fund	(2,962,777)	(3,230,761)	(3,230,761)	-
Transfer to Grants Fund	-	(34,575)	(9,390)	25,185
Transfer to Human Services Fund	(523,808)	(548,808)	(548,808)	-
Transfer to Community Services Act Fund	(2,300,058)	(2,300,058)	(1,813,365)	486,693
Transfer to Transit Fund	(2,194,440)	(2,293,513)	(2,293,513)	-
Transfer to VA Juvenile Community Crime Control Act Fund	(108,415)	(108,415)	(108,415)	-
Transfer to Debt Service Fund	(8,469,077)	(8,589,177)	(8,589,177)	-
Total transfers out:	(21,026,075)	(23,494,329)	(22,982,451)	511,878
Total other financing sources (uses), net	(15,449,430)	(17,917,684)	(17,405,806)	511,878
Net change in fund balance	\$ 1,386,520	\$ (7,770,108)	901,566	\$ 8,671,674
Fund Balance - July 1, 2013			37,906,248	
Fund Balance - June 30, 2014			\$ 38,807,814	

See accompanying Note to Required Supplementary Information

**SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - BUDGET BASIS  
SOCIAL SERVICES FUND  
FOR THE YEAR ENDED JUNE 30, 2014**

	Budgeted Amounts		Actual	Variance Positive (Negative)
	Original	Final		
REVENUES:				
Intergovernmental	\$ 9,535,734	\$ 9,747,224	\$ 8,534,690	\$ (1,212,534)
Miscellaneous	-	12,955	34,412	21,457
Total revenues	9,535,734	9,760,179	8,569,102	(1,191,077)
EXPENDITURES - Health and welfare, budgetary basis	13,357,005	13,941,152	11,817,651	2,123,501
Less encumbrances at June 30, 2014	-	-	(16,410)	16,410
Total expenditures	13,357,005	13,941,152	11,801,241	2,107,091
Other financing sources - transfers in	3,821,271	3,821,271	3,230,761	(590,510)
Net change in fund balance	-	(359,702)	(1,378)	358,324
Fund Balance, July 1, 2013	359,702	359,702	359,702	-
Fund Balance, June 30, 2014	\$ 359,702	\$ -	\$ 358,324	\$ 358,324

See accompanying Note to Required Supplementary Information

# CITY OF CHARLOTTESVILLE, VIRGINIA

## EXHIBIT I

### SCHEDULE OF NET PENSION LIABILITY OR SCHEDULE OF FUNDING PROGRESS SCHEDULE OF EMPLOYER CONTRIBUTIONS FOR THE YEAR ENDED JUNE 30, 2014

#### 1. City Retirement Plan

Actuarial Valuation Date	Total Pension Liability (TPL)	Fiduciary Net Position (FNP)	Net Pension Liability (NPL)	FNP as a % of TPL	Covered employee payroll upcoming year	NPL as a % of covered payroll
June 30, 2014	\$ 152,845,015	\$ 95,898,134	\$ 56,946,881	62.7 %	\$ 34,244,022	166.3 %
June 30, 2013	147,422,740	82,659,123	64,763,617	56.1	33,663,804	192.4

#### Schedule of Employer Contributions (excludes member contributions)

Fiscal Year Ended	Actuarially Determined Contribution (ADC)	Actual Contribution	Contribution Excess	Covered employee payroll previous year	ADC as a % of covered payroll
June 30, 2014	\$ 6,200,872	\$ 6,900,872	\$ 700,000	\$ 33,663,804	18.4 %
June 30, 2013	5,701,673	5,701,673	-	32,488,161	17.6
June 30, 2012	5,890,831	5,890,831	-	32,753,040	18.0

#### 2. City Postemployment Benefits Plan

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded Actuarial Accrued Liability (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	Unfunded Ratio (b-a)/c
June 30, 2014	\$ 24,606,450	\$ 81,325,328	\$ 56,718,878	30.3 %	\$ 34,244,022	165.6 %
June 30, 2013	17,671,272	79,921,809	62,250,537	22.1	33,540,553	185.6
June 30, 2012	12,735,408	77,496,755	64,761,347	16.4	32,563,351	198.9

#### Schedule of Employer Contributions

Fiscal Year Ended	Annual Required Contribution	Percentage Contributed
June 30, 2014	\$ 5,938,060	100.0 %
June 30, 2013	5,545,729	100.0
June 30, 2012	5,048,816	100.0

#### 3. School Board Component Unit - Virginia Retirement System Plan for non-professional employees

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded Actuarial Accrued Liability (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	Unfunded Ratio (b-a)/c
June 30, 2013	\$ 9,133,304	\$ 10,387,685	\$ 1,254,381	87.9 %	\$ 1,996,131	62.8 %
June 30, 2012	9,109,129	10,662,964	1,553,835	85.4	1,830,626	84.9
June 30, 2011	9,561,359	10,414,500	853,141	91.8	1,932,343	44.2
June 30, 2010	9,877,818	10,355,821	478,003	95.4	2,047,627	23.3
June 30, 2009	10,304,850	9,739,047	(565,803)	105.8	2,149,848	(26.3)

#### Schedule of Employer Contributions

Fiscal Year Ended	Annual Required Contribution	Percentage Contributed
June 30, 2014	\$ 174,104	100.0 %
June 30, 2013	174,104	100.0
June 30, 2012	159,510	100.0
June 30, 2011	143,405	100.0
June 30, 2010	149,059	100.0

#### 4. School Board Component Unit - Postemployment Medical Benefit Plan Subsidy

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded Actuarial Accrued Liability (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	Unfunded Ratio (b-a)/c
June 30, 2014	\$ -	\$ 2,123,365	\$ 2,123,365	0.0 %	N/A	N/A %
June 30, 2012	-	2,247,007	2,247,007	0.0	N/A	N/A
June 30, 2010	-	2,639,024	2,639,024	0.0	N/A	N/A

#### Schedule of Employer Contributions - Estimated. Plan is funded on a pay-as-you-go basis

Fiscal Year Ended	Annual OPEB Cost	Estimated Employer Contribution	% of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2014	\$ 213,703	\$ 147,937	69.2 %	\$ 272,487
June 30, 2013	213,825	206,908	96.8	206,721
June 30, 2012	269,402	238,800	88.6	199,804



# **CITY OF CHARLOTTESVILLE, VIRGINIA**

## **NOTE TO REQUIRED SUPPLEMENTARY INFORMATION FOR THE YEAR ENDED JUNE 30, 2014**

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### **1. BUDGETARY ACCOUNTING**

Demonstrating compliance with the adopted budget is an important component of a government's accountability to the public. Many citizens participate in the process of establishing the annual operating budgets of state and local governments, and have a keen interest in following the actual financial progress of their governments over the course of the year. The City and many other governments revise their original budgets over the course of the year for a variety of reasons. Accordingly, GAAP requires that governments include the original budget with the comparison of final budget and actual results.

The City's budget process begins in December with the preparation of estimated revenue forecasts. Departmental budget requests are submitted to the City Manager in early January. By early March the Manager's proposed budget is presented to City Council. A series of City Council work sessions and public hearings are held. The budget is formally adopted by April 15.

An annual operating budget is adopted for the General Fund and the Social Services Fund. Within the General Fund, budgets are legally adopted at the departmental level. The City Manager is authorized to transfer the budget for personnel cost (salaries and fringe benefits) between departments if necessary; however, any other revisions that alter the total expenditures of any department or agency must be approved by City Council. Unexpended appropriations lapse at the end of the fiscal year unless carried over by Council action. Budgets for special revenues funds and the Debt Service Fund are adopted on an annual basis. The Capital Projects Fund budget is adopted on a project life basis.

The budgets are integrated into the accounting system and the budgetary data, as presented in the Required Supplementary Information for all major funds with annual budgets, compares the expenditures with the amended budgets. All budgets are presented on the modified accrual basis of accounting. Accordingly, the Budgetary Comparison Schedules for the General and Social Services Funds present actual expenditures in accordance with GAAP on a basis consistent with legally adopted budgets as amended. Original, final budget and actual revenues and expenditures, including encumbrances, for the General Fund and Social Services Fund are presented on Exhibits G and H, respectively.

## **SUPPLEMENTARY SECTION**

## **NONMAJOR GOVERNMENTAL FUNDS**

### **SPECIAL REVENUE FUNDS**

Special revenue funds are used to account for and report specific revenues that are legally restricted, committed, or assigned to expenditure for particular purposes other than debt service or capital projects. The City has established the following nonmajor special revenue funds:

**Community Development Block Grant (CDBG) Fund** – to account for funds provided by U. S. Housing and Urban Development (HUD) for low-income housing and assistance projects. Included are repayments of CDBG program loans that are re-programmed for the same purpose.

**Grants Fund** – to account for revenues and expenditures restricted for specific grants awarded to the City by federal and state government, or local public or private agencies that are not accounted for or reported in another fund.

**Human Services Fund** – to account for services which promote the healthy development and stability of at-risk youth and families, in addition to residential and community-based services which advocate for the needs of youth and their families, assist the local community in preventing juvenile delinquency and family disintegration, and promote the rehabilitation of youth. This fund was previously called Community Attention.

**Virginia Juvenile Community Crime Control Act (VJCCCA) Fund** – to account for grant funds provided by the Virginia Department of Juvenile Justice aimed to deter crime by providing immediate, effective punishment that emphasizes accountability of the juvenile offender for his/her actions as well as reduce the pattern of repeat offending. Albemarle County also participates in this grant.

**Comprehensive Services Act (CSA) Fund** – to account for the City's portion of the activities of the multi-jurisdictional CSA Team, which provides high quality, child centered, family focused, services to high-risk youth and their families.

**Transit Fund** – to account for the operations and capital purchases of Charlottesville Area Transit (CAT), which provides fixed-route public bus service to the City and urban portions of Albemarle County. The City contracts with JAUNT to provide required Americans with Disabilities Act (ADA) paratransit service that fixed-route buses are unable to accommodate. Federal pass-thru revenues and expenses of JAUNT are separately accounted for within the Transit Fund.

### **PERMANENT FUND**

Permanent funds are restricted to the extent that only earnings, and not principal, may be used for the benefit of the government and its citizenry.

**Cemetery Perpetual Care Permanent Fund** – This fund is used to account for principal trust amounts received, and related interest income. The interest portion of the trust may be used to maintain the two (2) City owned cemeteries within City limits.

## CITY OF CHARLOTTESVILLE, VIRGINIA

## EXHIBIT J

COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2014

	Special Revenue Funds						Permanent Fund Cemetery Perpetual Care	Total
	CDBG	Grants	Human Services	VJCCCA	CSA	Transit		
<b>ASSETS</b>								
Cash and cash equivalents	\$ -	\$ 108,431	\$ 923,066	\$ -	\$ -	\$ -	\$ 162,247	\$ 1,193,744
Accounts receivable	-	5,000	2,479	-	10,969	20,686	254	39,388
Due from other governments	89,584	243,064	649,851	-	1,575,999	3,006,227	-	5,564,725
Loans receivable	574,242	559,421	-	-	-	-	-	1,133,663
Total assets	<u>\$ 663,826</u>	<u>\$ 915,916</u>	<u>\$ 1,575,396</u>	<u>\$ -</u>	<u>\$ 1,586,968</u>	<u>\$ 3,026,913</u>	<u>\$ 162,501</u>	<u>\$ 7,931,520</u>
<b>LIABILITIES AND FUND BALANCE</b>								
<b>LIABILITIES</b>								
Accounts payable	\$ 22,524	\$ 33,654	\$ 151,677	\$ -	\$ -	\$ 76,872	\$ -	\$ 284,727
Accrued liabilities	1,394	7,792	75,708	-	967,930	104,764	-	1,157,588
Due to other governments	574,243	549,421	-	-	-	6,870	-	1,130,534
Due to other funds	65,665	52,138	-	-	545,954	2,838,407	-	3,502,164
Total liabilities	<u>663,826</u>	<u>643,005</u>	<u>227,385</u>	<u>-</u>	<u>1,513,884</u>	<u>3,026,913</u>	<u>-</u>	<u>6,075,013</u>
<b>FUND BALANCE</b>								
Nonspendable	-	10,000	-	-	-	-	162,501	172,501
Restricted	-	262,911	-	-	73,084	-	-	335,995
Assigned	-	-	1,348,011	-	-	-	-	1,348,011
Total fund balance	<u>-</u>	<u>272,911</u>	<u>1,348,011</u>	<u>-</u>	<u>73,084</u>	<u>-</u>	<u>162,501</u>	<u>1,856,507</u>
Total liabilities and fund balance	<u>\$ 663,826</u>	<u>\$ 915,916</u>	<u>\$ 1,575,396</u>	<u>\$ -</u>	<u>\$ 1,586,968</u>	<u>\$ 3,026,913</u>	<u>\$ 162,501</u>	<u>\$ 7,931,520</u>

## CITY OF CHARLOTTESVILLE, VIRGINIA

## EXHIBIT K

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2014**

	Special Revenue Funds						Permanent Fund Cemetery Perpetual Care	Total
	CDBG	Grants	Human Services	VJCCCA	CSA	Transit		
<b>REVENUES</b>								
Intergovernmental	\$ 359,772	\$ 1,241,904	\$ 104,378	\$ 344,289	\$ 5,807,274	\$ 7,273,135	\$ -	\$ 15,130,752
Charges for services	-	-	4,203,244	-	-	852,666	-	5,055,910
Miscellaneous	28,315	16,261	40,605	-	-	54,218	347	139,746
Total revenues	388,087	1,258,165	4,348,227	344,289	5,807,274	8,180,019	347	20,326,408
<b>EXPENDITURES</b>								
Current:								
Public safety	-	228,239	-	-	-	-	-	228,239
Community services	-	344,298	-	-	-	10,723,067	-	11,067,365
Health and welfare	56,611	453,757	4,808,891	452,704	7,548,827	-	347	13,321,137
Parks, recreation and culture	-	95,945	-	-	-	-	-	95,945
Conservation and development	331,476	92,224	-	-	-	-	-	423,700
Total expenditures	388,087	1,214,463	4,808,891	452,704	7,548,827	10,723,067	347	25,136,386
Revenues over (under) expenditures	-	43,702	(460,664)	(108,415)	(1,741,553)	(2,543,048)	-	(4,809,978)
<b>OTHER FINANCING SOURCES (USES)</b>								
Transfers in	-	64,259	548,808	108,415	1,813,365	2,543,048	-	5,077,895
Transfers out	-	(20,000)	(43,389)	-	-	-	-	(63,389)
Total other financing sources, net	-	44,259	505,419	108,415	1,813,365	2,543,048	-	5,014,506
Net change in fund balance	-	87,961	44,755	-	71,812	-	-	204,528
FUND BALANCE - JULY 1, 2013	-	184,950	1,303,256	-	1,272	-	162,501	1,651,979
FUND BALANCE - JUNE 30, 2014	\$ -	\$ 272,911	\$ 1,348,011	\$ -	\$ 73,084	\$ -	\$ 162,501	\$ 1,856,507

## CITY OF CHARLOTTESVILLE, VIRGINIA

## EXHIBIT K-1

**SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
COMMUNITY DEVELOPMENT BLOCK GRANT FUND  
YEAR ENDED JUNE 30, 2014**

	Budgeted Amounts		Actual Amounts	Variance Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Intergovernmental	\$ 780,577	\$ 780,577	\$ 359,772	\$ (420,805)
Miscellaneous	-	-	28,315	28,315
Total revenues	780,577	780,577	388,087	(392,490)
<b>EXPENDITURES</b>				
Health and welfare	61,130	61,130	56,611	4,519
Conservation and development	720,539	720,539	331,476	389,063
Total expenditures	781,669	781,669	388,087	393,582
<b>Revenues over (under) expenditures</b>	(1,092)	(1,092)	-	1,092
<b>Net change in fund balance</b>	(1,092)	(1,092)	-	1,092
<b>Fund Balance - July 1, 2013</b>	-	-	-	-
<b>Fund Balance - June 30, 2014</b>	\$ (1,092)	\$ (1,092)	\$ -	\$ 1,092

**SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
GRANTS FUND  
YEAR ENDED JUNE 30, 2014**

	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts	Positive (Negative)
<b>REVENUES</b>				
Intergovernmental	\$ 1,810,029	\$ 1,810,029	\$ 1,241,904	\$ (568,125)
Miscellaneous	33,500	33,500	16,261	(17,239)
Total revenues	1,843,529	1,843,529	1,258,165	(585,364)
<b>EXPENDITURES</b>				
Public safety	497,233	497,233	228,239	268,994
Community services	426,514	426,514	344,298	82,216
Health and welfare	507,875	507,875	453,757	54,118
Parks, recreation and culture	151,000	151,000	95,945	55,055
Conservation and development	506,513	506,513	92,224	414,289
Total expenditures	2,089,135	2,089,135	1,214,463	874,672
Revenues over (under) expenditures	(245,606)	(245,606)	43,702	289,308
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	225,871	225,871	64,259	(161,612)
Transfers out	(20,000)	(20,000)	(20,000)	-
Total other financing sources (uses), net	205,871	205,871	44,259	(161,612)
Net change in fund balance	(39,735)	(39,735)	87,961	127,696
Fund Balance - July 1, 2013	184,950	184,950	184,950	-
Fund Balance - June 30, 2014	\$ 145,215	\$ 145,215	\$ 272,911	\$ 127,696

**SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
HUMAN SERVICES FUND  
YEAR ENDED JUNE 30, 2014**

	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts	Positive (Negative)
<b>REVENUES</b>				
Intergovernmental	\$ 63,149	\$ 63,149	\$ 104,378	\$ 41,229
Charges for service	4,570,407	4,570,407	4,203,244	(367,163)
Miscellaneous	55,000	63,852	40,605	(23,247)
Total revenues	4,688,556	4,697,408	4,348,227	(349,181)
<b>EXPENDITURES</b>				
Health and welfare	5,266,482	5,340,334	4,808,891	531,443
<b>Revenues over (under) expenditures</b>	(577,926)	(642,926)	(460,664)	182,262
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	523,808	548,808	548,808	-
Transfers out	-	-	(43,389)	(43,389)
Total other financing sources (uses), net	523,808	548,808	505,419	(43,389)
<b>Net change in fund balance</b>	(54,118)	(94,118)	44,755	138,873
<b>Fund Balance - July 1, 2013</b>	1,303,256	1,303,256	1,303,256	-
<b>Fund Balance - June 30, 2014</b>	\$ 1,249,138	\$ 1,209,138	\$ 1,348,011	\$ 138,873



**SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
VIRGINIA JUVENILE COMMUNITY CRIME CONTROL ACT  
YEAR ENDED JUNE 30, 2014**

	Budgeted Amounts		Actual Amounts	Variance Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Intergovernmental	\$ 344,289	\$ 344,289	\$ 344,289	\$ -
<b>EXPENDITURES</b>				
Health and welfare	452,704	452,704	452,704	-
<b>Revenues over (under) expenditures</b>	(108,415)	(108,415)	(108,415)	-
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	108,415	108,415	108,415	-
<b>Net change in fund balance</b>	-	-	-	-
<b>Fund Balance - July 1, 2013</b>	-	-	-	-
<b>Fund Balance - June 30, 2014</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
COMPREHENSIVE SERVICES ACT FUND  
YEAR ENDED JUNE 30, 2014**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance</b>
	<b>Original</b>	<b>Final</b>	<b>Amounts</b>	<b>Positive (Negative)</b>
<b>REVENUES</b>				
Intergovernmental	\$ 6,739,033	\$ 6,739,033	\$ 5,807,274	\$ (931,759)
<b>EXPENDITURES</b>				
Health and welfare	9,039,091	9,039,091	7,548,827	1,490,264
Revenues over (under) expenditures	(2,300,058)	(2,300,058)	(1,741,553)	558,505
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	2,300,058	2,300,058	1,813,365	(486,693)
Net change in fund balance	-	-	71,812	71,812
Fund Balance - July 1, 2013	-	-	1,272	1,272
Fund Balance - June 30, 2014	\$ -	\$ -	\$ 73,084	\$ 73,084

## CITY OF CHARLOTTESVILLE, VIRGINIA

## EXHIBIT K-6

**SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
TRANSIT FUND  
YEAR ENDED JUNE 30, 2014**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance</b>
	<b>Original</b>	<b>Final</b>	<b>Amounts</b>	<b>Positive (Negative)</b>
<b>REVENUES</b>				
Intergovernmental	\$ 7,610,329	\$ 8,869,851	\$ 7,273,135	\$ (1,596,716)
Charges for services	903,360	903,360	852,666	(50,694)
Miscellaneous	52,908	62,229	54,218	(8,011)
Total revenues	<u>8,566,597</u>	<u>9,835,440</u>	<u>8,180,019</u>	<u>(1,655,421)</u>
<b>EXPENDITURES</b>				
Community services	<u>12,393,193</u>	<u>13,662,036</u>	<u>10,723,067</u>	<u>2,938,969</u>
Revenues over (under) expenditures	<u>(3,826,596)</u>	<u>(3,826,596)</u>	<u>(2,543,048)</u>	<u>1,283,548</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	<u>3,700,334</u>	<u>3,799,407</u>	<u>2,543,048</u>	<u>(1,256,359)</u>
Net change in fund balance	(126,262)	(27,189)	-	27,189
Fund Balance - July 1, 2013	-	-	-	-
Fund Balance - June 30, 2014	<u>\$ (126,262)</u>	<u>\$ (27,189)</u>	<u>\$ -</u>	<u>\$ 27,189</u>

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## **INTERNAL SERVICE FUNDS**

Internal service funds are used to account for services provided to other departments or agencies of the government, or to other governments, on a cost reimbursement basis.

**Information Technology Fund** – to account for the costs of operations of the City's information technology department.

**Departmental Services Fund** – to account for the costs of operations of the City's vehicle repair shop, fuel system, telephone system, and heating and air conditioning services.

**Warehouse Fund** – to account for the costs of operations of the City's central warehouse.

**Risk Management Fund** – to account for the administration of the City's programs for general liability, property and line of duty insurance coverage. To account for the administration of the City's self-insurance programs for health care, worker's compensation.

## CITY OF CHARLOTTESVILLE, VIRGINIA

EXHIBIT L-1

**COMBINING STATEMENT OF NET POSITION  
INTERNAL SERVICE FUNDS  
JUNE 30, 2014**

	Information Technology	Departmental Services	Warehouse	Risk Management	Total
<b>ASSETS</b>					
Current assets:					
Cash and cash equivalents	\$ 2,923,340	\$ 445,135	\$ 124,727	\$ 13,075,563	\$ 16,568,765
Accounts receivable, net	377	11,885	-	17,657	29,919
Inventories	-	208,207	401,389	-	609,596
Prepaid expenses	-	7,262	-	149,850	157,112
Total current assets	2,923,717	672,489	526,116	13,243,070	17,365,392
Noncurrent assets:					
Capital assets:					
Vehicles	-	140,495	-	-	140,495
Equipment	9,361,153	1,037,455	20,067	-	10,418,675
Total capital assets	9,361,153	1,177,950	20,067	-	10,559,170
Less accumulated depreciation	(8,354,104)	(1,146,773)	(5,686)	-	(9,506,563)
Net noncurrent assets	1,007,049	31,177	14,381	-	1,052,607
Total assets	3,930,766	703,666	540,497	13,243,070	18,417,999
<b>LIABILITIES</b>					
Accounts payable	15,724	23,710	25,985	71,238	136,657
Accrued liabilities	42,646	24,588	2,247	173,281	242,762
Long term liabilities:					
Due within one year	6,504	6,469	329	2,335,071	2,348,373
Due in more than one year	47,695	47,441	2,415	236,946	334,497
Total liabilities	112,569	102,208	30,976	2,816,536	3,062,289
<b>NET POSITION</b>					
Net investment in capital assets	1,007,049	31,177	14,381	-	1,052,607
Unrestricted	2,811,148	570,281	495,140	10,426,534	14,303,103
Total net position	\$ 3,818,197	\$ 601,458	\$ 509,521	\$ 10,426,534	\$ 15,355,710

**COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
**INTERNAL SERVICE FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2014**

	Information Technology	Departmental Services	Warehouse	Risk Management	Total
<b>OPERATING REVENUES</b>					
Charges for services	\$ 4,251,769	\$ 3,698,268	\$ 835,975	\$ 16,201,733	\$ 24,987,745
Total operating revenues	<u>4,251,769</u>	<u>3,698,268</u>	<u>835,975</u>	<u>16,201,733</u>	<u>24,987,745</u>
<b>OPERATING EXPENSES</b>					
Purchases for resale	-	1,748,750	665,367	-	2,414,117
Personnel costs	1,802,142	1,166,968	97,199	136,723	3,203,032
Materials and supplies	120,893	105,705	6,192	2,333	235,123
Contractual services and charges	1,447,796	529,454	47,987	823,785	2,849,022
Depreciation	469,687	8,969	2,007	-	480,663
Claims incurred	-	-	-	11,669,587	11,669,587
Insurance premiums	-	-	-	2,324,077	2,324,077
Total operating expenses	<u>3,840,518</u>	<u>3,559,846</u>	<u>818,752</u>	<u>14,956,505</u>	<u>23,175,621</u>
Operating income (loss)	<u>411,251</u>	<u>138,422</u>	<u>17,223</u>	<u>1,245,228</u>	<u>1,812,124</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>					
Insurance recovery	-	8,026	-	323,551	331,577
Total nonoperating revenues (expenses), net	<u>-</u>	<u>8,026</u>	<u>-</u>	<u>323,551</u>	<u>331,577</u>
Income (loss) before transfers	<u>411,251</u>	<u>146,448</u>	<u>17,223</u>	<u>1,568,779</u>	<u>2,143,701</u>
<b>TRANSFERS</b>					
Transfers in	82,000	-	-	-	82,000
Transfers out	(408,485)	(82,000)	-	(250,000)	(740,485)
Total transfers, net	<u>(326,485)</u>	<u>(82,000)</u>	<u>-</u>	<u>(250,000)</u>	<u>(658,485)</u>
Change in net position	<u>84,766</u>	<u>64,448</u>	<u>17,223</u>	<u>1,318,779</u>	<u>1,485,216</u>
Total net position - July 1, 2013	<u>3,733,431</u>	<u>537,010</u>	<u>492,298</u>	<u>9,107,755</u>	<u>13,870,494</u>
Total net position - June 30, 2014	<u>\$ 3,818,197</u>	<u>\$ 601,458</u>	<u>\$ 509,521</u>	<u>\$ 10,426,534</u>	<u>\$ 15,355,710</u>

**COMBINING STATEMENT OF CASH FLOWS  
INTERNAL SERVICE FUNDS  
FOR THE YEAR ENDED JUNE 30, 2014**

	Information Technology	Departmental Services	Warehouse	Risk Management	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Receipts from customers	\$ 4,251,769	\$ 3,709,432	\$ 835,975	\$ 16,200,802	\$ 24,997,978
Payments to suppliers	(2,072,730)	(2,373,935)	(689,869)	(14,464,851)	(19,601,385)
Payments to employees	(1,802,589)	(1,162,221)	(96,584)	(284,718)	(3,346,112)
Net cash provided by operating activities	376,450	173,276	49,522	1,451,233	2,050,481
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>					
Insurance recovery	-	8,026	-	323,551	331,577
Transfers in	82,000	-	-	-	82,000
Transfers out	(408,485)	(82,000)	-	(250,000)	(740,485)
Net cash provided by (used for) noncapital financing activities	(326,485)	(73,974)	-	73,551	(326,908)
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>					
Acquisition of capital assets	(211,112)	(22,015)	-	-	(233,127)
Net cash (used for) capital and related financing activities	(211,112)	(22,015)	-	-	(233,127)
Net increase (decrease) in cash and cash equivalents	(161,147)	77,287	49,522	1,524,784	1,490,446
Cash and cash equivalents, July 1, 2013	3,084,487	367,848	75,205	11,550,779	15,078,319
Cash and cash equivalents, June 30, 2014	<u>\$ 2,923,340</u>	<u>\$ 445,135</u>	<u>\$ 124,727</u>	<u>\$ 13,075,563</u>	<u>\$ 16,568,765</u>
<b>Reconciliation of operating income (loss) to net cash provided by (used for) operating activities</b>					
Operating income (loss)	\$ 411,251	\$ 138,422	\$ 17,223	\$ 1,245,228	\$ 1,812,124
Adjustments to reconcile operating loss to net cash provided by operating activities:					
Depreciation expense	469,687	8,969	2,007	-	480,663
(Increase) decrease in accounts receivable	(377)	11,163	-	(931)	9,855
Decrease in inventories	-	652	18,750	-	19,402
(Increase) decrease in prepaid expenses	-	(7,000)	-	337,537	330,537
Increase (decrease) in accounts payable	(503,664)	16,323	10,927	15,031	(461,383)
Increase in accrued liabilities	7,341	3,120	119	21,231	31,811
Increase (decrease) in compensated absences	(7,788)	1,627	496	368	(5,297)
Decrease in insurance claims payable	-	-	-	(167,231)	(167,231)
Net cash provided by operating activities	<u>\$ 376,450</u>	<u>\$ 173,276</u>	<u>\$ 49,522</u>	<u>\$ 1,451,233</u>	<u>\$ 2,050,481</u>



**SCHEDULE TO ASSIGN INTERNAL SERVICE FUND ASSETS AND LIABILITIES  
IN THE STATEMENT OF NET POSITION  
JUNE 30, 2014**

	Total Internal Service Funds	ASSIGNED TO	
		Business-type Activities	Governmental Activities
<b>ASSETS</b>			
Cash and cash equivalents	\$ 16,568,765	\$ 124,727	\$ 16,444,038
Accounts receivables (net)	29,919	-	29,919
Internal balances	-	1,915,626	(1,915,626)
Inventories	609,596	401,389	208,207
Prepaid expenses	157,112	-	157,112
Capital assets, net of accumulated depreciation	1,052,607	14,381	1,038,226
Total assets	18,417,999	2,456,123	15,961,876
<b>LIABILITIES</b>			
Accounts payable	136,657	25,985	110,672
Accrued liabilities	242,762	2,247	240,515
Due within one year	2,348,373	329	2,348,044
Due in more than one year	334,497	2,415	332,082
Total liabilities	3,062,289	30,976	3,031,313
<b>NET POSITION</b>			
Net investment in capital assets	1,052,607	14,381	1,038,226
Unrestricted	14,303,103	2,410,766	11,892,337
Total net position	\$ 15,355,710	\$ 2,425,147	\$ 12,930,563

**CHARLOTTESVILLE SCHOOL BOARD  
COMPONENT UNIT**

**CITY OF CHARLOTTESVILLE, VIRGINIA****EXHIBIT M-1****DISCRETELY PRESENTED COMPONENT UNIT - CHARLOTTESVILLE SCHOOL BOARD  
STATEMENT OF NET POSITION  
JUNE 30, 2014**

	<u>Governmental Activities</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 7,199,598
Accounts receivable, net	1,094,523
Due from other governments	2,608,300
Inventories	48,655
Capital assets:	
Land	982,889
Depreciable assets, net	<u>25,619,485</u>
Total assets	<u>37,553,450</u>
<b>LIABILITIES</b>	
Accounts payable	945,707
Accrued liabilities	5,585,417
Unearned revenue	53,028
Long-term liabilities:	
Amounts due within one year	723,607
Amounts due in more than one year	<u>2,200,264</u>
Total liabilities	<u>9,508,023</u>
<b>NET POSITION</b>	
Net investment in capital assets	26,141,646
Restricted	1,581,104
Unrestricted	<u>322,677</u>
Total net position	<u>\$ 28,045,427</u>

**DISCRETELY PRESENTED COMPONENT UNIT - CHARLOTTESVILLE SCHOOL BOARD**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2014**

FUNCTIONS/PROGRAMS	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:				
Instruction and instruction related services	\$ 49,514,483	\$ 2,374,981	\$ 9,670,976	\$ -
Support services - student based	12,141,907	332,046	-	-
Administrative support services	3,642,211	294,429	-	-
Total School Board	<u>\$ 65,298,601</u>	<u>\$ 3,001,456</u>	<u>\$ 9,670,976</u>	<u>\$ -</u>

**General Revenues:**

State aid - formula grants	12,894,380
Payment from City	38,188,615
Interest and investment earnings	1,486
Total general revenues	<u>51,084,481</u>
Change in net position	(1,541,688)
Net position - July 1, 2013	<u>29,587,115</u>
Net position - June 30, 2014	<u>\$ 28,045,427</u>

**DISCRETELY PRESENTED COMPONENT UNIT - CHARLOTTESVILLE SCHOOL BOARD**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**JUNE 30, 2014**

	General Fund	Grant and Other Governmental Funds	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 4,505,785	\$ 56,560	\$ 4,562,345
Accounts receivable, net	986,603	37,317	1,023,920
Due from other governments	424,302	2,183,998	2,608,300
Inventory of supplies	-	48,655	48,655
Total assets	<u>\$ 5,916,690</u>	<u>\$ 2,326,530</u>	<u>\$ 8,243,220</u>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>Liabilities</b>			
Accounts payable	\$ 885,318	\$ 60,389	\$ 945,707
Accrued liabilities	4,420,127	657,369	5,077,496
Unearned revenue	25,360	27,668	53,028
Total liabilities	<u>5,330,805</u>	<u>745,426</u>	<u>6,076,231</u>
<b>Fund Balance</b>			
Nonspendable	-	48,655	48,655
Restricted	-	1,532,449	1,532,449
Unassigned	585,885	-	585,885
Total fund balances	<u>585,885</u>	<u>1,581,104</u>	<u>2,166,989</u>
Total liabilities and fund balances	<u>\$ 5,916,690</u>	<u>\$ 2,326,530</u>	<u>\$ 8,243,220</u>
Total fund balances per Balance Sheet for Governmental Funds			\$ 2,166,989
Amounts reported for governmental activities in the Statement of Net Position (Exhibit M-1) are different because:			
Capital assets used in government activities are not financial resources and therefore are not reported in the funds. The Statement of Net Position, however, includes these assets, net of accumulated depreciation.			26,602,374
Internal service funds are used by management to charge the cost of certain activities. The assets and liabilities of the Healthcare Fund are included in governmental activities in the Statement of Net Position. Internal Service Fund net position			2,199,935
Some liabilities are not due and payable in the current period and therefore are not reported as fund liabilities. All liabilities are included in the Statement of Net Position			
Notes payable			(2,849)
Capital lease payable			(457,879)
Compensated absences			(2,190,656)
Unfunded liability for postemployment medical benefits			(272,487)
Net position of governmental activities			<u>\$ 28,045,427</u>

**DISCRETELY PRESENTED COMPONENT UNIT - CHARLOTTESVILLE SCHOOL BOARD**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2014**

	General Fund	Grant and Other Governmental Funds	Totals
<b>REVENUES</b>			
City contribution (net of contactual services)	\$ 36,360,986	\$ 1,827,629	\$ 38,188,615
Intergovernmental	12,894,380	9,670,976	22,565,356
Charges for services	907,398	532,127	1,439,525
Miscellaneous	294,429	1,267,502	1,561,931
Total revenues	50,457,193	13,298,234	63,755,427
<b>EXPENDITURES</b>			
Current:			
Instruction and instruction related services	41,679,588	5,769,530	47,449,118
Support services - student based	5,191,292	6,577,654	11,768,946
Administrative support services	3,485,991	-	3,485,991
Debt Service:			
Principal	4,668	473,332	478,000
Interest	310	20,031	20,341
Total expenditures	50,361,849	12,840,547	63,202,396
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	95,344	457,687	553,031
Net change in fund balance	95,344	457,687	553,031
<b>FUND BALANCE - JULY 1, 2013</b>	490,541	1,123,417	1,613,958
<b>FUND BALANCE - JUNE 30, 2014</b>	\$ 585,885	\$ 1,581,104	\$ 2,166,989

Net change in fund balances - total governmental funds \$ 553,031

Amounts reported for governmental activities in the Statement of Activities (M-2) are different because:

Governmental funds report the cost of equipment and facilities acquired as current expenditures while the Statement of Activities reports depreciation expense to allocate those expenditures over the life of the assets.

Cost of equipment and facilities capitalized for the year (net of disposals)	143,380
Depreciation expense	(1,769,689)

Debt proceeds provide current financing resources to governmental funds, but debt issues increase long term liabilities in the Statement of Net Position. Principal payments are expenditures in governmental funds, but reduce long term liabilities in the Statement of Net Position.

Principal payments	478,000
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Some expenses reported in the Statement of Activities do not require the use of current financial resources, and therefore are not reported as expenditures in governmental funds.

Change in compensated absences	(914,388)
Change in unfunded liability for postemployment medical benefits	(97,658)

The net income of internal service funds is combined with governmental activities on the Statement of Activities

65,636
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Change in net position of governmental activities

\$ (1,541,688)
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**DISCRETELY PRESENTED COMPONENT UNIT - CHARLOTTESVILLE SCHOOL BOARD**  
**STATEMENT OF NET POSITION**  
**INTERNAL SERVICE FUND**  
**JUNE 30, 2014**

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	<u>Healthcare</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 2,637,253
Accounts receivable, net	<u>70,603</u>
Total assets	<u>2,707,856</u>
 <b>LIABILITIES</b>	
Accrued liabilities	<u>507,921</u>
Total liabilities	<u>507,921</u>
 <b>NET POSITION</b>	
Unrestricted	<u>2,199,935</u>
Total net position	<u>\$ 2,199,935</u>

**DISCRETELY PRESENTED COMPONENT UNIT - CHARLOTTESVILLE SCHOOL BOARD  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION  
INTERNAL SERVICE FUND  
FOR THE YEAR ENDED JUNE 30, 2014**

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	<u>Healthcare</u>
<b>OPERATING REVENUES</b>	
Charges for services	<u>\$ 6,351,966</u>
Total operating revenues	<u>6,351,966</u>
 <b>OPERATING EXPENSES</b>	
Insurance premiums	<u>6,287,816</u>
Total operating expenses	<u>6,287,816</u>
 Operating income (loss)	<u>64,150</u>
 <b>NONOPERATING REVENUES (EXPENSES)</b>	
Interest income	<u>1,486</u>
 Change in net position	65,636
 Total net position - July 1, 2013	<u>2,134,299</u>
Total net position - June 30, 2014	<u><u>\$ 2,199,935</u></u>



**DISCRETELY PRESENTED COMPONENT UNIT - CHARLOTTESVILLE SCHOOL BOARD**  
**STATEMENT OF CASH FLOWS**  
**INTERNAL SERVICE FUND**  
**FOR THE YEAR ENDED JUNE 30, 2014**

	<u>Healthcare</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Receipts from customers	\$ 6,351,966
Payments to suppliers	<u>(5,805,576)</u>
Net cash provided by operating activities	<u>546,390</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
Interest income	<u>1,486</u>
Net cash provided by noncapital financing activities	<u>1,486</u>
Net increase in cash and cash equivalents	547,876
Cash and cash equivalents, July 1, 2013	<u>2,089,377</u>
Cash and cash equivalents, June 30, 2014	<u><u>\$ 2,637,253</u></u>
<b>Reconciliation of operating income to net cash provided by operating activities</b>	
Operating income (loss)	\$ 64,150
Adjustments to reconcile operating income to net cash provided by operating activities:	
Increase in accrued liabilities	<u>482,240</u>
Net cash provided by operating activities	<u><u>\$ 546,390</u></u>

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## **STATISTICAL SECTION**

## STATISTICAL SECTION

This section of the City of Charlottesville's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City of Charlottesville's overall financial health.

### Contents

#### **Financial Trends**

**Tables I-IV**

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

#### **Revenue Capacity**

**Tables V-X**

These schedules contain trend information to help the reader assess the City's significant local revenue sources, the property tax, as well as other revenue sources.

#### **Debt Capacity**

**Tables XI-XIV**

These schedules present information to help the reader assess the affordability of the City's current level of outstanding debt and the City's ability to issue additional debt in the future.

#### **Economic and Demographic Information**

**Tables XV-XVII**

These schedules offer economic and demographic indicators to help the reader understand the environment within which the City's financial activities take place and to help make comparisons over time and with other governments.

#### **Operating Information**

**Tables XVIII-XX**

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

**Sources:** Unless otherwise noted, the information in this section is derived from the City's Comprehensive Annual Financial Reports for the relevant year.

## CITY OF CHARLOTTESVILLE, VIRGINIA

TABLE I

NET POSITION BY COMPONENT  
LAST TEN FISCAL YEARS

	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Governmental activities:										
Net investment in capital assets	\$ 139,313,423	\$ 105,462,444	\$ 122,164,890	\$ 116,844,116	\$ 133,087,240	\$ 117,881,979	\$ 115,142,637	\$ 108,689,166	\$ 118,361,416	\$ 65,523,294
Restricted For:										
Expendable	2,441,436	2,191,647	6,402,164	10,000	10,000	10,000	10,000	30,000	2,466,388	626,296
Nonexpendable	162,501	162,501	162,501	162,501	162,501	162,501	162,501	162,501	162,501	162,501
Unrestricted	67,085,400	85,110,590	60,401,741	72,528,272	66,615,278	62,894,787	54,793,780	56,864,574	29,414,068	29,670,212
Total governmental activities net position	<u>\$ 209,002,760</u>	<u>\$ 192,927,182</u>	<u>\$ 189,131,296</u>	<u>\$ 189,544,889</u>	<u>\$ 199,875,019</u>	<u>\$ 180,949,267</u>	<u>\$ 170,108,918</u>	<u>\$ 165,746,241</u>	<u>\$ 150,404,373</u>	<u>\$ 95,982,303</u>
Business-type activities:										
Net investment in capital assets	\$ 25,036,215	\$ 37,760,064	\$ 21,862,917	\$ 21,900,131	\$ 21,576,238	\$ 20,928,347	\$ 20,644,310	\$ 19,766,913	\$ 19,678,522	\$ 18,506,715
Restricted-expendable				27,817						
Unrestricted	25,377,815	11,374,395	24,882,257	24,327,004	22,368,111	21,883,741	20,455,061	15,218,780	13,668,411	13,630,856
Total business-type activities net position	<u>\$ 50,414,030</u>	<u>\$ 49,134,459</u>	<u>\$ 46,745,174</u>	<u>\$ 46,254,952</u>	<u>\$ 43,944,349</u>	<u>\$ 42,812,088</u>	<u>\$ 41,099,371</u>	<u>\$ 34,985,693</u>	<u>\$ 33,346,933</u>	<u>\$ 32,137,571</u>
Primary Government:										
Net investment in capital assets	\$ 164,349,638	\$ 143,222,508	\$ 144,027,807	\$ 138,744,247	\$ 154,663,478	\$ 138,810,326	\$ 135,786,947	\$ 128,456,079	\$ 138,039,938	\$ 84,030,009
Restricted For:										
Expendable	2,441,436	2,191,647	6,402,164	37,817	10,000	10,000	10,000	30,000	2,466,388	626,296
Nonexpendable	162,501	162,501	162,501	162,501	162,501	162,501	162,501	162,501	162,501	162,501
Unrestricted	92,463,215	96,484,985	85,283,998	96,855,276	88,983,389	84,778,528	75,248,841	72,083,354	43,082,479	43,301,068
Total primary government net position	<u>\$ 259,416,790</u>	<u>\$ 242,061,641</u>	<u>\$ 235,876,470</u>	<u>\$ 235,799,841</u>	<u>\$ 243,819,368</u>	<u>\$ 223,761,355</u>	<u>\$ 211,208,289</u>	<u>\$ 200,731,934</u>	<u>\$ 183,751,306</u>	<u>\$ 128,119,874</u>

Source: City of Charlottesville Comprehensive Annual Financial Report - Exhibit A

Schedule prepared using the accrual basis of accounting

## CITY OF CHARLOTTESVILLE, VIRGINIA

TABLE II

CHANGES IN NET POSITION  
LAST TEN FISCAL YEARS

	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
<b>Expenses</b>										
Governmental activities:										
General government	\$ 24,270,356	\$ 23,535,445	\$ 22,483,608	\$ 23,634,491	\$ 20,411,765	\$ 25,817,176	\$ 23,238,056	\$ 18,533,324	\$ 18,319,280	\$ 14,900,857
Public safety	33,358,970	32,597,684	32,258,520	30,545,681	30,547,357	30,527,165	30,542,176	27,839,049	28,091,990	25,230,656
Community services	20,704,251	20,052,677	23,670,432	22,348,563	21,293,487	20,577,112	17,349,631	14,765,927	14,278,057	13,933,297
Health and welfare	29,785,968	30,274,966	30,034,547	30,820,530	31,358,502	30,161,585	29,401,150	27,150,948	24,662,939	25,120,751
Parks, recreation and culture	12,666,217	12,368,616	11,256,003	10,053,398	9,546,796	9,561,694	9,481,960	9,337,786	7,919,330	7,938,374
Education	45,368,328	51,677,155	42,460,291	57,974,958	41,990,709	41,558,411	44,572,403	35,555,941	33,982,207	32,968,653
Conservation and development	8,870,158	10,373,102	14,171,433	7,743,918	6,985,191	8,588,251	9,829,820	6,333,016	5,933,535	7,122,318
Other activities	-	-	-	-	-	-	-	598,025	324,511	200,663
Interest on long-term debt	2,241,591	2,359,980	5,100,955	2,733,665	2,454,390	2,235,928	1,937,644	2,005,594	1,796,925	1,637,089
Total governmental activities	177,265,839	183,239,625	181,435,789	185,855,204	164,588,197	169,027,322	166,352,840	142,119,610	135,308,774	129,052,658
Business-type activities:										
Water	8,834,334	8,162,082	8,417,556	8,321,515	8,009,139	7,416,972	7,376,301	6,874,670	6,536,397	6,105,675
Sewer	11,503,795	9,858,802	9,829,643	8,416,888	8,840,500	7,090,366	5,812,810	5,706,981	4,847,558	4,970,624
Gas	28,239,126	23,788,374	22,288,691	24,869,854	25,111,699	34,388,021	36,170,500	32,785,049	35,404,101	28,647,808
Other enterprise funds	1,038,023	871,628	912,244	617,357	1,198,157	1,210,638	1,358,023	1,137,337	1,007,426	968,174
Total business-type activities	49,615,278	42,680,886	41,448,134	42,225,614	43,159,495	50,105,997	50,717,634	46,504,037	47,795,482	40,692,281
<b>Total Primary Government Expenses</b>	<b>\$ 226,881,117</b>	<b>\$ 225,920,511</b>	<b>\$ 222,883,923</b>	<b>\$ 228,080,818</b>	<b>\$ 207,747,692</b>	<b>\$ 219,133,319</b>	<b>\$ 217,070,474</b>	<b>\$ 188,623,647</b>	<b>\$ 183,104,256</b>	<b>\$ 169,744,939</b>
<b>Program Revenues</b>										
Governmental activities:										
Charges for Services										
General government	\$ 14,156,093	\$ 14,000,028	\$ 12,718,913	\$ 11,509,211	\$ 10,624,798	\$ 11,048,283	\$ 10,862,338	\$ 10,810,147	\$ 5,304,925	\$ 5,746,100
Public safety	10,969	29,778	29,919	31,416	42,850	44,907	49,754	14,987	17,875	354,845
Community services	1,820,062	1,843,964	1,840,737	1,786,899	1,945,796	2,122,384	2,224,251	1,965,398	2,246,826	3,375,842
Health and welfare	4,203,244	3,923,086	3,950,369	4,305,042	2,719,628	1,912,596	1,961,441	2,013,793	1,467,335	1,866,435
Parks, recreation and culture	1,785,912	1,610,587	1,372,958	1,214,220	943,705	808,869	811,586	662,459	505,033	586,112
Education	273,615	208,988	229,949	203,713	228,853	272,643	228,591	145,050	142,918	78,535
Conservation and development	27,506	21,321	28,322	23,487	27,685	43,045	46,424	2,919	20,090	82,242
Operating Grants and Contributions										
General government	2,275,679	1,762,119	1,643,234	2,022,303	2,099,757	2,161,567	2,156,436	2,486,523	2,704,507	2,206,737
Public safety	2,647,082	1,675,385	1,906,155	1,632,513	1,554,604	1,597,459	1,530,559	1,437,946	1,981,856	4,203,459
Community services	8,184,560	8,107,968	9,074,860	8,839,499	7,947,633	7,010,934	6,758,618	6,032,520	7,026,204	4,945,581
Health and welfare	15,664,102	16,278,179	16,481,533	17,810,096	18,163,600	18,456,403	18,272,330	16,889,348	16,504,644	17,223,996
Parks, recreation and culture	265,890	904,083	76,725	45,382	51,953	100,635	77,396	5,000	88,558	118,286
Education	232,043	562,087	566,776	566,566	224,203	527,281	-	-	-	-
Conservation and development	63,905	238,338	344,349	459,922	-	74,216	71,141	213,712	208,137	61,801
Capital Grants and Contributions										
General government	-	-	350,876	11,728	630,275	4,171,078	1,374,433	1,187,009	-	1,473,258
Public safety	-	12,825	383,584	-	-	-	-	-	-	-
Community services	13,486,069	6,776,156	5,070,874	1,990,553	13,285,028	7,526,581	7,052,770	3,356,968	5,949,633	5,976,430
Parks, recreation and culture	-	-	-	-	-	-	29,760	-	-	483
Education	-	-	456,441	113,912	22,432	44,327	408,075	-	-	1,695,914
Conservation and development	16,839	59,500	115,398	-	-	-	-	-	-	-
Total governmental activities	65,113,570	58,014,392	56,641,972	52,566,462	60,512,800	57,923,208	53,915,903	47,223,779	44,168,541	49,996,056
Business-type activities:										
Charges for Services										
Water	9,163,447	9,064,161	8,923,040	9,244,578	9,134,985	9,333,610	8,302,627	8,137,837	7,718,122	7,196,273
Sewer	11,338,460	10,554,384	9,121,471	9,066,402	8,952,616	9,043,516	7,439,184	6,929,038	6,554,472	6,316,155
Gas	33,856,411	29,779,891	27,619,960	30,360,501	29,860,371	36,868,759	43,961,558	36,064,042	38,751,324	31,697,867
Other enterprise funds	1,780,508	842,787	939,797	949,264	1,064,929	1,035,709	1,113,089	1,099,640	982,796	996,674
Operating Grants and Contributions										
Other enterprise funds	-	-	-	17,105	54,667	58,838	106,429	-	-	-
Capital Grants and Contributions										
Other enterprise funds	-	-	18,800	-	-	-	-	-	-	-
Total business-type activities	56,138,826	50,241,223	46,623,068	49,637,850	49,067,568	56,340,432	60,922,887	52,230,557	54,006,714	46,206,969
<b>Total Primary Government Revenues</b>	<b>\$ 121,252,396</b>	<b>\$ 108,255,615</b>	<b>\$ 103,265,040</b>	<b>\$ 102,204,312</b>	<b>\$ 109,580,368</b>	<b>\$ 114,263,640</b>	<b>\$ 114,838,790</b>	<b>\$ 99,454,336</b>	<b>\$ 98,175,255</b>	<b>\$ 96,203,025</b>

# CITY OF CHARLOTTESVILLE, VIRGINIA

## CHANGES IN NET POSITION LAST TEN FISCAL YEARS

	2014	2,013	2012	2011	2010	2009	2008	2007	2006	2005
<b>Net (Expense) Revenue</b>										
<b>Governmental activities:</b>										
General government	\$ (7,838,584)	\$ (7,773,298)	\$ (7,770,585)	\$ (10,091,249)	\$ (7,056,935)	\$ (8,436,248)	\$ (8,844,849)	\$ (4,049,645)	\$ (10,309,848)	\$ (5,474,762)
Public safety	(30,700,919)	(30,879,696)	(29,938,862)	(28,881,752)	(28,949,903)	(28,884,799)	(28,961,863)	(26,386,116)	(26,092,259)	(20,672,352)
Community services	2,786,440	(3,324,589)	(7,683,961)	(9,731,612)	1,884,970	(3,917,213)	(1,313,992)	(3,411,041)	944,606	364,556
Health and welfare	(9,918,622)	(10,073,701)	(9,602,645)	(8,705,392)	(10,475,274)	(9,792,586)	(9,167,379)	(8,247,807)	(6,690,960)	(6,030,320)
Parks, recreation and culture	(10,614,415)	(9,853,946)	(9,806,320)	(8,793,796)	(8,551,138)	(8,652,190)	(8,563,218)	(8,670,327)	(7,325,739)	(7,233,493)
Education	(44,862,670)	(50,906,080)	(41,207,125)	(57,090,767)	(41,515,221)	(40,714,160)	(43,935,737)	(35,410,891)	(33,839,289)	(31,194,204)
Conservation and development	(8,761,908)	(10,053,943)	(13,683,364)	(7,260,509)	(6,957,506)	(8,470,990)	(9,712,255)	(6,116,385)	(5,705,308)	(6,978,275)
Other activities	-	-	-	-	-	-	-	(598,025)	(324,511)	(200,663)
Interest on long-term debt	(2,241,591)	(2,359,980)	(5,100,955)	(2,733,665)	(2,454,390)	(2,235,928)	(1,937,644)	(2,005,594)	(1,796,925)	(1,637,089)
Total governmental activities	(112,152,269)	(125,225,233)	(124,793,817)	(133,288,742)	(104,075,397)	(111,104,114)	(112,436,937)	(94,895,831)	(91,140,233)	(79,056,602)
<b>Business-type activities:</b>										
Water	329,113	902,079	505,484	923,063	1,125,846	1,916,638	926,326	1,263,167	1,181,725	1,090,598
Sewer	(165,335)	695,582	(708,172)	649,514	112,116	1,953,150	1,626,374	1,222,057	1,706,914	1,345,531
Gas	5,617,285	5,991,517	5,331,269	5,490,647	4,748,672	2,480,738	7,791,058	3,278,993	3,347,223	3,050,059
Other enterprise funds	742,485	(28,841)	46,353	349,012	(78,561)	(116,091)	(138,505)	(37,697)	(24,630)	28,500
Total business-type activities	6,523,548	7,560,337	5,174,934	7,412,236	5,908,073	6,234,435	10,205,253	5,726,520	6,211,232	5,514,688
<b>Total Primary Government Net Expense</b>	<b>\$ (105,628,721)</b>	<b>\$ (117,664,896)</b>	<b>\$ (119,618,883)</b>	<b>\$ (125,876,506)</b>	<b>\$ (98,167,324)</b>	<b>\$ (104,869,679)</b>	<b>\$ (102,231,684)</b>	<b>\$ (89,169,311)</b>	<b>\$ (84,929,001)</b>	<b>\$ (73,541,914)</b>
<b>General Revenues and Other Changes in Net Position</b>										
<b>Governmental activities:</b>										
<b>General Revenues</b>										
General property taxes	\$ 58,158,711	\$ 56,060,959	\$ 55,819,958	\$ 55,401,204	\$ 55,625,137	\$ 57,299,828	\$ 52,783,908	\$ 51,813,831	\$ 47,031,353	\$ 42,645,296
Sales tax	10,747,757	9,901,299	9,995,523	8,956,683	9,312,664	9,588,558	10,221,226	10,298,470	9,565,488	9,001,835
Utility tax	4,539,149	4,422,168	4,252,785	4,491,361	4,419,303	4,644,592	4,466,584	7,440,973	7,124,868	6,863,039
Communications tax	3,221,105	3,276,861	3,268,192	3,335,988	3,352,581	3,338,662	3,674,556	-	-	-
Meals tax	8,156,709	8,103,257	7,378,230	6,861,066	6,454,663	6,522,572	6,741,885	6,441,521	6,115,832	5,745,899
Lodging tax	2,933,227	2,932,367	2,807,326	2,460,055	2,475,914	2,286,843	2,476,572	2,356,436	2,100,084	1,909,540
Other taxes	4,139,312	4,022,679	4,059,205	4,317,180	3,762,710	3,596,854	3,742,319	2,591,960	3,034,587	2,692,632
Business license tax	6,442,386	6,880,942	6,491,428	6,061,192	6,502,949	7,295,646	5,953,851	5,514,900	7,766,206	5,448,552
Grants and contributions not restricted	24,353,298	27,910,750	24,887,083	25,229,997	25,160,421	21,166,672	20,083,095	17,683,149	15,361,163	13,513,099
Interest and investment earnings	259,548	276,657	373,961	538,029	918,853	1,435,592	1,904,366	1,655,643	509,683	119,567
Miscellaneous	-	-	-	-	-	-	-	-	-	926,948
Gain from sale of assets	-	-	252,742	-	-	-	-	-	3,130	4,363
Total governmental activities	122,951,202	123,787,939	119,586,433	117,652,755	117,985,195	117,175,819	112,048,362	105,796,883	98,612,394	88,870,770
<b>Business-type activities:</b>										
Interest and investment earnings	32,668	62,128	109,079	204,224	240,142	246,926	409,406	353,056	262,717	139,255
Total business-type activities	32,668	62,128	109,079	204,224	240,142	246,926	409,406	353,056	262,717	139,255
<b>Total Primary Government Revenues</b>	<b>\$ 122,983,870</b>	<b>\$ 123,850,067</b>	<b>\$ 119,695,512</b>	<b>\$ 117,856,979</b>	<b>\$ 118,225,337</b>	<b>\$ 117,422,745</b>	<b>\$ 112,457,768</b>	<b>\$ 106,149,939</b>	<b>\$ 98,875,111</b>	<b>\$ 89,010,025</b>
<b>Change in net position</b>										
Governmental Activities	\$ 16,075,578	\$ 3,795,886	\$ (413,593)	\$ (10,330,130)	\$ 18,452,691	\$ 10,840,349	\$ 4,362,677	\$ 15,341,868	\$ 14,575,810	\$ 11,009,744
Business-type Activities	1,279,571	2,389,285	490,222	2,310,603	1,132,261	1,634,617	5,863,407	1,638,760	892,301	1,209,362
Total net position, prior to restatement	17,355,149	6,185,171	76,629	(8,019,527)	19,584,952	12,474,966	10,226,084	16,980,628	13,946,110	15,468,111
Restatement	-	-	-	-	473,061	78,100	250,271	-	-	-
<b>Total change in net position</b>	<b>\$ 17,355,149</b>	<b>\$ 6,185,171</b>	<b>\$ 76,629</b>	<b>\$ (8,019,527)</b>	<b>\$ 20,058,013</b>	<b>\$ 12,553,066</b>	<b>\$ 10,476,355</b>	<b>\$ 16,980,628</b>	<b>\$ 13,946,110</b>	<b>\$ 15,468,111</b>

Source: City of Charlottesville Comprehensive Annual Financial Report - Exhibit B  
Schedule prepared using the accrual basis of accounting

## CITY OF CHARLOTTESVILLE, VIRGINIA

TABLE III

FUND BALANCES OF GOVERNMENTAL FUNDS  
LAST TEN FISCAL YEARS

	Fiscal Year									
	2014	2013	2012	2011	2010*	2009	2008	2007	2006	2005
General Fund										
Reserved	\$ -	\$ -	\$ -	\$ -	\$ 1,180,647	\$ 643,413	\$ 1,368,723	\$ 970,434	\$ 715,230	\$ 979,023
Unreserved:										
Designated	-	-	-	-	10,363,172	4,651,197	6,376,108	6,150,417	3,921,815	1,118,013
Undesignated	-	-	-	-	24,271,261	27,150,245	19,563,961	21,694,729	21,650,695	17,095,548
Total General Fund	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 35,815,080</u>	<u>\$ 32,444,855</u>	<u>\$ 27,308,792</u>	<u>\$ 28,815,580</u>	<u>\$ 26,287,740</u>	<u>\$ 19,192,584</u>
All Other Governmental Funds										
Reserved	\$ -	\$ -	\$ -	\$ -	\$ 14,555,925	\$ 30,741,006	\$ 18,829,365	\$ 20,416,889	\$ 21,159,692	\$ 6,473,784
Unreserved:										
Capital Projects Funds	-	-	-	-	6,866,651	(3,843,863)	9,286,536	(2,598,765)	(19,456,521)	1,515,231
Social Service Funds	-	-	-	-	483,543	483,439	484,529	397,142	-	-
Special Revenue Funds	-	-	-	-	1,328,208	1,566,636	1,018,241	1,043,964	-	-
Debt Service Funds	-	-	-	-	9,547,048	9,156,884	7,927,132	5,541,445	4,962,807	3,914,959
Permanent Fund	-	-	-	-	162,501	162,501	162,501	162,501	-	-
Total All Other Governmental Funds	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 32,943,876</u>	<u>\$ 38,266,603</u>	<u>\$ 37,708,304</u>	<u>\$ 24,963,176</u>	<u>\$ 6,665,978</u>	<u>\$ 11,903,974</u>
General Fund										
Restricted	\$ 725,441	\$ 545,723	\$ 472,056	\$ 462,244	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Committed	7,004,685	6,737,955	8,206,185	7,880,345	-	-	-	-	-	-
Assigned	3,786,220	3,633,160	4,542,491	5,945,930	-	-	-	-	-	-
Unassigned	27,291,468	26,989,410	26,861,656	25,855,782	-	-	-	-	-	-
Total General Fund	<u>\$ 38,807,814</u>	<u>\$ 37,906,248</u>	<u>\$ 40,082,388</u>	<u>\$ 40,144,301</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
All Other Governmental Funds										
Nonspendable	\$ 1,542,501	\$ 1,272,501	\$ 3,316,211	\$ 3,380,174	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted	4,216,750	9,486,035	15,949,126	20,687,703	-	-	-	-	-	-
Committed	15,202,070	14,768,068	11,252,983	9,508,177	-	-	-	-	-	-
Assigned	1,364,421	1,303,256	1,906,602	1,681,261	-	-	-	-	-	-
Total All Other Governmental Funds	<u>\$ 22,325,742</u>	<u>\$ 26,829,860</u>	<u>\$ 32,424,922</u>	<u>\$ 35,257,315</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Source: City of Charlottesville Comprehensive Annual Financial Report - Exhibit C

Note: Fiscal years 2004 through 2010 have not been restated per GASB 54.

Schedule prepared using the modified accrual basis of accounting



## CITY OF CHARLOTTESVILLE, VIRGINIA

TABLE IV

CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
LAST TEN FISCAL YEARS

	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
<b>Revenues</b>										
General property taxes	\$ 98,699,930	\$ 95,714,241	\$ 94,311,894	\$ 92,111,297	\$ 92,251,458	\$ 94,490,618	\$ 90,392,806	\$ 86,324,017	\$ 80,203,931	\$ 73,521,654
Fee and permits	1,966,895	2,464,889	2,042,063	1,825,729	1,640,727	1,836,514	1,915,907	1,837,978	1,594,542	1,553,833
Special assessments										
Intergovernmental	66,426,300	60,215,042	61,026,601	58,235,118	67,888,839	62,127,824	57,515,459	48,120,385	49,318,664	51,217,592
Charges for services	10,920,381	10,607,302	10,065,910	10,201,768	8,068,430	7,348,673	7,655,338	7,853,305	6,701,437	7,705,664
Fines and forfeitures	393,398	392,763	552,075	567,027	392,515	383,480	475,064	530,007	508,322	541,733
Miscellaneous	2,226,308	5,056,883	2,036,426	2,011,104	2,724,433	2,753,583	2,883,321	2,974,966	2,117,750	1,978,995
<b>Total governmental revenues</b>	<b>180,633,212</b>	<b>174,451,120</b>	<b>170,034,969</b>	<b>164,952,043</b>	<b>172,966,402</b>	<b>168,940,692</b>	<b>160,837,895</b>	<b>147,640,658</b>	<b>140,444,646</b>	<b>136,519,471</b>
<b>Expenditures</b>										
General government	14,825,220	15,352,223	15,117,332	14,653,299	13,844,581	17,980,145	16,701,263	12,784,574	13,578,371	10,834,059
Public safety	32,609,199	31,987,432	32,231,433	30,460,236	30,760,038	29,927,240	30,623,911	27,632,491	26,189,309	26,350,201
Community services	21,796,529	18,524,126	23,573,132	21,264,573	21,000,353	22,183,823	16,398,832	14,126,876	13,117,616	12,805,735
Health and welfare	29,948,939	31,196,387	30,211,972	30,929,233	31,483,056	30,082,148	29,361,163	27,205,434	24,879,122	25,021,811
Parks, recreation and culture	11,739,822	12,229,739	10,586,859	9,870,613	9,123,591	9,386,707	9,209,286	9,037,193	7,746,830	7,513,978
Education	44,279,012	45,526,167	41,983,543	41,068,749	41,104,359	40,957,870	41,048,697	34,565,396	33,407,671	31,795,902
Conservation and development	7,469,535	8,764,632	13,711,905	7,109,914	6,395,913	7,957,922	9,203,474	5,710,481	5,477,804	6,497,278
Debt service										
Principal	6,685,521	6,430,175	6,611,249	6,236,895	5,926,396	5,241,154	4,780,080	5,676,011	5,292,120	4,129,049
Interest	2,725,366	2,452,754	2,855,961	2,550,831	2,407,670	2,029,199	1,926,049	1,757,672	1,779,021	1,289,650
Miscellaneous	100,571	87,599	196,062	94,848	107,867	146,910	122,388	145,774	3,278	110,991
Other activities	975,456	266,562	255,994	298,737	276,671	375,443	460,951	193,864	321,233	167,858
Capital outlay	23,165,369	21,380,655	11,213,317	9,882,212	28,702,858	17,694,234	7,129,337	6,827,030	8,719,385	23,908,132
<b>Total governmental expenditures</b>	<b>196,320,539</b>	<b>194,198,451</b>	<b>188,548,759</b>	<b>174,420,140</b>	<b>191,133,353</b>	<b>183,962,795</b>	<b>166,965,431</b>	<b>145,662,796</b>	<b>140,511,760</b>	<b>150,424,644</b>
<b>Revenues over (under) expenditures</b>	<b>(15,687,327)</b>	<b>(19,747,331)</b>	<b>(18,513,790)</b>	<b>(9,468,097)</b>	<b>(18,166,951)</b>	<b>(15,022,103)</b>	<b>(6,127,536)</b>	<b>1,977,862</b>	<b>(67,114)</b>	<b>(13,905,173)</b>
<b>Other financing sources (uses)</b>										
Transfers in	29,291,985	31,047,043	31,879,012	27,888,963	30,642,076	26,846,844	31,768,783	30,645,585	23,411,667	22,922,347
Transfers out	(23,356,855)	(25,108,773)	(26,698,163)	(22,054,595)	(24,733,114)	(21,669,705)	(27,046,086)	(26,154,813)	(19,760,389)	(18,160,705)
Issuance of debt	5,740,000	5,610,000	9,133,200	9,650,400	10,211,600	15,017,552	12,434,520	12,629,400	-	19,962,475
Refunding bonds issued	1,390,695	-	17,737,100	-	-	1,325,700	3,547,500	-	-	2,913,333
Premium on issuance of debt	417,486	427,859	3,411,666	616,989	93,887	575,073	305,527	-	-	-
Payment to refunded bond escrow agent	(1,506,186)	-	(20,195,331)	-	-	(1,378,999)	(3,644,368)	-	-	(3,043,650)
Sale of capital assets	107,650	-	352,000	9,000	-	-	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>12,084,775</b>	<b>11,976,129</b>	<b>15,619,484</b>	<b>16,110,757</b>	<b>16,214,449</b>	<b>20,716,465</b>	<b>17,365,876</b>	<b>17,120,172</b>	<b>3,651,278</b>	<b>24,593,800</b>
<b>Net change in fund balances</b>	<b>\$ (3,602,552)</b>	<b>\$ (7,771,202)</b>	<b>\$ (2,894,306)</b>	<b>\$ 6,642,660</b>	<b>\$ (1,952,502)</b>	<b>\$ 5,694,362</b>	<b>\$ 11,238,340</b>	<b>\$ 19,098,034</b>	<b>\$ 3,584,164</b>	<b>\$ 10,688,627</b>
<b>Debt service as a percentage of noncapital expenditures</b>										
Total debt service expenditures	\$ 9,410,887	\$ 8,882,929	\$ 9,467,210	\$ 8,787,726	\$ 8,334,066	\$ 7,270,353	\$ 6,706,129	\$ 7,433,683	\$ 7,071,141	\$ 5,418,699
Total governmental expenditures	196,320,539	194,198,451	188,548,759	174,420,140	191,133,353	183,962,795	166,965,431	145,662,796	140,511,760	150,424,644
Change in capital assets	(27,697,576)	(22,573,753)	(15,554,651)	(14,212,438)	(32,444,266)	(22,765,689)	(9,371,741)	(8,702,265)	(9,569,115)	(26,278,015)
Noncapital expenditures	<u>\$ 168,622,963</u>	<u>\$ 171,624,698</u>	<u>\$ 172,994,108</u>	<u>\$ 160,207,702</u>	<u>\$ 158,689,087</u>	<u>\$ 161,197,106</u>	<u>\$ 157,593,690</u>	<u>\$ 136,960,531</u>	<u>\$ 130,942,645</u>	<u>\$ 124,146,629</u>
Debt service as a percentage of noncapital expenditures	5.58%	5.18%	5.47%	5.49%	5.25%	4.51%	4.26%	5.43%	5.40%	4.36%

Source: City of Charlottesville Comprehensive Annual Financial Report - Exhibit D.  
Schedule prepared using the modified accrual basis of accounting

## CITY OF CHARLOTTESVILLE, VIRGINIA

TABLE V

TAX REVENUES BY SOURCE  
LAST TEN FISCAL YEARS

Fiscal Year	Total Taxes	Property Taxes (1)	Sales and Use Taxes	Utility and Communications Taxes (2)	Meals Tax (3)	Lodging Tax	Business License Tax	Franchise Taxes (2)	Tax on Bank Stock	Tax on Wills and Deeds	Other Taxes
2014	\$ 98,699,930	\$ 60,203,592	\$ 10,747,757	\$ 7,760,254	\$ 8,156,709	\$ 2,933,227	\$ 6,442,386	\$ 7,000	\$ 923,869	\$ 565,320	\$ 959,816
2013	95,714,241	57,894,427	9,901,299	7,699,029	8,103,257	2,932,367	6,880,942	13,880	851,638	604,597	832,805
2012	94,311,894	57,774,887	9,995,523	7,520,977	7,378,230	2,807,326	6,491,428	10,440	1,051,723	493,248	788,112
2011	92,111,297	57,336,116	8,956,683	7,827,349	6,861,066	2,460,055	6,061,192	26,402	1,358,812	436,709	786,913
2010	92,251,458	57,520,194	9,312,664	7,771,884	6,454,663	2,475,914	6,502,949	3,500	975,779	403,918	829,993
2009	94,490,618	58,750,030	9,588,558	7,983,254	6,522,572	2,286,843	7,295,646	12,397	639,849	473,913	937,556
2008	90,392,806	54,596,231	10,221,226	8,141,140	6,741,885	2,476,572	5,953,851	8,843	605,562	665,969	981,527
2007	86,324,017	51,679,757	10,298,470	7,440,973	6,441,521	2,356,436	5,514,900	238,551	569,324	718,396	1,065,689
2006	80,203,931	46,830,323	9,565,488	7,124,868	6,115,832	2,100,084	5,432,749	420,114	620,707	786,322	1,207,444
2005	73,521,654	42,612,902	9,001,835	7,280,928	5,745,899	1,909,540	4,695,807	403,128	489,668	507,188	874,759

Source: City of Charlottesville Comprehensive Annual Financial Report - Exhibit G

- (1) Beginning in 1998, the Commonwealth of Virginia pays a portion of the personal property tax formerly paid by the property owner; the Commonwealth's share is reported as intergovernmental revenue.
- (2) Beginning in January 1, 2007, the Commonwealth of Virginia enacted the Virginia Communication Tax. This new tax replaces most of the current Virginia state and local communications taxes and fees with a central administered Communications Sales and Use Tax, a uniform statewide E-911 tax on landline telephone service and a cable television provider's public right-of-way use fee.

# CITY OF CHARLOTTESVILLE, VIRGINIA

TABLE VI

## ASSESSED AND ESTIMATED MARKET VALUE OF REAL PROPERTY (1) LAST TEN CALENDAR YEARS

Taxable Year	Real Estate	Public Service Real Estate	Total Taxable Real Property Assessed Value	Real Property Direct Tax Rate	Tax-Exempt Real Property	Total Value Real Property
2014	\$ 5,503,669,500	\$ 137,745,380	\$ 5,641,414,880	\$ 0.95	\$ 1,017,616,600	\$ 6,659,031,480
2013	5,281,021,000	138,256,036	5,419,277,036	0.95	1,012,716,900	6,431,993,936
2012	5,222,661,300	138,241,036	5,360,902,336	0.95	1,016,573,300	6,377,475,636
2011	5,282,859,100	135,463,526	5,418,322,626	0.95	1,016,346,400	6,434,669,026
2010	5,257,182,700	135,809,935	5,392,992,635	0.95	1,053,205,500	6,446,198,135
2009	5,251,290,000	116,776,088	5,368,066,088	0.95	1,045,198,200	6,413,264,288
2008	5,181,954,900	114,181,608	5,296,136,508	0.95	885,548,300	6,181,684,808
2007	4,826,991,400	121,343,088	4,948,334,488	0.95	869,720,800	5,818,055,288
2006	4,211,772,300	122,531,726	4,334,304,026	0.99	865,609,200	5,199,913,226
2005	3,595,449,500	127,545,711	3,722,995,211	1.05	767,043,300	4,490,038,511

**Source:** Records of the City Assessor and State Corporation Commission

(1) Assessed values of all classes of property are the approximate market value.

Note: The City has no overlapping property taxes.

# CITY OF CHARLOTTESVILLE, VIRGINIA

TABLE VII

## DIRECT PROPERTY TAX RATES (PER \$100 OF ASSESSED VALUE) LAST TEN CALENDAR YEARS

Year					Public Service		Total Direct Tax Rate of State Assessed Property
	Real Property (1)	Personal Property (2)	Machinery & Tools (2)	Total Direct Tax Rate of City Assessed Property	Real Property (3)	Personal Property (3)	
2014	\$ 0.95	\$ 4.20	\$ 4.20	\$ 9.35	\$ 0.95	\$ 4.20	\$ 5.15
2013	0.95	4.20	4.20	9.35	0.95	4.20	5.15
2012	0.95	4.20	4.20	9.35	0.95	4.20	5.15
2011	0.95	4.20	4.20	9.35	0.95	4.20	5.15
2010	0.95	4.20	4.20	9.35	0.95	4.20	5.15
2009	0.95	4.20	4.20	9.35	0.95	4.20	5.15
2008	0.95	4.20	4.20	9.35	0.95	4.20	5.15
2007	0.95	4.20	4.20	9.35	0.95	4.20	5.15
2006	0.99	4.20	4.20	9.39	0.99	4.20	5.19
2005	1.05	4.20	4.20	9.45	1.05	4.20	5.25

**Source:** City of Charlottesville Director of Finance

- (1) Assessed by the City of Charlottesville Real Estate Assessor
- (2) Assessed by the City of Charlottesville Commissioner of Revenue
- (3) Assessed by the State Corporation Commission

Note: The City has no overlapping property taxes.

# CITY OF CHARLOTTESVILLE, VIRGINIA

TABLE VIII

## PRINCIPAL PROPERTY TAXPAYERS CURRENT YEAR AND NINE YEARS AGO JUNE 30, 2014

Taxpayer	Type of Business	2014 Assessed Valuation (1)	Tax Amount (2)	Rank	Percentage of Total Assessed Valuation (1)	2005 Assessed Valuation (1)	Tax Amount (2)	Rank	Percentage of Total Assessed Valuation (1)
Federal Realty Investment Trust	Shopping Center	\$ 119,728,800	\$ 1,137,424	1	2.18 %	\$ 65,869,800	\$ 691,633	1	1.83 %
Dominion Virginia Power Company	Public Utilities	59,878,484	568,846	2	1.09	35,059,281	368,122	3	0.98
Piedmont Hospital, LLC	Apartments	47,868,344	454,749	3	0.87	-	-	-	-
Dogwood Properties (Keith O. Woodward)	Real Estate	47,328,208	449,618	4	0.86	-	-	-	-
Towers Limited Partnership, ETAL	Real Estate	43,701,815	415,167	5	0.79	13,703,800	143,890	9	0.38
Pavillion, LLC	Apartments	41,269,200	392,057	6	0.75	-	-	-	-
Caton, Douglas E.	Real Estate	39,585,617	376,063	7	0.72	-	-	-	-
CenturyLink	Public Utility	36,810,649	349,701	8	0.67	58,212,630	611,233	2	1.62
Blue Atlantic Charlottesville, LLC	Real Estate	35,641,100	338,590	9	0.65	-	-	-	-
Peyton Associates Partnership	Real Estate	35,409,331	336,389	10	0.64	7,861,100	82,542	20	0.22
University of Virginia Foundation	Real Estate	34,803,726	330,635		0.63	15,761,453	165,495	8	0.44
Wade Apartments	Apartments	-	-		-	19,588,700	205,681	4	0.54
Reed Elsevier, Inc.	Publisher	-	-		-	15,810,600	166,011	7	0.44
Wachovia Bank National Association	Bank	-	-		-	13,595,400	142,752	10	0.38
Omni Charlottesville Virginia Corp.	Hotel	-	-		-	16,210,900	170,214	5	0.45
Fifeville Associates LLC	Real Estate	-	-		-	16,210,900	170,214	6	0.45
		<u>\$ 542,025,274</u>	<u>\$ 5,149,240</u>		<u>9.85 %</u>	<u>\$ 277,884,564</u>	<u>\$ 2,917,788</u>		<u>7.73 %</u>

Source: City Assessor and Commissioner of Revenue, City of Charlottesville, Virginia

(1) Represents percentage of total City valuation of taxable property, real estate only.

(2) Tax rate of \$.95 in 2014; Tax rate of \$1.05 in 2005

# CITY OF CHARLOTTESVILLE, VIRGINIA

TABLE IX

## PROPERTY TAX LEVIES AND COLLECTIONS LAST TEN FISCAL YEARS

Fiscal Year	Total Tax Levy	Current Tax Collections	Percent of Levy Collected	Delinquent Tax Collections (1)	Total Tax Collections	Total Collections as a Percent of Current Levy
2014	\$ 61,663,086	\$ 61,010,246	98.94 %	\$ -	\$61,010,246	98.94 %
2013	60,162,479	59,304,770	98.57	629,364	59,934,134	99.62
2012	59,748,805	58,573,010	98.03	1,052,357	59,625,366	99.79
2011	59,653,343	58,308,249	97.75	1,278,738	59,586,988	99.89
2010	59,594,752	58,243,180	97.73	1,296,123	59,539,303	99.91
2009	59,423,018	57,725,159	97.14	1,646,284	59,371,443	99.91
2008	55,670,857	53,115,813	95.41	2,738,960	55,854,773	100.33
2007	51,474,969	50,586,848	98.27	1,317,013	51,903,861	100.83
2006	46,625,077	44,440,033	95.31	1,826,999	46,267,032	99.23
2005	42,781,336	42,089,865	98.38	1,259,709	43,349,574	101.33

**Source:** Treasurer of the City of Charlottesville

(1) Delinquent Collections in fiscal years prior to 2009 include receipts collected within the fiscal year for all prior year levies. Delinquent Collections in fiscal years 2009 and later include only the current year tax levy and receipts collected in subsequent years.

## CITY OF CHARLOTTESVILLE, VIRGINIA

## TABLE X

**ESTIMATED VALUE OF TAX-EXEMPT REAL PROPERTY  
LAST TEN FISCAL YEARS  
JUNE 30, 2014**

	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Federal	\$ 21,652,500	\$ 21,652,500	\$ 21,652,500	\$ 21,652,500	\$ 21,652,500	\$ 21,652,500	\$ 18,828,200	\$ 18,828,200	\$ 18,828,200	\$ 16,834,000
State and regional	278,984,600	288,908,100	278,983,600	324,752,400	323,065,400	323,065,400	414,912,500	388,439,300	390,676,700	350,604,200
Local	192,076,800	191,927,100	181,085,000	192,885,400	190,835,500	188,028,700	221,429,200	202,665,400	196,321,600	175,287,100
Religious, charitable, educational and other	524,902,700	510,229,200	534,852,200	477,056,100	517,652,100	512,451,600	230,378,400	259,787,900	259,782,700	224,318,000
Total	<u>\$ 1,017,616,600</u>	<u>\$ 1,012,716,900</u>	<u>\$ 1,016,573,300</u>	<u>\$ 1,016,346,400</u>	<u>\$ 1,053,205,500</u>	<u>\$ 1,045,198,200</u>	<u>\$ 885,548,300</u>	<u>\$ 869,720,800</u>	<u>\$ 865,609,200</u>	<u>\$ 767,043,300</u>

Source: Office of the Real Estate Assessor, City of Charlottesville, Virginia. Reported to the State in April annually by the Assessor's Office.

# CITY OF CHARLOTTESVILLE, VIRGINIA

TABLE XI

## RATIO OF NET BONDED DEBT TO ASSESSED VALUE AND NET BONDED DEBT PER CAPITA LAST TEN FISCAL YEARS

Fiscal Year	Population (1)	Real Estate Assessed Value	Gross Bonded Debt	Net Bonded Debt (2)	Total Debt Service (2)	General Fund Expenditures and Net Other Financing Sources	Ratio of Net Bonded Debt to Assessed Value	Net Bonded Debt per Capita	Ratio of Debt Service to Total General Fund Expenditures and Transfers
2014	46,623	\$ 5,503,669,500	\$ 78,067,345	\$ 66,199,365	\$ 9,511,458	\$ 138,100,498	1.20 %	\$1,420	6.89 %
2013	45,073	5,281,021,000	78,676,333	66,505,547	8,970,528	137,559,888	1.26	1,476	6.52
2012	44,471	5,222,661,300	78,918,183	67,665,200	9,663,272	134,117,472	1.30	1,522	7.21
2011	43,475	5,282,859,100	76,002,100	66,493,923	8,882,574	127,413,032	1.26	1,529	6.97
2010	40,745	5,257,182,700	72,117,050	62,570,002	8,441,933	127,775,530	1.19	1,536	6.61
2009	40,745	5,251,290,000	67,663,745	58,506,861	7,417,263	124,813,778	1.11	1,436	5.94
2008	40,745	5,181,954,900	57,773,730	49,846,598	6,828,517	127,423,919	0.96	1,223	5.36
2007	40,745	4,826,991,400	49,829,415	44,287,970	7,579,457	115,691,159	0.92	1,087	6.55
2006	40,745	4,211,772,300	40,897,600	35,934,791	7,074,417	107,022,501	0.85	882	6.61
2005	40,745	3,595,449,500	45,135,784	41,220,825	5,529,690	100,130,411	1.15	1,012	5.52

**Note:** The City has no overlapping debt.

(1) 2012-2014 Weldon Cooper Center for Public Service, Demographics & Workforce Group  
www.coopercenter.org/demographics/; 2005-2011 U.S. Census Bureau

(2) Excludes self-supporting utility indebtedness, net of balance available in Debt Service Fund



**CITY OF CHARLOTTESVILLE, VIRGINIA**

**TABLE XII**

**RATIO OF ANNUAL DEBT SERVICE EXPENDITURES FOR  
GENERAL BONDED DEBT TO GENERAL GOVERNMENTAL  
EXPENDITURES AND TRANSFERS  
LAST TEN FISCAL YEARS**

<b>Fiscal Year</b>	<b>Principal</b>	<b>Interest</b>	<b>Total Debt Service</b>	<b>General Governmental Expenditures and Transfers</b>	<b>Ratio of Debt Service to General Governmental Expenditures</b>
2014	\$ 6,685,521	\$ 2,725,366	\$ 9,410,887	\$ 190,189,617	4.95 %
2013	6,430,175	2,452,754	8,882,929	188,150,305	4.72
2012	6,611,249	2,855,961	9,467,210	188,952,877	5.01
2011	6,236,895	2,550,831	8,787,726	178,268,372	4.93
2010	5,926,396	2,407,670	8,334,066	178,323,894	4.67
2009	5,241,154	2,029,199	7,270,353	174,450,273	4.17
2008	4,780,080	1,926,049	6,706,129	172,263,608	3.89
2007	4,239,294	1,534,641	5,773,935	158,216,806	3.65
2006	4,076,916	1,708,401	5,785,317	142,972,737	4.05
2005	3,804,966	1,249,327	5,054,293	136,982,686	3.69

**Note:** Excludes Capital Projects Fund expenditures and transfers.

**Note:** The City has no overlapping debt.

**CITY OF CHARLOTTESVILLE, VIRGINIA**

**TABLE XIII**

**RATIOS OF OUTSTANDING DEBT BY TYPE  
LAST TEN FISCAL YEARS**

Fiscal Year	Governmental Activities				Business-Type Activities			Percentage of Personal Income	Per Capita Debt
	General Obligation Bonds (1)	Literary Loans	Notes Payable	Total Governmental Debt	General Obligation Notes	Notes Payable	Total Primary Government		
2014	\$ 82,188,687	\$ 50,403	\$ -	\$ 82,239,090	\$ 50,389,864	\$ -	\$ 132,628,954	*	\$ 2,845
2013	83,853,174	70,421	402,486	84,326,081	45,303,287	-	129,629,368	*	2,876
2012	82,961,719	90,439	960,793	84,012,951	39,229,159	-	123,242,110	5.35 %	2,771
2011	77,601,812	118,343	1,641,771	79,361,926	37,565,804	77,409	117,005,139	5.62	2,691
2010	73,187,089	144,861	2,086,798	75,418,748	25,647,925	151,791	101,218,464	5.09	2,484
2009	68,548,786	171,379	2,399,760	71,119,925	22,605,173	244,456	93,969,554	4.83	2,306
2008	58,094,986	197,897	2,955,229	61,248,112	21,057,017	367,945	82,673,074	4.21	2,029
2007	49,842,311	224,415	3,222,604	53,289,330	19,561,152	128,709	72,979,191	3.92	1,791
2006	40,766,526	250,933	4,878,950	45,896,409	17,988,182	179,386	64,063,977	3.64	1,572
2005	44,890,598	377,451	5,932,885	51,200,934	19,505,739	130,000	70,836,673	4.43	1,739

(1) Presented net of original issuance discounts and premiums

\* Information not available at this time.

Note: The City has no overlapping debt.

## CITY OF CHARLOTTESVILLE, VIRGINIA

## TABLE XIV

COMPUTATION OF LEGAL DEBT MARGIN  
 LAST TEN FISCAL YEARS  
 JUNE 30, 2014

	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Assessed value of real property	<u>\$ 5,503,669,500</u>	<u>\$ 5,281,021,000</u>	<u>\$ 5,222,661,300</u>	<u>\$ 5,282,859,100</u>	<u>\$ 5,257,182,700</u>	<u>\$ 5,251,290,000</u>	<u>\$ 5,181,954,900</u>	<u>\$ 4,826,991,400</u>	<u>\$ 4,211,772,300</u>	<u>\$ 3,595,449,500</u>
Debt limit - 10% of assessed value	\$ 550,366,950	\$ 528,102,100	\$ 522,266,130	\$ 528,285,910	\$ 525,718,270	\$ 525,129,000	\$ 518,195,490	\$ 482,699,140	\$ 421,177,230	\$ 359,544,950
Amount of debt applicable to debt limit	<u>114,398,907</u>	<u>110,304,028</u>	<u>106,478,659</u>	<u>104,947,348</u>	<u>90,014,613</u>	<u>83,094,257</u>	<u>73,675,998</u>	<u>67,005,577</u>	<u>53,883,124</u>	<u>66,615,375</u>
Legal debt margin	<u>\$ 435,968,043</u>	<u>\$ 417,798,072</u>	<u>\$ 415,787,471</u>	<u>\$ 423,338,562</u>	<u>\$ 435,703,657</u>	<u>\$ 442,034,743</u>	<u>\$ 444,519,492</u>	<u>\$ 415,693,563</u>	<u>\$ 367,294,106</u>	<u>\$ 292,929,575</u>
Total net debt applicable to the limit as percentage of debt limit	20.79%	20.89%	20.39%	19.87%	17.12%	15.82%	14.22%	13.88%	12.79%	18.53%

Note: The City has no overlapping debt.

**CITY OF CHARLOTTESVILLE, VIRGINIA**

**TABLE XV**

**PROPERTY VALUES, CONSTRUCTION AND BANK DEPOSITS  
LAST TEN FISCAL YEARS**

Fiscal Year	Institutional and other Construction (1)		Commercial Construction (1)		Residential Construction (1)		Bank deposits (2) (in thousands)	Calendar Year	Property Values (3)	
	Number of Permits	Value	Number of Permits	Value	Number of Permits	Value			Taxable	Nontaxable
2014	49	\$ 5,519,838	514	\$ 49,726,636	1,261	\$ 50,124,989	\$ 2,158,543	2014	\$ 5,503,669,500	\$ 1,017,616,600
2013	41	17,037,847	545	73,204,061	1,510	114,781,757	2,042,744	2013	5,281,021,000	1,012,716,900
2012	39	53,543,285	494	42,252,061	1,171	53,442,553	2,038,433	2012	5,222,661,300	1,016,573,300
2011	26	14,429,867	428	27,563,274	1,025	34,580,411	2,070,183	2011	5,282,859,100	1,016,346,400
2010	14	1,865,091	396	39,852,193	977	28,812,651	2,171,455	2010	5,257,182,700	1,053,205,500
2009	5	866,130	411	51,963,024	1,303	44,220,891	2,029,918	2009	5,251,290,000	1,045,198,200
2008	19	1,591,554	437	57,477,674	1,877	64,651,771	2,033,978	2008	5,181,954,900	885,548,300
2007	12	785,502	399	38,422,556	2,034	82,434,409	2,014,905	2007	4,826,991,400	869,720,800
2006	7	3,618,401	486	42,882,837	1,911	91,935,173	1,906,178	2006	4,211,771,400	865,609,200
2005	14	784,092	373	25,166,409	1,795	63,368,326	1,919,294	2005	3,595,449,500	767,043,300

(1) Department of Neighborhood Planning, City of Charlottesville

(2) FDIC Summary of deposits

(3) Real property values only

# CITY OF CHARLOTTESVILLE, VIRGINIA

## TABLE XVI

### DEMOGRAPHIC STATISTICS LAST TEN CALENDAR YEARS

Year	Population (1)	School Membership (2)	Unemployment Rate (3)	Total Personal Income (4) (thousands)	Per Capita Income (4)	Taxable Sales (5) (thousands)	Sales per Capita
2014	46,623	4,022	*	*	*	*	*
2013	45,073	3,945	4.9	*	*	\$ 864,748	\$ 19,186
2012	44,471	3,914	5.9	\$ 7,493,869	\$ 51,255	819,390	18,425
2011	43,475	3,874	7.1	6,778,562	47,052	822,681	18,923
2010	40,745	3,915	6.9	6,463,200	45,282	814,017	19,978
2009	40,745	3,997	6.4	6,330,202	46,163	830,895	20,393
2008	40,745	4,089	3.9	6,383,281	46,969	867,331	21,287
2007	40,745	4,084	3.1	6,059,782	45,275	895,967	21,990
2006	40,745	4,130	3.2	5,757,875	43,416	854,623	20,975
2005	40,745	4,224	3.7	5,240,402	39,981	721,660	17,712

\* Information not available at this time.

#### Source:

- (1) 2014-2012 Weldon Cooper Center for Public Service, Demographics & Workforce Group  
[www.coopercenter.org/demographics/U. S. Census Bureau 2005-2011](http://www.coopercenter.org/demographics/U.S.CensusBureau2005-2011)
- (2) Fall Membership Charlottesville Public Schools
- (3) Bureau of Labor Statistics Local Area Unemployment Statistics and represents unemployment for calendar year 2013
- (4) Regional Economic Information System, Bureau of Economic Analysis, U.S. Department of Commerce: Albemarle County and City of Charlottesville
- (5) Annual Report, Taxable Sales in Virginia Counties and Cities, Commonwealth of Virginia, Department of Taxation

## CITY OF CHARLOTTESVILLE, VIRGINIA

## TABLE XVII

**PRINCIPAL EMPLOYERS CURRENT YEAR AND NINE YEARS AGO  
JUNE 30, 2014**

Employer	2014		2005	
	Rank	Number of Employee	Rank	Number of Employees
University of Virginia Medical Center	1	1000+	1	1000+
City of Charlottesville	2	1000+	3	1000+
UVA Health Services Foundation	3	500-999		
Charlottesville City School Board	4	500-999	4	500-999
Servicelink Management Com Inc.	5	500-999		
Aramark Campus	6	500-999	5	500-999
SNL Security LP	7	500-999		
Atlantic Coast Athletic Club	8	250-499		
Lakeland Tours	9	250-499		
Fresh Fields Whole Food Market	10	250-499		
Martha Jefferson Hospital			2	1000+
Matthew Bender & Company			6	250-499
Region Ten Community Services			7	250-499
Pharmaceutical Research Association			8	250-499
United State Postal Service			9	250-499
Kroger			10	250-499

**Source:** Virginia Employment Commission 50 Largest Employers during 4th Quarter (October, November, December) 2013

**Note:** 2005 employer rank/number of employees received from 4th quarter 2005 Virginia Employment Commission Labor Market Information

## CITY OF CHARLOTTESVILLE, VIRGINIA

## TABLE XVIII

GOVERNMENT EMPLOYEES BY FUNCTION  
JUNE 30, 2014

Department	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
<b>Management</b>										
Mayor/Council	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
City Manager's Office/Administration and Communications	9.00	8.00	8.00	8.00	8.00	8.00	9.00	9.00	10.00	10.00
Office of Economic Development	4.00	5.00	5.00	4.00	4.00	4.00	4.00	4.00	4.00	5.00
City Attorney	6.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00
Voting Registrar	3.00	3.00	3.00	2.50	2.50	2.50	2.50	2.50	2.50	2.50
<b>Total</b>	<b>23.00</b>	<b>23.00</b>	<b>23.00</b>	<b>21.50</b>	<b>21.50</b>	<b>21.50</b>	<b>22.50</b>	<b>22.50</b>	<b>23.50</b>	<b>24.50</b>
<b>Internal Services</b>										
Finance Department: Purchasing/Risk Management/Warehouse	6.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00
Information Technology	19.00	19.00	19.00	18.00	18.00	18.00	18.00	18.00	18.00	18.00
Human Resources	8.00	8.00	8.00	8.00	8.00	8.00	8.00	8.00	8.00	8.00
<b>Total</b>	<b>33.00</b>	<b>33.00</b>	<b>33.00</b>	<b>32.00</b>	<b>32.00</b>	<b>32.00</b>	<b>32.00</b>	<b>32.00</b>	<b>32.00</b>	<b>32.00</b>
<b>Financial Services</b>										
Commissioner of Revenue	13.00	13.00	13.00	13.00	13.00	13.00	13.00	13.00	13.00	13.00
Finance Department: Management/Real Estate Assessment/Utility Billing Office	34.00	34.00	34.00	34.00	34.00	34.00	33.00	33.00	32.00	35.50
Treasurer	13.00	13.00	13.00	13.00	13.00	13.00	13.00	13.00	13.00	13.00
<b>Total</b>	<b>60.00</b>	<b>60.00</b>	<b>60.00</b>	<b>60.00</b>	<b>60.00</b>	<b>60.00</b>	<b>59.00</b>	<b>59.00</b>	<b>58.00</b>	<b>61.50</b>
<b>Healthy Families &amp; Community</b>										
Charlottesville/Albemarle Visitors Bureau <sup>1</sup>	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00	8.00	8.00
Community Attention	34.25	35.25	34.25	34.25	33.00	26.00	26.00	26.00	27.25	27.75
Children & Youth Commission/CCF	-	-	-	-	1.00	1.00	1.00	1.00	5.43	5.43
Department of Social Services	99.85	100.85	100.85	99.85	98.85	104.93	106.18	106.18	106.68	105.63
Neighborhood Development Services	33.00	32.00	32.00	32.00	32.00	32.00	31.00	30.00	29.00	29.00
Office of Human Rights/Human Rights Commission	2.00	-	-	-	-	-	-	-	-	-
Parks and Recreation/Parks Maintenance	37.00	37.00	37.00	37.00	38.00	39.00	40.00	40.00	36.00	36.00
Parks & Rec/Recreation and Programs	28.75	29.75	28.75	26.75	25.25	25.50	26.00	26.63	24.65	25.65
Parks & Rec/Golf Fund	4.75	7.00	7.00	8.00	8.00	9.00	9.00	8.75	9.00	11.00
Parks and Recreation/Downtown Mall	-	-	-	-	-	-	-	-	5.00	5.00
CDBG/HOME Grant Coordinator (Grant Funded)	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	-	-
Weed and Seed Grant	-	-	-	-	-	0.50	0.50	0.50	1.00	1.00
<b>Total</b>	<b>250.60</b>	<b>252.85</b>	<b>250.85</b>	<b>248.85</b>	<b>247.10</b>	<b>248.93</b>	<b>250.68</b>	<b>250.06</b>	<b>252.01</b>	<b>254.46</b>
<b>Infrastructure/Transportation</b>										
Public Works: Administration, Facilities Development	15.73	16.73	15.69	16.00	16.25	16.25	16.25	16.00	17.00	17.00
Public Works: School Building Maintenance	18.28	18.28	18.28	16.00	16.00	14.00	14.00	13.00	9.00	6.00
Public Works: Fleet Management	11.00	12.00	12.00	12.00	12.00	12.00	12.00	12.00	12.00	12.00
Public Works: Public Service	51.00	51.00	51.00	51.00	51.00	51.00	51.00	51.00	51.00	53.50
Public Works: CAT/Greyhound Operations	68.00	77.50	77.50	78.00	78.00	81.50	70.50	66.00	66.00	68.50
Public Works: Pupil Transportation	28.00	27.50	27.50	28.50	28.50	32.00	32.00	23.50	23.50	24.00
Public Works: Utilities	92.00	93.00	93.00	93.00	93.00	93.00	90.00	89.00	90.00	87.00
Public Works: Stormwater Utility	4.00	-	-	-	-	-	-	-	-	-
Public Works: Transfer to Schools	-	-	-	-	-	-	-	-	2.00	2.00
<b>Total</b>	<b>288.01</b>	<b>296.01</b>	<b>294.97</b>	<b>294.50</b>	<b>294.75</b>	<b>299.75</b>	<b>285.75</b>	<b>270.50</b>	<b>270.50</b>	<b>270.00</b>
<b>Public Safety &amp; Justice</b>										
City Sheriff	11.00	11.00	11.00	11.00	11.00	11.00	11.00	11.00	11.00	11.00
Commonwealth's Attorney	13.50	13.50	13.50	13.50	13.50	13.50	13.50	13.50	11.50	11.50
Courts and Other Support Service	11.00	11.00	11.00	11.00	11.00	11.00	11.00	11.00	11.00	11.00
Fire Department	89.00	89.00	89.00	89.00	89.00	89.00	89.00	89.00	94.00	94.00
Police Department	146.00	146.00	146.00	146.00	146.00	146.43	146.43	146.43	146.00	150.00
<b>Total</b>	<b>270.50</b>	<b>270.50</b>	<b>270.50</b>	<b>270.50</b>	<b>270.50</b>	<b>270.93</b>	<b>270.93</b>	<b>270.93</b>	<b>273.50</b>	<b>277.50</b>
<b>City-Wide Total</b>	<b>925.11</b>	<b>935.36</b>	<b>932.32</b>	<b>927.35</b>	<b>925.85</b>	<b>933.11</b>	<b>920.86</b>	<b>904.99</b>	<b>909.51</b>	<b>919.96</b>

Note: FTE positions.

<sup>1</sup> These positions are funded cooperatively with Albemarle County.

Source: Adopted Operating and Capital Improvement Budget

## CITY OF CHARLOTTESVILLE, VIRGINIA

## TABLE XIX

OPERATING INDICATORS BY FUNCTION  
JUNE 30, 2014

	2014	2013	2012	2011	2010	2009	2008	2007	2006
<b>General Government</b>									
Date of incorporation	1888	1888	1888	1888	1888	1888	1888	1888	1888
Form of government	Council-Mgr	Council-Mgr	Council-Mgr	Council-Mgr	Council-Mgr	Council-Mgr	Council-Mgr	Council-Mgr	Council-Mgr
Area	10.4 sq miles	10.4 sq miles	10.4 sq miles	10.4 sq miles	10.4 sq miles	10.4 sq miles	10.4 sq miles	10.4 sq miles	10.4 sq miles
Bond rating:									
Moody's Investor Services	Aaa	Aaa	Aaa	Aaa	Aaa	Aaa	Aaa	Aaa	Aaa
Standard & Poor's Corporation	AAA	AAA	AAA	AAA	AAA	AAA	AAA	AAA	AAA
Number of employees:									
City (full-time)	925	935	932	927	925.9	933.1	919.9	904.0	905.5
School Board	767	765	783	784	795	796	793	792	810
<b>Elections:</b>									
Number of registered voters:									
Last general election - November, 2013	32,290	33,150	28,670	28,126	27,643	28,678	23,506	22,875	22,875
Last municipal election - November, 2013	32,290	28,670	28,670	N/A	23,506	23,506	23,506	23,059	23,059
Number of votes cast in:									
Last general election	12,494	21,797	7,522	13,862	20,122	20,122	6,086	10,208	10,208
Last municipal election	11,045	6,624	6,627	N/A	6,086	6,086	6,086	5,993	5,993
Percentage of registered voters voting in:									
Last general election	38.7%	65.8%	26.2%	49.3%	72.8%	70.2%	25.9%	44.7%	44.7%
Last municipal election	34.2%	23.1%	23.1%	N/A	25.9%	25.9%	25.9%	26.0%	26.0%
<b>Public Safety</b>									
Fire protection:									
Number of firefighters and officers (exclusive of volunteer firefighters)	86	86	86	86	86	87	87	87	91
Police protection:									
Number of police officers	119	119	117	117	117	117	117	117	116
Number of arrests	3,018	4,417	5,043	4,700	5,514	5,773	5,910	6,139	6,492
Traffic Citations Issued	5,459	4,299	4,429	6,793	4,887	5,036	4,229	5,759	6,393
911 calls received	45,581	43,111	46,059	48,008	47,883	48,776	51,250	50,509	51,447
Cases investigated	5,443	2,846	1,110	1,076	1,140	1,268	1,202	1,338	1,224
Parking Violations									
Violations written	12,633	15,813	20,857	21,898	15,501	15,624	19,338	19,483	15,470
Building permits issued	1,824	2,096	1,704	1,479	1,387	1,719	2,333	2,445	2,404
<b>Education</b>									
Schools:									
Number of teachers	415	424	434	423	429	431	420	412	418
Number of students	4,022	3,945	3,914	3,874	3,915	3,997	4,089	4,063	4,130
Pupil: teacher ratio	9.69:1	9.31:1	9.02:1	9.16:1	9.13:1	9.27:1	9.74:1	9.86:1	9.87:1
<b>Public Utilities</b>									
Municipal utilities:									
Gas:									
Number of customers	19,454	19,077	18,655	18,699	18,062	17,851	17,662	17,419	17,125
Average daily consumption	8,688 DTH	6,601 DTH	6,492 DTH	6,894 DTH	7,245 DTH	7,318 DTH	7,938 DTH	7,422 DTH	6,809 DTH
Water:									
Number of customers	14,554	14,446	14,377	14,395	13,814	13,748	13,660	13,470	13,350
Average daily consumption	569.1 MCF	577.8 MCF	587.9 MCF	604 MCF	601 MCF	602 MCF	579 MCF	618 MCF	635 MCF
Sewer:									
Number of customers	14,406	14,294	14,251	14,243	13,688	13,598	13,490	13,300	13,179
Average daily treatment	520.7 MCF	524.2 MCF	537.6 MCF	556 MCF	598 MCF	597 MCF	529 MCF	583 MCF	610 MCF
<b>Public Works</b>									
Refuse disposed at Zion's Transfer Station (City totals):									
Number of customers	13,200	13,200	13,200	13,200	13,200	13,200	13,200	13,200	13,200
Tons of domestic refuse	6,694	6,528	6,996	6,706	6,681	7,022	7,659	7,873	7,740
Tons of curbside recycling	3,254	3,342	2,471	3,331	3,330	3,370	3,149	2,468	2,046
Tons of stumps, demolition material & street sweeping	2,063	1,654	1,532	1,505	1,423	1,250	1,213	1,160	2,286

Source: Departmental operational reports for the period ending June 30th.



## CITY OF CHARLOTTESVILLE, VIRGINIA

## TABLE XX

CAPITAL ASSET STATISTICS BY FUNCTION  
JUNE 30, 2014

	2014	2013	2012	2011	2010	2009	2008	2007	2006
<b>General Government</b>									
Miles of streets	156	156	156	156	156	156	156	156	156
Number of streetlights	6,016	6,016	6,010	5,985	5,960	5,960	5,960	5,960	5,960
<b>Public Safety</b>									
Fire protection:									
Number of stations	3	3	3	3	3	3	3	3	3
Police protection:									
Number of stations	4	5	6	6	6	5	5	5	5
Number of vehicular patrol units	63	55	64	64	64	64	64	64	64
Total vehicles	123	134	126	126	126	126	126	126	126
Motor Cycles	8	8	8	6	6	6	6	6	6
Unmarked cars	52	52	52	42	42	42	42	42	42
Bicycle patrol	17	18	15	15	15	15	15	15	15
<b>Education</b>									
Number of schools	9	9	9	9	9	9	9	9	9
<b>Parks, Recreation, &amp; Culture</b>									
Number of parks <sup>(1)</sup>	31	30	31	26	26	26	26	26	26
Acres of park land <sup>(2)</sup>	822	785	1,979	987	987	987	987	987	987
Number of golf courses	2	2	2	2	2	2	2	2	2
Number of swimming pools	6	5	5	5	5	4	6	6	6
Number of recreation centers	5	5	5	6	6	5	6	6	6
Number of libraries	3	3	3	3	3	3	3	3	3
<b>Public Utilities</b>									
Gas:									
Miles of gas main lines	319	318	317	316	315	314	308	302	298
Miles of gas service lines	226	223	221	219	217	214	211	207	204
Water:									
Water treatment plant capacity (millions of gallons per day)	19 MGD	19 MGD	19 MGD	19 MGD	19 MGD	19 MGD	19 MGD	19 MGD	19 MGD
Miles of water lines	180	180	180	178.3	177.7	177	176	179	189
Number of fire hydrants	1,026	1,007	1,005	991	988	975	967	949	948
Sewer:									
Sewer treatment plant capacity (millions of gallons per day)	15	15	15	15	15	15	15	15	15
Miles of sanitary sewers	166	165	167	167	167	166	164	163	173

**Note:** Comparative data is not available for fiscal years prior to 2006.

(1) Includes 3 jointly funded parks with Albemarle County beginning fiscal year 2012.

(2) In FY2013 includes only City Parks and not natural areas.

Source: Departmental operational reports for the period ending June 30th.

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# **CITY OF CHARLOTTESVILLE, VIRGINIA**

## **SINGLE AUDIT REPORT**

*For the Year Ended June 30, 2014*

CITY OF CHARLOTTESVILLE, VIRGINIA  
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with *Government Auditing Standards***

To the Honorable Members of the City Council  
City of Charlottesville, Virginia

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the *Specifications for Audit of Counties, Cities and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, the business-type activities, the individual discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Charlottesville, Virginia (the "City") as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated November 26, 2014.

**Internal Control Over Financial Reporting**

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and one instance of noncompliance that is required to be reported under the *Specifications for Audits of Counties, Cities and Towns*, which is reported in the accompanying Schedule of Findings and Questioned Costs as item 2014-003.

**Purpose of this Report**

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

A handwritten signature in black ink that reads "Chung Bekaert LLP". The signature is written in a cursive, flowing style.

Richmond, Virginia  
November 26, 2014

## **Report of Independent Auditor on Compliance for Each Major Program and on Internal Control Over Compliance Required by OMB Circular A-133**

To the Honorable Members of the City Council  
City of Charlottesville, Virginia

### **Report on Compliance for Each Major Federal Program**

We have audited the City of Charlottesville, Virginia's (the "City") compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2014. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

### **Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City's compliance.

### **Opinion on Each Major Federal Program**

In our opinion, the City complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

### **Other Matters**

The results of our auditing procedures disclosed immaterial instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying Schedule of Findings and Questioned Costs as items 2014-001 and 2014-002. Our opinion on each major federal program is not modified with respect to this matter.

The City's response to the noncompliance finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. The City's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

## **Report on Internal Control Over Compliance**

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of requirements referred to above. In planning and performing our audit, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on a major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as items 2014-001 and 2014-002 that we consider to be significant deficiencies.

The City's response to the internal control over compliance findings identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. The City's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in black ink that reads "Chung Berkant LLP". The signature is written in a cursive, flowing style.

Richmond, Virginia  
November 26, 2014



**CITY OF CHARLOTTESVILLE, VIRGINIA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

YEAR ENDED JUNE 30, 2014

<b>Federal granting agency/recipient state agency/grant program/grant number</b>	<b>CFDA number</b>	<b>FY2014 Federal expenditures</b>
<b><u>DEPARTMENT OF AGRICULTURE</u></b>		
<u>Pass-through payments:</u>		
Virginia Department of Agriculture & Consumer Services		
Food Distribution - USDA Commodities	10.555	\$ 93,875
Summer Food Service Program for Children	10.559	77,589
Department of Education		
School Breakfast Program	10.553	397,829
Virginia Department of Youth & Family Services		
School Breakfast Program	10.553	3,668
Department of Education		
National School Lunch Program	10.555	997,029
Virginia Department of Youth & Family Services		
National School Lunch Program	10.555	2,155
Virginia Department of Social Services		
State administrative matching grant for SNAP	10.561	1,098,118
Department of Education		
School Lunch Program - Fresh Fruit	10.582	37,400
<b><u>DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u></b>		
<u>Direct payments:</u>		
Community Development Block Grant	14.218	359,772
<u>Pass-through payments:</u>		
Thomas Jefferson Planning District Commission		
Emergency Solutions Grant	14.231	57,629
Housing Opportunities Made Equal (HOME)	14.239	9,122
<b><u>DEPARTMENT OF INTERIOR</u></b>		
<u>Pass-through payments:</u>		
Land & Water Conservation Fund Grants	15.916	16,839
<b><u>DEPARTMENT OF JUSTICE</u></b>		
<u>Direct payments:</u>		
Cyber Crimes Task Force - FBI	16.XXX	16,897
State Criminal Alien Assistance Program	16.606	9,634
Bulletproof Vest Partnership Program	16.607	5,929
Edward Byrne Memorial Justice Assistance Grant Program	16.738	6,018
<u>Pass-through payments:</u>		
Virginia Department of Criminal Justice Services:		
Juvenile Accountability Incentive Block Grant	16.523	49,392
Juvenile Justice & Delinquency Prevention Title II Grant Prgm	16.540	53,993
Crime Victim Assistance	16.575	58,416
Violence Against Women Formula Grant	16.588	38,966
2013 Byrne Formula Grant	16.738	99,814
Supreme Court of Virginia		
Drug Control & System Improvement - Byrne Formula Grant	16.579	182,500

**CITY OF CHARLOTTESVILLE, VIRGINIA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)**

YEAR ENDED JUNE 30, 2014

Federal granting agency/recipient state agency/grant program/grant number		CFDA number	FY2014 Federal expenditures
<b>DEPARTMENT OF LABOR</b>			
<u>Pass-through payments:</u>			
Virginia Community College System			
Workforce Investment Act - Adult Services	17.258	391,678	
Workforce Investment Act - Youth Services	17.259	431,283	
Workforce Investment Act - Dislocated Worker Services	17.278	492,413	
<b>DEPARTMENT OF TRANSPORTATION</b>			
<u>Direct payments:</u>			
Federal Transportation Agency			
Federal Transportation Formula Grants	20.507	3,393,394	
Federal Transportation Formula Grants - JAUNT	20.507	480,724	
ARRA - Federal Transportation Formula Grant	20.507	87,319	
ARRA - Federal Transportation Formula Grant - JAUNT	20.507	77,261	
Job Access - Reverse Commute	20.516	407,153	
<u>Pass-through payments:</u>			
Virginia Department of Transportation			
Highway Planning and Construction (First Cities)	20.205	10,611,621	
Department of Rail and Public Transportation			
Department of Motor Vehicles			
State and Community Highway Safety	20.600	1,402	
State and Community Highway Safety	20.607	6,270	
<b>DEPARTMENT OF ENERGY</b>			
<u>Direct payments:</u>			
Conservation Research & Development	81.086	46,625	
ARRA - Energy Efficiency & Conservation Block Grant	81.128	8,158	
<b>DEPARTMENT OF EDUCATION</b>			
<u>Direct payments:</u>			
Elementary and Secondary Education Act:			
Title VIII, Impact Aid	84.041	9,063	
Title X, Part C, Education for Homeless Children & Youth	84.196	27,319	
Gear Up - Council of Higher Education	84.334	1,726	
<u>Pass-through payments:</u>			
Department of Education			
Adult Basic Education	84.002	208,808	
Adult English Literacy/Civics Education Program	84.002	100,000	
NCLB - Title I Part A Chapter I: LEA	84.010	1,284,177	
NCLB - Title I, Part D, Subpart 2 - Neglected & Delinquent	84.013	219,745	
IDEA - Part B Section 611 - Sp. Ed. Flow Th.	84.027	910,114	
Career & Technical Education Basic Grants to States	84.048	74,546	
IDEA - Part B Section 619 Sp. Ed. Preschool	84.173	43,909	
Title IV Part B - Twenty First Century	84.287	202,106	
Reading in Middle School	84.310	2,440	
Title I, Part G, Advance Placement	84.330	6,255	
NCLB - Title III Part A - English Language Acquisition	84.365	48,009	
Title II, Part A, ESEA Improving Teacher Quality	84.367	253,637	
ARRA - LDS to LEAs, Program 1060	84.384	29,762	

**CITY OF CHARLOTTESVILLE, VIRGINIA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)**

*YEAR ENDED JUNE 30, 2014*

<b>Federal granting agency/recipient state agency/grant program/grant number</b>		<b>CFDA number</b>	<b>FY2014 Federal expenditures</b>
<b>DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>			
<u>Direct payments:</u>			
Administration for Children & Families - Basic Center Grant		93.623	186,971
<u>Pass-through payments:</u>			
Department of Social Services			
Promoting Safe & Stable Families		93.556	53,712
Temporary Assistance for Needy Families		93.558	700,552
Refugee & Entrant Assistance - State Administered Programs		93.566	18,589
Low-Income Home Energy Assistance		93.568	73,658
Child Care Mandatory & Matching Funds of CCDF		93.596	111,086
Chafee Education & Training Vouchers Programs		93.599	9,646
Child Welfare Services - State Grants		93.645	5,187
Foster Care – Title IV-E		93.658	1,031,493
Adoption Assistance		93.659	674,844
Social Services Block Grant		93.667	795,257
Chafee Foster Care Independence Program		93.674	23,654
State Children's Insurance Program		93.767	34,500
Medical Assistance Program (Medicaid; Title XIX)		93.778	993,762
<b>DEPARTMENT OF HOMELAND SECURITY</b>			
<u>Pass-through payments:</u>			
Virginia Department of Emergency Management			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)		97.036	20,436
Local Emergency Management Performance Grant		97.042	7,500
<b>Total</b>			<b>\$ 28,270,348</b>

# CITY OF CHARLOTTESVILLE, VIRGINIA

## NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2014

### Note 1—General

Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, requires a schedule of expenditures of federal awards showing total federal expenditures for each federal financial assistance program as identified in the Catalog of Federal Domestic Assistance (CFDA). The accompanying schedule of federal awards presents the activity of all federal financial assistance programs of the City of Charlottesville, Virginia, and its component units. The City of Charlottesville reporting entity is defined in Note 1 of the City's financial statements. All federal financial assistance received directly from federal agencies as well as federal financial assistance passed through other government agencies is included on the schedule.

### Note 2—Basis of accounting

The schedule of federal awards is presented using the modified accrual basis of accounting, which is more fully described in Note 1 (c) to the City's financial statements. The City of Charlottesville participated in federal programs below in which non-cash benefits are provided through the state to eligible program participants:

Food Distribution Programs (CFDA Numbers 10.555) – The value of food commodities was calculated using the U.S. Department of Agriculture's Food and Nutrition Service commodity price lists.

Food Stamps (CFDA Number 10.561) – The Virginia Department of Social Services uses an Electronic Benefits Transfer (EBT) process for food stamp benefit distribution statewide.

### Note 3—Subrecipients

Of the federal expenditures presented in the schedule, the City provided federal awards to subrecipients as follows:

<u>Program Title</u>	<u>CFDA</u>	<u>Amount</u>	<u>Subrecipients</u>
Community Development Block Grant	14.218	\$ 359,772	Various Housing & Social Programs
Emergency Homeless Solutions Grant	14.231	57,629	Thomas Jefferson Area Coalition for the Homeless
Drug Control System Improvement – Byrne Memorial Formula Grant	16.579	182,500	Offender Aid and Restoration
State Criminal Alien Assistance Program	16.606	9,634	Charlottesville-Albemarle Regional Jail
Workforce Investment Act	17.258	391,678	Central VA Partnership for Economic Development
Workforce Investment Act	17.259	431,283	Central VA Partnership for Economic Development
Workforce Investment Act	17.278	492,413	Central VA Partnership for Economic Development
Federal Highway Administration	20.507	164,580	JAUNT
Conservation Research and Development	81.086	46,625	Aker Wade Technologies
Energy Efficiency and Conservation Block Grant	81.128	8,158	Local Energy Alliance Program
Promoting Safe & Stable Families	93.556	53,712	Jefferson Area CHIP
Temporary Assistance to Needy Families	93.558	700,552	Region Ten and CYFS
Local Emergency Management Performance Grant	97.042	7,500	C/A Emergency Communications Center
		<u>\$ 2,906,036</u>	

# CITY OF CHARLOTTESVILLE, VIRGINIA

## NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2014

### Note 4—Relationship to basic financial statement

Federal financial assistance revenues are reported in the City's basic financial statements as follows:

	General Government	Capital Projects	Social Services	Debt Service	Other Governmental	Total	Component Unit - Schools	Total	CVPED*
Intergovernmental revenue per financial statements	\$30,384,084	\$12,206,322	\$8,534,690	\$170,452	\$15,130,742	\$66,255,848	\$22,563,890	\$88,819,738	\$1,318,076
Less: amounts not related to federal financial assistance	30,340,822	1,588,707	2,910,632	170,452	9,402,468	44,242,629	17,616,141	61,858,770	
Less: federal revenue received for prior year expenditures	-	5,994	-		-	5,994	-	5,994	
Less: unearned federal revenue	-	-	-		-	-	-	-	2,702
Add: prior year unearned revenue expended in the current year	-	-	-		-	-	-	-	
Total schedule of expenditures of federal awards	\$ 43,262	\$ 10,611,621	\$5,624,058	\$ -	\$ 5,728,284	\$ 22,007,225	\$ 4,947,749	\$ 26,954,974	\$1,315,374

\* The City of Charlottesville and Central Virginia Partnership for Economic Development are parties to a Workforce Act Fiscal and Administrative Agent Agreement. As fiscal agent, Central Virginia Partnership for Economic Development directly manages WIA funds. The City monitors WIA financials.

### Note 5—Relationship to federal financial reports

Amounts reported in the accompanying schedule agree with amounts reported in the related federal financial reports, except that certain federal financial reports are prepared on the cash basis of accounting and the schedule of federal awards is prepared on the modified accrual basis of accounting (see Note 2 above).

**CITY OF CHARLOTTESVILLE, VIRGINIA**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)**

*YEAR ENDED JUNE 30, 2014*

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**A. Summary of Auditor's Results**

1. The type of report issued on the basic financial statements: **Unmodified**
2. Significant deficiencies in internal control disclosed by the audit of the financial statements: **None reported**  
  
Material weaknesses: **No**
3. Noncompliance, which is material to the financial statements: **No**
4. Significant Deficiencies in internal control over major programs: **Yes, Findings 2014-001 and 2014-002**  
  
Material weaknesses: **None reported**
5. The type of report issued on compliance for major programs: **Unmodified**
6. Any audit findings which are required to be reported under Section 510(1) of OMB Circular A-133: **Yes**
7. The programs tested as major programs were:

**Name of Program**

**CFDA #**

Workforce Investment Act	17.258/17.259/17.278
Highway Planning and Construction	20.205
Special Education Cluster	84.027/84.173
Temporary Assistance for Needy Families	93.558/93.714

8. Dollar threshold to distinguish between Type A and Type B Programs: **\$848,110**
9. The City of Charlottesville was determined to be a low risk auditee.

**B. Findings Relating to the Financial Statements Reported in Accordance with Government Auditing Standards:**

None noted.

**C. Findings and Questioned Costs Relating to Federal Awards:**

**2014-001 – Significant Deficiency, non-material compliance – Allowable Costs**

**Program – Special Education - 84.027/84.173**

**Criteria:**

Per OMB A-133 Compliance Supplement, costs that are submitted for reimbursement under the grant must be Special Education related.

## CITY OF CHARLOTTESVILLE, VIRGINIA

### SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

YEAR ENDED JUNE 30, 2014

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**Condition:**

All 15 employees that were classified as special education employees were selected for testing and two of the employees were not currently working in the Special Education program.

**Cause:**

Lack of functioning controls over review to ensure a payroll expense submitted for reimbursement was for an employee currently working in the Special Education Department.

**Effect:**

The limitation prevents the determination of compliance, which may result in costs disallowed by the grantor or reduced future funding.

**Recommendation:**

Management should implement a corrective action plan to enhance internal controls related to allowable costs.

**View of Responsible Officials:**

Subsequent to the finding, the Schools have reviewed all staff assigned to grants for verification. No other incorrect assignments have been identified.

#### **2014-002 – Significant Deficiency, non-material compliance – Monitoring**

##### **Program – Workforce Investment Act - 17.258/17.259/17.278**

**Criteria:**

Per OMB A-133 Compliance Supplement, each recipient and subrecipient must conduct regular oversight and monitoring of its subrecipients and contractors in order to determine whether or not there is compliance with provisions of the Act and applicable laws and regulations.

**Condition:**

The City did not begin to monitor this program until the fourth quarter of fiscal year 2014.

**Cause:**

Although the City is named as the grant applicant, the City is not the fiscal agent for this grant. The City was unaware of its monitoring responsibilities.

**Effect:**

The lack of oversight could result in costs disallowed by the grantor or reduced future funding.

**Recommendation:**

Management should implement a corrective action plan to add monitoring controls for this program.

**View of Responsible Officials:**

Beginning with Fiscal Year 2015 a City Department of Finance accountant will review the quarterly financial reports concerning the Workforce Investment Act expenditures and revenues no less than quarterly. A City accountant will also conduct periodic monitoring visits during the year to verify the financial system is adequate to account for grants, and differentiate each award from general operating finances.

# **CITY OF CHARLOTTESVILLE, VIRGINIA**

## **SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)**

*YEAR ENDED JUNE 30, 2014*

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### **D. Findings and Questioned Costs Relating to Compliance with Commonwealth of Virginia Laws, Regulations, Contracts, and Grants:**

#### **2014-003 Conflicts of Interest**

##### **Criteria:**

As described in Section 2.2-3115 of the Code of Virginia, local officials must file an annual disclosure form, disclosing personal financial interests that may cause conflicts.

##### **Condition:**

Several City board members were late submitting, or did not submit, the required annual conflict of interest disclosure.

##### **Cause:**

Unknown

##### **Effect:**

Non-compliance may result in action by the Commonwealth.

##### **Recommendation:**

Elected officials and board members should complete all questions on the disclosure form and submit to the City Clerk in order to ensure timely submission to the State.

##### **View of Responsible Officials:**

The individuals that were in noncompliance have been spoken to by members of the City Attorney's Office and Chairman of their respective boards to reiterate the requirement of submitting completed forms in a timely manner. A reminder will go out to those who have not yet submitted forms 10 days ahead of the deadline. Individuals who have not submitted completed forms on time will be referred to the City Attorney's Office and their respective Chairman.

### **E. Summary Schedule of Prior Year Audit Findings Relative to Federal Award Programs**

None noted.