

City of Charlottesville, Virginia

# Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2018



# **CITY OF CHARLOTTESVILLE, VIRGINIA**

## **Comprehensive Annual Financial Report**

**Fiscal Year Ended June 30, 2018**

**Prepared by  
Department of Finance**

*On the Cover: "Downtown Mall in winter"*

*Photo courtesy of Jim Schneider – City Treasurer's Office*

## **DEPARTMENT OF FINANCE**

Christopher Cullinan

Nicholas Bonaffini

Michael DelBiondo

Kathy Hall

Khristina Hammill

Gail Hassmer

Sharon O'Hare

Glen Pack

Charles Philippin

Angela Seaman

Laurie Smith

Peggy Sprouse

Jeanetta Waitier

Morgan Waterman

**CITY OF CHARLOTTESVILLE, VIRGINIA**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**FOR THE YEAR ENDED JUNE 30, 2018**

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## INTRODUCTORY SECTION



CITY OF CHARLOTTESVILLE  
*"To be one community filled with opportunity"*

Office of the Director of Finance

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



November 30, 2018

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 (CAFR) of the City of Charlottesville (the City) for the fiscal year ended June 30, 2018. The CAFR was prepared in accordance with Section 11-96 of the City Code. The City's Finance Department prepared the report and it was audited by the City's independent auditors, Brown, Edwards, & Company, LLP. Brown, Edwards 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.

As a recipient of funds from the Federal government, the City is required to undergo an annual single audit in conformity with the provisions of Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards ("Uniform Guidance"). 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 an appendix at the back of the CAFR.

## **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, wastewater, and stormwater systems 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.

## **FINANCIAL CONDITION AND OUTLOOK**

*For Fiscal Year 2018 (completed June 30, 2018):* The City's General Fund and other Governmental Funds finished with a positive surplus of approximately \$4.7 million, about 2.7% within the adopted budget total. Revenues performed better than anticipated while City departments spent less than expected. These results are similar to previous fiscal years.

The City finished in compliance with all of its long-term financial policies including:

- Maintain a minimum General Fund balance of at least 14% of General Fund budget.

- Maintain a minimum Downturn Reserve Fund balance of no less than 3% of General Fund budget.
- Maintain sufficient working capital in the utilities funds (Water, Wastewater, Gas).
- Stabilize all non-general funds by ensuring they have a positive fund balance.
- Maintain a debt service to general fund total expenditure budget ratio of 8% or less.
- Transfer 1-cent of the meals tax revenue to the Debt Service Fund to be used for debt service.

The City's positive financial results and sound financial policies were affirmed again in May 2018 when both Moody's Investor Services and S&P Global evaluated the City and awarded their top rating (Aaa and AAA, respectively) on the City's latest bond issue.

City management has been focused on the long-term financial sustainability of the City's retirement plan and Other Post-Employment Benefits (OPEB). As part of its AAA-rated financial management, the City has traditionally funded 100% of its required Actuarially Determined Contribution (ADC) for pension costs and OPEB and plans to do so in the future.

The Retirement Commission commissioned a Retirement Sustainability Study in 2015 to review the City's Defined Benefit (DB) Plan benefits and funding strategies, and to offer recommendations for future investments. Most financial experts consider a funded status of 80% for public pensions to be a healthy funding level. The funded status of the City's pension plan in recent years has been 54.4%, 50.3%, 53.7%, and 56.5% for fiscal years 2015, 2016, 2017, and 2018 respectively.

The Governmental Accounting Standards Board (GASB) issued a new standard that fundamentally changes how state and local governments account for OPEB costs in their financial statements beginning with Fiscal Year 2018. The goal of these changes is to improve transparency and financial reporting of a government's long-term obligations to its employees on a consistent, actuarially determined basis. The impact of these new OPEB accounting standards on the City's bottom line is the recording of a \$44.5 million net OPEB liability. The impact on the Schools (a legally separate component unit of the City) is \$12.8 million. These figures can be found in Exhibit A "Statement of Net Position". A more detailed discussion and analysis can be found in the "Notes to Financial Statements". For Fiscal Year 2018, the funded status of the City's OPEB increased from 43.0% to 47.4%.

It is important to place this new reporting requirement in context of the City's overall financial management. Please note the following:

- The net OPEB liability is not a “new” liability for the City. It is a change in reporting the City’s existing long-term OPEB liability on a present value basis.
- The new reporting requirements impact accounting, not funding, of the City’s pension and OPEB obligations. The City has traditionally funding 100% of its required Actuarially Determined Contribution (ADC) and plans to do so in the future.
- The new reporting requirements do not change the City’s funding obligations or retirement contribution rates.

For Fiscal Year 2019 (beginning July 1, 2019): The fiscal year 2019 budget, with a General Fund of \$179.7 million, a 4.7% over the fiscal year 2018 budget, focuses on service delivery to address recent growth in the City. The fiscal year 2019 budget addresses the growing needs of our City while protecting the qualities that make Charlottesville a special place to live. Specifically:

- Schools - providing \$2.7 million in new operating funding to our growing system; and, through our Capital Improvement Program (CIP), continues funding \$1.0 million a year in an unallocated fund that the schools can use for ii strategic capital improvement initiatives of their choice, in addition to over \$1.5 million for general capital improvement dollars and HVAC replacement funds a year.
- Affordable Housing – \$3.4 million is budgeted in the CIP for the Charlottesville Affordable Housing Fund, keeping the commitment to double the fund from prior year levels, totaling \$17.0 million in the 5-year plan. \$500,000 is budgeted each year in the 5-year CIP for Public Housing Redevelopment, keeping the commitment to increase this fund from \$250,000 when it was first implemented. \$179,500 in additional funding is budgeted for the Charlottesville Housing Affordability Program (CHAP) that will increase maximum house values eligible for relief from \$365,000 to \$375,000.
- Race and Equity – \$500,000 is included in the City Council Strategic Initiatives Fund for the African American Heritage Center at the Jefferson School. \$38,000 is budgeted for the Office of Human Rights to convert an existing Community Outreach position to full-time status, in order to increase engagement with the community.
- Workforce Development and Economic Development - \$106,400 is budgeted for the Residents on the Job Program, managed by the Charlottesville Redevelopment and Housing Authority (CRHA). This program supports low-income residents in apprenticeships to rehabilitate 23 public housing units and train residents for jobs in the construction field. An \$89,000 increase is budgeted in the General Fund transfer to the Human Services Fund to increase student stipends for the Community Attention Youth Internship Program (CAYIP) from \$5/hour to \$8/hour, in addition to supporting a capacity increase from 120 to up to 150 youth. \$72,000 is budgeted for a new Minority Business Development Coordinator position.

- Safety and Security - \$94,000 in new funding is included in the Capital Improvement Programs for Downtown Pedestrian Intersection Lighting, addressing concerns of Downtown Mall business owners that the current lighting is inadequate. City Council established a fee schedule for Emergency Medical Services vehicle transport services and appropriated the necessary funds to establish such a program. This initiative aligns with several recommendations in the City's Efficiency Study: ensure an adopted EMS service level standard is met and to partner with the Charlottesville Albemarle Rescue Squad on medical calls.

## **ECONOMIC CONDITION AND OUTLOOK**

A number of key economic indicators continued to show positive growth. Meals tax revenue increased by 0.30% in fiscal year 2018. Lodging tax revenue increased by 6.29% in fiscal year 2018 while sales tax also increased by 0.38% over the same period.

For tax year 2018, residential real estate assessments increased in value by 6.66%. Commercial real property values increased for a sixth straight year in 2018, this time by 2.56%. Combined existing residential and commercial property increased in value by 4.87%. The total value of real property in the City, including new construction, increased by 5.53% in tax year 2018. In addition, the City's unemployment rate has stabilized from its high in 2010 and, as of September 2018, is at 2.2%. That rate is below the national unemployment rate of 3.6%, and the State's rate of 2.8%. The unemployment rate for the Charlottesville MSA stood at 2.4% during this same period.

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 206,000. The predominant economic sectors are healthcare, service related industries, leisure and hospitality, and education. The City has also attracted companies specializing in business and financial services, defense related businesses, information technology, biotechnology and software development.

The University of Virginia and its Medical Center continue to be the area's largest employer, providing over 18,000 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. The University also enjoys nationally ranked men's and women's teams in many major sports. 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 is a vibrant scene with both residential and commercial uses as a result of 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, hotels, a cinema, music venues, 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 continues to remain near its all-time low at 2.49% as of July 2018.

A growing number of companies are seeking to locate in the City. The 2018 *Inc.* 5000 list includes a number of rapidly growing Charlottesville firms including WillowTree and GovSmart. The City continues to gain new private sector jobs, and has added over 2,000 net new jobs in the past three years. This marks the seventh consecutive year in which employment has increased in the City. The overall employment figures are now the highest in history with over 40,000 City-based jobs.

Arts and entertainment continue to draw large numbers of visitors to Charlottesville. The Paramount Theater, a 1,200-seat multi-purpose auditorium, the Jefferson Theater, a 1,000-concert venue, and the LiveArts performing center serve as year-around attractions. The three season Sprint Pavilion has an annual attendance of over 100,000 patrons and the venue recently completed another season featuring 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 off-street parking spaces downtown. Every effort is made to keep parking available and affordable for residents, workers, and visitors alike. In 2017, over 1,100,000 people used these parking facilities. While current parking supply meets demand, the City is taking steps to better manage its existing resources and plan for future growth with an additional facility.

The West Main Street corridor continues to see significant new private sector investment. A Marriott Residence Inn hotel opened in January 2016 at the east end of the corridor and The Draftsman Hotel opened its 150-room facility on the west end of the corridor in May this year. The Standard, a 600-bed student oriented apartment complex, opened in August this year joining the UnCommon and The Flats at West Village, as major housing projects completed in the past three years on the west end of the corridor. Six Hundred West Main, an 80-unit market rate apartment building and retail space commenced construction in early 2018 along with the Quirk Hotel, an 80-room art inspired boutique hotel. Also, the City is moving forward with final plans for a \$30 million-dollar streetscape improvement project.

Nearby, the Preston Avenue corridor continues to represent an opportunity for similar development and changes are underway. In addition to the recently completed Coca Cola building and the King Lumber site, Dairy Central, a major mixed-use development broke ground on phase one in September. The City will continue to look for opportunities to collaborate with private developers as redevelopment occurs along this corridor.

Continued capital investments throughout the City give us reason to be optimistic about the future. In calendar year 2017, 574 commercial construction permits were issued with an investment value of \$88,658,778. 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.

## **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 has been performed by the accounting firm of Brown, Edwards & Company, LLP, for the year ended June 30, 2018. The audit was also designed to meet the requirements of Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards ("Uniform Guidance"). 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, 2017. This was the thirty-eight (38th) 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.

Honorable Mayor and Members  
of the City Council  
November 30, 2018

## **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, notably the Accounting staff.

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,

A handwritten signature in dark ink, appearing to read "Michael Murphy". The signature is fluid and cursive, with a large loop at the end.

Michael Murphy  
Interim City Manager

A handwritten signature in dark ink, appearing to read "Christopher V. Cullinan". The signature is cursive and elegant, with a long, sweeping underline.

Christopher V. Cullinan  
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, 2017**

*Christopher P. Morrill*

Executive Director/CEO

# **CITY OF CHARLOTTESVILLE, VIRGINIA**

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

**JUNE 30, 2018**

### **ELECTED OFFICIALS**

#### **Council Members:**

Nikuyah Walker	Mayor
Heather Hill	Vice-Mayor
Wes Bellamy	Council Member
Kathy Galvin	Council Member
Michael Signer	Council Member

#### **Constitutional Officers:**

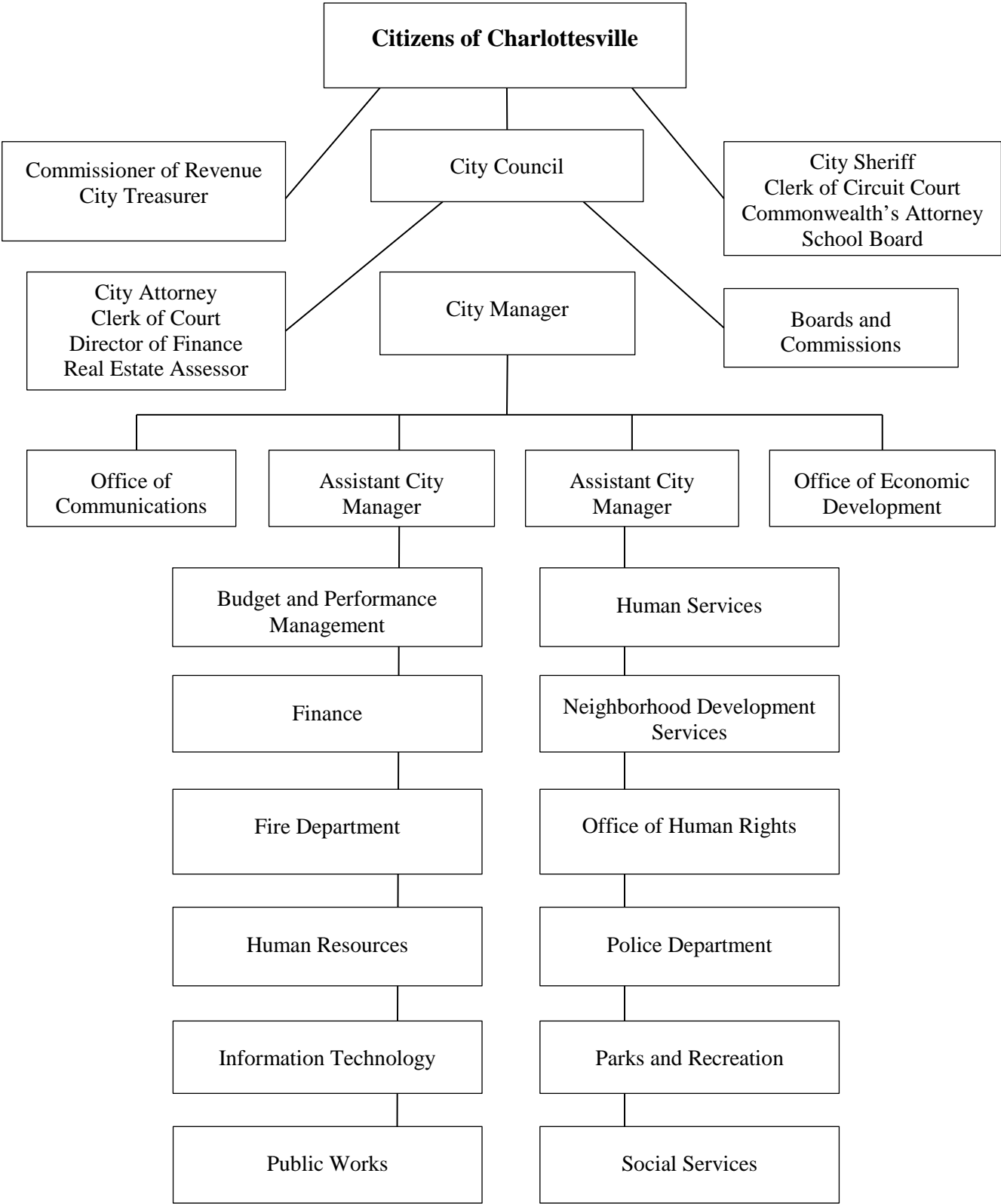
Jason A. Vandever	City Treasurer
Todd D. Divers	Commissioner of Revenue
Joseph D. Platania	Commonwealth's Attorney
James E. Brown, III	City Sheriff
Llezelle A. Dugger	Clerk of Circuit Court

### **APPOINTED OFFICIALS**

Michael Murphy	Interim City Manager
Leslie M. Beauregard	Assistant City Manager
John Blair	City Attorney
Brian Wheeler	Interim Clerk of Council & Director of Communications
Chris Engel	Director of Economic Development
Christopher V. Cullinan	Director of Finance
Andrew Baxter	Fire Chief
H. Galloway Beck	Director of Human Resources
Sunny Hwang	Interim Director of Information Technology
Alexander Ikefuna	Director of Neighborhood Development Services
RaShall Brackney	Chief of Police
Paul Oberdorfer	Director of Public Works
Jeffrey Davis	Real Estate Assessor
Brian Daly	Director of Parks and Recreation
Rosanna Bencoach	General Registrar
Diane E. Kuknyo	Director of Social Services
Kaki Dimock	Director of Human Services
Lauren Hildebrand	Director of Utilities
John Jones	Director of Transit



City Organizational Chart





## **FINANCIAL SECTION**

## INDEPENDENT AUDITOR'S REPORT

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 aggregate 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, 2018 and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

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

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

### ***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the *Specifications for Audits of Counties, Cities, and Towns*, and the *Specifications for Audits of Authorities, Boards, and Commissions* issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards 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 aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2018, 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.

## ***Change in Accounting Principle***

As described in Note 22 to the financial statements, in 2018, the City adopted new accounting guidance, *GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefit Plans Other than Pensions*. Our opinion is not modified with respect to this matter.

## ***Other Matters***

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and 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 information as listed in the table of contents, 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 relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information as listed in the table of contents 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 30, 2018 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.

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

CERTIFIED PUBLIC ACCOUNTANTS

Roanoke, Virginia  
November 30, 2018





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# **CITY OF CHARLOTTESVILLE, VIRGINIA**

## **Management's Discussion and Analysis Year Ended June 30, 2018**

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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, 2018. 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 \$184.8 million at June 30, 2018. Of this amount, \$(4.8) million is unrestricted.
- The City's total net position increased by \$9.4 million over the prior year. This increase is the sum of a \$8.3 million increase for the governmental net position and a \$1.1 million increase, as restated, in business-type net position.

#### **Government Funds**

- At June 30, 2018, the City's governmental funds reported combined ending fund balances of \$73.8 million, a decrease of \$2.6 million over the prior year. Approximately 34.4 percent, or \$25.4 million, of this amount is unassigned.
- The General Fund, on a current financial resource measurement focus and the modified accrual basis of accounting, reported revenues over budget of \$896,924, primarily due to several of the tax revenues (personal property, business license, bank stock, and lodging) performing better than expected. The expenditures and other financing sources (net) finished out the year under budget primarily due City departments continued budget monitoring, 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 \$30.5 million, or 25.7 percent of total General Fund expenditures and net transfers.

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

- The City's total long-term liabilities, consisting of general obligation bonds, compensated absences, pension, and OPEB obligations increased by \$39.5 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*

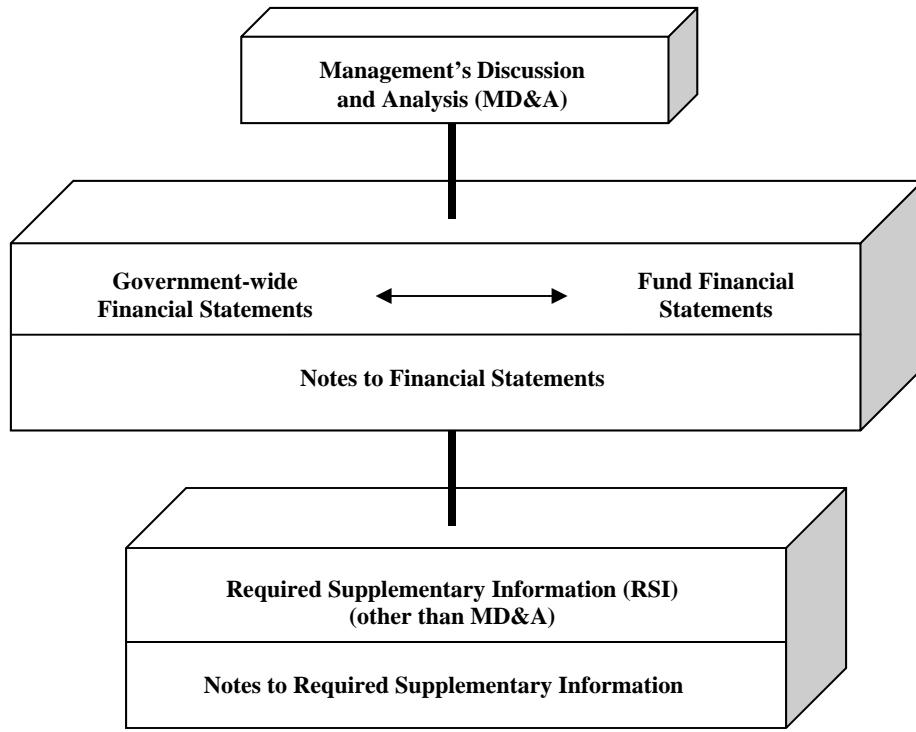
This report contains other supplementary information in addition to the basic financial statements themselves.

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 such as 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 and post-employment benefit plans.

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.)

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 major fund budget and actual reports are presented on a budgetary reporting basis as Exhibits G-1 and G-2. Progress in funding its obligations to provide pension and other post-employment benefits (OPEB) plans to its employees is provided as Exhibits H-1, H-2, H-3, H-4, and H-5.

The supplementary section has other major fund budget and actual reports presented on a budgetary reporting basis as Exhibits I-1 and I-2, as well as individual fiduciary statements in Exhibits I-3, and I-4. Non-major governmental funds are presented in Exhibits J, K, K-1, K-2, K-3, K-4, K-5, and K-6. Proprietary fund statements are presented as Exhibits E-1, E-2, and E-3. Internal Service funds are presented as Exhibits L-1, L-2, and L-3.

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. Progress in funding School Board obligation to provide pension and other postemployment benefits (OPEB) plans to its employees is provided as Exhibits N-1, N-2, N-3, N-4, N-5, N-6, and N-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, 2018 and 2017

**Table I**

	Governmental Activities		Business-Type Activities		Total		Total Percentage Change
	2018	2017*	2018	2017*	2018	2017*	2017-2018
Assets:							
Current and other assets	\$ 142,769,674	\$ 139,440,799	\$ 27,837,914	\$ 28,993,747	\$ 170,607,588	\$ 168,434,546	1.3 %
Capital assets	238,121,136	232,244,652	86,009,083	81,664,743	324,130,219	313,909,395	3.3
Total assets	380,890,810	371,685,451	113,846,997	110,658,490	494,737,807	482,343,941	2.6
Deferred Outflow of Resources	27,722,665	29,475,893	3,255,204	3,484,939	30,977,869	32,960,832	(6.0)
Liabilities:							
Long-term liabilities outstanding	208,506,596	218,937,120	62,569,770	60,777,224	271,076,366	279,714,344	(3.1)
Other liabilities	16,551,531	13,377,177	5,927,403	6,155,213	22,478,934	19,532,390	15.1
Total liabilities	225,058,127	232,314,297	68,497,173	66,932,437	293,555,300	299,246,734	(1.9)
Deferred Inflow of Resources	46,298,441	39,842,451	1,085,210	791,047	47,383,651	40,633,498	16.6
Net position:							
Net investment in capital assets	147,349,262	129,422,307	41,719,356	33,246,970	189,068,618	162,669,277	16.2
Restricted							
Public safety	142,581	162,818	-	-	142,581	162,818	(12.4)
Parks, recreation, and culture	197,518	-	-	-	197,518	-	-
Health and welfare	-	190,524	-	-	-	190,524	(100.0)
Conservation and development	-	25,000	-	-	-	25,000	100.0
Nonexpendable permanent fund	184,504	162,501	-	-	184,504	162,501	13.5
Unrestricted	(10,616,958)	(958,554)	5,800,462	13,172,975	(4,816,496)	12,214,421	(139.4)
Total net position *	\$ 137,256,907	\$ 129,004,596	\$ 47,519,818	\$ 46,419,945	\$ 184,776,725	\$ 175,424,541	5.3

\*As restated.

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 \$184.8 million at the close of fiscal year 2018. The

largest portion of the City's net position 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.

### **Governmental Activities**

The net position of the City's governmental activities increased from \$129 million to \$137.3 million.

### **Business-type Activities**

The City's business-type activities net position increased by \$1.1 million primarily due to an increase in the price of natural gas. Business-type activity 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 of business-type activities to finance the continued operations of its enterprise operations, which include the Water, Sewer, Stormwater, Gas and Meadowcreek Golf Course 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, 2018 and 2017

**Table II**

	Governmental Activities		Business-Type Activities		Total		Total Percentage Change
	2018	2017	2018	2017	2018	2017	2017-2018
Revenues:							
Program Revenues:							
Charges for services	\$ 12,111,145	\$ 39,367,511	\$ 50,811,369	\$ 49,248,896	\$ 62,922,514	\$ 88,616,407	(29.0) %
Operating grants and contributions	11,797,231	58,717,983	-	270,313	11,797,231	58,988,296	(80.0)
Capital grants and contributions	3,490,466	6,570,156	-	-	3,490,466	6,570,156	(46.9)
General Revenues:							
Property taxes	75,042,232	68,384,143	-	-	75,042,232	68,384,143	9.7
Other taxes	44,503,888	48,337,457	-	-	44,503,888	48,337,457	(7.9)
Grants and contributions*	54,414,478	-	158,054	-	54,572,532	-	-
Miscellaneous	980,353	-	15,116	-	995,469	-	-
Use of money and property	1,297,431	416,625	125,665	101,036	1,423,096	517,661	174.9
Total revenues	203,637,224	221,793,875	51,110,204	49,620,245	254,747,428	271,414,120	(6.1)
Expenses:							
General government	21,921,172	25,116,791	-	-	21,921,172	25,116,791	(12.7)
Public safety	39,334,221	45,118,838	-	-	39,334,221	45,118,838	(12.8)
Community services	19,938,224	25,259,071	-	-	19,938,224	25,259,071	(21.1)
Health and welfare	34,893,670	37,155,165	-	-	34,893,670	37,155,165	(6.1)
Parks, recreation and culture	13,476,760	17,120,453	-	-	13,476,760	17,120,453	(21.3)
Education	52,237,967	52,714,685	-	-	52,237,967	52,714,685	(0.9)
Conservation and development	15,142,115	12,626,012	-	-	15,142,115	12,626,012	19.9
Interest on long term debt	3,705,543	1,746,162	-	-	3,705,543	1,746,162	112.2
Water	-	-	9,056,356	8,971,472	9,056,356	8,971,472	0.9
Sewer	-	-	10,762,194	10,301,902	10,762,194	10,301,902	4.5
Gas	-	-	23,467,175	23,698,603	23,467,175	23,698,603	(1.0)
Stormwater	-	-	570,454	568,234	570,454	568,234	-
Golf	-	-	889,392	966,249	889,392	966,249	(8.0)
Total expenses	200,649,672	216,857,177	44,745,571	44,506,460	245,395,243	261,363,637	(6.1)
Change in net position before transfers	2,987,552	4,936,698	6,364,633	5,113,785	9,352,185	10,050,483	(6.9)
Transfers	5,264,759	5,436,254	(5,264,759)	(5,436,254)	-	-	-
Change in net position	8,252,311	10,372,952	1,099,874	(322,469)	9,352,185	10,050,483	(6.9)
Net position - beginning of year, restated **	129,004,596	159,236,737	46,419,944	53,232,938	175,424,540	212,469,675	(17.4)
Net position - end of year	\$ 137,256,907	\$ 169,609,689	\$ 47,519,818	\$ 52,910,469	\$ 184,776,725	\$ 222,520,158	(17.0)

\* Not restricted to specific programs.

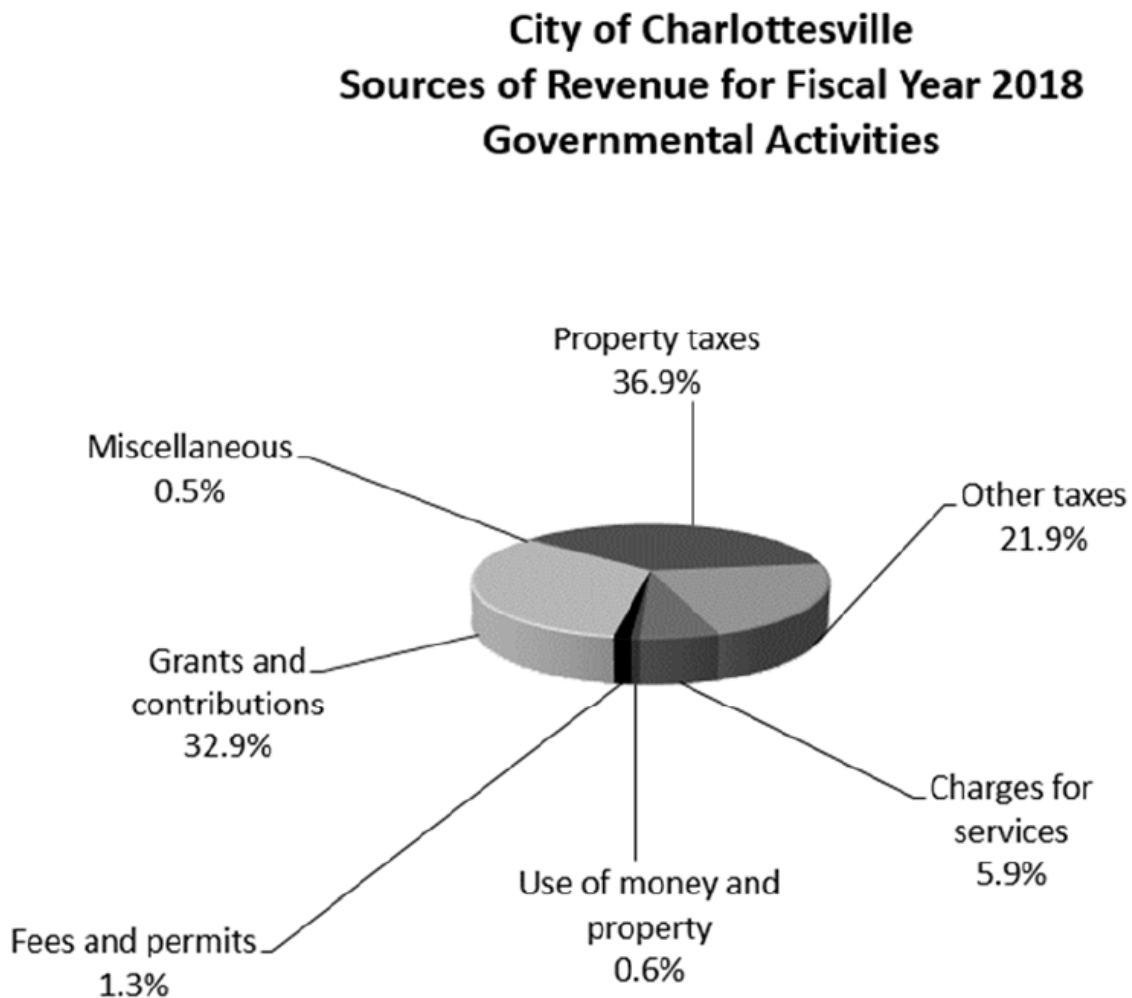
\*\* FY18 Net position beginning balance was restated due to restatement in several funds (see note 21).

## Governmental Activities

The City's total revenues from governmental activities were \$203.6 million for the fiscal year ended June 30, 2018.

Approximately 58.8% of the City's revenue from governmental activities comes from property and other taxes (52.6% in 2017).

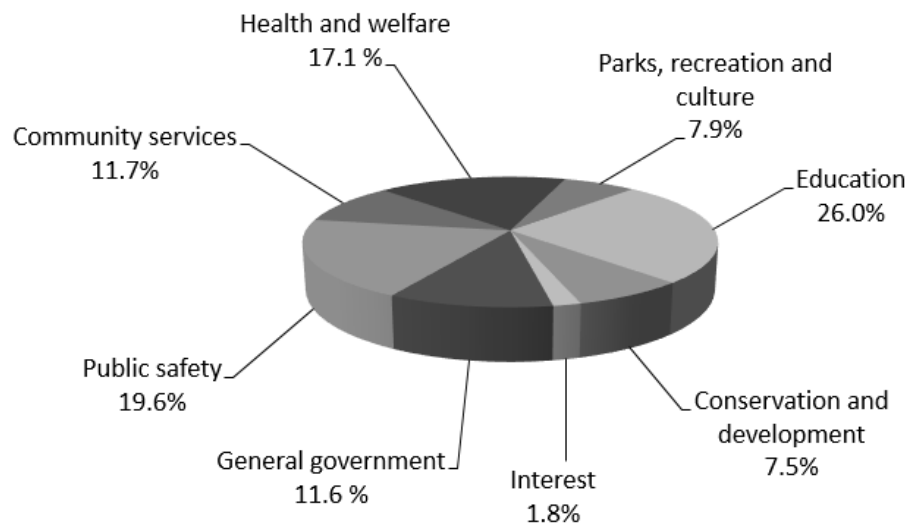
## Revenues by Source – Governmental Activities



The City's governmental activity expenses decreased by \$16.2 million in 2018. Expenses for fiscal year 2018 cover a wide range of services, with 17.1% or \$37.2 million related to health and welfare, 26% or \$52.7 million for education (primarily payments to the City's Public Schools, a component unit), and 19.6% or \$45.1 million related to public safety.

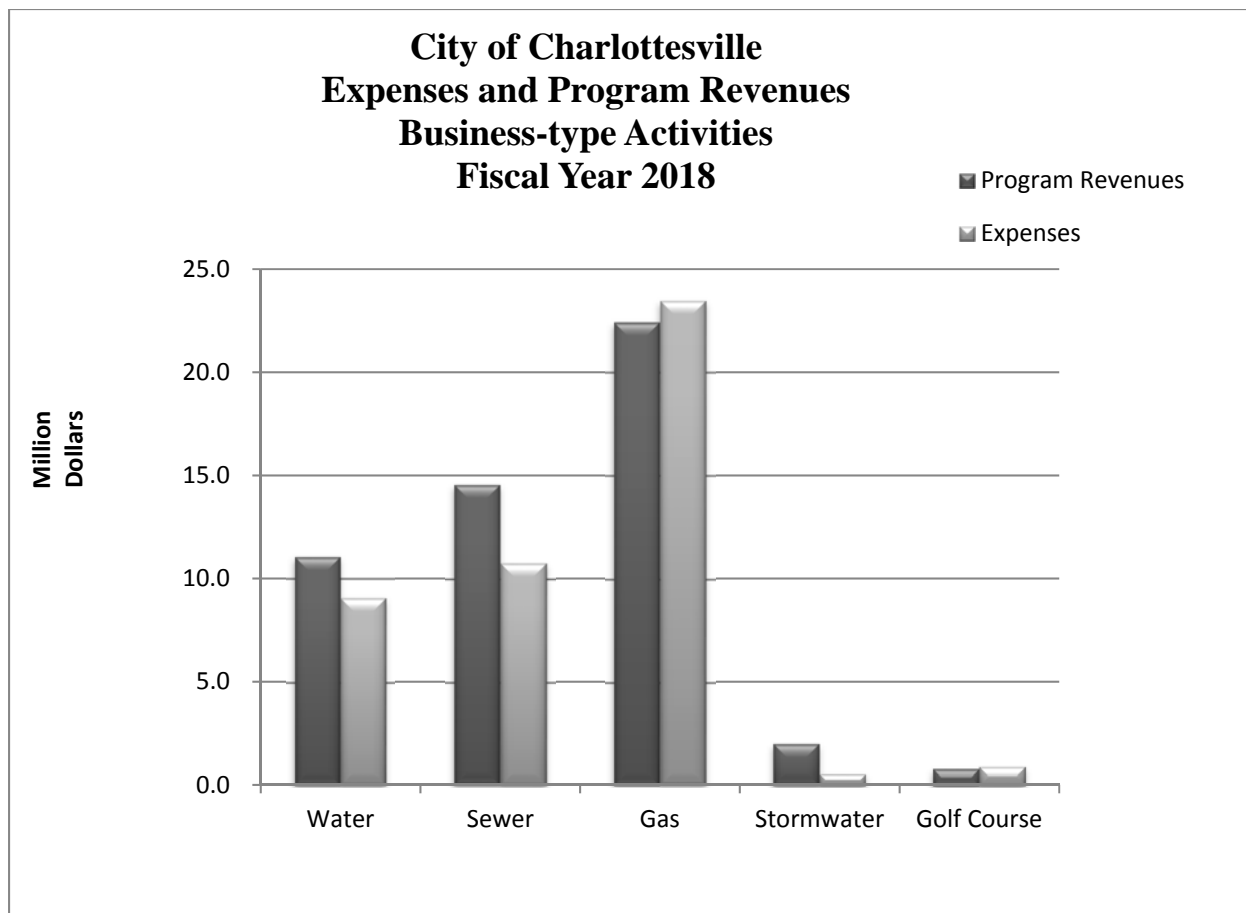
## Expenses by Function – Governmental Activities

### City of Charlottesville Functional Expenses for Fiscal Year 2018 Governmental Activities



## Business-Type Activities

Net position for the City's business-type decrease by \$6.5 million from what was previously reported, primarily due to the recognition of the net OPEB liability.



## 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, 2018, the governmental funds reported combined ending fund balances of \$73.8 million, a decrease of \$5.6 million, with restatement, in comparison with the prior year. Included in this are the following major transactions:

- \$15 million spent in the Capital Projects Fund for capital outlay to fund Hillsdale Drive extension, bridge repairs, skateboard park relocation, McIntire Park trail, Tonsler Park improvements, Ivy Rd/Fontaine Ave Fire Station, replacement fire trucks, CHS track, road and sidewalk construction and other projects.
- \$44.7 million net, contributed by the City's governmental funds to finance the Public Schools' operations.

Approximately \$44.7 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.

Nonspendable fund balance is \$184.5 thousand. This amount represents assets that are not readily available to the City for current expenditures. The City also has \$3.6 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, 2018, indicated as unassigned, is \$25.4 million in the General Fund. This amount represents 15.3% of General Fund expenditures and transfers (net) and is a measure of the General Fund's liquidity. Total fund balance of the General Fund decreased by \$2.6 million in fiscal year 2018.

### 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 an increase in net position of \$815,536. The Sewer Fund had an increase in net position of \$2,364,307. The Gas Fund had a decrease in net position of \$3,525,707. The Stormwater Fund had an increase in net position of \$1,396,427. The Golf Fund had an increase in net position of \$29,649.

### GENERAL FUND BUDGETARY HIGHLIGHTS

#### General Fund

For the Year Ended June 30, 2018

Table III

	Original Budget	Amended Budget	Actual	Variance Positive (Negative)
Revenues				
Real Estate taxes	\$ 64,526,658	\$ 64,526,658	\$ 54,685,239	\$ (9,841,419)
Other taxes	56,657,248	56,657,248	68,255,469	11,598,221
Intergovernmental	28,546,344	28,548,343	28,949,276	400,933
Other	11,271,158	12,552,206	11,291,394	(1,260,812)
Total	161,001,408	162,284,455	163,181,378	896,923
Expenditures and transfers (net)				
Expenditures	139,521,309	152,271,252	142,011,207	10,260,045
Transfers (net)	18,953,476	24,927,416	23,378,251	1,549,165
Total	158,474,785	177,198,668	165,389,458	11,809,210
Change in Fund Balance	\$ 2,526,623	\$ (14,914,213)	\$ (2,208,080)	\$ 12,706,133

The City's budget ordinance includes, as part of the original budget for expenditures, the amount of \$1,107,752 for encumbrances re-appropriated from June 30, 2018, as well as continuing appropriations from the prior year totaling \$2,533,824 for equipment and facilities as well as \$2,594,571 for the Landfill Remediation Reserve.

Differences between the original and the final amended budget for the City's General Fund for expenditures, totaled \$12,749,943. 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 \$896,924, primarily due to higher than estimated tax revenues. Several of the significant differences between budgeted and actual revenue were in meals tax, lodging tax, real estate tax and personal property tax. Expenditures and transfers were below budget by \$11,809,210.

## 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, 2018, amounts to \$324.1 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.

#### City of Charlottesville's Capital Assets (net of accumulated depreciation) June 30, 2018 and 2017

Table IV

	Governmental Activities		Business-Type Activities		Total		Total Percentage Change
	2018	2017	2018	2017	2018	2017	2017-2018
Land	\$ 21,725,574	\$ 21,725,574	\$ 2,064,048	\$ 2,064,048	\$ 23,789,622	\$ 23,789,622	- %
Assets under construction	31,068,020	15,777,614	-	-	31,068,020	15,777,614	-
Buildings and improvements	99,887,488	104,047,507	485,544	502,573	100,373,032	104,550,080	(4.0)
Vehicles	8,396,885	10,313,477	1,018,550	1,134,443	9,415,435	11,447,920	(17.8)
Equipment	3,809,991	4,138,693	464,100	592,969	4,274,091	4,731,662	(9.7)
Streets	42,235,196	44,092,292	-	-	42,235,196	44,092,292	(4.2)
Bridges	2,540,270	2,672,170	-	-	2,540,270	2,672,170	(4.9)
Infrastructure	28,457,712	29,477,325	3,677,980	2,645,815	32,135,692	32,123,140	0.0
Distribution and collection systems	-	-	78,298,860	74,724,895	78,298,860	74,724,895	4.8
Total	\$ 238,121,136	\$ 232,244,652	\$ 86,009,082	\$ 81,664,743	\$ 324,130,218	\$ 313,909,395	3.3

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

- Hillsdale Drive Extension
- Skateboard park relocation
- Street and Sidewalk improvements

The City's fiscal year 2018 capital budget provided approximately \$24.6 million for various capital projects. Some of the major categories include \$2.2million in school related projects, \$6.8 million for street projects, \$3.7 million for parks and recreation facility improvements, \$0.8 million for public safety, \$6.2 million for urban redevelopment and housing, and \$4.9 million for other governmental commitments. General obligation bonds have been issued for a portion of the funding, in accordance with the City's ongoing, five year capital plan.

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 unamortized premiums, and notes payable) outstanding of \$141.3 million. This entire amount is backed by the full faith and credit of the City and \$48.7 million is being repaid by the City's utilities.

### City of Charlottesville's Outstanding Debt General Obligation Bonds June 30, 2018 and 2017

Table V

	Governmental Activities		Business-Type Activities		Total		Total Percentage Change
	2018	2017	2018	2017	2018	2017	2017-2018
General obligation							
bonds	\$ 92,582,812	\$ 94,208,523	\$ 48,729,590	\$ 46,432,260	\$ 141,312,402	\$ 140,640,783	0.5 %
Total	\$ 92,582,812	\$ 94,208,523	\$ 48,729,590	\$ 46,432,260	\$ 141,312,402	\$ 140,640,783	0.5 %

Charlottesville's total debt increased by \$0.7 million during the fiscal year. On its most recent bond issue in May 2018, 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 \$706,013,970. 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 September 2018 is at 2.4%. This compares favorably to the national unemployment rate of 3.7%, and the state's rate of 2.9%.
- City labor force decreased 0.6% from 25,253 in July 2017 to 25,110 in September 2018 based on current Virginia Employment Commission statistics.
- The City has an estimated population of 49,132 according to the Weldon Cooper Center for Public Service.

These indicators were taken into account when adopting the General Fund budget for 2019. Amounts available for appropriation in the General Fund budget for 2019 are \$179.7 million, an increase of 4.8% over the 2018 budget of \$171.6 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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**STATEMENT OF NET POSITION**  
**JUNE 30, 2018**

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	Economic Development Authority	School Board
<b>ASSETS</b>					
Cash, cash equivalents and investments (note 3)	\$ 77,908,301	\$ 17,216,234	\$ 95,124,535	\$ 2,862,388	\$ 8,730,422
Interest receivable	97,922	-	97,922	-	-
Accounts receivable, net	295,058	3,929,672	4,224,730	-	487,714
Taxes receivable, net	39,752,117	-	39,752,117	-	-
Loans receivable (note 5)	4,368,190	-	4,368,190	760,009	-
Due from other governments (note 6)	16,960,429	-	16,960,429	-	2,777,764
Internal balances	41,145	(41,145)	-	-	-
Inventories	133,453	510,379	643,832	-	7,743
Prepaid expenses	132,938	1,549,594	1,682,532	18	-
Restricted cash and investments (note 3)	3,080,121	4,673,180	7,753,301	-	-
Capital assets (note 8):					
Capital assets not being depreciated	52,793,594	2,064,048	54,857,642	-	982,889
Capital assets being depreciated	185,327,542	83,945,035	269,272,577	-	23,892,630
Total assets	<u>380,890,810</u>	<u>113,846,997</u>	<u>494,737,807</u>	<u>3,622,415</u>	<u>36,879,162</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>					
Deferred charges on refunding resulting in loss transactions	2,555	49,794	52,349	-	-
Deferred charges - pension (notes 11 and 15)	23,113,968	2,728,352	25,842,320	-	8,418,375
Deferred charges - OPEB (notes 13 and 16)	4,606,142	477,058	5,083,200	-	839,168
Total deferred outflows of resources	<u>27,722,665</u>	<u>3,255,204</u>	<u>30,977,869</u>	<u>-</u>	<u>9,257,543</u>
<b>LIABILITIES</b>					
Accounts payable	6,395,467	1,689,030	8,084,497	5,903	1,090,428
Accrued liabilities	6,438,873	2,745,232	9,184,105	65,895	5,897,923
Customer deposits	671,347	980,774	1,652,121	-	-
Due to other governments	1,826,985	-	1,826,985	-	-
Unearned revenue	102,333	-	102,333	-	186,052
Accrued interest payable	1,116,526	512,367	1,628,893	31,085	-
Long-term liabilities (note 9):					
Due within one year	7,447,218	3,063,570	10,510,788	130,000	389,259
Due in more than one year	87,720,711	45,962,507	133,683,218	-	2,844,416
Net pension liability (notes 11 and 15)	73,669,481	8,758,271	82,427,752	-	58,743,720
Net other post employment benefits liability (notes 13 and 15)	39,669,186	4,785,422	44,454,608	-	12,760,000
Total liabilities	<u>225,058,127</u>	<u>68,497,173</u>	<u>293,555,300</u>	<u>232,883</u>	<u>81,911,798</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Deferred tax revenue	38,051,919	-	38,051,919	-	-
Deferred charges on refunding resulting in gain transactions	1,094,044	283,109	1,377,153	-	-
Deferred charges - pension (notes 11 and 15)	5,837,297	662,798	6,500,095	-	7,392,219
Deferred charges - OPEB (notes 13 and 16)	1,315,181	139,303	1,454,484	-	419,000
Total deferred inflows of resources	<u>46,298,441</u>	<u>1,085,210</u>	<u>47,383,651</u>	<u>-</u>	<u>7,811,219</u>
<b>NET POSITION</b>					
Net Investment in capital assets	147,349,262	41,719,356	189,068,618	-	24,875,519
Restricted for (note 2a):					
Public safety	142,581	-	142,581	-	-
Parks, recreation and culture	197,518	-	197,518	-	-
Education	-	-	-	-	1,933,483
Restricted for permanent fund, nonexpendable	184,504	-	184,504	-	-
Unrestricted	(10,616,958)	5,800,462	(4,816,496)	3,389,532	(70,395,314)
Total net position	<u>\$ 137,256,907</u>	<u>\$ 47,519,818</u>	<u>\$ 184,776,725</u>	<u>\$ 3,389,532</u>	<u>\$ (43,586,312)</u>

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

**CITY OF CHARLOTTESVILLE, VIRGINIA**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2018**

**EXHIBIT B**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			Component Units	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business Type Activities	Total	Economic Development Authority	School Board
PRIMARY GOVERNMENT									
Governmental activities:									
General government	\$ 21,921,172	\$ 900,906	\$ 2,503,684	\$ -	\$ (18,516,582)	\$ -	\$ (18,516,582)		
Public safety	39,334,221	165,172	997,666	-	(38,171,383)	-	(38,171,383)		
Community services	19,938,224	1,336,122	8,204,371	411,471	(9,986,260)	-	(9,986,260)		
Health and welfare	34,893,670	5,594,608	18,423,390	-	(10,875,672)	-	(10,875,672)		
Parks, recreation and culture	13,476,760	1,117,006	644,671	-	(11,715,083)	-	(11,715,083)		
Education	52,237,967	209,591	228,081	-	(51,800,295)	-	(51,800,295)		
Conservation and development	15,142,115	2,787,740	3,292,265	3,323,240	(5,738,870)	-	(5,738,870)		
Interest on long term debt	3,705,543	-	-	-	(3,705,543)	-	(3,705,543)		
Total governmental activities	200,649,672	12,111,145	34,294,128	3,734,711	(150,509,688)	-	(150,509,688)		
Business-type activities:									
Water	9,056,356	11,049,045	-	-	-	1,992,689	1,992,689		
Sewer	10,762,194	14,562,317	-	-	-	3,800,123	3,800,123		
Gas	23,467,175	22,419,210	-	-	-	(1,047,965)	(1,047,965)		
Stormwater	570,454	1,993,441	-	-	-	1,422,987	1,422,987		
Golf	889,392	787,356	-	-	-	(102,036)	(102,036)		
Total business-type activities	44,745,571	50,811,369	-	-	-	6,065,798	6,065,798		
Total Primary Government	\$ 245,395,243	\$ 62,922,514	\$ 34,294,128	\$ 3,734,711	(150,509,688)	6,065,798	(144,443,890)		
COMPONENT UNITS									
Economic Development Authority	\$ 437,148	\$ 24,000	\$ 220,484	\$ -				\$ (192,664)	\$ -
School Board	72,261,215	3,457,707	9,629,433	-				-	(59,174,075)
Total Component Units	\$ 72,698,363	\$ 3,481,707	\$ 9,849,917	\$ -				\$ (192,664)	\$ (59,174,075)
General Revenues									
General property taxes					75,042,232	-	75,042,232	-	-
Sales tax					11,619,460	-	11,619,460	-	-
Utility Tax					4,616,495	114,287	4,730,782	-	-
Communications tax					2,927,794	-	2,927,794	-	-
Meals tax					11,781,447	-	11,781,447	-	-
Lodging tax					5,151,629	-	5,151,629	-	-
Other taxes					4,256,433	-	4,256,433	-	-
Business license tax					8,767,125	-	8,767,125	-	-
Grants and contributions not restricted to specific programs					27,056,841	43,767	27,100,608	50,000	16,107,498
Payment from City					-	-	-	-	44,699,175
Unrestricted revenue from use of money and property					1,297,431	125,665	1,423,096	291,158	21,783
Miscellaneous					980,353	15,116	995,469	-	-
Transfers, net					5,264,759	(5,264,759)	-	-	-
Total general revenues and transfers					158,761,999	(4,965,924)	153,796,075	341,158	60,828,456
Change in net position					8,252,311	1,099,874	9,352,185	148,494	1,654,381
Net Position - July 1, 2017 - Restated					129,004,596	46,419,944	175,424,540	3,241,038	(45,240,693)
Net Position - June 30, 2018					\$ 137,256,907	\$ 47,519,818	\$ 184,776,725	\$ 3,389,532	\$ (43,586,312)

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

**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**JUNE 30, 2018**

	General Fund	Capital Projects Fund	Debt Service Fund	Social Services Fund	Other Governmental Funds	Total
<b>ASSETS</b>						
Cash, cash equivalents and investments	\$ 44,018,309	\$ 5,942,152	\$ 11,906,618	\$ 61,075	\$ 1,644,932	\$ 63,573,086
Interest receivable	97,922	-	-	-	-	97,922
Accounts receivable, net	263,217	3,997	-	11,981	15,863	295,058
Taxes receivable, net	39,752,117	-	-	-	-	39,752,117
Due from other governments (note 6)	3,042,449	7,852,721	-	775,877	5,289,382	16,960,429
Due from other funds (note 7)	1,789,032	-	-	-	-	1,789,032
Loans receivable (note 5)	-	2,611,360	-	-	1,756,830	4,368,190
Prepaid items	22,002	-	-	-	-	22,002
Total assets	<u>\$ 88,985,048</u>	<u>\$ 16,410,230</u>	<u>\$ 11,906,618</u>	<u>\$ 848,933</u>	<u>\$ 8,707,007</u>	<u>\$ 126,857,836</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>						
<b>LIABILITIES</b>						
Accounts payable	\$ 1,173,482	\$ 1,964,012	\$ -	\$ 8,504	\$ 430,974	\$ 3,576,972
Accrued liabilities	3,148,919	681,636	1,250	303,804	2,129,126	6,264,735
Deposits	15,291	656,056	-	-	-	671,347
Due to other governments	-	-	-	-	1,826,985	1,826,985
Due to other funds (note 7)	-	-	-	416,927	1,330,961	1,747,888
Unearned revenue-other	35,624	-	-	-	66,709	102,333
Total liabilities	<u>4,373,316</u>	<u>3,301,704</u>	<u>1,250</u>	<u>729,235</u>	<u>5,784,755</u>	<u>14,190,260</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Unavailable tax revenue	<u>38,851,097</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>38,851,097</u>
<b>FUND BALANCES (Note 2b):</b>						
Nonspendable	22,002	-	-	-	162,502	184,504
Restricted	637,910	2,611,360	-	-	340,100	3,589,370
Committed	8,779,538	-	11,905,368	-	-	20,684,906
Assigned	5,818,834	10,497,166	-	119,698	2,419,650	18,855,348
Unassigned	30,502,351	-	-	-	-	30,502,351
Total fund balances	<u>45,760,635</u>	<u>13,108,526</u>	<u>11,905,368</u>	<u>119,698</u>	<u>2,922,252</u>	<u>73,816,479</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 88,985,048</u>	<u>\$ 16,410,230</u>	<u>\$ 11,906,618</u>	<u>\$ 848,933</u>	<u>\$ 8,707,007</u>	<u>\$ 126,857,836</u>

(continued)

**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**JUNE 30, 2018**

Total fund balances per the Balance Sheet for Governmental Funds \$ 73,816,479

Amounts reported in the Statement of Net Position (Exhibit A) are different because:

Capital assets are not financial resources and therefore are not reported in the funds statements. The Statement of Net Position, however, includes these assets, net of accumulated depreciation: 238,121,136

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:

Net deferred inflows and outflows of resources for pension charges	17,276,671
Net deferred amount on OPEB	3,290,961

Internal service funds area used by management to charge the cost of certain activities such as insurances 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, less amounts reflected in capital assets, deferred inflows/outflows, and net pension liabilities	14,667,094
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Some of the city's property taxes will be collected after year-end, but are not available soon enough to pay for the current year's expenditures, and therefore are unavailable in the funds:	799,177
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Some liabilities, including general 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	(1,116,526)
Unamortized premiums on bonds	(7,291,757)
Bonds payable	(85,291,055)
Net deferred amount on refunding	(1,091,490)
Net pension liability	(73,669,481)
Net OPEB liability	(39,669,186)
Compensated absences	(2,585,116)

Net position per the Statement of Net Position (Exhibit A)	\$ 137,256,907
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The accompanying notes are an integral part of the basic financial statements.

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED JUNE 30, 2018**

	General Fund	Capital Projects Fund	Debt Service Fund	Social Service Fund	Other Governmental Funds	Total
<b>REVENUES</b>						
Taxes	\$ 122,940,708	\$ -	\$ -	\$ -	\$ -	\$ 122,940,708
Fees and permits	2,719,933	-	-	-	-	2,719,933
Intergovernmental	28,949,276	7,414,412	156,966	9,580,901	15,356,643	61,458,198
Charges for services	5,483,205	3,868	-	46	6,430,794	11,917,913
Fines	419,344	-	-	-	-	419,344
Investment earnings	553,153	-	111,973	-	2,935	668,061
Miscellaneous	2,115,759	429,526	-	9,998	158,606	2,713,889
Total revenues	163,181,378	7,847,806	268,939	9,590,945	21,948,978	202,838,046
<b>EXPENDITURES</b>						
Current:						
General government	18,752,251	1,413,300	98,178	-	553,500	20,817,229
Public safety	38,771,017	374,838	-	-	251,620	39,397,475
Community services	7,512,647	939,199	-	-	8,528,809	16,980,655
Health and welfare	5,155,253	-	-	12,918,921	17,101,551	35,175,725
Parks, recreation and culture	12,235,060	372,636	-	-	101,353	12,709,049
Education	51,057,683	699,364	-	-	-	51,757,047
Conservation and development	6,799,208	5,778,209	-	-	493,374	13,070,791
Debt service:						
Retirement of principal	-	-	7,417,376	-	-	7,417,376
Interest	-	-	3,099,780	-	-	3,099,780
Capital outlay	1,728,089	15,022,201	-	42,756	167,226	16,960,272
Total expenditures	142,011,208	24,599,747	10,615,334	12,961,677	27,197,433	217,385,399
Revenues over (under) expenditures	21,170,170	(16,751,941)	(10,346,395)	(3,370,732)	(5,248,455)	(14,547,353)
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers in (note 7)	7,956,514	11,059,129	10,371,750	3,370,732	5,721,632	38,479,757
Transfers out (note 7)	(31,334,765)	(133,432)	-	-	(79,015)	(31,547,212)
Issuance of debt (note 9)	-	4,610,000	-	-	-	4,610,000
Premium on issuance of debt (note 9)	-	420,561	-	-	-	420,561
Total other financial sources (uses)	(23,378,251)	15,956,258	10,371,750	3,370,732	5,642,617	11,963,106
Net change in fund balance	(2,208,081)	(795,683)	25,355	-	394,162	(2,584,247)
Fund Balance July 1, 2017 Restated	47,968,716	13,904,209	11,880,013	119,698	2,528,090	76,400,726
Fund Balance June 30, 2018	\$ 45,760,635	\$ 13,108,526	\$ 11,905,368	\$ 119,698	\$ 2,922,252	\$ 73,816,479

(continued)



**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2018**

Net change in fund balances - total governmental funds (Exhibit D) \$ (2,584,247)

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.

Capital outlay expenditures	16,960,273
Depreciation expense	(11,064,325)
Net gain (loss) on disposal of assets	(19,464)

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

Change in unavailable property taxes	799,177
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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	(4,610,000)
Principal payments	7,417,377

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	(31,017)
Amortization of bond premium	(1,181,666)
Amortization of deferred amount of refunding	186,359

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 net pension liability	3,713,277
Change in compensated absences	3,455
Change in net OPEB liability	1,889,721
Change in deferred outflows of resources related to net pension liability	(3,042,103)
Change in deferred outflows of resources related to net OPEB liability	1,290,595
Change in deferred inflows of resources related to net pension liability	(1,953,200)
Change in deferred inflows of resources related to net OPEB liability	(1,315,190)

The change in net position of internal service funds, less amounts reflected in long term assets and liabilities, and deferred outflows of resources, and deferred inflows of resources, is combined with governmental activities on the Statement of Activities.

1,793,289

Change in net position of governmental activities

\$ 8,252,311

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

**STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
JUNE 30, 2018**

	Business - Type Activities - Enterprise Funds						Internal Service Funds
	Water	Sewer	Gas	Stormwater	Golf	Total	
<b>ASSETS</b>							
Current assets:							
Cash and cash equivalents	\$ 3,891,586	\$ 2,203,169	\$ 7,661,867	\$ 3,328,751	\$ -	\$ 17,085,373	\$ 17,546,196
Accounts receivable, net	703,350	551,407	416,260	17,601	-	1,688,618	19,185
Unbilled accounts receivable	709,922	953,406	558,541	-	-	2,221,869	-
Inventories	-	-	-	-	28,172	28,172	615,660
Prepaid expenses	-	-	1,549,594	-	-	1,549,594	110,936
Restricted cash and investments	28,166	2,329,347	-	2,315,667	-	4,673,180	-
Total current assets	5,333,024	6,037,329	10,186,262	5,662,019	28,172	27,246,806	18,291,977
Noncurrent assets:							
Land	-	-	584,291	-	1,337,432	1,921,723	-
Easements	12,625	95,600	34,100	-	-	142,325	-
Buildings and improvements	18,919	39,014	-	-	1,819,260	1,877,193	48,364
Vehicles	348,582	727,473	1,733,950	82,350	13,732	2,906,087	83,811
Transmission lines and mains	38,605,018	45,134,726	42,622,444	1,016,826	-	127,379,014	-
Storm drainage	-	-	-	3,813,458	-	3,813,458	-
Equipment	552,415	338,063	1,793,602	19,374	202,557	2,906,011	9,399,995
Accumulated depreciation	(13,409,098)	(9,682,858)	(29,965,469)	(292,069)	(1,593,590)	(54,943,084)	(9,348,124)
Total noncurrent assets	26,128,461	36,652,018	16,802,918	4,639,939	1,779,391	86,002,727	184,046
Total assets	31,461,485	42,689,347	26,989,180	10,301,958	1,807,563	113,249,533	18,476,023
<b>DEFERRED OUTFLOWS OF RESOURCES</b>							
Deferred charges on refunding losses	2,734	43,164	3,896	-	-	49,794	-
Deferred charges-pension	435,656	418,259	1,649,690	79,590	100,547	2,683,742	932,882
Deferred charges-OPEB	85,145	79,745	278,057	9,102	17,039	469,088	172,763
Total deferred outflows of resources	523,535	541,168	1,931,643	88,692	117,586	3,202,624	1,105,645
<b>LIABILITIES</b>							
Current liabilities:							
Accounts payable	631,571	878,594	99,839	42,905	10,421	1,663,330	234,794
Accrued liabilities	437,561	505,111	1,361,309	389,799	46,859	2,740,639	2,787,953
Accrued interest payable	179,935	307,784	3,198	21,450	-	512,367	-
Customer deposits	264,559	-	716,215	-	-	980,774	-
Due to other funds	-	-	-	-	41,145	41,145	-
Liabilities due in less than one year	1,391,262	1,489,196	25,466	155,450	1,655	3,063,029	11,650
Total current liabilities	2,904,888	3,180,685	2,206,027	609,604	100,080	9,001,284	3,034,397
Noncurrent liabilities:							
Liabilites due in more than one year	17,221,560	25,137,156	469,377	3,118,307	12,139	45,958,539	85,434
Net pension liability	1,362,588	1,234,184	5,477,688	109,508	435,860	8,619,828	2,759,452
Net OPEB liability	753,821	706,660	2,925,080	137,208	183,413	4,706,182	1,626,066
Total noncurrent liabilities	19,337,969	27,078,000	8,872,145	3,365,023	631,412	59,284,549	4,470,952
Total liabilities	22,242,857	30,258,685	11,078,172	3,974,627	731,492	68,285,833	7,505,349
<b>DEFERRED INFLOWS OF RESOURCES</b>							
Deferred charges on refunding gains	144,942	136,683	1,483	-	-	283,108	-
Deferred charges-pension	114,453	94,969	413,109	2,398	26,443	651,372	230,762
Deferred charges-OPEB	23,380	20,131	83,184	4,729	5,502	136,926	49,315
Total deferred inflows of resources	282,775	251,783	497,776	7,127	31,945	1,071,406	280,077
<b>NET POSITION</b>							
Net investment in capital assets	7,442,065	12,305,148	16,500,798	3,685,599	1,779,391	41,713,001	193,587
Unrestricted	2,017,323	414,898	843,730	2,723,295	(617,678)	5,381,568	11,602,829
Total net position	\$ 9,459,388	\$ 12,720,046	\$ 17,344,528	\$ 6,408,894	\$ 1,161,713	\$ 47,094,569	\$ 11,796,416
Total net position						\$ 47,094,569	
Allocated internal services:							
Warehouse assets						638,607	
Warehouse deferred outflows						52,580	
Warehouse liabilities						(252,135)	
Warehouse deferred inflows						(13,803)	
Total allocation of warehouse net position						425,249	
Net position of business-type activities						\$ 47,519,818	

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, 2018**

	Business - Type Activities - Enterprise Funds						Internal Service Funds
	Water	Sewer	Gas	Stormwater	Golf	Total	
<b>OPERATING REVENUES</b>							
Utility charges	\$ 10,409,263	\$ 14,989,642	\$ 22,235,170	\$ 1,978,265	\$ -	\$ 49,612,340	\$ -
Charges for services	206,263	97,112	211,761	29,526	787,347	1,332,009	27,025,162
Total operating revenues	<u>10,615,526</u>	<u>15,086,754</u>	<u>22,446,931</u>	<u>2,007,791</u>	<u>787,347</u>	<u>50,944,349</u>	<u>27,025,162</u>
<b>OPERATING EXPENSES</b>							
Purchases for resale	5,255,913	7,938,035	11,924,239	-	30,055	25,148,242	2,074,657
Personnel costs	1,152,458	1,099,298	4,935,582	344,124	486,101	8,017,563	3,093,960
Materials and supplies	493,713	127,558	885,739	9,336	131,679	1,648,025	1,263,055
Contractual services and charges	1,094,253	1,995,685	3,225,995	87,976	213,204	6,617,113	1,986,573
Depreciation	1,010,094	1,026,551	1,330,200	122,435	29,664	3,518,944	47,341
Claims incurred	-	-	-	-	-	-	13,845,723
Insurance premiums	-	-	-	-	-	-	2,654,025
Total operating expenses	<u>9,006,431</u>	<u>12,187,127</u>	<u>22,301,755</u>	<u>563,871</u>	<u>890,703</u>	<u>44,949,887</u>	<u>24,965,334</u>
Operating income (loss)	<u>1,609,095</u>	<u>2,899,627</u>	<u>145,176</u>	<u>1,443,920</u>	<u>(103,356)</u>	<u>5,994,462</u>	<u>2,059,828</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>							
Interest expense	(386,686)	(299,910)	(12,538)	(49,803)	-	(748,937)	-
Interest income	19,724	23,731	51,314	30,896	-	125,665	45,895
Bond issuance expense	(63,830)	(16,335)	-	(28,586)	-	(108,751)	-
Capacity fees	397,700	683,450	-	-	-	1,081,150	-
Insurance recovery	-	-	1,383	-	-	1,383	36,535
Total nonoperating revenues (expenses), net	<u>(33,092)</u>	<u>390,936</u>	<u>40,159</u>	<u>(47,493)</u>	<u>-</u>	<u>350,510</u>	<u>82,430</u>
Income (loss) before contributions and transfers	<u>1,576,003</u>	<u>3,290,563</u>	<u>185,335</u>	<u>1,396,427</u>	<u>(103,356)</u>	<u>6,344,972</u>	<u>2,142,258</u>
Transfers in	1,800,000	3,000,000	300,000	1,349,683	133,006	6,582,689	-
Transfers out	(2,560,466)	(3,926,258)	(4,011,041)	(1,349,683)	-	(11,847,448)	(350,000)
Total transfers, net	<u>(760,466)</u>	<u>(926,258)</u>	<u>(3,711,041)</u>	<u>-</u>	<u>133,006</u>	<u>(5,264,759)</u>	<u>(350,000)</u>
Change in net position	815,537	2,364,305	(3,525,706)	1,396,427	29,650	1,080,213	1,792,258
Total net position - July 1, 2017 Restated	<u>8,643,851</u>	<u>10,355,741</u>	<u>20,870,234</u>	<u>5,012,467</u>	<u>1,132,063</u>	<u>46,014,356</u>	<u>10,004,158</u>
Total net position - June 30, 2018	<u>\$ 9,459,388</u>	<u>\$ 12,720,046</u>	<u>\$ 17,344,528</u>	<u>\$ 6,408,894</u>	<u>\$ 1,161,713</u>	<u>\$ 47,094,569</u>	<u>\$ 11,796,416</u>
Total business-type change in net position						\$ 1,080,213	
Warehouse sales operating revenues						1,118,113	
Expenses associated with warehouse sales						(1,098,452)	
Net internal service fund allocation						19,661	
Change in net position of business-type activities						<u>\$ 1,099,874</u>	

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

**STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDING JUNE 30, 2018**

	Business - Type Activities - Enterprise Funds						Internal Service Funds
	Water	Sewer	Gas	Stormwater	Golf	Total	
<b>OPERATING ACTIVITIES</b>							
Receipts from customers	\$ 10,610,327	\$ 13,867,991	\$ 22,350,431	\$ 2,016,687	\$ 791,316	\$ 49,636,752	\$ 27,880,287
Payments to suppliers	(6,947,588)	(9,046,664)	(15,885,808)	(103,503)	(436,395)	(32,419,958)	(22,557,278)
Payments to employees	(1,175,398)	(1,136,845)	(4,906,669)	(295,868)	(489,027)	(8,003,807)	(3,136,726)
Net cash provided by (used for) operating activities	2,487,341	3,684,482	1,557,954	1,617,316	(134,106)	9,212,987	2,186,283
<b>NONCAPITAL FINANCING ACTIVITIES</b>							
Insurance recovery	-	-	1,383	-	-	1,383	36,535
Transfers in	1,800,000	3,000,000	300,000	1,349,683	133,006	6,582,689	-
Transfers out	(2,560,466)	(3,926,258)	(4,011,041)	(1,349,683)	-	(11,847,448)	(350,000)
Net cash provided by (used for) noncapital financing activities	(760,466)	(926,258)	(3,709,658)	-	133,006	(5,263,376)	(313,465)
<b>CAPITAL AND RELATED FINANCING ACTIVITIES</b>							
Acquisition of capital assets	(3,832,709)	(1,659,364)	(1,261,221)	(1,111,997)	-	(7,865,291)	-
Capacity fees	397,700	683,450	-	-	-	1,081,150	-
Bond proceeds	3,595,000	920,000	-	1,610,000	-	6,125,000	-
Bond principal paid	(1,201,257)	(1,949,211)	(361,330)	(80,000)	-	(3,591,798)	-
Interest paid	(523,472)	(876,591)	(23,597)	(51,509)	-	(1,475,169)	-
Bond issuance expenses	(63,830)	(16,335)	-	(28,586)	-	(108,751)	-
Premium on bonds issued	328,888	83,915	-	146,756	-	559,559	-
Net cash provided by (used for) capital and related financing	(1,299,680)	(2,814,136)	(1,646,148)	484,664	-	(5,275,300)	-
<b>INVESTING ACTIVITIES</b>							
Interest on investments	19,724	23,731	51,314	30,896	-	125,665	45,895
	19,724	23,731	51,314	30,896	-	125,665	45,895
<b>Net increase (decrease) in cash and cash equivalents</b>	446,919	(32,181)	(3,746,538)	2,132,876	(1,100)	(1,200,024)	1,918,713
<b>Balances - July 1, 2017</b>	3,472,832	4,564,696	11,408,205	3,511,542	1,100	22,958,375	15,627,485
<b>Balances - June 30, 2018</b>	\$ 3,919,752	\$ 4,532,516	\$ 7,661,867	\$ 5,644,418	\$ -	\$ 21,758,553	\$ 17,546,197
<b>Reconciliation of operating income (loss) to net cash used in operating activities</b>							
Operating income (loss)	\$ 1,609,095	\$ 2,899,627	\$ 145,175	\$ 1,443,921	\$ (103,357)	\$ 5,994,461	\$ 2,059,828
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:							
Depreciation expense	1,010,094	1,026,551	1,330,200	122,435	29,664	3,518,944	47,341
(Increase) decrease in accounts receivable	(82,220)	(67,745)	(127,840)	8,896	-	(268,909)	855,125
(Increase) decrease in inventories	-	-	-	-	(3,364)	(3,364)	57,332
(Increase) decrease in prepaid expenses	-	-	179,323	-	-	179,323	45
Increase (decrease) in accounts payable	(53,467)	(136,405)	29,272	25,809	(58,092)	(192,883)	(138,337)
Increase (decrease) in accrued liabilities	(83)	1,162	20,056	(2,858)	3,016	21,293	(128,476)
Increase (decrease) in customer deposits	26,778	-	(27,090)	-	-	(312)	-
Increase (decrease) in unredeemed gift certificates	-	-	-	-	3,969	3,969	-
Increase (decrease) in compensated absences	(2,939)	(2,727)	6,866	(632)	(10,031)	(9,463)	(2,785)
Increase (decrease) in insurance claims payable	-	-	-	-	-	-	(541,792)
Net pension liability change for measurement year	16,501	1,807	106,684	18,992	9,661	153,645	47,984
Net OPEB liability change for measurement year	(36,419)	(37,789)	(104,692)	754	(5,572)	(183,718)	(69,984)
Net cash provided by (used for) operating activities	\$ 2,487,340	\$ 3,684,481	\$ 1,557,954	\$ 1,617,317	\$ (134,106)	\$ 9,212,986	\$ 2,186,281

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

**STATEMENT OF FIDUCIARY NET POSITION**  
**FIDUCIARY FUNDS**  
**JUNE 30, 2018**

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	<u>Pension Trust Funds</u>
<b>ASSETS</b>	
Cash and cash equivalents (note 3b)	\$ 2,245,574
Interest receivable	259,272
Investments (note 3b):	
Common stocks	46,673,791
Corporate fixed income securities	9,596,079
Government and agency fixed income securities	17,383,435
Mutual Funds:	
Domestic	31,829,334
International	21,313,336
Alternative Investments:	
Agriculture	6,869,747
Real Estate	14,610,009
Total investments	<u>148,275,731</u>
Total assets	<u>150,780,577</u>
<b>LIABILITIES</b>	
Accounts payable	32,334
Total liabilities	<u>32,334</u>
<b>NET POSITION</b>	
Net position - restricted	<u>\$ 150,748,262</u>

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

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION**  
**FIDUCIARY FUNDS**  
**YEAR ENDED JUNE 30, 2018**

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	<u><b>Pension Trust Funds</b></u>
<b>ADDITIONS</b>	
Contributions:	
Employer	\$ 15,128,717
Plan members	1,984,695
Total contributions	<u>17,113,412</u>
Investment earnings:	
Net increase in fair value of investments	12,825,398
Interest	870,620
Dividends	1,310,283
Total investment earnings	<u>15,006,301</u>
Less investment expenses	<u>701,378</u>
Net investment earnings	<u>14,304,923</u>
Total additions	<u>31,418,335</u>
<b>DEDUCTIONS</b>	
Pension benefits	11,524,450
Refund of plan member contributions	124,461
Other post-retirement benefits	5,029,754
Administrative expenses	310,148
Total deductions	<u>16,988,813</u>
Increase in net position	14,429,522
Net Position - July 1, 2017	136,318,740
Net position - June 30, 2018	<u><u>\$ 150,748,262</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, 2018**

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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, net pension liability, 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.

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 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, Children's Services Act (formerly 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 column. 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 governmental fund financial statements are reported using the *current financial resources measurement focus and the modified accrual basis of accounting*. Revenues are recognized as soon as they are 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 capital outlay 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. 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, 2018, the allowances approximated \$1,103,556 in the General Fund, \$1,032,791 in the Proprietary Funds (\$260,614, \$294,662, \$25,529, and \$451,986 for the Water, Sewer, Stormwater and Gas Funds, respectively), and \$3,609,401 in the Capital Projects Fund.

**(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 acquisition cost 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 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.

*Unavailable tax revenues* 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.

Pension and OPEB plan changes for measurement date June 30, 2017 are presented on the Statement of Net Position. Actuarially determined *deferred outflows of resources* include changes in the expected and actual experience, along with changes in expected and actual investment earnings, change in proportion on beginning net pension and OPEB liability, changes in proportions and difference between employer contribution and proportionate share of contributions, and changes in assumptions. *Deferred inflows of resources* consists of the current year's amortization, actuarially determined changes in proportion on beginning net pension liability, and changes in proportion between employer contribution and proportionate share of contributions.

**(k) 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. All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements. 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.

School Board employees also earn vacation and sick leave as services are provided. At June 30, 2015, 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, 2018, approximated \$13,235,657 and \$13,265,529 respectively. Upon retirement, no cash payments are made for sick leave. Therefore, an accrued balance is not recorded in the financial statements.

**(l) 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.

**(m) Encumbrances**

Encumbrances are used to control expenditure commitments for the year and to enhance cash management. Accounting for encumbrances is employed in all governmental funds. Encumbrances (e.g., purchase orders) 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 year.

**(n) Pension and other post-employment benefits (OPEB)**

For purposes of measuring the net pension and OPEB liability, deferred outflows of resources and deferred inflows of resources related to pensions and OPEB, pension and OPEB expense, and information about the fiduciary net position of the City of Charlottesville Supplemental Retirement or Pension Plan and Virginia Retirement System (VRS) and additions to/deductions from those fiduciary net positions have been determined on the same basis as they are reported by the City Pension Plan and VRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**(o) Implementation of new GASB pronouncements**

Effective July 1, 2017, the City adopted provision of GASB Statement 75 *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This statement improves accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). This Statement replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers*.

and Agent Multiple Employer Plans, for OPEB. Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, establishes new accounting and financial reporting requirements for OPEB plans.

Statement No. 86, *Certain Debt Extinguishment Issues*, improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance.

## 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) Fund Balances:

City Council is the City's highest level of decision making authority. City Council can modify or rescind a fund balance 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. The formal action is an appropriation, which designates funds for particular usage, to the exclusion of all other uses. Once adopted, the appropriation can only be changed by City Council through 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, 2018:

	General Fund	Capital Projects Fund *	Debt Service Fund	Social Services Fund	Other Governmental Funds	Total
Nonspendable:						
General fund prepaid expenditures	\$ 22,002	\$ -	\$ -	\$ -	\$ -	\$ 22,002
Cemetery perpetual care - permanent fund	-	-	-	-	162,502	162,502
Total nonspendable	22,002	-	-	-	162,502	184,504
Restricted:						
Loans receivable	-	2,611,360	-	-	-	2,611,360
Fire programs	19,747	-	-	-	67,310	87,057
Law enforcement	230,075	-	-	-	75,272	305,347
Court house security	388,089	-	-	-	-	388,089
Youth programs	-	-	-	-	197,518	197,518
Total restricted:	637,911	2,611,360	-	-	340,100	3,589,371
Committed:						
Nonrecurring vehicle and equipment purchases	1,694,664	-	-	-	-	1,694,664
Building repairs and improvements	839,160	-	-	-	-	839,160
Parking enterprise fund	593,245	-	-	-	-	593,245
Parks and recreation programs	115,637	-	-	-	-	115,637
Fire programs	26,970	-	-	-	-	26,970
City Council initiatives	1,935,541	-	-	-	-	1,935,541
Contingency reserve	523,265	-	-	-	-	523,265
Historic resources	37,093	-	-	-	-	37,093
Workforce development	57,089	-	-	-	-	57,089
Law enforcement	16,229	-	-	-	-	16,229
Public service	1,638	-	-	-	-	1,638
Communications	2,835	-	-	-	-	2,835
Corporate training	257,029	-	-	-	-	257,029
Reserve for landfill remediation	2,662,358	-	-	-	-	2,662,358
Innovation	16,785	-	-	-	-	16,785
Future debt service	-	-	11,905,368	-	-	11,905,368
Total committed:	8,779,538	-	11,905,368	-	-	20,684,906
Assigned:						
Purchases on order	1,107,752	10,497,166	-	-	-	11,604,918
Social services	-	-	-	119,698	-	119,698
Human services	-	-	-	-	2,419,650	2,419,650
Subsequent year's budget:	4,711,081	-	-	-	-	4,711,081
Total assigned:	5,818,833	10,497,166	-	119,698	2,419,650	18,855,347
Unassigned:	30,502,351	-	-	-	-	30,502,351
Total fund balance	\$ 45,760,635	\$ 13,108,526	\$ 11,905,368	\$ 119,698	\$ 2,922,252	\$ 73,816,479

\* Encumbrances shown are net of available fund balance.

## (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 some special revenue funds and debt service funds are adopted on an annual basis. The capital projects fund and grant fund budgets are 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	Capital Projects Fund *	Debt Service Fund	Social Services Fund	Other Governmental Funds	Total
Vehicle and Equipment purchases	\$ 349,010	\$ -	\$ -	\$ -	\$ -	\$ 349,010
Government Building improvements	71,690	18,150	-	-	-	89,840
Parking enterprise fund	195	-	-	-	-	195
School Building improvements	48,384	167,844	-	-	-	216,228
General Programs	54,791	80,442	-	-	-	135,233
Public Safety	89,563	77,095	-	-	66,363	233,021
Community Service	186,590	3,284,936	-	-	668,342	4,139,868
Street Construction and Maintenance	93,963	7,087,809	-	-	-	7,181,772
Health and Welfare	-	-	-	140	79,261	79,401
Park and Recreation	36,984	3,117,468	-	-	-	3,154,452
Redevelopment and Housing	176,582	1,780,612	-	-	97,808	2,055,002
	<u>\$1,107,752</u>	<u>\$15,614,356</u>	<u>\$ -</u>	<u>\$ 140</u>	<u>\$ 911,774</u>	<u>\$17,634,022</u>

\* Encumbrances shown are net of available fund balance in section (a) on the previous page.

## 3. CASH, CASH EQUIVALENTS AND INVESTMENTS

### (a) Primary Government

At June 30, 2018, 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	\$ 29,468,262	Various
Cash on hand	6,547	Various
Commonwealth LGIP	20,684,147	AAAm
Money Market Mutual Funds	30,197	AAAm
Commonwealth Non-Arbitrage Program (SNAP)	11,547,880	AAAm
Total deposits and investments	<u>\$ 61,737,033</u>	

### Investments at Fair Value:

Effective July 1, 2015, the City adopted the provisions of GASB Statement 72, *Fair Value Measurement and Application*. This statement establishes standards of accounting and reporting related to fair value measurements. The definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The City categorizes its fair value measurements within the fair value hierarchy established by GASB 72. The hierarchy is based on the valuation inputs used to measure the fair value of the assets and are described as follows.

- Level 1 inputs are quoted prices in active markets for identical assets;
- Level 2 inputs are significant other observable inputs;
- Level 3 inputs are significant unobservable inputs.

At June 30, 2018, the fair value hierarchy of Primary Government Investments was as follows:

Investment Type	Level 1	Level 2	Level 3	Total	Credit Rating
Corporate certificate of deposit	\$ -	\$ 1,778,048	\$ -	\$ 1,778,048	Aa2 to Aa3
Corporate notes	-	12,851,364	-	12,851,364	Aaa to A3
U. S. Treasury notes	6,725,485	-	-	6,725,485	Aaa
Federal agency notes	-	19,785,910	-	19,785,910	Aaa
Total fair value investments	<u>\$ 6,725,485</u>	<u>\$34,415,322</u>	<u>\$ -</u>	<u>\$41,140,807</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. The SNAP program is sponsored by the Virginia Treasury Board and it is a GASB Statement 79 compliant local government investment pool.

Corporate notes are held 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, 2018, 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, 2018, all investments in the City's portfolio had a maturity of five years or less.

#### Restricted Cash and Investments:

The City had unspent bond proceeds of \$7,753,301. Of this amount, \$3,080,121 was for governmental activities, and \$4,673,180 was business-type activities.

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

At June 30, 2018, the fair value hierarchy of Primary Government Investments, and the deposits and investments of the Pension Trust Fund, with the respective credit ratings, was as follows:

<u>Investment Type</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>	<u>Credit Rating</u>
Common Stock	\$ 46,673,791	\$ -	\$ -	\$ 46,673,791	Various
Corp Fixed Income Securities	9,596,079	-	-	9,596,079	Aaa-B3
Government and agency fixed income securities					
Explicitly guaranteed by U.S. government	10,272,499	-	-	10,272,499	Various
Implicitly guaranteed by U.S. government	5,911,204	-	-	5,911,204	Aaa-Aa1
Municipal	1,199,733	-	-	1,199,733	Aaa-Aa1
Mutual Funds - domestic	-	31,829,334	-	31,829,334	Various
Mutual funds - international	-	21,313,336	-	21,313,336	Various
Total investments at fair value	<u>\$ 73,653,306</u>	<u>\$ 53,142,670</u>	<u>\$ -</u>	<u>\$ 126,795,976</u>	
Demand deposits	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,245,574</u>	
Total demand deposits and investments at fair value				<u><u>\$ 129,041,550</u></u>	

#### Alternative Investments:

A provision of GASB Statement 72, *Fair Value Measurement and Application*, is to disclose detail pertaining to City's Alternative Investments. The fair value of these investment types has been determined using the Net Asset Value per Share of the City's ownership interest in partners' capital. The City is invested in four unique alternative investments that make up 14.8% of the Pension Trust Fund total investments. There are no unfunded commitments, nor do any of the funds have a set end date. The valuation method is presented on the following table:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Redemptions Frequency (if currently eligible)</u>	<u>Redemption Notice Period</u>
Alternative investments - UBS AgriVest	\$ 3,547,398	Quarterly	60 days
Alternative investments - Ceres Farms	3,322,349	Annually	150 days
Alternative investments - RE PRISA	7,875,990	Quarterly	90 days
Alternative investments - RE PRISA II	6,734,018	Quarterly	90 days
Total alternative investments at fair value	<u>\$ 21,479,755</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 50% for domestic equities, 20% for fixed income, 15% for international equities, and 15% for real assets 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. Fixed income investments rated below BBB shall constitute no more than 10% of the total market value of all assets in the account. 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, 2018:

<u>Investment Type</u>	<u>Rating</u>	<u>% of Total Portfolio</u>
Corporate Bonds	No rating	0.2 %
Corporate Bonds	Aa2-Aa3	0.8
Corporate Bonds	A1-A3	2.2
Corporate Bonds	Baa1-B3	3.0
Federal Home Loan Mortgage Corporation	Aaa-Aa1	0.1
Federal National Mortgage Association	Aaa-Aa1	3.2
Implicitly Guaranteed Bonds	Aaa-Aa1	0.7
Municipal Bonds	Aaa-Aa1	0.8

### **Concentration of Credit Risk:**

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

Company is not to exceed 5% 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, 2018, the Trust had the following investments and maturities:

	Fair Value	Investment Maturity		
		0-5 Years	6-10 Years	11-50 Years
Corporate fixed income	\$ 9,596,079	\$ 3,334,048	\$ 3,173,838	\$ 3,088,193
Government fixed income	17,383,436	1,397,843	1,809,443	14,176,150
Total	<u>\$ 26,979,515</u>	<u>\$ 4,731,891</u>	<u>\$ 4,983,281</u>	<u>\$ 17,264,343</u>

#### **Rate of Return:**

The annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 10.49% at June 30, 2018 and 13.71% at June 30, 2017. The money-weighted rate of return expresses investment performance adjusted for the changing amounts actually invested.

#### **(c) School Board Component Unit**

At June 30, 2018, 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	\$ 7,093,528	N/A
Commonwealth LGIP	1,636,894	AAAm
Total deposits and investments	<u>\$ 8,730,422</u>	

School Board deposits are invested in accordance with the City's investment policy. At June 30, 2018, 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, 2018, 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	\$ 2,862,388	N/A
Total deposits and investments	<u>\$ 2,862,388</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, 2018, 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, 2017, assessment due December 5, 2017, and the first half of the January 1, 2018 assessment due June 5, 2018, 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 2017 and 2018 was \$.95, per \$100 of assessed value. Real estate taxes receivable, assessed as of January 1, 2018, and due December 5, 2018, 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, 2018, 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 2018, the personal property taxes budgeted for and reported as revenue in the fund financial statements are the second half of the January 1, 2017, assessment due December 5, 2017, and the first half of the January 1, 2018, assessment due June 5, 2018, 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 2017 and 2018 was \$4.20 per \$100 of assessed value. Personal property taxes receivable, assessed during 2018 and due December 5, 2018, 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, 2018, 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, or 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. Vehicles below \$1,000 assessed value are given 100% relief.

## **5. LOANS RECEIVABLE**

The Community Development Block Grant (CDBG) Special Revenue Fund has \$18,775 in outstanding installment loans and \$745,177 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 \$992,878 in deferred payment loans, which are secured by property liens. All loans represent federally-funded monies advanced 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 the following outstanding loans receivable:

- \$850,000 to Piedmont Housing Alliance (PHA), which is a non-interest bearing loan due October 31, 2022, unless the property is sold before that date.
- \$130,000 in a non-interest bearing loan to the Charlottesville Economic Development Authority (CEDA) which is part of funding utilized by the Lewis & Clark Exploratory Center of Virginia, Inc., combined with 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, which is jointly owned by the City and the County. The loan is currently due but a request to forgive the loan was approved by the City Council contingent on Albemarle County doing the same. Albemarle County has not taken action on this request.

- \$1,550,000 to The Crossings at Fourth and Preston, LLC for the transfer of property at 401 4<sup>th</sup> Street, NW Charlottesville, to be operated as a Single Room Occupancy facility. The loan is for a period of 31 years, interest calculates at 4.3% per annum. The entire principle balance and any accrued, unpaid, interest are due June 30, 2042, or upon sale of the property.
- \$81,360 in a ten-year, non-interest bearing loan to the City Manager, a part of the City Manager's employment agreement. The original amount borrowed was \$112,859 and \$31,499 has been repaid as of June 30, 2018. On July 31, 2018, the City Manager's employment ended. Per the original agreement, the remaining loan balance as of July 31, 2018 (\$79,975) was forgiven.
- \$3,609,401 in deferred payment loans advanced to low-income property owners with terms similar to those of the CDBG and HOME grants described above, but funded by the City rather than federal funds. The loans are secured by property liens on the participating homeowners. Depending on the terms of each loan, a ratable portion of the loan balance is forgiven each month in which the participant owns the home. If the participant sells the home before the entire loan is forgiven, they are responsible for repayment of the remaining loan balance. Because this rarely happens, and therefore most loans are forgiven, an allowance for the full amount is recorded to offset the receivable.

The Charlottesville Economic Development Authority (CEDA) entered into a 20 year promissory note with the Charlottesville Pavilion in the amount of \$2.4 million for construction cost of the Amphitheater in 2004, with periodic payments of principle and interest, at 3.70%, of \$85,442. The note is secured by a first lien on all the assets of the Charlottesville Pavilion, its fixtures, an accounts receivable. In 2018, a modification of the promissory note was executed to re-advance \$500,000 for the replacement of the roof of the Amphitheater, and extend the maturity date of the note to 2026. The balance of the note receivable was \$630,008 at June 30, 2018. In 2013, CEDA also executed a \$130,000 promissory note with the Lewis & Clark Exploratory Center for the construction of their learning center at Darden Towe Park. A reimbursement payable to the City is currently recorded and will be forgiven as described above.

## 6. DUE FROM OTHER GOVERNMENTS

Amounts due from other governments at June 30, 2018, are presented below:

	<u>Federal</u>	<u>State</u>	<u>Other</u>	<u>Total</u>
City Government Activities:				
Major funds:				
General Fund	\$ 9,638	\$ 3,022,103	\$ 10,708	\$ 3,042,449
Capital Projects Fund	-	7,852,721	-	7,852,721
Social Services Fund	576	771,707	3,594	775,877
Total major funds	<u>10,214</u>	<u>11,646,531</u>	<u>14,302</u>	<u>11,671,047</u>
Non-major funds	<u>135,897</u>	<u>2,750,194</u>	<u>2,403,291</u>	<u>5,289,382</u>
Total Primary Government	<u>\$ 146,111</u>	<u>\$ 14,396,725</u>	<u>\$ 2,417,593</u>	<u>\$ 16,960,429</u>
Component Unit - Schools	<u>\$ 2,174,651</u>	<u>\$ 447,611</u>	<u>\$ 155,502</u>	<u>\$ 2,777,764</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, 2018, are presented below:

	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
Major funds:		
General Fund	\$ 1,789,033	\$ -
Social Services Fund	-	416,927
Golf Course Fund	-	41,145
Total major funds	<u>1,789,033</u>	<u>458,072</u>
Non-major funds:		
Special Revenue Funds:		
Community Development Block Grant	-	6,352
Grants Fund	-	33,339
Comprehensive Services Act Fund	-	1,291,270
Total non-major funds	<u>-</u>	<u>1,330,961</u>
Total due to/from other funds	<u>\$ 1,789,033</u>	<u>\$ 1,789,033</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, 2018, consisted of the following:

		<u>Transfers in:</u>						
	<u>General</u>	<u>Capital Projects</u>	<u>Debt Service</u>	<u>Social Services</u>	<u>Nonmajor Government</u>	<u>Proprietary</u>	<u>Internal Services</u>	<u>Total</u>
Transfers out:								
General fund	-	11,059,129	10,371,750	3,370,732	5,509,185	133,006	506,000	30,949,802
Capital Projects fund	-	-	-	-	133,432	-	-	133,432
Nonmajor governmental	16,230	-	-	-	79,015	-	-	95,245
Water fund	760,466	-	-	-	-	-	-	760,466
Sewer fund	926,258	-	-	-	-	-	-	926,258
Gas fund	3,711,041	-	-	-	-	-	-	3,711,041
Internal Service funds	350,000	-	-	-	-	-	-	350,000
Total	<u>5,763,995</u>	<u>11,059,129</u>	<u>10,371,750</u>	<u>3,370,732</u>	<u>5,721,632</u>	<u>133,006</u>	<u>506,000</u>	<u>36,926,244</u>
Reconciliation to exhibits:								
Governmental Funds	Exhibit D	<u>36,287,238</u>	<u>Transfers in:</u>	<u>Transfers out:</u>				
Proprietary Funds	Exhibit E-2	133,006		31,178,479				
Internal Service Funds	Exhibit L-2	506,000		5,397,765				
Total		<u>36,926,244</u>		350,000				
				<u>36,926,244</u>				

## 8. CAPITAL ASSETS

### (a) Primary Government

	Restated Balance July 1, 2017	Increases	Decreases	Balance June 30, 2018
Governmental Activities:				
Capital assets not being depreciated:				
Land and improvements	\$ 18,471,075	\$ -	\$ -	\$ 18,471,075
Infrastructure right of way	3,254,499	-	-	3,254,499
Assets under construction	15,777,614	15,290,407	-	31,068,021
Total capital assets not being depreciated	37,503,188	15,290,407	-	52,793,595
Other capital assets:				
Buildings and improvements	162,594,715	-	-	162,594,715
Vehicles	36,559,385	1,280,162	1,258,247	36,581,300
Furniture and equipment	25,334,331	389,704	167,718	25,556,317
Streets	90,311,509	-	-	90,311,509
Bridges	4,744,266	-	-	4,744,266
Infrastructure	56,446,371	-	-	56,446,371
Total other capital assets at historical cost	375,990,577	1,669,866	1,425,965	376,234,478
Less accumulated depreciation:				
Buildings and improvements	58,547,208	4,160,019	-	62,707,227
Vehicles	26,245,908	3,177,291	1,238,783	28,184,416
Furniture and equipment	21,195,638	718,406	167,718	21,746,326
Streets	46,219,217	1,857,096	-	48,076,313
Bridges	2,072,096	131,900	-	2,203,996
Infrastructure	26,969,046	1,019,613	-	27,988,659
Total accumulated depreciation	181,249,113	11,064,325	1,406,501	190,906,937
Other capital assets, net	194,741,464	(9,394,459)	19,464	185,327,541
Governmental activities capital assets, net	<u>\$ 232,244,652</u>	<u>\$ 5,895,948</u>	<u>\$ 19,464</u>	<u>\$ 238,121,136</u>
	Balance July 1, 2017	Increases	Decreases	Balance June 30, 2018
Business-Type activities:				
Capital assets not being depreciated:				
Land and improvements	\$ 1,921,723	\$ -	\$ -	\$ 1,921,723
Easements	142,325	-	-	142,325
Total capital assets not being depreciated	2,064,048	-	-	2,064,048
Other capital assets:				
Building and improvements	1,877,194	-	-	1,877,194
Vehicles	2,742,810	191,677	28,400	2,906,087
Equipment	2,926,077	-	-	2,926,077
Stormwater drainage	2,701,461	1,111,997	-	3,813,458
Transmission lines and main	120,817,399	6,561,616	-	127,379,015
Total other capital assets at historical cost	131,064,941	7,865,290	28,400	138,901,831
Less accumulated depreciation:				
Building and improvements	1,393,540	26,510	28,400	1,391,650
Vehicles	1,608,367	279,170	-	1,887,537
Equipment	2,314,189	147,788	-	2,461,977
Stormwater drainage	55,646	79,832	-	135,478
Transmission lines and main	46,092,504	2,987,651	-	49,080,155
Total accumulated depreciation	51,464,246	3,520,951	28,400	54,956,797
Other capital assets, net	79,600,695	4,344,339	-	83,945,034
Business-Type activities capital assets, net	<u>\$ 81,664,743</u>	<u>\$ 4,344,339</u>	<u>\$ -</u>	<u>\$ 86,009,082</u>

**(b) School Board Component Unit**

	Balance July 1, 2017	Increases	Decreases	Balance July 1, 2018
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 982,889	\$ -	\$ -	\$ 982,889
Other capital assets:				
Building and improvements	59,473,244	-	-	59,473,244
Vehicles	231,515	-	-	231,515
Furniture and equipment	4,318,526	106,983	67,200	4,358,309
Total other capital assets at historical cost	64,023,285	106,983	67,200	64,063,068
Less accumulated depreciation:				
Building and improvements	34,770,693	1,364,588	-	36,135,281
Vehicles	163,696	15,348	-	179,044
Furniture and equipment	3,717,063	206,250	67,200	3,856,113
Total accumulated depreciation	38,651,452	1,586,186	67,200	40,170,438
Other capital assets, net	25,371,833	(1,479,203)	-	23,892,630
Governmental activities capital assets, net	\$ 26,354,722	\$ (1,479,203)	\$ -	\$ 24,875,519

**(c) Allocation of Depreciation Expense**

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

Governmental activities:	
General government	\$ 1,554,415
Public safety	1,310,620
Community services, including depreciation of general infrastructure assets	3,657,920
Health and welfare	77,801
Parks, recreation and culture	1,129,616
Capital assets held by the City's internal service funds are charged to the various functions based on their usage of the assets	45,334
Education	1,046,317
Conservation and development	2,242,302
Total increase in accumulated depreciation - governmental activities	\$ 11,064,325
Business-Type activities:	
Water	\$ 1,010,379
Sewer	1,026,836
Gas	1,331,446
Stormwater	122,492
Golf course	29,798
Total increase in accumulated depreciation - business-type activities	\$ 3,520,951

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

Instruction and instruction-related service	\$ 935,849
Support services - student based	555,165
Administrative support services	95,172
Total accumulated depreciation	\$ 1,586,186



**(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.

**9. LONG-TERM LIABILITIES**

**(a) City**

At June 30, 2018, 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 Refunding, Series 2009	2.00-5.00	15,875,700	1,094,900
General Improvement, Series 2010	2.00-4.38	9,956,200	5,959,650
General Improvement, Series 2011	2.00-5.00	9,425,000	4,940,000
General Improvement Refunding, Series 2012	1.25-4.50	26,870,300	17,119,500
General Improvement, Series 2013	3.00-4.00	5,610,000	4,200,000
General Improvement Refunding, Series 2014	2.125-5.00	7,130,695	5,283,600
General Improvement Refunding, Series 2015	2.00-5.00	23,068,366	21,163,667
General Improvement Refunding, Series 2016	2.00-5.00	11,125,466	10,339,738
General Improvement Series 2017	5.00	11,140,000	10,580,000
General Improvement Series 2018		4,610,000	4,610,000
Total bonds			<u>\$ 85,291,055</u>
Insurance claims payable			2,656,580
Compensated absences			2,585,116
Net pension liability			73,669,481
Net OPEB liability			<u>39,669,186</u>
Total			<u><u>\$ 203,871,418</u></u> *

\*Amounts exclude unamortized premium amounts on bonds.

Business-Type Activities:

General obligation bonds:

General Improvement Refunding, Series 2009	2.00-5.00	6,494,300	1,150,100
General Improvement, Series 2010	2.00-4.38	4,903,800	2,935,350
General Improvement, Series 2010 (VRA)	2.93	5,030,409	5,540,000
General Improvement, Series 2011	2.00-5.00	8,560,000	3,596,865
General Improvement Refunding, Series 2012	1.25-4.50	7,224,700	4,020,500
General Improvement, Series 2013	3.00-4.00	8,420,000	6,300,000
General Improvement Refunding, Series 2014	2.125-5.00	8,864,304	7,206,401
General Improvement Refunding, Series 2015	2.00-5.00	4,424,331	5,436,333
General Improvement Refunding, Series 2016	2.00-5.00	1,754,534	1,705,262
General Improvement Series 2017	5.00	2,680,000	2,540,000
General Improvement Series 2018	3.00 - 5.00	6,125,000	6,125,000
Total bonds			<u>\$ 46,555,810</u>
Compensated absences			311,945
Net pension liability			8,758,271
Net OPEB liability			<u>4,785,422</u>
Total			<u>\$ 60,411,448 *</u>

The Water, Sewer, Gas and Stormwater Funds are responsible for \$17,475,963; \$25,772,246; \$297,601 and \$3,010,000 respectively, of the Business-Type Activities bonds payable.

\*Amounts exclude unamortized premium amounts on bonds.

**(b) School Board Component Unit**

At June 30, 2018, the School Board's long-term liabilities consisted of:

Compensated absences	\$ 3,243,817
Net pension liability	58,743,720
Net OPEB liability	<u>12,760,000</u>
Total	<u>\$ 74,747,537</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, 2018:

	Balance July 1, 2017	Additions	Refunding	Reductions	Balance June 30, 2018	Due Within One Year
Governmental Activities:						
Bonds payable:						
General obligation bonds	\$ 88,098,432	\$ 4,610,000	\$ -	\$ 7,417,377	\$ 85,291,055	\$ 7,137,004
Unamortized premium	6,110,091	1,181,666	-	-	7,291,757	-
Total bonds payable	<u>94,208,523</u>	<u>5,791,666</u>	<u>-</u>	<u>7,417,377</u>	<u>92,582,812</u>	<u>7,137,004</u>
Compensated absences	2,593,209	303,092	-	311,185	2,585,116	310,214
Net pension liability	77,382,758	-	-	3,713,277	73,669,481	-
Net OPEB liability	42,839,607	-	-	3,170,421	39,669,186	-
Total governmental activities	<u>\$ 217,024,097</u>	<u>\$ 6,094,758</u>	<u>\$ -</u>	<u>\$ 14,612,260</u>	<u>\$ 208,506,595</u>	<u>\$ 7,447,218</u>

Compensated absences are paid by General Fund, Social Services Fund and non-major governmental funds 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.

Net pension liability measurement date is June 30, 2017. The net OPEB liability measurement date is also June 30, 2017.

	Balance July 1, 2017	Additions	Refunding	Reductions	Balance June 30, 2018	Due Within One Year
Business-Type Activities:						
Bonds payable:						
General obligation bonds	\$ 44,022,607	\$ 6,125,000	\$ -	\$ 3,591,797	\$ 46,555,810	\$ 3,027,992
Unamortized premium	2,311,388	559,559	-	697,167	2,173,780	-
Total bonds payable	46,333,995	6,684,559	-	4,288,964	48,729,590	3,027,992
Compensated absences	306,083	27,131	-	36,727	296,487	35,578
Net pension liability	9,151,576	-	-	393,305	8,758,271	-
Net OPEB liability	4,985,577	-	-	200,155	4,785,422	-
Total business-type activities	\$ 60,777,231	\$ 6,711,690	\$ -	\$ 4,919,151	\$ 62,569,770	\$ 3,063,570

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-1.

	Balance July 1, 2017	Additions	Reductions	Balance June 30, 2018	Due within one year
School Board:					
Capital lease payable	\$ 413,860	\$ -	\$ 413,860	\$ -	\$ -
Compensated absences	3,155,391	88,426	-	3,243,817	389,259
Unfunded liability for post-employment medical benefits	571,322	-	571,322	-	-
Net OPEB Liability	12,339,832	420,168	-	12,760,000	
Net pension liability	67,804,541	-	9,060,821	58,743,720	-
Total	\$ 84,284,946	\$ 508,594	\$ 10,046,003	\$ 74,747,537	\$ 389,259

Net pension and OPEB liability measurement date is June 30, 2017.

#### (d) Debt Compliance and Repayment

The governmental activities general obligation and public improvement 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.

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, 2018, the City had a debt limit of \$706,013,970 which is 10% of assessed value of real property and a legal debt margin of \$573,892,929.

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**

On May 15, 2018, the City issued \$10,735,000 principal amount of General Obligation Public Improvement Bonds, Series 2018, at a true interest cost of 2.876%. 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 September 15, 2018, and ending September 15, 2037.

Series 2018 bonds will fund public improvement projects as follows: \$4,610,000 of debt for general government to finance the costs of public improvement capital projects, \$3,595,000 for water improvement projects, \$920,000 for wastewater improvement projects and \$1,610,000 for stormwater improvement projects.

**(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, 2018, \$13,910,000 of defeased bonds remains outstanding.

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

General Obligation Bonds:

Fiscal Year Ending June 30,	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2019	7,137,004	3,044,882	3,627,098	1,559,950
2020	7,091,057	2,846,733	3,658,074	1,492,594
2021	6,800,278	2,570,055	3,553,987	1,350,975
2022	6,674,024	2,287,738	3,215,480	1,216,860
2023 - 2027	30,628,644	7,596,185	15,411,319	4,338,276
2028 - 2032	17,956,448	2,726,047	12,153,452	1,726,844
2033 - 2037	8,773,600	598,773	4,631,400	330,949
2038 - 2042	230,000	3,881	305,000	5,147
Total bonds	<u>\$ 85,291,055</u>	<u>\$ 21,674,294</u>	<u>\$ 46,555,810</u>	<u>\$ 12,021,595</u>

**(h) Other Long-Term Obligations**

On July 1, 2015 the City entered into a four year operating lease with DeLage Landen Public Finance LLC, for the operating lease of 60 electric golf carts and 3 utility golf carts. The terms of the lease call for \$311,445 in total rental payments over the leasing period, including \$25,886 total interest paid. Terms call for 48 monthly payments of \$4,557 with a balloon rental payment due August 1, 2019 of \$92,709. Future year payments are shown below:

Fiscal year	Golf Fund
2019	\$ 54,684
2020	92,709
	<u>\$ 147,393</u>

## 10. CITY OF CHARLOTTESVILLE - DEFINED BENEFIT PLAN – FIDUCIARY INFORMATION

Because the City does not issue a separate financial report of the Defined Benefit Pension Plan, the City must report certain information for the plan as of, and for the year ended, June 30, 2018 which is the most recent measurement date for this plan. This information is disclosed below and in Exhibits F-1 and F-2. Investment information is disclosed in Note 3b to the financial statements.

The City's Defined Benefit Plan is a cost sharing plan which includes employees of the City of Charlottesville, the Jefferson-Madison Regional Library (JRML) and the Charlottesville-Albemarle Convention and Visitors Bureau (CACVB). The amounts below are for the plan as a whole.

*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 and is an irrevocable trust fund. City Council may amend benefits and other plan provisions, and is responsible for the management of plan assets. The Plan does not provide automatic annual increases (COLA) 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, employees hired on *or after* July 1, 2012, and employees hired on *or after* July 1, 2017 have different pension provisions and employee contribution rates as follows:

<u>General Employee Pension Plan – Normal Retirement Benefit</u>			
	Before July 1, 2012	On or after July 1, 2012	On or after July 1, 2017
Normal Retirement Age	Age 65 with 5 years of service	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	Age 60 with 5 years of service Age 60 with 30 years of service
Vesting	5 years of service	5 years of service	5 years of service
Employee Contribution for Pension and OPEB Plans	1% of base salary	3% of base salary	5% 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	Average Final Compensation (AFC) x 1.6% x years of creditable service
Years to Calculate AFC	3 years	5 years	5 years

<u>Public Safety Pension Plan – Normal Retirement Benefit</u>			
	Before July 1, 2012	On or after July 1, 2012	On or after July 1, 2017
Normal Retirement Age	Age 60	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	Age 55 with 5 years of service Age 50 with 25 years of service
Vesting	5 years of service	5 years of service	5 years of service
Employee Contribution for Pension and OPEB Plans	1% of base salary	3% of base salary	5% 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	Average Final Compensation (AFC) x 1.6% x years of creditable service
Years to Calculate AFC	3 years	5 years	5 years

<u>Public Safety Pension Plan – Normal Retirement Benefit</u>			
	Before July 1, 2012	On or after July 1, 2012	On or after July 1, 2017
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.	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, 2018, the date of the most recent actuarial valuation:

	<u>City</u> <u>Members</u>	<u>JMRL</u> <u>Members</u>	<u>CACVB</u> <u>Members</u>
Retirees and beneficiaries currently receiving benefits	591	39	7
Vested terminated employees	412	12	4
Current employees:			
Vested	455	25	1
Nonvested	278	0	2
Total	1,736	76	14

*Contributions.* 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 required to contribute 1% of base pay, (annual covered salary) members hired on or after July 1, 2012 must contribute 3% of base pay, and members hired on or after July 1, 2017 must contribute 5% of base pay for the Pension. The City's contribution rates are actuarially determined and consist of current costs plus amortization of prior service costs. The contribution rates for 2018 are based on the July 1, 2016, actuarial report. The general employee contribution rate for 2018 was 19.72% and the public safety contribution rate was 37.53%.

*Actuarial methods and assumptions.* The actuarial determined contribution (ADC) for the plan was determined as part of the July 1, 2018 actuarial valuation using the following methods and assumptions:

<u>Method</u>	<u>Assumption</u>
Actuarial cost method	Entry Age Normal
Amortization method	Level percent of payroll
Amortization period remaining	20 years
Asset valuation method	4-year smoothed market
Investment return, including inflation	7.5%
Projected salary increases	Range 2.0% - 4.0%
Assumed inflation rate	2.0% per annum, compounded annually
Cost of living adjustment, ad hoc	1% per year

*Mortality rates.* Healthy Lives –RP-2000 table, fully generational, projected with scale AA; Disabled Lives – RP-2000 table, fully generational, projected with scale AA, set forward 5 years for males and females.

*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. The schedule of Defined Benefit Pension Plan investments and annual rate of return are further described in Note 3b.

*Net Pension Liability.* Under GASB 67, the Net Pension Liability is the excess, if any, of the Total Pension Liability over the Fiduciary Net Position. The Total Pension Liability is determined under the Entry Age actuarial cost method. The Net Pension Liability as of June 30, 2018 and June 30, 2017 is as follows:

	<u>June 30, 2018</u>	<u>June 30, 2017</u>
Total Pension Liability	\$ 195,103,526	\$ 186,981,459
Fiduciary Net Position	110,307,442	100,400,439
Net Pension Liability	<u>\$ 84,796,084</u>	<u>\$ 86,581,020</u>
Fiduciary Net Position as a Percentage of Total Pension Liability	56.5%	53.7%

*Sensitivity of the Net Pension Liability to Changes in the Discount Rate.* The table below presents the net pension liability for the City calculated using the discount rate of 7.5%, as well as what it would be at a discount rate 1.00% lower and 1.00% higher.

	<u>1.00% Lower 6.5%</u>	<u>Current Discount Rate: 7.5%</u>	<u>1.00% Higher 8.5%</u>
Net Pension Liability	\$106,365,847	\$84,796,084	\$66,587,413

*Long-term expected rate of return.* The investment return of the trust fund (i.e. total return including both realized and unrealized gains and losses) based on the market value of assets for the fiscal year ended June 30, 2018 was 10.49%. The investment return on the smoothed value of assets (actuarial value of assets) was 8.07%. The expected rate of return was 7.50%. The actuarial value of net assets, which is used to determine the City's contribution rate for the following fiscal year, is determined using a method that is designed to smooth the impact of market fluctuations. Unlike the market value, which immediately reflects all investment gains and losses during the year, the smoothed fair value recognizes annual appreciation and depreciation over a four year period.

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic equity:		
Large Cap	30.0%	4.6%
Mid Cap	12.5%	7.4%
Small Cap	7.5%	6.3%
International equity	10.0%	3.5%
Emerging equity	5.0%	7.9%
Real estate	10.0%	6.4%
Farmland	5.0%	9.6%
Fixed income	20.0%	1.8%
Total	<u>100%</u>	<u>5.0%</u>

## 11. CITY OF CHARLOTTESVILLE - NET PENSION LIABILITY

As described in Note 10, the City offers a Defined Pension plan to certain employees. As permitted by GASB 68, the pension-related assets, liabilities and other financial statement elements recorded in the accompanying basic financial statements for June 30, 2018 are based on a pension plan measurement date of June 30, 2017.

*Membership* in the City's Pension Plan consists of the following at June 30, 2017, the date of the most recent actuarial valuation:

	<u>City Members</u>	<u>JMRL Members</u>	<u>CACVB Members</u>
Retirees and beneficiaries currently receiving benefits	561	36	7
Vested terminated employees	404	11	2
Current employees:			
Vested	465	27	3
Nonvested	268	0	2
Total	<u>1,698</u>	<u>74</u>	<u>14</u>

*Contributions.* The contribution requirements of plan members and the City are described in Note 10. The contribution rates for 2017 are based on the July 1, 2015, actuarial report. The general employee contribution rate for 2017 was 18.43% and the public safety contribution rate was 35.52%.

*Actuarial methods and assumptions.* The actuarial determined contribution (ADC) for the plan was determined as part of the July 1, 2016 actuarial valuation using the following methods and assumptions:

Method	Assumption
Actuarial cost method	Entry Age Normal
Amortization method	Level percent of payroll
Amortization period remaining	20 years
Asset valuation method	4-year smoothed market
Investment return, including inflation	7.5%
Projected salary increases	Range 2.0% - 4.0%
Assumed inflation rate	2.0% per annum, compounded annually
Cost of living adjustment, ad hoc	1% per year

*Mortality rates.* Healthy Lives –RP-2000 table, fully generational, projected with scale AA; Disabled Lives – RP-2000 table, fully generational, projected with scale AA, set forward 5 years for males and females.

*Net pension liability.* The City's net pension liability was measured as of June 30, 2017. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2016, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2017. The following chart is for the plan as a whole. The City's portion of the plan is 95.98%.

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a-b)
Balance at June 30, 2016	\$ 181,372,831	\$ 91,212,734	\$ 90,160,097
Changes for the year:			
Service cost	2,512,981	-	2,512,981
Interest	13,196,843	-	13,196,843
Differences between expected and actual experience	1,889,654	-	1,889,654
Changes of assumptions	(961,615)	-	(961,615)
Contributions - employer	-	7,763,084	(7,763,084)
Contributions - employee	-	329,599	(329,599)
Net investment income	-	12,294,092	(12,294,092)
Benefit payments, including refunds of employee contributions	(11,029,235)	(11,029,235)	-
Other	-	83,757	(83,757)
Administrative expense	-	(253,592)	253,592
Net Changes	5,608,628	9,187,705	(3,579,077)
Balance at June 30, 2017	\$ 186,981,459	\$ 100,400,439	\$ 86,581,020

*Changes in Net Pension Liability per participating entity:*

	City Net Pension Liability	JMRL Net Pension Liability	CACVB Net Pension Liability	All Entities - Net Pension Liability
Balance at June 30, 2016	\$ 86,534,334	\$ 3,255,673	\$ 370,090	\$ 90,160,097
Employer contributions	(7,390,691)	(337,956)	(34,437)	(7,763,084)
Expense	10,976,845	1,061,445	77,569	12,115,859
Change in deferred outflows of resources	(5,532,657)	(76,020)	(17,423)	(5,626,100)
Change in deferred inflows of resources	(2,160,079)	(133,947)	(11,726)	(2,305,752)
Balance at June 30, 2017	\$ 82,427,752	\$ 3,769,195	\$ 384,073	\$ 86,581,020



*Sensitivity of the Net Pension Liability to Changes in the Discount Rate.* The table below presents the net pension liability for the City calculated using the discount rate of 7.5%, as well as what it would be at a discount rate 1.00% lower and 1.00% higher.

	1.00% Lower 6.5%	Current Discount Rate: 7.5%	1.00% Higher 8.5%
Net Pension Liability	\$102,257,785	\$82,427,752	\$65,683,335

Information on the annual money-weighted rate of return for 2018 is found in Note 3b and Exhibit I-1.

*City Changes in deferred inflows and outflows:*

	Deferred Outflows of Resources	Deferred Inflows of Resources
Prior years difference between expected and actual	\$ 3,640,585	\$ -
Prior years changes in proportion and differences between contributions	(57,368)	1,008,886
Prior years impact of change in proportion on beginning NPL	1,104,296	-
Prior years difference between expected and actual investment earnings	2,805,998	7,256,241
Prior years changes in assumptions	13,451,500	-
Prior years amortization	(5,777,286)	(4,122,969)
Current year amortization	(6,850,778)	(2,061,078)
Differences between expected and actual experience	1,471,359	-
Impact of change in proportion on beginning NPL	119,710	890,317
Difference between expected and actual investment earnings	6,614,774	4,274,106
Changes in proportion and difference between employer contribution and proportionate share of contribution	(218,643)	(745,408)
Employer contributions subsequent to the measurement date	9,538,173	-
	<u>\$ 25,842,320</u>	<u>\$ 6,500,095</u>

Deferred outflows of resources amounting to \$9,538,173 resulting from the contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30:	
2019	(2,451,009)
2020	(2,451,009)
2021	(2,451,010)
2022	(2,451,010)
Thereafter	-
Total	<u>\$ (9,804,038)</u>

## 12. 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 ICMA-RC account. There is no employee contribution required. Employees determine how their account balance is invested from a range of available options. DC Plan contributions vest ratably over a three year period. If the employee leaves the city before they are fully vested, part of the account balance may be forfeited. Forfeitures by policy are used to pay plan related expenses. There are no forfeitures reflected in pension expenses during the reporting period and no employer liability is outstanding to ICMA-RC at June 30, 2018.

At June 30, 2018, there were 225 active City employees and a total of 392 participants, including terminated employees enrolled in the DC Plan. During the year, the City contributed a total of \$832,897 for active employees. There is also a separate defined contribution plan for senior management to which the City contributes. For the year ended June 30, 2018, a total of \$695,517 was contributed for 18 active senior management employees. The City contribution rate is 25.89% of eligible compensation.

### 13. CITY OF CHARLOTTESVILLE - OTHER POST EMPLOYMENT BENEFIT (OPEB) FIDUCIARY INFO

*Plan description.* The City administers the OPEB plan, a single-employer plan that provides medical, dental and life insurance coverage for eligible Defined Benefit Pension Plan members that elect to participate, whether they worked for the City, the Jefferson Madison Regional Library (JMRL), or the Charlottesville Albemarle Convention and Visitors Bureau (CACVB). Vested employees who separate service with the City before pension benefits are received are not eligible for OPEB benefits. The plan is open to new entrants. City Council may amend benefits for current and future retirees and is 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.

OPEB Plan Benefits		
	Before July 1, 2012	On or after July 1, 2012
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, 2018, the date of the most recent actuarial valuation:

	City	JMRL	CACVB
Inactive plan members or beneficiaries currently receiving benefit payments	482	39	7
Inactive plan members entitled to but not yet receiving benefit payments	-	-	-
Active plan members	993	25	5
Total	1,475	64	12

*Funding policy.* The contribution requirements for current and future Pension 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. Pension Plan members must pay for family members at their own expense. Surviving spouses of Pension 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.

Defined Contribution Plan senior management is eligible for the same OPEB benefits as Pension Plan members. Defined Contribution 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. The contribution rates for 2018 are based on the July 1, 2016, actuarial report. The general employee contribution rate is 13.03% and the public safety contribution rate is 12.15%.

*Actuarial assumptions.* 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. The mortality rates used were: Healthy Lives–RP-2000 table, fully generational, projected with scale AA; Disabled Lives–RP-2000 table, fully generational, projected with scale AA, set forward 5 years for males and females.

The annual required contribution (ARC) was determined as part of the July 1, 2018 actuarial valuation using the following methods and assumptions:

<u>Method</u>	<u>Assumption</u>
Actuarial cost method	Entry Age Normal
Amortization method	Level percent of payroll
Amortization period	20 years, closed
Asset valuation method	4 year smoothed market
Investment return including inflation	7.5%
Projected salary increases	Range 2.0% - 5.0%
Assumed inflation rate	2.0%
Cost of living adjustment	None
Healthcare cost trend rate	Medical trend 5.0-8.0% Dental trend 5.0%

*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. The schedule of Defined Benefit OPEB Plan investments and annual rate of return are further described in Note 3b.

*Net OPEB Liability.* Under GASB 74, the Net OPEB Liability is the excess, if any, of the Total OPEB Liability over the Fiduciary Net Position. The Total OPEB Liability is determined under the Entry Age actuarial cost method. The Net OPEB Liability as of June 30, 2018 and June 30, 2017 is as follows:

	<u>June 30, 2017</u>	<u>June 30, 2018</u>
Total OPEB Liability	\$ 83,493,234	\$ 85,380,320
Fiduciary Net Position	35,868,205	40,440,821
Net OPEB Liability	<u>\$ 47,625,029</u>	<u>\$ 44,939,499</u>
Fiduciary Net Position as a Percentage of Total OPEB Liability	43.0%	47.4%

*Sensitivity of the Net OPEB Liability to Changes in the Discount Rate.* The liability has been calculated using a 7.5% discount rate. In calculating the Annual Required Contribution, the unfunded liability has been amortized over a period of 25 years (closed) beginning in FY 2016 based on the level percent of payroll method. The table below presents the net OPEB liability for the City calculated using the discount rate of 7.5%, as well as what it would be at a discount rate 1.00% lower and 1.00% higher.

	1.00% Lower 6.5%	Current Discount Rate: 7.5%	1.00% Higher 8.5%
Net OPEB Liability	\$56,135,406	\$44,939,499	\$35,680,599

*Sensitivity of the Net OPEB Liability to Changes in Healthcare Cost Trend Rates* The table below presents the net OPEB liability for the City calculated using the healthcare cost trend rate of 8.0%, as well as what it would be at a discount rate 1.00% lower and 1.00% higher.

	1.00% Lower 7.0%	Current Trend Rate: 8.0%	1.00% Higher 9.0%
Net OPEB Liability	\$36,220,261	\$44,939,499	\$55,532,858

*Long-term expected rate of return.* The investment return of the trust fund (i.e. total return including both realized and unrealized gains and losses) based on the market value of assets for the fiscal year ended June 30, 2017 was 13.71%. The investment return on the smoothed value of assets (actuarial value of assets) was 6.29%. The expected rate of return was 7.50%. The actuarial value of net assets, which is used to determine the City's contribution rate for the following fiscal year, is determined using a method that is designed to smooth the impact of market fluctuations. Unlike the market value, which immediately reflects all investment gains and losses during the year, the smoothed fair value recognizes annual appreciation and depreciation over a four year period.

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic equity:		
Large Cap	30.0%	5.4%
Mid Cap	12.5%	8.0%
Small Cap	7.5%	6.2%
International equity	10.0%	3.4%
Emerging equity	5.0%	5.5%
Real estate	10.0%	6.8%
Farmland	5.0%	9.7%
Fixed income	20.0%	2.3%
Total	100%	4.6%

#### 14. CITY OF CHARLOTTESVILLE - NET OPEB LIABILITY

As described in Note 13, the City administers the OPEB plan. As permitted by GASB 75, the OPEB related assets, liabilities and other financial statement elements recorded in the accompanying basic financial statements for June 30, 2018 are based on a OPEB plan measurement date of June 30, 2017.

Membership in the City's OPEB Plan consists of the following at June 30, 2017, the date of the most recent actuarial valuation:

	City	JMRL	CACVB
Inactive plan members or beneficiaries currently receiving benefit payments	459	36	7
Inactive plan members entitled to but not yet receiving benefit payments	-	-	-
Active plan members	901	94	8
Total	1,360	130	15

*Contributions.* The contribution requirements of plan members and the City are described in Note 13. The contribution rates for 2017 are based on the July 1, 2015, actuarial report. The general employee contribution rate for 2017 was 12.01% and the public safety contribution rate was 10.44%.

*Actuarial assumptions.* 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. The mortality rates used were: Healthy Lives–RP-2000 table, fully generational, projected with scale AA; Disabled Lives–RP-2000 table, fully generational, projected with scale AA, set forward 5 years for males and females.

The annual required contribution (ARC) was determined as part of the July 1, 2016 actuarial valuation using the following methods and assumptions:

<u>Method</u>	<u>Assumption</u>
Actuarial cost method	Entry Age Normal
Amortization method	Level percent of payroll
Amortization period	24 years, at beginning of prior fiscal year
Asset valuation method	Market value of assets
Investment return including inflation	7.5%
Projected salary increases	Varies by age and employer group
Assumed inflation rate	2.0%
Cost of living adjustment	None
Healthcare cost trend rate	Medical trend 5.0-8.0% Dental trend 5.0%

*Mortality rates.* Healthy Lives –RP-2000 table, fully generational, projected with scale AA; Disabled Lives – RP 2000 table, fully generational, projected with scale AA, set forward 5 years for males and females.

*Net OPEB liability.* The City’s net OPEB liability was measured as of June 30, 2017. The total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation performed as of July 1, 2017, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of July 1, 2017. The following chart is for the plan as a whole. The City’s portion of the plan is 93.34%

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a-b)
Balance at June 30, 2016	\$ 80,591,035	\$ 31,179,890	\$ 49,411,145
Changes for the year:			
Service cost	1,310,967	-	1,310,967
Interest	5,972,029	-	5,972,029
Differences between expected and actual experience	169,133	-	169,133
Contributions - employer	-	3,928,227	(3,928,227)
Contributions - employee	-	1,068,293	(1,068,293)
Net investment income	-	4,301,828	(4,301,828)
Benefit payments, including refunds of employee contributions	(4,549,930)	(4,549,930)	-
Administrative expense	-	(60,103)	60,103
Net Changes	2,902,199	4,688,315	(1,786,116)
Balance at June 30, 2017	\$ 83,493,234	\$ 35,868,205	\$ 47,625,029

*Changes in Net OPEB Liability per participating entity:*

	City Net OPEB	JMRL Net OPEB	CACVB Net OPEB	All Entities - Net
	Liability	Liability	Liability	OPEB Liability
Balance at June 30, 2016	\$ 46,544,474	\$ 2,585,102	\$ 281,569	\$ 49,411,145
Employer contributions	(3,666,723)	(239,063)	(22,441)	(3,928,227)
Change in expense	2,896,021	638,318	21,016	3,555,355
Change in deferred outflows of resources	135,320	8,823	828	144,971
Change in deferred inflows of resources	(1,454,484)	(94,829)	(8,902)	(1,558,215)
Balance at June 30, 2017	\$ 44,454,608	\$ 2,898,351	\$ 272,070	\$ 47,625,029

*Sensitivity of the Net OPEB Liability to Changes in the Discount Rate.* The liability has been calculated using a 7.5% discount rate. In calculating the Annual Required Contribution, the unfunded liability has been amortized over a period of 25 years (closed) beginning in FY 2016 based on the level percent of payroll method. The table below presents the net OPEB liability for the City calculated using the discount rate of 7.5%, as well as what it would be at a discount rate 1.00% lower and 1.00% higher.

	1.00% Lower 6.5%	Current Discount Rate: 7.5%	1.00% Higher 8.5%
Net OPEB Liability	\$36,023,469	\$44,454,608	\$54,643,635

*Sensitivity of the Net OPEB Liability to Changes in Healthcare Cost Trend Rates* The table below presents the net OPEB liability for the City calculated using the healthcare cost trend rate of 8.0%, as well as what it would be at a discount rate 1.00% lower and 1.00% higher.

	1.00% Lower 7.0%	Current Trend Rate: 8.0%	1.00% Higher 9.0%
Net OPEB Liability	\$36,450,211	\$44,454,608	\$54,181,742

*City Changes in deferred inflows and outflows:*

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	136,560	-
Impact of change in proportion on beginning NPL	-	422,663
Difference between expected and actual investment earnings	-	1,467,813
and proportionate share of contribution	(1,240)	(435,992)
Employer contributions subsequent to the measurement date	4,947,880	-
	<u>\$ 5,083,200</u>	<u>\$ 1,454,484</u>

Deferred outflows of resources amounting to \$4,947,880 resulting from the contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30:	
2019	(329,791)
2020	(329,791)
2021	(329,791)
2022	(329,791)
Thereafter	-
Total	<u>\$ (1,319,164)</u>

## 15. PENSION OBLIGATIONS – SCHOOL BOARD

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

*Plan Description.* The School Board contributes to the Virginia Retirement System (VRS), a group of qualified defined benefit retirement plans to provide pension benefits for all permanent full-time employees of the School Board. The VRS Plan for employees who are not teachers is an agent-multiple employer defined benefit plan and the VRS Plan for Teachers is a cost-sharing multiple employer defined benefit plan. Both Plans are administered by the Virginia Retirement System (the “System”). The VRS also provided Death and disability benefits. Title 51.1-145 of the *Code of Virginia*, as amended assigns the authority to establish and amend benefit provisions to the General Assembly of Virginia.

### School Board Teachers Cost Sharing Plan

*Plan Description.* All full-time, salaried permanent teachers are automatically enrolled in VRS upon employment. Benefits vest after five years of service credit, and are eligible to retire with an unreduced or reduced benefit when they meet the age and service requirements of the plan. Members can earn one month of service credit for each month they are employed and contributions are deposited into the VRS. Members are eligible to purchase prior public service, active duty military service, certain periods of leave and previously refunded VRS service as credit in their plan.

The retirement benefit for teachers who became members before July 1, 2010 and were vested before January 1, 2013 (Plan 1 members) is based on the average of the highest 36 months of compensation as a covered employee. The retirement benefit for teachers who became members after June 30, 2010, or became vested after December 31, 2012 (Plan 2 members) is based on the average of the highest 60 months of compensation as a covered employee. The retirement multiplier for the creditable service purchased or granted before January 1, 2013 for all employees 1.70%. The retirement multiplier for the creditable service purchased or granted after December 31, 2012 for Plan 2 members is 1.65%. The normal retirement age is 65 for Plan 1 members and Normal Social Security Retirement age for Plan 2 members. Plan 1 members must be 65 and have at least 5 years of creditable service, or age 50 with at least 30 years of creditable service to receive unreduced benefits. Plan 2 members must retire at the Normal Social Security Retirement Age with at least 5 years of creditable service or the sum of their age at retirement plus the years of creditable service equals 90 in order to receive an unreduced benefit. Early retirement age for Plan 1 member is 55 with at least 5 years of creditable service, or 50 with at least 10 years of creditable service. Early retirement age for Plan 2 members is 60 with at least 5 years of creditable service. The Cost of Living Adjustment (the “COLA”) for Plan 1 members matches the first 3% of the Urban Consumers Consumer Price Index plus one half of any excess over 3% up to a maximum COLA of 5%. The COLA for Plan 2 members matches the first 2% with a maximum COLA of 3%.

*Contributions.* Teachers and employers are required to contribute to the retirement plans as provided by Section 51.1-145 of the *Code of Virginia*, as amended. Teachers are required to contribute 5.0% of their compensation toward their retirement. Prior to July 1, 2012, all or part of the 5.0% teacher contribution may have been assumed by the employer. Beginning July 1, 2012, new teachers were required to pay the 5.0% member contribution. In addition, for existing teachers, employers were required to begin making the teacher pay the member contribution. This could be phased in over a period of five years if the employer provided a salary increase equal to the amount of the increase in the teacher-paid member contribution.

The School Board’s contractually required rate for the year ended June 30, 2018 was 16.32% of covered teacher compensation. This rate was based on the actuarially determined rate from an actuarial valuation prepared as of June 30, 2015 and reflects the transfer in June 2015 of \$192,884,000 as an accelerated payback of the deferred contribution in the 2010-12 biennium. The actuarial rate for the School Board plan was 15.68%. This actuarially determined rate, when combined with teacher contributions, was expected to finance the costs of the benefits earned by the employee during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the School Board were \$6,355,218 and \$5,468,504 for the years ended June 30, 2018 and 2017, respectively.

*Pension Liabilities, Pension expense, and Deferred Outflows and Deferred Inflows of Resources Related to Pensions*  
At June 30, 2018, the School Board reported a liability of \$59,082,000 for its proportionate share of the Net Pension Liability. The Net Pension Liability was measured as of June 30, 2017 and the total pension liability used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date. The School Board’s proportion of the Net Pension Liability was based on the School Board’s actuarially determined employer contributions to the Plan

for the year ended June 30, 2017 relative to the total of the actuarially determined employer contributions for all participating teachers. At June 30, 2017 the School Board's proportion was .48042% as compared to .48191% at June 30, 2016.

For the year ended June 30, 2018, the School Board recognized teacher pension expense of \$4,342,000. Since there was a change in the proportionate share between measurement dates, a portion of the pension expense was related to the deferred amounts from changes in proportion and from differences between employer contributions and the proportionate share of the employer contributions.

At June 30, 2018 the School Board reported deferred outflows and deferred inflows of resources related to teacher pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on pension plan investments	\$ -	\$ 2,146,000
Changes in proportion and differences between employer contributions and proportionate share of contributions	1,974,000	768,000
Net difference between expected and actual experience	-	4,184,000
Employer contributions subsequent to the measurement date	6,355,218	-
Total	<u>\$ 8,329,218</u>	<u>\$ 7,098,000</u>

Deferred outflows of resources amounting to \$6,355,218 related to teachers' pensions resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the year ending June 30, 2019. Other amounts reported as deferred outflows and deferred inflows of resources related to teachers' pensions will be recognized in pension expense as follows:

Year Ending June 30:	Deferred Inflows of Resources
2018	2,186,688
2019	159,911
2020	712,383
2021	1,863,985
2022	201,033
Total	<u>\$ 5,124,000</u>

*Actuarial assumptions.* The total pension liability for the teachers' pension was based on an actuarial valuation as of June 30, 2016, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2017:

Actuarial Cost Method	Entry Age Normal
Investment Rate of Return	7.00%, net of pension plan investment expense, including inflation*
Inflation	2.5%
Projected Salary Increases	3.5 – 5.95%

- \* Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GAAP purposes of slightly more than the assumed 7.0%. However, since the difference was minimal, and a more conservative 7.0% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 7.0% to simplify preparation of pension liabilities.

#### *Mortality rates:*

Pre-Retirement – RP-2014 White Collar Employee Rates to age 80, White Collar Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020.



Post-Retirement – RP-2014 White Collar Employee Rates to age 49, White Collar Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males 1% increase compounded from ages 70 to 90; females set back 3 years with 1.5% increase compounded from ages 65 to 70 and 2.0% increase compounded from ages 75 to 90.

Post-Disablement – RP-2014 Disability Mortality Rates projected with scale BB to 2020; 115% of rates for males and females.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the four-year period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Scales	Adjust rates to better match experience
Salary Scale	No change

*Net Pension Liability* The net pension liability (NPL) is calculated separately for each system and represents that particular system's total pension liability determined in accordance with GASB Statement No. 67, less that system's fiduciary net position. As of June 30, 2017, NPL amounts for the VRS Teacher Employee Retirement Plan is as follows (amounts expressed in thousands):

	Teacher Employee Retirement Plan
Total Pension Liability	\$ 45,417,520
Plan Fiduciary Net Position	33,119,546
Employer's Net Pension Liability (Asset)	<u>\$ 12,297,975</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	72.92%

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

Asset Class	Target Allocation	Arithmetic Long-term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return
Public Equity	40.0%	4.54%	1.82%
Fixed Income	15.0%	0.69%	0.10%
Credit Strategies	15.0%	3.96%	0.59%
Real Assets	15.0%	5.76%	0.86%
Private Equity	15.0%	9.53%	1.43%
Total	<u>100.0%</u>		<u>4.80%</u>
Inflation			2.50%
*Expected arithmetic nominal return			<u>7.30%</u>

- \* The above allocation provides a one-year return of 7.30%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 6.83%, including expected inflation of 2.50%.

*Discount Rate.* The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2019, the rate contributed by the County for its retirement plan and the County Public Schools' for the VRS Teacher Retirement Plan will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2019 on, the participating employers are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

*Sensitivity of the School Board's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate*  
The table below presents the proportionate share of the Net Pension Liability for the School Board calculated using the discount rate of 7.00%, as well as what it would be at a discount rate 1.00% lower and 1.00% higher.

	1.00% Lower 6.00%	Current Discount Rate: 7.00%	1.00% Higher 8.00%
Entity's Net Pension Liability	\$88,229,000	\$59,082,000	\$34,971,000

*Pension Plan Fiduciary Net Position.* Detailed information about the pension plan's fiduciary net position is available in the separately issued VRS financial report. That report is available at the VRS website at <http://www.employers.varetire.org/Pdf/publications/valuation-report-2017-gasb68.pdf>. The fiduciary net position has been determined using the flow of economic resources measurement focus and the accrual basis of accounting, which is the same basis that is used by VRS.

## **School Board Non-Professional Pension Plan**

*Plan Description.* All full-time, salaried permanent employees, who are not teachers, are automatically enrolled in VRS upon employment. Benefits vest after five years of service credit, and are eligible to retire with an unreduced or reduced benefit when they meet the age and service requirements of the plan. Members can earn one month of service credit for each month they are employed and contributions are deposited into the VRS. Members are eligible to purchase prior public service, active duty military service, certain periods of leave and previously refunded VRS service as credit in their plan.

The retirement benefit for employees who became members before July 1, 2010 and were vested before January 1, 2013 (Plan 1 members) is based on the average of the highest 36 consecutive months of compensation as a covered employee. The retirement benefit for employees who became members on or after July 1, 2010, or they were not vested as of January 1, 2013 (Plan 2 members) is based on the average of the highest 60 consecutive months of compensation as a covered employee. The retirement multiplier for the creditable service purchased or granted before January 1, 2013 for Plan 1 members is 1.70%. The retirement multiplier for the creditable service purchased or granted prior to January 1, 2013 for Plan 2 members is 1.65%. The normal retirement age is 65 for Plan 1 members and Normal Social Security Retirement age for Plan 2 members. Plan 1 members must be 65 and have at least 5 years of creditable service, or age 50 with at least 30 years of creditable service to receive unreduced benefits. Plan 2 members must retire at the Normal Social Security Retirement Age with at least 5 years of creditable service or the sum of their age at retirement plus the years of creditable service equals 90 in order to receive an unreduced benefit. Early retirement age for Plan 1 members is 55 with at least 5 years, or age 50 with at least 10 years of creditable service. Early retirement age for Plan 2 members is 60 with at least 5 years of creditable service. The Cost of Living Adjustment (the "COLA") for Plan 1 members matches the first 3% increase in the Urban Consumers Consumer Price Index (CPI-U) and half of any additional increase (up to 4%) up to a maximum COLA of 5%. The COLA for Plan 2 members matches the first 2% increase in the CPI-U and half of any additional increase (up to 2%), for a maximum COLA of 3%.

*Employees covered by benefit terms.* The following employees were covered by the benefit terms of the Plan as of the June 30, 2016 actuarial valuation:

Inactive members or beneficiaries currently receiving benefits:	84
Inactive employees entitled to but not yet receiving benefits:	
Vested	2
Non-vested	26
Active elsewhere in VRS	11
Total inactive	39
Active employees:	69
Total covered employees	192

*Contributions.* The Contribution requirement for active employees is governed by Section 51.1-145 of the *Code of Virginia*, as amended, but, may be impacted as a result of funding options provided to political subdivisions by the Virginia General Assembly. Employees are required to contribute 5.0% of their compensation toward their retirement. Prior to July 1, 2012, all or part of the 5.0% member contribution may have been assumed by the employer. Beginning July 1, 2012, new employees were required to pay the 5.0% member contribution. In addition, for existing employees, employers were required to begin making the employee pay the member contribution. This could be phased in over a period of five years if the employer provided a salary increase equal to the amount of the increase in the employee-paid member contribution.

The School Board's contractually required rate for the year ended June 30, 2018 was 8.47% of covered employee compensation. This rate was based on the actuarially determined rate from an actuarial valuation prepared as of June 30, 2016. This rate, when combined with employee contributions, was expected to finance the costs of the benefits earned by the employee during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the school Board were \$89,157 and \$87,859, for the years ended June 30, 2018 and 2017, respectively.

*Net pension liability.* The School Board's net pension liability was measured as of June 30, 2017. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2016, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2017.

*Actuarial assumption.* The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2016, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2017.

Actuarial Cost Method	Entry Age Normal
Investment Rate of Return	7.00%, net if pension plan investment expense, including inflation*
Inflation	2.5%
Projected Salary Increases	3.5 to 5.35%

\* Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GAAP purposes of slightly more than the assumed 7.0%. However, since the difference was minimal, and a more conservative 7.0% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 7.0% to simplify preparation of pension liabilities.

#### *Mortality rates*

Largest 10 – Non-Hazardous Duty: 20% of deaths are assumed to be service related

Pre-Retirement: RP-2014 Employee Rates to age 80, Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020; males 95% of rates; females 105% of rates.

Post-Retirement: RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 3 years; females 1.0% increase compounded from ages 70 to 90.

Post-Disablement: RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years, 110% of rates; females 125% of rates.

All Others (Non 10 Largest) – Non-Hazardous Duty: 15% of deaths are assumed to be service related

Pre-Retirement: RP-2014 Employee Rates to age 80, Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020; males 95% of rates; females 105% of rates.

Post-Retirement: RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 3 years; females 1.0% increase compounded from ages 70 to 90.

Post-Disablement: RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years, 110% of rates; females 125% of rates.

15% of deaths are assumed to be service related.

Pre-Retirement – RP-2014 Employee Rates to age 80, Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020; males 95% of rates; females 105% of rates.

Post-Retirement – RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; mails set forward 3 years; females 1.0% increase compounded from ages 70 to 90.

Post-Disablement – RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years, 110% of rates; females 125% of rates.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Largest 10 – Non-Hazardous Duty:

Mortality Rates (Pre-retirement, postretirement health, and disabled)	Update to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Lowered rates
Salary Scale	No change
Line of Duty Disability	Increase rate from 14% to 20%

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

Mortality Rates (Pre-retirement, postretirement health, and disabled)	Update to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Lowered rates
Salary Scale	No change
Line of Duty Disability	Increase rate from 14% to 15%

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

Asset Class	Target Allocation	Arithmetic Long-term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return
Public Equity	40.0%	4.54%	1.82%
Fixed Income	15.0%	0.69%	0.10%
Credit Strategies	15.0%	3.96%	0.59%
Real Assets	15.0%	5.76%	0.86%
Private Equity	15.0%	9.53%	1.43%
Total	100.0%		4.80%
Inflation			2.50%
*Expected arithmetic nominal return			7.30%

\* The above allocation provides a one-year return of 7.30%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 6.83%, including expected inflation of 2.50%.

*Discount rate.* The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2019, the rate contributed by the County for its retirement plan and the County Public Schools' for the VRS Teacher Retirement Plan will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2019 on, the participating employers are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

#### *Changes in the Net Pension Liability*

	Total Pension Liability (a)	Increase (Decrease) Fiduciary Net Position (b)	Net Pension Liability/(Asset) (a-b)
Balance at June 30, 2016	\$ 10,611,979	\$ 10,342,438	\$ 269,541
Changes for the year:			
Service cost	198,247	-	198,247
Interest	717,771	-	717,771
Changes in assumptions	(66,534)		(66,534)
Differences between expected and actual experience	(51,816)	-	(51,816)
Contributions - employer	-	87,234	(87,234)
Contributions - employee	-	97,046	(97,046)
Net investment income	-	1,229,764	(1,229,764)
Benefit payments, including refunds of employee contributions	(716,215)	(716,215)	-
Administrative expense	-	(7,477)	7,477
Other changes	-	(1,078)	1,078
Net Changes	81,453	689,274	(607,821)
Balances at June 30, 2017	\$ 10,693,432	\$ 11,031,712	\$ (338,280)

*Sensitivity of the Net Pension Liability to Changes in the Discount Rate.* The table below presents the net pension liability for the School Board calculated using the discount rate of 7.00%, as well as what it would be at a discount rate 1.00% lower and 1.00% higher.

	1.00% Lower 6.00%	Current Discount Rate: 7.00%	1.00% Higher 8.00%
Net Pension Liability	\$787,746	\$(338,280)	\$(1,292,344)

*Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions.* For the year ended June 30, 2018 the School Board recognized pension expense of \$(140,939). The School Board reported deferred outflows and deferred inflows of resources related to pensions from the following sources at June 30, 2018:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual experience	\$ -	\$ 100,215
Changes in assumptions	-	41,892
Net difference between projected and actual earnings on plan investments	-	152,112
Employer contributions subsequent to the measurement date	89,157	-
	<u>\$ 89,157</u>	<u>\$ 294,219</u>

Deferred outflows of resources amounting to \$89,157 resulting from the contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	
2019	(219,833)
2020	25,172
2021	5,384
2022	(104,942)
2023	-
Total	<u>\$ (294,219)</u>

## 16. CITY SCHOOL BOARD - OTHER POST EMPLOYMENT BENEFIT (OPEB) LIABILITY

### 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.

Membership in the School's Local OPEB Plan consists of the following at July 1, 2017, the date of the most recent actuarial valuation:

	Local Plan
Inactive plan members or beneficiaries currently receiving benefit payments	18
Inactive plan members entitled to but not yet receiving benefit payments	-
Active plan members	690
Total	<u>708</u>

*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. Employees make no contributions.

*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 mortality rate used was RP-2014 Mortality Table, fully generational with base year 2006, projected using two-dimensional mortality improvement scale MP-2017.

The following assumptions were used in the most recent actuarial report dated July 1, 2017:

<u>Method</u>	<u>Assumption</u>
Actuarial cost method	Entry Age Actuarial Cost Method
Remaining amortization period	27
Asset valuation method	Market Value
Investment return	3.56%
Healthcare cost trend rate	7% FYE 2018 decreasing 0.50% per year to ultimate rate of 5.00%

*Basis of accounting and valuation of investments.* The School's financial statements are prepared on the accrual basis of accounting.

*Net OPEB Liability.* Under GASB 74, the Net OPEB Liability is the excess, if any, of the Total OPEB Liability over the Fiduciary Net Position. The Total OPEB Liability is determined under the Entry Age actuarial cost method. The Net OPEB Liability as of June 30, 2018 and June 30, 2017 is as follows:

	<u>June 30, 2018</u>	<u>June 30, 2017</u>
Total OPEB Liability	\$ 3,539,000	\$ 3,496,000
Fiduciary Net Position	-	-
Net OPEB Liability	<u>\$ 3,539,000</u>	<u>\$ 3,496,000</u>
Fiduciary Net Position as a Percentage of Total OPEB Liability	0.0%	0.0%

*Sensitivity of the Net OPEB Liability to Changes in the Discount Rate.* The liability has been calculated using a 7.5% discount rate. The table below presents the net OPEB liability for the School calculated using the discount rate of 7.5%, as well as what it would be at a discount rate 1.00% lower and 1.00% higher.

	1.00% Lower 6.5%	Current Discount Rate: 7.5%	1.00% Higher 8.5%
Net OPEB Liability	\$3,891,000	\$3,539,000	\$3,220,000

*Sensitivity of the Net OPEB Liability to Changes in Healthcare Cost Trend Rates* The table below presents the net OPEB liability for the School calculated using the healthcare cost trend rate of 8.0%, as well as what it would be at a discount rate 1.00% lower and 1.00% higher.

	1.00% Lower 7.0%	Current Trend Rate: 8.0%	1.00% Higher 9.0%
Net OPEB Liability	\$3,254,000	\$3,539,000	\$3,887,000

## School Board Component Unit – OPEB Liability – Virginia Retirement System Plans

### *Plan Descriptions.*

Group Life Insurance Program All full-time teachers and permanent employees of School division are automatically covered by the VRS Group Life Insurance (GLI) Program upon employment. In addition to the Basic Group Life Insurance Benefit, members are also eligible to elect additional coverage for themselves as well as a spouse or dependent children through the Optional Group Life Insurance Program. For members who elect the optional group life insurance coverage, the insurer bills employers directly for the premiums. Employers deduct these premiums from members' paychecks and pay the premiums to the insurer. Since this is a separate and fully insured program, it is not included as part of the GLI Program OPEB. Specific information for the GLI is available at <https://www.varetire.org/members/benefits/life-insurance/basic-group-life-insurance.asp>

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

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

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

### Group Life Insurance Program

Governed by:	<i>Code of Virginia</i> 51.1-506 and 51.1-508 and may be impacted as a result of funding provided to school divisions and governmental agencies by the Virginia General Assembly.
Total rate:	1.31% of covered employee compensation. Rate allocated 60/40; 0.79% employee and 0.52% employer. Employers may elect to pay all or part of the employee contribution.
June 30, 2018 Contribution	\$187,801
June 30, 2017 Contribution	\$197,859

### Teacher Health Insurance Credit Program

Governed by:	<i>Code of Virginia</i> 51.1-1401(E) and may be impacted as a result of funding provided to school divisions by the Virginia General Assembly.
Total rate:	1.23% of covered employee compensation.
June 30, 2018 Contribution	\$422,309
June 30, 2017 Contribution	\$422,309

*Actuarial methods and assumptions.* Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment rate for GASB purposes of slightly more than the assumed percent above. However, since the difference was minimal, and a more conservative investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be the percent noted above to simplify preparation of OPEB liabilities. Mortality rates used for the various VRS OPEB plans are the same as those used for the actuarial valuations of the VRS pension plans. The mortality rates are discussed in detail at Note 15.



The total OPEB liability was determined using the following assumptions based on an actuarial valuation date of June 30, 2016, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2017:

<u>Method</u>	<u>Assumption</u>
Inflation	2.5%
Salary Increases – General employees	3.5 – 5.35%
Salary Increases – Teachers	3.5 – 5.95%
Healthcare cost trend rates – Under 65	7.75 – 5.00%
Healthcare cost trend rates – 65 and up	5.75 – 5.00%
Investment rate of return – GLI & HIC	7.00%

*Net OPEB Liability.* The net OPEB liabilities represent each program's total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of June 30, 2017, net OPEB liability amounts for the various VRS OPEB programs are as follows (amounts expressed in thousands):

	<u>GLI</u>	<u>HIC</u>
Total OPEB Liability	\$ 2,942,426	\$ 1,364,702
Fiduciary Net Position	1,437,586	96,091
Net OPEB Liability	<u>\$ 1,504,840</u>	<u>\$ 1,268,611</u>
Fiduciary Net Position as a Percentage of Total OPEB Liability	48.9%	7.0%

#### *Long-Term Expected Rate of Return*

#### Group Life Insurance and Health Insurance Credit Programs

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Arithmetic Long-term Expected Rate of Return</u>	<u>Weighted Average Long-Term Expected Rate of Return</u>
Public Equity	40.0%	4.54%	1.82%
Fixed Income	15.0%	0.69%	0.10%
Credit Strategies	15.0%	3.96%	0.59%
Real Assets	15.0%	5.76%	0.86%
Private Equity	15.0%	9.53%	1.43%
Total	<u>100.0%</u>		<u>4.80%</u>
	Inflation		2.50%
	*Expected arithmetic nominal return		<u>7.30%</u>

- \* The above allocation provides a one-year return of 7.30%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 6.83%, including expected inflation of 2.50%.

*Net OPEB Obligation* As permitted by GASB 75, the OPEB related assets, liabilities and other financial statement elements recorded in the accompanying basic financial statements for June 30, 2018 are based on a measurement date of June 30, 2017.

	<b>Group Life Insurance Program</b>	<b>Teacher Health Insurance Credit Program</b>
June 30, 2018 proportionate share of liability:	\$ 3,105,000	\$ 6,116,000
June 20, 2017 proportion	0.21709%	0.48208%
June 30, 2016 proportion	0.21596%	0.48188%
June 30, 2018 expense	\$ 40,000	\$ 501,000

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

At June 30, 2018, the School Board reported deferred outflows of resources and deferred inflows of resources related to GLI and HIC OPEB from the following sources:

<b>Group Life Insurance Program</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ -	\$ 72,000
Change in Assumptions	-	168,000
Net difference between projected and actual earnings on OPEB plan investments	-	123,000
Changes in proportion	26,000	9,000
Employer contributions subsequent to the measurement date	422,309	-
Total	<u>\$ 448,309</u>	<u>\$ 372,000</u>

<b>Teacher Health Insurance Credit Program</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ -	\$ -
Change in Assumptions	-	63,000
Net difference between projected and actual earnings on OPEB plan investments	-	11,000
Changes in proportion	-	-
Employer contributions subsequent to the measurement date	157,801	-
Total	<u>\$ 157,801</u>	<u>\$ 74,000</u>

The deferred outflows of resources related to GLI and HIC OPEB resulting from the School Board's contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows (amounts expressed in thousands):

<b>Group Life Insurance Program</b>		<b>Teacher Health Insurance Credit Program</b>	
<b>Year ending June 30,</b>	<b>Increase (Reduction) to OPEB Expense</b>	<b>Year ending June 30,</b>	<b>Increase (Reduction) to OPEB Expense</b>
2018	\$ (72,000)	2018	\$ (12,275)
2019	(72,000)	2019	(12,275)
2020	(72,000)	2020	(12,275)
2021	(72,000)	2021	(12,267)
2022	(40,000)	2022	(9,508)
Thereafter	(18,000)	Thereafter	(15,400)

### **Discount Rate**

The discount rate used to measure the GLI and HIC OPEB liabilities was 7.00%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Guidance and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate.

Through the fiscal year ending June 30, 2019, the rate contributed by the School Board for the OPEB liabilities will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2019 on, participating employers are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the OPEB plans' fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total OPEB liability.

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

The following presents the net OPEB liabilities of the GLI and Teacher HIC, as well as what the School Board's net OPEB liabilities would be if it were calculated using a discount rate that is one percentage point lower (6.00% HIC; GLI) or one percentage point higher (8.00% HIC; GLI) than the current discount rate:

	<b>1.00% Decrease (6.00%)</b>	<b>Current Discount Rate (7.00%)</b>	<b>1.00% Increase</b>
GLI Net OPEB liability	\$ 4,015,000	\$ 3,105,000	\$ 2,366,000
Teacher HIC Net OPEB liability	6,826,000	6,116,000	5,512,000
Net OPEB liability	<u>\$ 10,841,000</u>	<u>\$ 9,221,000</u>	<u>\$ 7,878,000</u>

### **OPEB Plan Fiduciary Net Position**

Information about the various VRS OPEB plan fiduciary net position is available in the separately issued VRS 2017 Comprehensive Annual Financial Report (CAFR). A copy of the 2017 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2017-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

## **17. 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 \$15,855,458 to the City as a result of this agreement, which is recorded in intergovernmental revenues.

## **18. 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. Beginning in November of 2015, RWSA began charging each locality a fixed monthly amount to cover the debt portion owed by each locality. For the year ended June 30, 2018, the City paid a total of \$13,207,348 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 2018 calendar year and for fiscal year 2018 is \$1,994,931. 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 \$1,817,875 to JMRL for the year ended June 30, 2018. 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, 2017, the City's share of the costs of the Jail was \$4,949,749. Complete, audited financial statements for the Jail can be obtained at their administrative offices at Avon Street Extended, Charlottesville, Virginia 22902.

### **(e) Blue Ridge Juvenile Detention Center**

The City, with Albemarle, Culpeper, Fluvanna and Greene Counties, share the cost of operating a regional Juvenile Detention Commission per an adopted agreement dated July 1, 1999, and amended July 2, 2007. Commission members are appointed by each participating locality, with not locality appointing a majority of Board members. Under the terms of the operating agreements, the participating governments share the costs of

operations and capital based on their respective aggregate percentages of usage during the preceding three years on an annual basis. For the year ended June 30, 2018, the City's share of the costs for the Blue Ridge Juvenile Detention Center (BRJDC) was \$1,082,118. Complete, audited financial statements for the Center can be obtained at the County Office Building, 401 McIntire Road, Charlottesville, Virginia 22902.

**(f) 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, 2018 the City's share of the costs of the Center was \$1,586,942. Complete, audited financial statements for the Center can be obtained at the County Office Building, 401 McIntire Road, Charlottesville, Virginia 22902.

**(g) 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, 2018, the City contributed \$916,039 to the Bureau.

**(h) 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, 2018, the City's share of the Park's operating costs was \$91,277. Complete, audited financial statements for the Park can be obtained at the County Office Building, 401 McIntire Road, Charlottesville, Virginia 22902.

## **19. 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:

Belmont Bridge Steering Committee  
Board of Architectural Review  
Building Code Board of Appeals  
Charlottesville – Albemarle Airport Authority  
Charlottesville – Albemarle Airport Commission  
Charlottesville – Albemarle Child Services Act Community Policy and Management Team  
Charlottesville Economic Development Authority  
Charlottesville Redevelopment and Housing Authority  
Charlottesville Youth Council  
Citizen's Advisory Panel  
Citizen's Transportation Advisory Committee  
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  
 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  
 Streets That Work / Code Audit Steering Committee  
 Thomas Jefferson Planning District Commission  
 Towing Advisory Board  
 Tree Commission  
 Vendor Appeals Board  
 Water Resources Protection Program Advisory Committee

## 20. 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 position balance of \$9,206,067 at June 30, 2018, is a reserve for future extraordinary claims.

Major risks retained by the City include:

- Worker's compensation - \$750,000 per claim for police and fire employees and \$250,000 for all other employees.
- Employee medical care - \$150,000 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>2017-2018</u>	<u>2016-2017</u>
Accrued claims, July 1	\$ 3,199,605	\$ 1,927,598
Add claims incurred during the current fiscal year including changes in estimated claim payable	13,414,424	16,806,886
Less payments on claims	(13,957,449)	(15,534,879)
Accrued claims, June 30	<u>\$ 2,656,580</u>	<u>\$ 3,199,605</u>
Claims or judgments due within one year	\$ 2,527,465	\$ 3,112,930
Claims or judgments due in more than one year	129,115	86,675
Total	<u>\$ 2,656,580</u>	<u>\$ 3,199,605</u>

Public employee dishonesty insurance is provided by the Virginia Municipal League Insurance Program for \$1,000,000 per employee. The policy includes coverage for employee theft and/or dishonesty, including but not limited to forgery, and loss of property, money, and securities. Coverage is for all employees of the City of Charlottesville.

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.

## 21. 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.

## 22. FUND BALANCE/NET POSITION AT JULY 1, 2017 RESTATED

The Capital Projects beginning fund balance was restated due to changes in loan reporting, uncollectible receivables, and overstatement of prior year receivables:

	<u>Capital Projects Fund</u>
Fund Balance as previously reported at June 30, 2017:	\$ 16,953,873
Allowance for liens receivable	(2,960,749)
Overstated receivable due from other government	<u>(88,915)</u>
Fund Balance as restated at June 30, 2017:	<u>\$ 13,904,209</u>

The City implemented the financial reporting provisions of Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The Statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures related to other post-employment benefits. Note disclosure and required supplementary information requirements about OPEB are also addressed. The requirements of this Statement will improve financial reporting by improving accounting and financial reporting by state and local governments for OPEB.

The City restated beginning net position to correct construction in progress completed in prior years, and also to eliminate errors in internal balances between the Governmental and Business-type activities.

The implementation of this Statement and other adjustments resulted in the following restatement of net position:

	Primary Governmental		Component Unit
	Governmental	Business-type	School Board
	Activities	Activities	
Net Position as reported at June 30, 2017	\$ 169,609,689	\$ 52,910,469	\$ (32,900,861)
Implementation of GASB Statement No. 75:			
Net OPEB liability activity	(38,243,350)	(4,634,401)	(12,339,832)
Net OPEB asset	(743,963)	-	-
Allowance for liens receivable	(2,960,749)	-	-
Overstated receivable due from other government	(88,915)	-	-
Construction in progress completed in prior years	(586,000)	-	-
Internal balance correction	2,017,884	(1,856,124)	-
Net Position as restated at June 30, 2017	<u>\$ 129,004,596</u>	<u>\$ 46,419,944</u>	<u>\$ (45,240,693)</u>

### 23. NET POSITION DEFICIT

The Charlottesville School Board had a net position deficit of \$43,586,312 at June 30, 2018. This deficit is due to the long-term net pension and OPEB liabilities.

### 24. CONSTRUCTION AND OTHER SIGNIFICANT COMMITMENTS

At June 30, 2018 the City had several construction contracts and other commitments which are summarized as follows:

Project Name	Contract Amount	Expended To Date	Balance
Hillsdale Drive	\$ 18,068,499	\$ 17,558,119	\$ 510,380
West Main Street	2,203,680	614,260	1,589,420
Belmont Bridge Replacement	1,980,038	1,070,959	909,079
McIntire Railroad Pedestrian Bridge	2,013,387	957,894	1,055,493
Skate Park	2,104,412	1,095,865	1,008,547
CHS Track	2,048,000	970,819	1,077,181
Emmet Streetscape	1,349,458	304,289	1,045,169
Waterline	1,332,540	731,939	600,601
Sewer Rehab Construction	3,762,540	1,910,934	1,851,606
Tonsler Park Splash Pad	1,049,900	997,405	52,495
Sanitary and Storm Sewer Rehab	4,397,808	90,258	4,307,550

### 25. MAJOR UTILITY CUSTOMER IN FISCAL YEAR 2018

The City has one major water and gas customer, the University of Virginia. For the current year, water and gas revenue from this customer was \$1,777,817 and \$1,463,210 respectively, which represents 18.13% of water revenue and 6.42% of gas revenue.



## 26. TAX ABATEMENTS

The Charlottesville Economic Development Authority (CEDA), a component unit, entered into the following agreements in which the authority will issue performance grants to the following entities in an effort to generate jobs and increase commercial real estate revenue to the City of Charlottesville, the primary government. Annually, the City will transfer to the CEDA an amount equal to 50% of the incremental increase in real estate revenue generated by the projects referenced in these agreements. These transfers are made only if the performance criteria have been met as determined by the CEDA, and there are no provisions for recapturing these abatements by the City. These incentives were made to the following entities for the number years and the minimum performance measures indicated:

<b>Agreement Date</b>	<b>Length of Agreement (Years)</b>	<b>Agreement Entity</b>	<b>Minimum Number of Jobs to be Created</b>	<b>Minimum Increase in Real Estate Value</b>
August 9, 2010	5	Waterhouse LLC	215	\$20 Million
June 2, 2011	10	459 Locust Charlottesville LLC	400	\$40 Million

In the fiscal year ended below, the City transferred to the CEDA based on these agreements the following amounts:

<b>Fiscal Year</b>	<b>Amount</b>
2015	\$ 267,000
2016	78,000
2017	342,936
2018	220,483
	<hr/>
	\$ 908,419

To date, these agreements have generated nearly 900 jobs and added \$90 million in real estate value within the City.



## REQUIRED SUPPLEMENTARY INFORMATION

# **CITY OF CHARLOTTESVILLE, VIRGINIA**

## **NOTE TO REQUIRED SUPPLEMENTARY INFORMATION FOR THE YEAR ENDED JUNE 30, 2018**

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### **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.

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 -1 and G-2, respectively.

**SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - BUDGET BASIS  
GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2018**

	Budgeted Amounts		Actual-Budget	Variance
	Original	Final	Basis (see note 1)	Positive (Negative)
REVENUES				
Taxes:				
Real estate	\$ 64,526,658	\$ 64,526,658	\$ 64,685,239	\$ 158,581
Personal property	8,460,000	8,460,000	9,123,709	663,709
Public service corporation	1,350,000	1,350,000	1,373,840	23,840
Penalties and interest on delinquent taxes	350,000	350,000	434,107	84,107
Sales and use	11,900,000	11,900,000	11,619,460	(280,540)
Business license	7,297,465	7,297,465	8,230,107	932,642
Utilities	4,699,842	4,699,842	4,730,782	30,940
Communications	3,030,000	3,030,000	2,927,794	(102,206)
Meals	12,018,750	12,018,750	11,781,447	(237,303)
Lodging	4,970,000	4,970,000	5,151,629	181,629
Franchise	-	-	3,500	3,500
Tax on bank stock	975,000	975,000	1,348,260	373,260
Tax on wills and deeds	550,000	550,000	581,600	31,600
Rolling stock	21,000	21,000	18,380	(2,620)
Short-term rental	32,000	32,000	61,544	29,544
Cigarette	800,000	800,000	666,356	(133,644)
Recordation	203,191	203,191	202,954	(237)
Total taxes	121,183,906	121,183,906	122,940,708	1,756,802
Licenses and permits:				
Vehicle license fees	915,000	915,000	996,246	81,246
Dog licenses	15,000	15,000	11,249	(3,751)
Electrical, heating and mechanical permits	250,000	250,000	238,473	(11,527)
Building and plumbing permits	400,000	400,000	502,240	102,240
Erosion control fees	-	-	34,675	34,675
Sign permits	-	-	9,800	9,800
Other permits	580,500	580,500	927,250	346,750
Total licenses and permits	2,160,500	2,160,500	2,719,933	559,433
Intergovernmental revenues:				
Revenue from Federal government	-	-	7,927	7,927
Revenue from State agencies:				
State highway assistance	4,003,606	4,003,606	4,084,544	80,938
Reimbursement for constitutional officers	1,634,635	1,634,635	1,592,109	(42,526)
Police assistance	2,012,664	2,012,664	2,077,468	64,804
Trailer titling tax	1,200	1,200	1,860	660
PPTRA revenue	3,498,256	3,498,256	3,498,256	-
Other State assistance	166,000	167,999	124,418	(43,581)
Revenue from other local governments:				
Revenue sharing - Albemarle County	15,855,485	15,855,485	15,855,485	-
Fire Department operations	190,000	190,000	191,850	1,850
Juvenile and Domestic Relations Court	122,156	122,156	122,156	-
Court revenue	480,000	480,000	470,482	(9,518)
Circuit Court reimbursement	-	-	35,578	35,578
University of Virginia service charge	38,000	38,000	60,104	22,104
Payment in lieu of taxes - CRHA	33,828	33,828	33,841	13
Other local governments	510,514	510,514	793,198	282,684
Total intergovernmental revenues	28,546,344	28,548,343	28,949,276	400,933

(continued)

**SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - BUDGET BASIS  
GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2018**

	Budgeted Amounts		Actual-Budget	Variance
	Original	Final	Basis (see note 1)	Positive (Negative)
Charges for services:				
Recreation income	1,525,383	1,528,659	1,253,154	(275,505)
Parking meter receipts	20,000	20,000	114,035	94,035
Parking garage revenue	3,121,104	3,121,104	1,238,457	(1,882,647)
Solid waste collection fees	950,000	950,000	1,074,973	124,973
Emergency Medical Services	-	720,000	-	(720,000)
Tax abatement application fees	-	-	1,850	1,850
Other charges for services	1,613,283	2,018,903	1,800,736	(218,167)
Total charges for services	7,229,770	8,358,666	5,483,205	(2,875,461)
Fines:				
Parking fines	450,000	450,000	419,344	(30,656)
Investment earnings	405,000	405,698	553,153	147,455
Miscellaneous revenues:				
Rent	501,888	501,888	556,553	54,665
Proceeds from drug seizures	-	32,272	58,384	26,112
Contributions	11,000	43,683	49,925	6,242
Refund of prior year expenditures	30,000	30,000	671,741	641,741
Indirect cost recovery	125,000	125,000	123,372	(1,628)
Other miscellaneous revenues	358,000	444,499	655,784	211,285
Total miscellaneous revenues	1,025,888	1,177,342	2,115,759	938,417
Total revenues	161,001,408	162,284,455	163,181,378	896,923
<b>EXPENDITURES - CURRENT</b>				
General government:				
Legislative:				
Mayor and Council	304,927	394,712	393,921	791
Reserve for Council	625,000	2,380,459	602,302	1,778,157
First Cities	18,000	18,000	17,868	132
Sister Cities	15,000	67,820	11,419	56,401
Judicial:				
City Circuit Court	829,985	881,984	881,653	331
General District Court	24,421	24,421	23,763	658
Court Services Unit	8,570	8,570	8,533	37
Juvenile and Domestic Relations Court	324,810	325,219	325,219	-
Commonwealth's Attorney	1,177,668	1,225,699	1,040,528	185,171
City Sheriff	1,170,908	1,641,526	1,292,009	349,517
Executive:				
City Manager	1,845,112	2,130,244	1,861,290	268,954
Human Rights Commission	215,789	214,789	182,812	31,977
Citywide Reserve	400,000	1,643,642	777,172	866,470
Legal:				
City Attorney	908,388	944,013	852,551	91,462
Financial administration:				
Commissioner of Revenue	1,316,033	1,348,024	1,348,024	-
Real Estate Assessor	845,331	850,731	819,076	31,655
Treasurer	1,328,936	1,344,070	1,344,070	-
Finance - Administration	1,409,487	1,415,187	1,354,088	61,099
Purchasing	369,037	389,548	389,548	-
Personnel administration:				
Human Resources Department	1,147,400	1,157,274	1,100,273	57,001
Elections:				
Office of the Registrar	584,410	584,410	580,238	4,172
General government buildings and plant:				
Public Works - Administration	1,006,408	1,054,725	845,154	209,571
Custodial	441,923	443,332	454,578	(11,246)
Maintenance	1,365,006	2,700,953	1,970,765	730,188
Total general government	17,682,549	23,189,352	18,476,854	4,712,498

(continued)

**SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - BUDGET BASIS  
GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2018**

	Budgeted Amounts		Actual-Budget Basis (see note 1)	Variance Positive (Negative)
	Original	Final		
Public safety:				
Police protection:				
Police Department	16,450,058	18,306,793	18,285,142	21,651
Drug investigation	176,000	502,152	239,341	262,811
Fire protection:				
Fire Department	11,021,259	12,247,999	12,186,582	61,417
Volunteer Fire Company	22,242	22,242	4,711	17,531
Other protection:				
Contribution - Charlottesville-Albemarle Regional Jail	4,985,696	4,985,696	4,949,749	35,947
Blue Ridge Juvenile Detention Center	1,083,863	1,083,863	1,082,118	1,745
Office of the Magistrate	8,300	8,300	8,210	90
Traffic Engineering	809,377	961,091	875,779	85,312
Contribution - Emergency Communications Center	1,586,942	1,586,942	1,586,942	-
Total public safety	36,143,737	39,705,078	39,218,574	486,504
Community services				
Highways and streets:				
Public Service - Administration	583,307	589,600	499,166	90,434
Streets and sidewalks	3,525,673	3,996,261	3,182,281	813,980
Public Works - Stormwater	254,851	419,035	419,181	(146)
Street lighting	613,931	654,998	654,277	721
Sanitation:				
Refuse collection and disposal	1,884,431	1,933,917	1,754,956	178,961
Contribution to Ivy Landfill	-	181,000	180,264	736
Transportation:				
Contribution to JAUNT	1,130,488	1,130,488	1,130,488	-
Total community services	7,992,681	8,905,299	7,820,613	1,084,686
Health and welfare:				
Health:				
Thomas Jefferson Health Department	544,994	544,994	544,994	-
Region Ten Community Services Board	1,001,865	1,001,865	1,001,865	-
Society for the Prevention of Cruelty to Animals	256,781	258,781	258,781	-
Offender Aid and Restoration	235,343	235,343	235,343	-
Comprehensive Health Investment Project	-	-	-	-
Welfare:				
Tax relief for the elderly	405,000	405,000	374,037	30,963
Rent relief for the elderly	18,000	18,000	17,014	986
Tax relief for the disabled	105,000	153,336	153,336	-
Rent relief for the disabled	180,000	205,371	205,371	-
Stormwater fee assistance program	15,000	15,000	12,824	2,176
Education Extension program	48,749	48,749	39,196	9,553
Contributions to community organizations	2,628,812	2,650,191	2,444,457	205,734
Total health and welfare	5,439,544	5,536,630	5,287,218	249,412

(continued)

**SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - BUDGET BASIS  
GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2018**

	Budgeted Amounts		Actual-Budget	Variance
	Original	Final	Basis (see note 1)	Positive (Negative)
Parks, recreation and culture:				
Culture:				
Contribution to Jefferson - Madison Regional Library	1,817,875	1,817,875	1,817,875	-
Contributions to community organizations	227,620	284,742	153,912	130,830
Contributions to festivals	72,518	69,018	61,487	7,531
Recreation:				
Administration	1,011,449	1,051,537	1,020,409	31,128
Athletics	253,692	245,259	210,555	34,704
Aquatics	1,946,468	2,063,785	2,053,672	10,113
Recreation centers	1,812,216	1,863,262	1,700,078	163,184
Special activities	733,472	907,174	842,012	65,162
Therapeutic programs	354,658	428,258	377,878	50,380
First Tee	-	-	150	(150)
Parks:				
Park maintenance	4,051,354	4,258,004	3,958,794	299,210
Contribution to Towe Park operations	83,384	83,384	91,277	(7,893)
Total parks, recreation and culture	12,364,706	13,072,298	12,288,099	784,199
Education:				
Contribution to School Board component unit	44,699,175	44,699,175	44,699,175	-
School pupil transportation	2,902,777	2,922,710	2,592,657	330,053
School maintenance and energy management	3,683,168	3,810,802	3,754,151	56,651
Piedmont Virginia Community College	11,097	11,097	11,097	-
African American Teaching Fellows	3,938	3,938	3,938	-
Lighthouse Studio	8,321	8,321	8,321	-
Schoolyard Garden	19,200	19,200	19,200	-
Total education	51,327,676	51,475,243	51,088,539	386,704
Conservation and development:				
Economic development:				
Office of Economic Development	692,488	787,015	718,989	68,026
Chamber of Commerce	1,600	1,600	-	1,600
Contribution to Convention and Visitors Bureau	916,039	916,039	916,039	-
Urban redevelopment and housing:				
Parking garages	-	6,455	5,571	884
Parking enterprise	-	2,230,688	852,978	1,377,710
Neighborhood Development Services Department	3,873,475	4,482,720	4,025,981	456,739
Historic Preservation Task Force	5,000	38,198	1,105	37,093
Thomas Jefferson Planning District	91,688	91,688	91,688	-
Albemarle Housing Improvement Program	96,165	96,165	96,165	-
Small Business Development Center	12,000	12,000	12,000	-
Total conservation and development	5,688,455	8,662,568	6,720,516	1,942,052
Other activities				
Virginia Municipal League	16,820	16,820	16,820	-
Employee benefits	2,791,822	1,366,546	841,553	524,993
Corporate training program	35,000	303,099	46,069	257,030
Thomas Jefferson Soil & Water	12,669	12,669	12,669	-
Virginia Institute for Government	2,500	2,500	2,500	-
Alliance for Innovation	2,550	2,550	2,550	-
Rivanna Conservation Alliance	15,000	15,000	15,000	-
National League of Cities	5,000	5,000	-	5,000
Center for Nonprofit Excellence	600	600	600	-
Total other activities	2,881,961	1,724,784	937,761	787,023
Total expenditures - budgetary basis	139,521,309	152,271,252	141,838,174	10,433,078
Less open encumbrances at June 30, 2017	-	-	(1,107,752)	1,107,752
Total expenditures	139,521,309	152,271,252	140,730,422	11,540,830
Revenues over expenditures	21,480,099	10,013,203	22,450,956	12,437,753

(continued)

**SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - BUDGET BASIS  
GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2018**

	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	760,466	760,466	760,466	-
Transfer from Sewer fund	926,258	926,258	926,258	-
Transfer from Gas fund	3,711,041	3,711,041	3,711,041	-
Transfer from Human Services fund	350,000	350,000	350,000	-
Total transfers in:	<u>5,747,765</u>	<u>5,747,765</u>	<u>5,747,765</u>	-
Transfers out:				
Transfer to Capital Projects fund	(5,368,403)	(11,022,129)	(11,022,129)	-
Transfer to Social Services fund	(3,502,777)	(3,502,777)	(3,370,732)	132,045
Transfer to Grants fund	-	(25,374)	(25,374)	-
Transfer to Human Services fund	(572,398)	(672,398)	(672,398)	-
Transfer to Child Services Act fund	(1,917,024)	(2,111,864)	(2,111,864)	-
Transfer to Transit fund	(2,717,468)	(2,717,468)	(2,591,134)	126,334
Transfer to VA Juvenile Community Crime Control Act fund	(108,415)	(108,415)	(108,415)	-
Transfer to Debt Service fund	(10,381,750)	(10,381,750)	(10,371,750)	10,000
Transfer to Golf fund	(133,006)	(133,006)	(133,006)	-
Total transfers out:	<u>(24,701,241)</u>	<u>(30,675,181)</u>	<u>(30,406,802)</u>	268,379
Total other financing sources (uses), net	<u>(18,953,476)</u>	<u>(24,927,416)</u>	<u>(24,659,037)</u>	268,379
Net change in fund balance	<u>\$ 2,526,623</u>	<u>\$ (14,914,213)</u>	(2,208,081)	<u>\$ 12,706,132</u>
Fund Balance - July 1, 2017			47,968,716	
Fund Balance - June 30, 2018			<u>\$ 45,760,635</u>	

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, 2018**

	Budgeted Amounts		Actual	Variance Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Intergovernmental	\$ 9,654,326	\$ 9,747,083	\$ 9,580,901	\$ (166,182)
Charges for services	-	-	46	46
Miscellaneous	-	-	9,998	9,998
Total revenues	9,654,326	9,747,083	9,590,945	(156,138)
<b>EXPENDITURES</b>				
Current:				
Health and welfare	14,086,098	14,191,673	12,919,061	1,272,612
Capital outlay	50,000	50,000	42,756	7,244
Total expenditures - budgetary basis	14,136,098	14,241,673	12,961,817	1,279,856
Less open encumbrances at June 30	-	-	(140)	(140)
Total expenditures	14,136,098	14,241,673	12,961,677	1,279,996
Revenues over (under) expenditures	(4,481,772)	(4,494,590)	(3,370,732)	1,123,858
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	4,481,772	4,494,590	3,370,732	(1,123,858)
Total other financing sources (uses), net	4,481,772	\$ 4,494,590	3,370,732	(1,123,858)
Net change in fund balance	-	-	-	-
<b>FUND BALANCE July 1, 2017</b>	119,698	119,698	119,698	-
<b>FUND BALANCE June 30, 2018</b>	<u>\$ 119,698</u>	<u>\$ 119,698</u>	<u>\$ 119,698</u>	<u>\$ -</u>

## CITY OF CHARLOTTESVILLE, VIRGINIA

## EXHIBIT H-1

**SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS**  
**PENSION PLAN**

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Total Pension Liability					
Service cost	\$ 2,659,173	\$ 2,512,981	\$ 2,500,699	\$ 2,240,673	\$ 2,209,225
Interest	13,594,672	13,196,843	12,850,577	11,096,155	10,715,382
Changes of benefit terms	-	(961,615)	-	-	-
Differences between expected and actual experience	3,517,133	1,889,654	26,647	2,803,443	1,767,216
Changes of assumptions	-	-	-	17,484,857	-
Benefit payments, including refunds of employee contributions	(11,648,911)	(11,029,235)	(10,502,386)	(9,972,849)	(9,269,548)
Net change in total pension liability	8,122,067	5,608,628	4,875,537	23,652,279	5,422,275
Total pension liability - beginning	186,981,459	181,372,831	176,497,294	152,845,015	147,422,740
Total pension liability - ending (a)	195,103,526	186,981,459	181,372,831	176,497,294	152,845,015
Plan fiduciary net position					
Contributions - employer	9,910,900	7,763,084	7,088,275	6,794,772	6,900,872
Contributions - employee	792,561	329,599	342,352	226,903	138,129
Net investment income	10,527,419	12,294,092	(1,546,127)	3,424,127	15,709,061
Benefit payments, including refunds of employee contributions	(11,648,911)	(11,029,235)	(10,502,386)	(9,972,849)	(9,269,548)
Administrative expense	(228,247)	(253,592)	(268,455)	(272,012)	(239,503)
Other	553,281	83,757	-	-	-
Net change in plan fiduciary net position	9,907,003	9,187,705	(4,886,341)	200,941	13,239,011
Plan fiduciary net position - beginning	100,400,439	91,212,734	96,099,075	95,898,134	82,659,123
Plan fiduciary net position - ending	\$ 110,307,442	\$ 100,400,439	\$ 91,212,734	\$ 96,099,075	\$ 95,898,134
Total net pension liability - ending	\$ 84,796,084	\$ 86,581,020	\$ 90,160,097	\$ 80,398,219	\$ 56,946,881
City Portion of Total net pension liability - ending	\$ 81,607,092	\$ 82,427,752	\$ 86,534,334	\$ 77,045,318	\$ 54,763,111
JMRL (Library) Portion of total net pension liability - ending	2,842,652	3,769,195	3,255,673	2,968,515	1,950,754
CACVB (Visitors Bureau) portion of net pension liability - ending	346,340	384,073	370,090	384,386	233,016
	\$ 84,796,084	\$ 86,581,020	\$ 90,160,097	\$ 80,398,219	\$ 56,946,881
Plan fiduciary net position as a percentage of total pension liability	57%	54%	50.29%	54.45%	62.74%
Covered employee payroll	\$ 37,845,597	\$ 36,800,404	\$ 34,820,331	\$ 35,324,742	\$ 34,244,022
Net pension liability as a percentage of covered employee payroll	224%	235%	258.9%	227.6%	166.3%

*Pension liability and related ratios are presented for all pension plan members*

**Benefit changes:** No benefit changes were approved by Charlottesville City Council

**Changes of assumptions:** In 2017 changes were made in the following actuarial assumptions: salary increases for all employees, retirement rates for all employees, turnover rates for all employees, mortality rates for all employees and Social Security wage base and benefit increases. As of June 30, 2015 the City utilizes the entry age actuarial cost method. The unfunded liability has been amortized under a "fresh start" over 20 years as of June 30, 2017.

**Rate of Return:** The annual money-weighted rate of return on pension plan investments, net of plan investment expense, expresses investment performance adjusted for the changing amounts invested as follows:

<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
10.49%	13.71%	-1.80%	3.70%	19.40%

The Pension Plan participants include employees of the Jefferson Madison Regional Library (JMRL) and the Charlottesville Albemarle Convention and Visitors Bureau (CACVB). This schedule of changes in Net Pension Liability is provided for all participants.

Schedule is intended to show information for 10 years. Additional years will be included as they become available.

**SCHEDULE OF PENSION PLAN CONTRIBUTIONS**  
**CITY PENSION PLAN**

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Actuarially determined contribution	\$ 9,910,900	\$ 7,763,084	\$ 6,388,275	\$ 6,094,772	\$ 6,200,872	\$ 5,701,673	\$ 5,890,831
Actual contributions in relation to actuarially determined contribution	9,910,900	7,763,084	7,088,275	6,794,772	6,900,872	5,701,673	5,890,831
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (700,000)</u>	<u>\$ (700,000)</u>	<u>\$ (700,000)</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	37,845,597	\$ 36,800,404	\$ 34,820,331	\$ 35,324,742	\$ 34,244,022	\$ 32,488,161	\$ 32,753,040
Actual contributions as a percentage of covered-employee payroll	26.19%	21.10%	20.36%	19.24%	20.15%	17.55%	17.99%

Schedule is intended to show information for 10 years. Additional years will be included as they become available

The schedule does not include member contributions

Pension liability and related ratios are presented for all pension plan members

Valuation date: Actuarial determined contribution rates are calculated as of June 30, two years prior to the end of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

Actuarial cost method:	Entry age, normal cost
Amortization period:	20 years
Remaining amortization period:	20 years "fresh start" as of June 30, 2017
Asset valuation method:	Market value with a four-year averaging of the difference between actual and expected investment performance
Inflation:	2.00% per annum, compounded annually
Salary increases:	2% to 4%
Investment rate of return:	7.5%
Retirement age:	In the June 30, 2018 actuarial valuation, expected retirement ages of general and public employees were adjusted to more closely reflect actual experience
Mortality:	In the June 30, 2018 actuarial valuation, assumed life expectancies were adjusted as a result of adopting the RP-2000 Healthy Lives Mortality Table, fully generational. In prior years, those assumptions were based on the Unisex Pension - 1984 Table (UP84)

## CITY OF CHARLOTTESVILLE, VIRGINIA

## EXHIBIT H-3

## SCHEDULE OF FUNDING PROGRESS

SCHEDULE OF EMPLOYER CONTRIBUTIONS FOR OTHER POSTEMPLOYMENT BENEFIT PLANS  
FOR THE YEAR ENDED JUNE 30, 2018

Entity Fiscal Year Ended June 30	Actuarially Determined Employer Contribution	Actual Employer Contribution	Contribution Deficiency (Excess)	Employer's Covered Payroll	Contributions as a Percentage of Covered Payroll
2018	\$ 4,919,528	\$ 5,217,817	\$ (298,289)	\$ 37,726,442	13.83%
2017	3,928,227	3,928,227	-	33,346,579	11.78%
2016	5,879,447	5,879,447	-	37,785,649	15.56%
2015	6,065,000	6,065,000	-	34,776,376	17.44%
2014	5,938,060	5,938,060	-	33,970,595	17.48%
2013	5,545,729	5,545,729	-	32,488,161	17.07%
2012	5,048,816	5,048,816	-	32,753,040	15.41%
2011	4,212,393	4,212,393	-	31,268,797	13.47%
2010	3,966,988	3,966,988	-	31,669,127	12.53%
2009	3,806,557	4,477,475	(670,918)	31,968,486	14.01%

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

## CITY OF CHARLOTTESVILLE, VIRGINIA

## EXHIBIT H-4

**SCHEDULE OF CHANGES IN THE NET OPEB LIABILITY AND RELATED RATIOS  
CITY OTHER POST EMPLOYMENT BENEFITS PLAN**

	<u>2018</u>	<u>2017</u>
Total OPEB Liability		
Service cost	\$ 1,369,561	\$ 1,310,967
Interest	6,176,094	5,972,029
Changes of benefit terms	-	-
Differences between expected and actual experience	(628,815)	169,133
Changes in assumptions	-	-
Benefit Payments	(5,029,754)	(4,549,930)
Net change in total OPEB liability	1,887,086	2,902,199
Total OPEB liability - beginning	83,493,234	80,591,035
Total OPEB liability - ending (a)	85,380,320	83,493,234
Plan fiduciary net position		
Contributions - employer	5,217,817	3,928,227
Contributions - employee	1,192,134	1,068,293
Net investment income	3,777,505	4,301,828
Benefit payments, including refunds of employee contributions	(5,029,754)	(4,500,181)
Administrative expense	(81,901)	(88,644)
Other	(503,185)	(21,208)
Net change in plan fiduciary net position	4,572,616	4,688,315
Plan fiduciary net position - beginning	35,868,205	31,179,890
Plan fiduciary net position - ending	\$ 40,440,821	\$ 35,868,205
Total net OPEB liability - ending	\$ 44,939,499	\$ 47,625,029
City Portion of Total net pension liability - ending	42,614,612	\$ 43,033,976
JMRL (Library) Portion of total net pension liability - ending	2,094,514	4,114,803
CACVB (Visitors Bureau) portion of net pension liability - ending	230,373	476,250
	\$ 44,939,499	\$ 47,625,029
Plan fiduciary net position as a percentage of total pension liability	47.37%	42.96%
Covered employee payroll	\$ 37,845,597	\$ 36,800,404
Net OPEB liability as a percentage of covered employee payroll	118.74%	129.41%
<i>OPEB liability and related ratios are presented for all pension plan members</i>		
<i>Benefit changes:</i>	No benefit changes were approved by Charlottesville City Council	
<i>Changes of assumptions:</i>	In 2018 changes were made in the following actuarial assumptions: salary increases for all employees, retirement rates for all employees, turnover rates for all employees, mortality rates for all employees and Social Security wage base and benefit increases. As of June 30, 2015 the City utilizes the entry age actuarial cost method. The unfunded liability has been amortized under a "fresh start" over 20 years as of June 30, 2017.	
<i>Rate of Return:</i>	The annual money-weighted rate of return on OPEB plan investments, net of plan investment expenses expresses investment performance adjusted for the changing amounts invested as follows:	
	<u>2018</u>	<u>2017</u>
	10.49%	13.71%

The OPEB Plan participants include employees of the Jefferson Madison Regional Library (JMRL) and the Charlottesville Albemarle Convention and Visitors Bureau (CACVB). This schedule of changes in Net Pension Liability is provided for all participants.

Schedule is intended to show information for 10 years. Additional years will be included as they become available.



## **SUPPLEMENTARY SECTION**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL - BUDGET BASIS  
CAPITAL PROJECTS FUND  
FOR THE YEAR ENDED JUNE 30, 2018**

	Budgeted Amount		Actual	Variance Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Intergovernmental	\$ 45,731,082	\$ 56,328,052	\$ 7,414,412	\$ (48,913,640)
Charges for services	-	-	3,868	3,868
Miscellaneous	-	181,003	429,526	248,523
Total revenues	45,731,082	56,509,055	7,847,806	(48,661,249)
<b>EXPENDITURES</b>				
Current:				
General government	25,007,421	29,426,338	3,405,020	26,021,318
Public safety	1,123,846	1,399,559	514,360	885,200
Community services	5,138,819	5,190,904	954,966	4,235,939
Parks, recreation and culture	10,663,273	11,059,723	3,490,104	7,569,619
Education	3,514,526	3,772,608	2,090,085	1,682,523
Conservation and development	73,623,053	84,822,628	14,654,587	70,168,041
Gas	115,923	115,923	-	115,923
Departmental services	386,361	385,092	43,795	341,297
Capital outlay	-	-	15,061,186	(15,061,186)
Total expenditures - budgetary basis	119,573,222	136,172,775	40,214,103	95,958,674
Less open encumbrances at June 30	-	-	(15,614,356)	15,614,356
Total expenditures	119,573,222	136,172,775	24,599,747	111,573,030
Revenues over (under) expenditures	(73,842,140)	(79,663,720)	(16,751,941)	(62,911,779)
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	6,492,164	11,685,890	11,059,129	(626,761)
Transfers out	-	-	(133,432)	(133,432)
Issuance of debt	22,610,129	22,610,129	4,610,000	(18,000,129)
Premium on issuance of debt	-	-	420,561	420,561
Total other financing sources (uses), net	29,102,293	34,296,019	15,956,258	(18,339,761)
Net change in fund balance	(44,739,847)	(45,367,701)	(795,683)	(44,572,018)
<b>FUND BALANCE July 1, 2017</b>	13,904,209	13,904,209	13,904,209	-
<b>FUND BALANCE June 30, 2018</b>	<u>\$ (30,835,638)</u>	<u>\$ (31,463,492)</u>	<u>\$ 13,108,526</u>	<u>\$ (44,572,018)</u>

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL - BUDGET BASIS  
DEBT SERVICE FUND  
FOR THE YEAR ENDED JUNE 30, 2018**

	Budgeted Amounts		Actual	Variance Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Intergovernmental	\$ 168,328	\$ 168,328	\$ 156,966	\$ (11,362)
Investment earnings	-	111,973	111,973	-
Total revenues	168,328	280,301	268,939	(11,362)
<b>EXPENDITURES</b>				
General government	150,000	277,910	98,178	179,732
Retirement of principle	6,857,377	7,417,377	7,417,377	-
Interest	2,700,255	3,099,783	3,099,780	3
Total expenditures - budgetary basis	9,707,632	10,795,070	10,615,335	179,735
Less open encumbrances at June 30	-	-	-	-
Total expenditures	9,707,632	10,795,070	10,615,335	179,735
Revenue over (under) expenditures	(9,539,304)	(10,514,769)	(10,346,396)	168,373
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	10,387,400	10,387,400	10,371,750	(15,650)
Total other financing sources (uses), net	10,387,400	10,387,400	10,371,750	(15,650)
Net change in fund balance	848,096	(127,369)	25,354	152,723
<b>FUND BALANCE July 1, 2017</b>	11,880,014	11,880,014	11,880,014	-
<b>FUND BALANCE June 30, 2018</b>	<u>\$ 12,728,110</u>	<u>\$ 11,752,645</u>	<u>\$ 11,905,368</u>	<u>\$ 152,723</u>



## **PENSION TRUST FUNDS**

Pension trust funds are used to account for services provided to the retirees of the City of Charlottesville and its participating agencies. These funds account for retirement benefits of the defined benefit and defined contribution plans. Additionally, these funds account for other post-employment benefits for retirees.

**Retirement Fund** – to account for the costs of pensions paid to retirees, who meet eligibility requirements to receive such funds.

**Post-Retirement Benefits Fund** – to account for the costs of health care, dental and life insurance paid to eligible retirees.

**STATEMENT OF FIDUCIARY NET POSITION**  
**FIDUCIARY FUNDS**  
**JUNE 30, 2018**

	<b>Retirement Fund</b>	<b>Post-Retirement Benefits Fund</b>	<b>Total Pension Trust</b>
<b>ASSETS</b>			
Cash and cash equivalents (note 3b)	\$ 1,643,192	\$ 602,382	\$ 2,245,574
Interest receivable	189,718	69,554	259,272
Investments (note 3b):			
Common stocks	34,152,742	12,521,049	46,673,791
Corporate fixed income securities	7,021,765	2,574,314	9,596,079
Government and agency fixed income securities	12,720,029	4,663,406	17,383,435
Mutual funds:			
Domestic	23,290,565	8,538,769	31,829,334
International	15,595,681	5,717,675	21,313,356
Alternative Investments			
Agriculture	5,026,819	1,842,928	6,869,747
Real estate	10,690,621	3,919,387	14,610,008
Total investments	<u>108,498,222</u>	<u>39,777,528</u>	<u>148,275,750</u>
Total assets	<u>110,331,132</u>	<u>40,449,464</u>	<u>150,780,596</u>
<b>LIABILITIES</b>			
Accounts payable	<u>23,660</u>	<u>8,674</u>	<u>32,334</u>
<b>NET POSITION</b>			
Restricted for pension benefits	110,307,472	-	110,307,472
Restricted for other post employment benefits	-	40,440,790	40,440,790
Total net position	<u>\$ 110,307,472</u>	<u>\$ 40,440,790</u>	<u>\$ 150,748,262</u>

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION**  
**FIDUCIARY FUNDS**  
**YEAR ENDED JUNE 30, 2018**

	<b>Retirement Fund</b>	<b>Post-Retirement Benefits Fund</b>	<b>Pension Trust</b>
<b>ADDITIONS</b>			
Contributions:			
Employer	\$ 9,910,900	\$ 5,217,817	\$ 15,128,717
Plan members	792,561	1,192,134	1,984,695
Total contributions	10,703,461	6,409,951	17,113,412
Investment earnings:			
Net increase in fair value of investments	9,438,623	3,386,775	12,825,398
Interest	640,685	229,935	870,620
Dividends	964,276	346,007	1,310,283
Total investment earnings	11,043,584	3,962,717	15,006,301
Less investment expenses	516,165	185,213	701,378
Net investment earnings	10,527,419	3,777,504	14,304,923
Total additions	21,230,880	10,187,455	31,418,335
<b>DEDUCTIONS</b>			
Pension benefits	11,524,450	-	11,524,450
Refund of plan member contributions	124,461	-	124,461
Other post-retirement benefits	-	5,029,754	5,029,754
Administrative expenses	228,247	81,901	310,148
Total deductions	11,877,158	5,111,655	16,988,813
Increase in net position	9,353,722	5,075,800	14,429,522
Net position - July 1, 2017	100,953,720	35,365,020	136,318,740
Net position - June 30, 2018	\$ 110,307,442	\$ 40,440,820	\$ 150,748,262

## 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.

**Children's 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. This program was previously call Comprehensive Services Act.

**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

COMBINED BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS

AS OF JUNE 30, 2018

	Special Revenue Funds						Permanent Fund	
	CDBG	Grants	Human Services	VJCCCA	CSA	Transit	Cemetery Perpetual Care	Totals
ASSETS								
Cash, cash equivalents and investments	\$ -	\$ 137,426	\$ 1,020,070	\$ 72,198	\$ -	\$ 252,856	\$ 162,382	\$ 1,644,932
Accounts receivable, net	-	-	-	-	10,844	4,899	120	15,863
Due from other governments	9,032	346,913	1,776,734	-	3,125,590	31,113	-	5,289,382
Loans receivable	763,952	992,878	-	-	-	-	-	1,756,830
Total assets	<u>\$ 772,984</u>	<u>\$ 1,477,217</u>	<u>\$ 2,796,804</u>	<u>\$ 72,198</u>	<u>\$ 3,136,434</u>	<u>\$ 288,868</u>	<u>\$ 162,502</u>	<u>\$ 8,707,007</u>
LIABILITIES AND FUND BALANCE								
LIABILITIES								
Accounts payable	\$ -	\$ 177,021	\$ 231,890	\$ -	\$ -	\$ 22,063	\$ -	\$ 430,974
Accrued liabilities	2,680	32,640	145,264	2,043	1,712,745	233,754	-	2,129,126
Due to other governments	763,952	992,878	-	70,155	-	-	-	1,826,985
Due to other funds	6,352	33,339	-	-	1,291,270	-	-	1,330,961
Unearned revenue-other	-	33,658	-	-	-	33,051	-	66,709
Total liabilities	<u>772,984</u>	<u>1,269,536</u>	<u>377,154</u>	<u>72,198</u>	<u>3,004,015</u>	<u>288,868</u>	<u>-</u>	<u>5,784,755</u>
FUND BALANCES								
Nonspendable	-	-	-	-	-	-	162,502	162,502
Restricted	-	207,681	-	-	132,419	-	-	340,100
Assigned	-	-	2,419,650	-	-	-	-	2,419,650
Total fund balance	<u>-</u>	<u>207,681</u>	<u>2,419,650</u>	<u>-</u>	<u>132,419</u>	<u>-</u>	<u>162,502</u>	<u>2,922,252</u>
Total liabilities and fund balance	<u>\$ 772,984</u>	<u>\$ 1,477,217</u>	<u>\$ 2,796,804</u>	<u>\$ 72,198</u>	<u>\$ 3,136,434</u>	<u>\$ 288,868</u>	<u>\$ 162,502</u>	<u>\$ 8,707,007</u>

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS**

**FOR THE YEAR ENDED JUNE 30, 2018**

	Special Revenue Funds						Permanent Fund	Total
	CDBG	Grants	Human Services	VJCCCA	CSA	Transit	Cemetery Perpetual	
<b>REVENUES</b>								
Intergovernmental	\$ 272,623	\$ 2,094,030	\$ 58,300	\$ 274,135	\$ 7,580,735	\$ 5,076,820	\$ -	\$ 15,356,643
Charges for services	-	32,434	5,594,906	-	-	803,454	-	6,430,794
Investment earnings	-	1,438	-	-	-	-	1,497	2,935
Miscellaneous	2,400	27,907	15,030	-	-	113,269	-	158,606
Total revenues	275,023	2,155,809	5,668,236	274,135	7,580,735	5,993,543	1,497	21,948,978
<b>EXPENDITURES</b>								
General government	-	553,500	-	-	-	-	-	553,500
Public safety	-	251,620	-	-	-	-	-	251,620
Community services	-	-	-	-	-	8,528,809	-	8,528,809
Health and welfare	58,207	1,118,865	5,819,214	382,550	9,722,715	-	-	17,101,551
Parks, recreation and culture	-	99,856	-	-	-	-	1,497	101,353
Conservation and development	216,816	276,558	-	-	-	-	-	493,374
Capital outlay	-	-	-	-	-	167,226	-	167,226
Total expenditures	275,023	2,300,399	5,819,214	382,550	9,722,715	8,696,035	1,497	27,197,433
Revenues over (under) expenditures	-	(144,590)	(150,978)	(108,415)	(2,141,980)	(2,702,492)	-	(5,248,455)
<b>OTHER FINANCING SOURCES (USES)</b>								
Transfers in	-	126,463	672,398	108,415	2,111,864	2,702,492	-	5,721,632
Transfers out	-	-	(79,015)	-	-	-	-	(79,015)
Total other financing sources, net	-	126,463	593,383	108,415	2,111,864	2,702,492	-	5,642,617
Net change in fund balance	-	(18,127)	\$ 442,405	-	(30,116)	-	-	394,162
<b>FUND BALANCE - JULY 1, 2017</b>	-	225,808	1,977,245	-	162,535	-	162,502	2,528,090
<b>FUND BALANCE - JUNE 30, 2018</b>	\$ -	\$ 207,681	\$ 2,419,650	\$ -	\$ 132,419	\$ -	\$ 162,502	\$ 2,922,252

**SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
COMMUNITY DEVELOPMENT BLOCK GRANT FUND  
YEAR ENDED JUNE 30, 2018**

	Budgeted Amounts		Actual	Variance Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Intergovernmental	\$ 438,989	\$ 827,037	\$ 272,623	\$ (554,414)
Miscellaneous	-	-	2,400	2,400
Total revenues	438,989	827,037	275,023	(552,014)
<b>EXPENDITURES</b>				
Current:				
Health and welfare	-	59,498	58,207	1,291
Conservation and development	438,989	767,539	228,876	538,663
Total expenditures - budgetary basis	438,989	827,037	287,083	539,954
Less open encumbrances at June 30	-	-	(12,060)	(12,060)
Total expenditures	438,989	827,037	275,023	552,014
Revenues over (under) expenditures	-	-	-	-
Net change in fund balance	-	-	-	-
<b>FUND BALANCE - JULY 1, 2017</b>	-	-	-	-
<b>FUND BALANCE - JUNE 30, 2018</b>	\$ -	\$ -	\$ -	\$ -

**SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
GRANTS FUND**

**YEAR ENDED JUNE 30, 2018**

	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>	<b>Variance Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>REVENUES</b>				
Intergovernmental	\$ 305,350	\$ 2,735,426	\$ 2,094,030	\$ (641,396)
Charges for services	-	17,500	32,434	14,934
Investment earnings	-	-	1,438	1,438
Miscellaneous	-	19,357	27,907	8,550
Total revenues	305,350	2,772,283	2,155,809	(616,474)
<b>EXPENDITURES</b>				
Current:				
General government	24,579	823,957	553,500	270,457
Public safety	174,990	433,743	317,983	115,760
Health and welfare	232,271	1,431,671	1,193,077	238,594
Parks, recreation and culture	5,369	132,869	99,856	33,013
Conservation and development	137,261	369,834	362,306	7,528
Total expenditures - - budgetary basis	574,470	3,192,074	2,526,722	665,352
Less open encumbrances at June 30	-	-	(226,323)	(226,323)
Total expenditures	574,470	3,192,074	2,300,399	891,675
Revenues over (under) expenditures	(269,120)	(419,791)	(144,590)	275,201
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	53,312	203,984	126,463	(77,521)
Transfers out	-	-	-	-
Total other financing sources (uses), net	53,312	203,984	126,463	(77,521)
Net change in fund balance	(215,808)	(215,807)	(18,127)	197,680
<b>FUND BALANCE - JULY 1, 2017</b>	225,808	\$ 225,808	225,808	-
<b>FUND BALANCE - JUNE 30, 2018</b>	\$ 10,000	\$ 10,001	\$ 207,681	\$ 197,680



**SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
HUMAN SERVICES FUND  
FOR THE YEAR ENDED JUNE 30, 2018**

	Budgeted Amounts		Actual	Variance Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Intergovernmental	\$ 84,947	\$ 84,947	\$ 58,300	\$ (26,647)
Charges for services	4,660,850	4,660,850	5,594,906	934,056
Miscellaneous	110,750	120,750	15,030	(105,720)
Total revenues	<u>4,856,547</u>	<u>4,866,547</u>	<u>5,668,236</u>	<u>801,689</u>
<b>EXPENDITURES</b>				
Current:				
Health and welfare	5,530,945	6,140,945	5,824,264	316,681
Total expenditures - budgetary basis	<u>5,530,945</u>	<u>6,140,945</u>	<u>5,824,264</u>	<u>316,681</u>
Less open encumbrances at June 30	-	-	(5,050)	(5,050)
Total expenditures	<u>5,530,945</u>	<u>6,140,945</u>	<u>5,819,214</u>	<u>321,731</u>
Revenues over (under) expenditures	<u>(674,398)</u>	<u>(1,274,398)</u>	<u>(150,978)</u>	<u>1,123,420</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	674,398	1,274,398	672,398	(602,000)
Transfers out	-	-	(79,015)	(79,015)
Total other financing sources (uses), net	<u>674,398</u>	<u>1,274,398</u>	<u>593,383</u>	<u>(681,015)</u>
Net change in fund balance	-	-	442,405	442,405
<b>FUND BALANCE - JULY 1, 2017</b>	<u>1,977,246</u>	<u>1,977,246</u>	<u>1,977,246</u>	<u>-</u>
<b>FUND BALANCE - JUNE 30, 2018</b>	<u>\$ 1,977,246</u>	<u>\$ 1,977,246</u>	<u>\$ 2,419,651</u>	<u>\$ (442,405)</u>

**SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
VJCCCA GRANT FUND  
FOR THE YEAR ENDED JUNE 30, 2018**

	Budget Amounts		Actual	Variance Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Intergovernmental	\$ -	\$ 344,289	\$ 274,135	\$ (70,154)
Total revenues	-	344,289	274,135	(70,154)
<b>EXPENDITURES</b>				
Current:				
Health and welfare	-	452,704	382,550	70,154
Total expenditures - budgetary basis	\$ -	452,704	382,550	70,154
Less open encumbrances at June 30	-	-	-	-
Total expenditures	-	452,704	382,550	70,154
Revenues over (under) expenditures	-	(108,415)	(108,415)	-
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	-	108,415	108,415	-
Total other financing sources (uses), net	-	108,415	108,415	-
Net change in fund balance	-	-	-	-
<b>FUND BALANCE - JULY 1, 2017</b>	-	-	-	-
<b>FUND BALANCE - JUNE 30, 2018</b>	\$ -	\$ -	\$ -	\$ -

**SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
CHILDREN'S SERVICES ACT FUND  
FOR THE YEAR ENDED JUNE 30, 2018**

	Budget Amounts		Actual	Variance Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Intergovernmental	\$ 6,322,432	\$ 6,322,432	\$ 7,580,735	\$ 1,258,303
Total revenues	6,322,432	6,322,432	7,580,735	1,258,303
<b>EXPENDITURES</b>				
Current:				
Health and welfare	8,239,456	8,239,456	9,722,715	(1,483,259)
Total expenditures - budgetary basis	8,239,456	8,239,456	9,722,715	(1,483,259)
Less open encumbrances at June 30	-	-	-	-
Total expenditures	8,239,456	8,239,456	9,722,715	(1,483,259)
Revenues over (under) expenditures	(1,917,024)	(1,917,024)	(2,141,980)	(224,956)
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	1,917,024	1,917,024	2,111,864	194,840
Total other financing sources (uses), net	1,917,024	1,917,024	2,111,864	194,840
Net change in fund balance	-	-	(30,116)	(30,116)
<b>FUND BALANCE - JULY 1, 2017</b>	162,535	162,535	162,535	-
<b>FUND BALANCE - JUNE 30, 2018</b>	<u>\$ 162,535</u>	<u>\$ 162,535</u>	<u>\$ 132,419</u>	<u>\$ (30,116)</u>

**SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
TRANSIT FUND**

**FOR THE YEAR ENDED JUNE 30, 2018**

	Budgeted Amounts		Actual	Variance Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Intergovernmental	\$ 5,015,308	\$ 5,730,502	\$ 5,076,820	\$ (653,682)
Charges for services	982,782	1,007,178	803,454	(203,724)
Miscellaneous	39,882	39,882	113,269	73,387
Total revenues	<u>6,037,972</u>	<u>6,777,562</u>	<u>5,993,543</u>	<u>(784,019)</u>
<b>EXPENDITURES</b>				
Current:				
Community services	8,946,262	9,636,348	8,576,057	1,060,291
Capital outlay	841,067	944,251	788,320	155,930
Total expenditures - budgetary basis	<u>9,787,329</u>	<u>10,580,599</u>	<u>9,364,377</u>	<u>1,216,221</u>
Less open encumbrances at June 30	-	-	(668,342)	(668,342)
Total expenditures	<u>9,787,329</u>	<u>10,580,599</u>	<u>8,696,035</u>	<u>547,879</u>
Revenues over (under) expenditures	<u>(3,749,357)</u>	<u>(3,803,037)</u>	<u>(2,702,492)</u>	<u>(1,100,545)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	3,698,049	3,751,729	2,702,492	(1,049,237)
Total other financing sources (uses), net	<u>3,698,049</u>	<u>3,751,729</u>	<u>2,702,492</u>	<u>(1,049,237)</u>
Net change in fund balance	(51,308)	(51,308)	-	(51,308)
<b>FUND BALANCE - JULY 1, 2017</b>	-	-	-	-
<b>FUND BALANCE - JUNE 30, 2018</b>	<u>\$ (51,308)</u>	<u>\$ (51,308)</u>	<u>\$ -</u>	<u>\$ (51,308)</u>

## 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.

**COMBINING STATEMENT OF NET POSITION  
INTERNAL SERVICE FUNDS**
**JUNE 30, 2018**

	<b>Information Technology</b>	<b>Departmental Services</b>	<b>Warehouse</b>	<b>Risk Management</b>	<b>Total</b>
<b>ASSETS</b>					
Current assets:					
Cash and cash equivalents	\$ 5,318,878	\$ 215,418	\$ 130,861	\$ 11,881,039	\$ 17,546,196
Accounts receivable, net	-	-	19,185	-	19,185
Inventories	-	133,453	482,207	-	615,660
Prepaid expenses	-	-	-	110,936	110,936
Total current assets	<u>5,318,878</u>	<u>348,871</u>	<u>632,253</u>	<u>11,991,975</u>	<u>18,291,977</u>
Noncurrent assets:					
Buildings and improvements	-	48,364	-	-	48,364
Vehicles	-	83,811	-	-	83,811
Equipment	9,108,369	271,559	20,067	-	9,399,995
Accumulated depreciation	(8,932,334)	(402,077)	(13,713)	-	(9,348,124)
Total noncurrent assets	<u>176,035</u>	<u>1,657</u>	<u>6,354</u>	<u>-</u>	<u>184,046</u>
Total assets	<u>5,494,913</u>	<u>350,528</u>	<u>638,607</u>	<u>11,991,975</u>	<u>18,476,023</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>					
Deferred charges-pension	541,188	305,238	44,610	41,846	932,882
Deferred charges-OPEB	103,913	53,634	7,970	7,246	172,763
Total deferred outflows of resources	<u>645,101</u>	<u>358,872</u>	<u>52,580</u>	<u>49,092</u>	<u>1,105,645</u>
<b>LIABILITIES</b>					
Current liabilities:					
Accounts payable	67,831	80,930	25,350	60,683	234,794
Accrued liabilities	98,745	34,651	4,592	2,649,790	2,787,778
Liabilities due in less than one year	6,818	4,052	541	239	11,650
Total current liabilities	<u>173,394</u>	<u>119,633</u>	<u>30,483</u>	<u>2,710,712</u>	<u>3,034,222</u>
Noncurrent liabilities:					
Liabilities due in more than one year	49,997	29,713	3,968	1,756	85,434
Net pension liability	1,547,302	1,032,829	138,443	40,878	2,759,452
Net OPEB liability	940,288	535,072	79,240	71,466	1,626,066
Total noncurrent liabilities	<u>2,537,587</u>	<u>1,597,614</u>	<u>221,651</u>	<u>114,100</u>	<u>4,470,952</u>
Total liabilities	<u>2,710,981</u>	<u>1,717,247</u>	<u>252,134</u>	<u>2,824,812</u>	<u>7,505,174</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Deferred charges-pension	136,156	75,359	11,426	7,821	230,762
Deferred charges-OPEB	28,903	15,667	2,377	2,368	49,315
Total deferred inflows of resources	<u>165,059</u>	<u>91,026</u>	<u>13,803</u>	<u>10,189</u>	<u>280,077</u>
<b>NET POSITION</b>					
Net investment in capital assets	176,035	11,197	6,355	-	193,587
Unrestricted	3,087,938	(1,110,070)	418,895	9,206,066	11,602,829
Total net position	<u>\$ 3,263,973</u>	<u>\$ (1,098,873)</u>	<u>\$ 425,250</u>	<u>\$ 9,206,066</u>	<u>\$ 11,796,416</u>

**COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION**  
**INTERNAL SERVICE FUNDS**

**JUNE 30, 2018**

	<b>Information Technology</b>	<b>Departmental Services</b>	<b>Warehouse</b>	<b>Risk Management</b>	<b>Total</b>
<b>OPERATING REVENUES</b>					
Charges for services	\$ 4,071,161	\$ 2,214,137	\$ 1,118,113	\$ 19,621,751	\$ 27,025,162
Total operating revenues	<u>4,071,161</u>	<u>2,214,137</u>	<u>1,118,113</u>	<u>19,621,751</u>	<u>27,025,162</u>
<b>OPERATING EXPENSES</b>					
Purchases for resale	-	1,144,552	930,105	-	2,074,657
Personnel costs	1,836,393	867,707	102,554	287,306	3,093,960
Materials and supplies	1,127,348	127,271	5,131	3,305	1,263,055
Contractual services and charges	749,388	276,231	58,654	902,299	1,986,572
Depreciation	44,992	343	2,007	-	47,342
Claims incurred	-	-	-	13,845,723	13,845,723
Insurance premiums	-	-	-	2,654,025	2,654,025
Total operating expenses	<u>3,758,121</u>	<u>2,416,104</u>	<u>1,098,451</u>	<u>17,692,658</u>	<u>24,965,334</u>
Operating income (loss)	<u>313,040</u>	<u>(201,967)</u>	<u>19,662</u>	<u>1,929,093</u>	<u>2,059,828</u>
<b>NONOPERATING REVENUES</b>					
Interest income	-	-	-	45,895	45,895
Insurance recovery	-	-	-	36,535	36,535
Total nonoperating revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>82,430</u>	<u>82,430</u>
Profit/(Loss) before transfers	<u>313,040</u>	<u>(201,967)</u>	<u>19,662</u>	<u>2,011,523</u>	<u>2,142,258</u>
Transfers out	-	-	-	(350,000)	(350,000)
Total transfers, net	<u>-</u>	<u>-</u>	<u>-</u>	<u>(350,000)</u>	<u>(350,000)</u>
Change in net position	<u>313,040</u>	<u>(201,967)</u>	<u>19,662</u>	<u>1,661,523</u>	<u>1,792,258</u>
Total net position - July 1, 2017 Restated	<u>2,950,933</u>	<u>(896,906)</u>	<u>405,588</u>	<u>7,544,543</u>	<u>10,004,158</u>
Total net position - June 30, 2018	<u>\$ 3,263,973</u>	<u>\$ (1,098,873)</u>	<u>\$ 425,250</u>	<u>\$ 9,206,066</u>	<u>\$ 11,796,416</u>

**COMBINING STATEMENT OF CASH FLOWS  
INTERNAL SERVICE FUNDS**
**JUNE 30, 2018**

	<b>Information Technology</b>	<b>Departmental Services</b>	<b>Warehouse</b>	<b>Risk Management</b>	<b>Total</b>
<b>OPERATING ACTIVITIES</b>					
Receipts from customers	\$ 4,071,161	\$ 2,214,137	\$ 1,098,928	\$ 20,496,061	\$ 27,880,287
Payments to suppliers	(1,906,563)	(1,542,353)	(964,520)	(18,143,844)	(22,557,280)
Payments to employees	(1,828,402)	(884,700)	(102,534)	(321,090)	(3,136,726)
Net cash provided by (used in) operating activities	<u>336,196</u>	<u>(212,916)</u>	<u>31,874</u>	<u>2,031,127</u>	<u>2,186,281</u>
<b>NONCAPITAL FINANCING ACTIVITIES</b>					
Insurance recovery	-	-	-	36,535	36,535
Transfers out	-	-	-	(350,000)	(350,000)
Net cash provided by (used in) noncapital financing activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>(313,465)</u>	<u>(313,465)</u>
<b>INVESTING ACTIVITIES</b>					
Interest on investments	-	-	-	45,895	45,895
Net cash provided by investing activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>45,895</u>	<u>45,895</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	336,196	(212,916)	31,874	1,763,557	1,918,711
<b>Balances - July 1, 2017</b>	<u>4,982,683</u>	<u>428,334</u>	<u>98,986</u>	<u>10,117,482</u>	<u>15,627,485</u>
<b>Balances - June 30, 2018</b>	<u>\$ 5,318,879</u>	<u>\$ 215,418</u>	<u>\$ 130,860</u>	<u>\$ 11,881,039</u>	<u>\$ 17,546,196</u>
<b>Reconciliation of operating income (loss) to net cash used in operating activities</b>					
Operating income (loss)	313,040	(201,967)	19,662	1,929,093	2,059,828
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:					
Depreciation expense	44,992	343	2,005	-	47,340
(Increase) decrease in accounts receivable	-	-	(19,185)	874,310	855,125
(Increase) decrease in inventories	-	(1,343)	58,675	-	57,332
(Increase) decrease in prepaid expenses	-	-	-	45	45
Increase (decrease) in accounts payable	(29,827)	7,045	(29,303)	(86,251)	(138,336)
Increase (decrease) in accrued liabilities	17,543	(96)	164	(146,087)	(128,476)
Increase (decrease) in compensated absences	11,127	(13,575)	(129)	(208)	(2,785)
Increase (decrease) in insurance claims payable	-	-	-	(541,792)	(541,792)
Net pension liability change for measurement year	22,996	17,659	3,001	4,328	47,984
Net OPEB liability change for measurement year	(43,675)	(20,982)	(3,016)	(2,311)	(69,984)
Net cash provided by (used in) operating activities	<u>\$ 336,196</u>	<u>\$ (212,916)</u>	<u>\$ 31,874</u>	<u>\$ 2,031,127</u>	<u>\$ 2,186,281</u>





**CHARLOTTESVILLE SCHOOL BOARD  
COMPONENT UNIT**

**Financial Statements**

## CITY OF CHARLOTTESVILLE, VIRGINIA

EXHIBIT M-1

**DISCRETELY PRESENTED COMPONENT UNIT - CHARLOTTESVILLE SCHOOL BOARD**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2018**

	<b>Governmental Activities</b>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 8,730,422
Accounts receivable, net	487,714
Due from other governments	2,777,764
Inventories	7,743
Capital assets:	
Land	982,889
Depreciable assets, net	23,892,630
Total assets	<u>36,879,162</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred charges - pension	8,418,375
Deferred charges - OPEB	<u>839,168</u>
<b>LIABILITIES</b>	
Accounts payable	1,090,428
Accrued liabilities	5,897,923
Unearned revenue	186,052
Long-term liabilities	
Amounts due within one year	389,259
Amounts due in more than one year	2,844,416
Net pension liability	58,743,720
Net OPEB liability	<u>12,760,000</u>
Total liabilities	<u>81,911,798</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred credits - pension	7,392,219
Deferred credits - OPEB	<u>419,000</u>
<b>NET POSITION</b>	
Net investment in capital assets:	
Restricted	24,875,519
Unrestricted	1,933,483
	<u>(70,395,314)</u>
Total net position	<u><u>\$ (43,586,312)</u></u>

**DISCRETELY PRESENTED COMPONENT UNIT - CHARLOTTESVILLE SCHOOL BOARD**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2018**

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	\$ 48,055,096	\$ 2,867,281	\$ 9,629,433	\$ -	\$ (35,558,382)
Support services - student based	19,863,514	355,312	-	-	(19,508,202)
Administrative support services	4,342,606	235,114	-	-	(4,107,492)
Total School Board	<u>\$ 72,261,216</u>	<u>\$ 3,457,707</u>	<u>\$ 9,629,433</u>	<u>\$ -</u>	<u>(59,174,075)</u>
<b>General Revenues:</b>					
State aid - formula grants					16,107,498
Payment from City					44,699,175
Interest and investment earnings					<u>21,783</u>
Total general revenues					<u>60,828,456</u>
Change in net position					1,654,381
Net position - July 1, 2017					(32,900,861)
Beginning net OPEB Liability					<u>(12,339,832)</u>
Total Net Position - July 1, 2017, restated					(45,240,693)
Net position - June 30, 2018					<u>\$ (43,586,312)</u>

**DISCRETELY PRESENTED COMPONENT UNIT - CHARLOTTESVILLE SCHOOL BOARD**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**JUNE 30, 2018**

	General Fund	Grant and Other Governmental Funds	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 6,241,296	\$ -	\$ 6,241,296
Accounts receivable, net	484,450	3,264	487,714
Due from other governments	-	2,777,764	2,777,764
Due from other funds	24,474	-	24,474
Inventory of supplies	-	7,743	7,743
Total assets	<u>\$ 6,750,220</u>	<u>\$ 2,788,771</u>	<u>\$ 9,538,991</u>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>Liabilities</b>			
Accounts payable	\$ 1,047,159	\$ 43,269	\$ 1,090,428
Accrued liabilities	4,633,728	732,002	5,365,730
Due to other funds	156,414	24,474	180,888
Unearned revenue	130,509	55,543	186,052
Total liabilities	<u>5,967,810</u>	<u>855,288</u>	<u>6,823,098</u>
<b>Fund Balance</b>			
Nonspendable	-	7,743	7,743
Restricted	-	1,925,740	1,925,740
Unassigned	782,410	-	782,410
Total fund balances	<u>782,410</u>	<u>1,933,483</u>	<u>2,715,893</u>
Total liabilities and fund balances	<u>\$ 6,750,220</u>	<u>\$ 2,788,771</u>	<u>\$ 9,538,991</u>
Total fund balances per Balance Sheet for Governmental Funds			\$ 2,715,893
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.			24,875,519
Other long-term assets are not available to pay current-period expenditures and therefore are deferred in the governmental funds are not included in the fund balance.			
Net deferred inflow and outflows of resources for pension changes			1,026,156
Net deferred inflow and outflows of resources for OPEB changes			420,168
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			2,113,347
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			
Capital lease			10,142
Compensated absences			(3,243,817)
Net pension liability			(58,742,720)
Net OPEB liability			(12,760,000)
Net position of governmental activities			<u>\$ (43,585,312)</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, 2018**

	<b>General Fund</b>	<b>Grant and Other Governmental Funds</b>	<b>Totals</b>
<b>REVENUES</b>			
City contribution (net of contactual services)	\$ 42,226,706	\$ 2,472,469	\$ 44,699,175
Intergovernmental	16,107,498	9,629,433	25,736,931
Charges for services	894,150	492,197	1,386,347
Miscellaneous	235,115	1,836,246	2,071,361
Total revenues	59,463,469	14,430,345	73,893,814
<b>EXPENDITURES</b>			
Current:			
Instruction and instruction related services	48,597,296	-	48,597,296
Support services - student based	6,312,014	13,980,128	20,292,142
Administrative support services	4,397,745	-	4,397,745
Debt Service:			
Principal	-	422,540	422,540
Interest	-	1,463	1,463
Total expenditures	59,307,055	14,404,131	73,711,186
<b>REVENUES OVER EXPENDITURES</b>	156,414	26,214	182,628
Net change in fund balance	156,414	26,214	182,628
<b>FUND BALANCE - JULY 1, 2017</b>	625,996	1,907,269	2,533,265
<b>FUND BALANCE - JUNE 30, 2018</b>	<u>\$ 782,410</u>	<u>\$ 1,933,483</u>	<u>\$ 2,715,893</u>
Net change in fund balances - total governmental funds			\$ 182,628
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)			106,983
City's loss on disposition of capital assets, net of depreciation, for which debt has been repaid			
Depreciation expense			(1,586,186)
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			(88,426)
Change in unfunded liability for postemployment medical benefits			571,321
Change in pension outflows and inflows			(6,820,636)
Change in OPEB outflows and inflows			420,168
Change in net pension liability			9,060,821
Change in net OPEB liability			(420,168)
Governmental funds report the proceeds from the issuance of capital leases as revenue, while the government-wide statements report this as a liability. In addition, the principal payments in the lease are not reflected as an expense on the statement of activities.			
			424,003
The net income of internal service funds is combined with governmental activities on the Statement of Activities			
			(196,127)
Change in net position of governmental activities			<u>\$ 1,654,381</u>

**DISCRETELY PRESENTED COMPONENT UNIT - CHARLOTTESVILLE SCHOOL BOARD**  
**STATEMENT OF NET POSITION**  
**INTERNAL SERVICE FUND**  
**JUNE 30, 2018**

---

	<u>Healthcare</u>
<b>ASSETS</b>	
Cash and cash equivalents	<u>\$ 2,489,126</u>
Total assets	<u>2,489,126</u>
 <b>ACCRUED LIABILITIES</b>	
Accrued liabilities	<u>375,779</u>
Total liabilities	<u>375,779</u>
 <b>NET POSITION</b>	
Unrestricted	<u>2,113,347</u>
Total net position	<u><u>\$ 2,113,347</u></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, 2018**

---

	<u>Healthcare</u>
<b>OPERATING REVENUES</b>	
Charges for services	\$ 7,490,857
Total operating revenues	<u>7,490,857</u>
 <b>OPERATING EXPENSES</b>	
Claims incurred and related charges	<u>7,708,767</u>
Total operating expenses	<u>7,708,767</u>
 Operating income	 <u>(217,910)</u>
 <b>NONOPERATING REVENUES</b>	
Interest income	<u>21,783</u>
 Change in net position	 (196,127)
 Total net position - July 1, 2017	 <u>2,309,474</u>
Total net position - June 30, 2018	<u>\$ 2,113,347</u>

**DISCRETELY PRESENTED COMPONENT UNIT - CHARLOTTESVILLE SCHOOL BOARD**  
**STATEMENT OF CASH FLOWS**  
**INTERNAL SERVICE FUND**  
**FOR THE YEAR ENDED JUNE 30, 2018**

---

	<u>Healthcare</u>
<b>OPERATING ACTIVITIES</b>	
Receipts from customers	\$ 7,490,857
Payments to suppliers	<u>(7,418,233)</u>
Net cash provided by operating activities	<u>72,624</u>
<b>INVESTING ACTIVITIES</b>	
Interest income	<u>21,783</u>
Net cash provided by investing activities	<u>21,783</u>
Net decrease in cash and cash equivalents	94,407
Cash and cash equivalents, July 1, 2017	<u>2,394,719</u>
Cash and cash equivalents, June 30, 2018	<u>\$ 2,489,126</u>
<b>Reconciliation of operating loss to net cash provided by operating activities</b>	
Operating loss	\$ (217,910)
Adjustments to reconcile operating income to net cash used in operating activities:	
Decrease in accrued liabilities	<u>290,534</u>
Net cash provided by operating activities	<u>\$ 72,624</u>





**CHARLOTTESVILLE SCHOOL BOARD  
COMPONENT UNIT**

**Required Supplementary Information**

**SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS**  
**VIRGINIA RETIREMENT SYSTEM (VRS)**  
**SCHOOL BOARD NON PROFESSIONAL EMPLOYEE PENSION PLAN**

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Total Pension Liability				
Service cost	\$ 198,247	\$ 195,809	\$ 196,210	\$ 213,920
Interest	717,771	718,672	713,114	700,933
Changes in benefit terms	-	-	-	-
Differences between expected and actual experience	(51,816)	(226,626)	-	-
Changes of assumptions	(66,534)	-	(853,779)	(748,708)
Benefit payments, including refunds of employee contributions	(716,215)	(685,251)	-	-
Net change in total pension liability	81,453	2,604	55,545	166,145
Total pension liability - beginning	10,611,979	10,609,375	10,553,830	10,387,685
Total pension liability - ending	<u>\$ 10,693,432</u>	<u>\$ 10,611,979</u>	<u>\$ 10,609,375</u>	<u>\$ 10,553,830</u>
Plan fiduciary net position				
Contributions - employer	87,234	171,836	164,445	172,171
Contributions - employee	97,046	100,765	96,590	95,584
Net investment income	1,229,764	174,795	472,412	1,476,650
Benefit payments, including refunds of employee contributions	(716,215)	(685,251)	(732,971)	(748,708)
Administrative expense	(7,477)	(6,745)	(6,848)	(8,295)
Other	(1,078)	(76)	(98)	78
Net change in plan fiduciary net position	689,274	(244,676)	(6,470)	987,480
Plan fiduciary net position - beginning	10,342,438	10,587,114	10,593,584	9,606,104
Plan fiduciary net position - ending	<u>\$ 11,031,712</u>	<u>\$ 10,342,438</u>	<u>\$ 10,587,114</u>	<u>\$ 10,593,584</u>
Total net pension liability - beginning	<u>\$ 269,541</u>	<u>\$ 22,261</u>	<u>\$ (39,754)</u>	<u>\$ 781,581</u>
Total net pension liability - ending	<u>\$ (338,280)</u>	<u>\$ 269,541</u>	<u>\$ 22,261</u>	<u>\$ (39,754)</u>
Plan fiduciary net position as a percentage of total pension liability	-3.16%	2.54%	0.21%	-0.38%
Covered employee payroll	\$ 1,998,410	\$ 2,058,976	\$ 1,972,080	\$ 1,996,131
Net pension liability as a percentage of covered employee payroll	-16.93%	13.09%	1.13%	-1.99%

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

The amounts presented have a measurement date of the previous fiscal year end.

## SCHEDULE OF PENSION PLAN CONTRIBUTIONS

## VIRGINIA RETIREMENT SYSTEM (VRS)

## SCHOOL BOARD NON PROFESSIONAL EMPLOYEE PENSION PLAN

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Actuarially determined contribution	\$ 89,157	\$ 191,048	\$ 277,344	\$ 265,639	\$ 169,072
Contributions in relation to actuarially determined contribution	89,157	184,280	272,601	261,035	267,755
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ 6,768</u>	<u>\$ 4,743</u>	<u>\$ 4,604</u>	<u>\$ (98,683)</u>
Covered-employee payroll	\$ 1,983,725	\$ 1,998,410	\$ 2,058,976	\$ 1,972,080	\$ 1,996,131
Contributions as a percentage of covered-employee payroll	4.49%	9.22%	13.24%	13.24%	13.41%

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

**Changes of benefit terms** – There have been no significant changes to the System benefit provisions since the prior actuarial valuation. A hybrid plan with changes to the defined benefit plan structure and a new defined contribution component were adopted in 2012. The hybrid plan applies to most new employees hired on or after January 1, 2014 and not covered by enhanced hazardous duty benefits. The liabilities presented do not reflect the hybrid plan since it covers new members joining the System after the valuation date of June 30, 2013 and the impact on the liabilities as of the measurement date of June 30, 2014 are minimal.

**Changes of assumptions** – The following changes in actuarial assumptions were made effective June 30, 2013 based on the most recent experience study of the System for the four-year period ending June 30, 2012:

See Note 15 for detailed information on changes to mortality rates for School's pension.

**SCHEDULE OF SCHOOL BOARD'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY**  
**VIRGINIA RETIREMENT SYSTEM (VRS)**  
**SCHOOL BOARD TEACHERS COST SHARING PLAN**

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
School Board's proportion of the Virginia Retirement System net pension liability (asset) (%)	0.4804%	0.4819%	0.4783%	0.4655%
School Board's proportion of the net pension liability (asset) (\$)	\$ 59,082,000	\$ 67,535,000	\$ 60,198,000	\$56,251,000
School Board's covered-employee payroll	\$ 38,057,049	\$ 36,749,269	\$ 35,536,803	\$24,299,798
School Board's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	155.2459%	183.7724%	169.3962%	231.4875%
Plan fiduciary net position as a percentage of the total pension liability	72.92%	68.28%	70.68%	70.88%

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

The amounts presented have a measurement date of the previous fiscal year end.

**SCHEDULE OF PENSION PLAN CONTRIBUTIONS**  
**VIRGINIA RETIREMENT SYSTEM (VRS)**  
**SCHOOL BOARD TEACHERS COST SHARING PLAN**

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Actuarially determined contribution	\$ 6,355,218	\$ 5,579,163	\$ 5,166,947	\$ 6,467,698	\$ 4,422,563
Contributions in relation to actuarially determined contribution	6,355,218	5,579,163	5,166,168	5,156,160	3,969,047
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 779</u>	<u>\$ 1,311,538</u>	<u>\$ 453,516</u>
Covered-employee payroll	\$ 38,941,499	\$ 38,057,049	\$ 36,749,269	\$ 35,536,803	\$ 24,299,798
Contributions as a percentage of covered-employee payroll	16.3%	14.7%	14.1%	14.5%	16.3%

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

**Changes of benefit terms** – There have been no significant changes to the System benefit provisions since the prior actuarial valuation. A hybrid plan with changes to the defined benefit plan structure and a new defined contribution component went into effect in FY 2014. The hybrid plan applies to most new employees hired on or after January 1, 2014 and not covered by enhanced hazardous duty benefits. The liabilities presented do not reflect the hybrid plan since it covers new members joining the System after the valuation date of June 30, 2013. Because of this was a new benefit and the number of participants was small, the impact on the liabilities as of the measurement date of June 30, 2014 are minimal.

**Changes of assumptions** - The following changes in actuarial assumptions were made effective June 30, 2013 based on the most recent experience study of the System for the four-year period ending June 30, 2012:

- Update mortality table
- Adjustments to the rates of service retirement
- Decrease in rates of withdrawals for 3 through 9 years of service
- Decrease in rates of disability
- Reduce rates of salary increase by 0.25% per year

# CITY OF CHARLOTTESVILLE, VIRGINIA

## EXHIBIT N-5

### SCHOOL BOARD SCHEDULE OF FUNDING PROGRESS

### SCHEDULE OF EMPLOYER CONTRIBUTIONS FOR OTHER POSTEMPLOYMENT BENEFIT PLANS FOR THE YEAR ENDED JUNE 30, 2018

Entity Fiscal Year Ended June 30	Contractually Required Contribution	Contributions in Relation to Contractually Required Contribution	Contribution Deficiency (Excess)	Employer's Covered Payroll	Contributions as a Percentage of Covered Payroll
<b>Virginia Retirement System - Health Insurance Credit - Teachers</b>					
2018	\$ 479,003	\$ 479,003	\$ -	\$ 38,943,365	1.23%
<b>Virginia Retirement System - Group Life Insurance - General Employees</b>					
2018	\$ 202,506	\$ 202,506	\$ -	\$ 38,943,365	0.52%
<b>Virginia Retirement System - Group Life Insurance - Schools</b>					
2018	\$ 226,000	\$ 226,000	\$ -	\$ 36,995,000	0.61%

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

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

## CITY OF CHARLOTTESVILLE, VIRGINIA

## EXHIBIT N-6

## SCHOOL BOARD SCHEDULE OF FUNDING PROGRESS

SCHEDULE OF EMPLOYER CONTRIBUTIONS FOR OTHER POSTEMPLOYMENT BENEFIT PLANS  
FOR THE YEAR ENDED JUNE 30, 2018

Entity Fiscal Year Ended June 30	Employer's Proportion of the Net OPEB Liability (Asset)	Employer's Proportionate Share of the Net OPEB Liability (Asset)	Employer's Covered Payroll	Employer's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability
<b>Virginia Retirement System - Health Insurance Credit - Teachers</b>					
2018	0.48208%	\$ 6,116,000	\$ 38,943,365	15.70%	7.04%
<b>Virginia Retirement System - Group Life Insurance - General Employees</b>					
2018	0.20628%	3,105,000	\$ 38,943,365	7.97%	48.86%
<b>Local - Schools</b>					
2018	100.00%	3,539,000	\$ 36,995,000	9.57%	100.00%

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

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

## CITY OF CHARLOTTESVILLE, VIRGINIA

## EXHIBIT N-7

**SCHEDULE OF CHANGES IN THE NET OPEB LIABILITY AND RELATED RATIOS  
SCHOOL BOARD LOCAL OPEB PLAN**

	<u>2017</u>
Total OPEB Liability	
Service cost	\$ 144,000
Interest	125,000
Differences between expected and actual experience	-
Changes of assumptions	-
Benefit payments, including refunds of employee contributions	(226,000)
Net change in total OPEB liability	<u>43,000</u>
Total OPEB liability - beginning	3,496,000
Total OPEB liability - ending	<u><u>\$ 3,539,000</u></u>
Plan fiduciary net position	
Contributions - employer	226,000
Contributions - employee	-
Net investment income	-
Benefit payments, including refunds of employee contributions	(226,000)
Administrative expense	-
Other	-
Net change in plan fiduciary net position	<u>-</u>
Plan fiduciary net position - beginning	-
Plan fiduciary net position - ending	<u><u>\$ -</u></u>
Total net OPEB liability - beginning	<u>\$ -</u>
Total net OPEB liability - ending	<u><u>\$ 3,539,000</u></u>
Plan fiduciary net position as a percentage of total OPEB liability	100.00%
Covered employee payroll	\$ 36,995,000
Net OPEB liability as a percentage of covered employee payroll	9.57%

Schedule is intended to show information for 10 years. Since 2017 is the first year for this presentation, no other data is available. However, additional years will be included as they become available.

The amounts presented have a measurement date of the previous fiscal year end.





## 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 1 - 4**

These schedules show comparative information about how the City's financial performance has changed over time.

#### **Revenue Capacity**

**Tables 5 - 10**

These schedules show the City's significant local revenue sources and how they have changed over time.

#### **Debt Capacity**

**Tables 11 - 14**

These schedules demonstrate the affordability of the City's outstanding debt along with the City's ability to issue additional debt in the future.

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

**Tables 15 - 17**

These schedules show the some of the economic and demographic trends that affect the financial health of the City.

#### **Operating Information**

**Tables 18 - 20**

These schedules contain service and infrastructure data to show some of 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 1

NET POSITION BY COMPONENT  
LAST TEN FISCAL YEARS

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Governmental activities:										
Net investment in capital assets	\$ 147,349,262	\$ 129,422,307	\$ 138,310,542	\$ 132,554,513	\$ 139,313,423	\$ 105,462,444	\$ 122,164,890	\$ 116,844,116	\$ 133,087,240	\$ 117,881,979
Restricted For:										
Expendable	340,099	378,342	1,097,425	2,200,311	2,441,436	2,191,647	6,402,164	10,000	10,000	10,000
Nonexpendable	184,504	5,663,251	4,891,126	162,501	162,501	162,501	162,501	162,501	162,501	162,501
Unrestricted	(10,616,958)	34,145,789	11,167,288	23,465,667	67,085,400	85,110,590	60,401,741	72,528,272	66,615,278	62,894,787
Total governmental activities net position	\$ 137,256,907	\$ 169,609,689	\$ 155,466,381	\$ 158,382,992	\$ 209,002,760	\$ 192,927,182	\$ 189,131,296	\$ 189,544,889	\$ 199,875,019	\$ 180,949,267
Business-type activities:										
Net investment in capital assets	\$ 41,719,356	\$ 33,246,970	\$ 28,416,350	\$ 26,407,757	\$ 25,036,215	\$ 37,760,064	\$ 21,862,917	\$ 21,900,131	\$ 21,576,238	\$ 20,928,347
Restricted-expendable	-	-	-	-	-	-	-	27,817	-	-
Unrestricted	5,800,462	19,663,499	24,816,588	21,070,253	25,377,815	11,374,395	24,882,257	24,327,004	22,368,111	21,883,741
Total business-type activities net position	\$ 47,519,818	\$ 52,910,469	\$ 53,232,938	\$ 47,478,010	\$ 50,414,030	\$ 49,134,459	\$ 46,745,174	\$ 46,254,952	\$ 43,944,349	\$ 42,812,088
Primary Government:										
Net investment in capital assets	\$ 189,068,618	\$ 162,669,277	\$ 166,726,892	\$ 158,962,270	\$ 164,349,638	\$ 143,222,508	\$ 144,027,807	\$ 138,744,247	\$ 154,663,478	\$ 138,810,326
Restricted For:										
Expendable	340,099	378,342	1,097,425	2,200,311	2,441,436	2,191,647	6,402,164	37,817	10,000	10,000
Nonexpendable	184,504	5,663,251	4,891,126	162,501	162,501	162,501	162,501	162,501	162,501	162,501
Unrestricted	(4,816,496)	53,809,288	35,983,876	44,535,920	92,463,215	96,484,985	85,283,998	96,855,276	88,983,389	84,778,528
Total primary government net position	\$ 184,776,725	\$ 222,520,158	\$ 208,699,319	\$ 205,861,002	\$ 259,416,790	\$ 242,061,641	\$ 235,876,470	\$ 235,799,841	\$ 243,819,368	\$ 223,761,355

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

Schedule prepared using the accrual basis of accounting

**CHANGES IN NET POSITION  
LAST TEN FISCAL YEARS**

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
<b>Expenses</b>										
Governmental activities:										
General government	\$ 21,921,172	\$ 25,116,791	\$ 27,127,026	\$ 26,796,174	\$ 24,270,356	\$ 23,535,445	\$ 22,483,608	\$ 23,634,491	\$ 20,411,765	\$ 25,817,176
Public safety	39,334,221	45,118,838	38,827,913	33,615,196	33,358,970	32,597,684	32,258,520	30,545,681	30,547,357	30,527,165
Community services	19,938,224	25,259,071	23,003,605	22,323,559	20,704,251	20,052,677	23,670,432	22,348,563	21,293,487	20,577,112
Health and welfare	34,893,670	37,155,165	31,493,206	31,115,213	29,785,968	30,274,966	30,034,547	30,820,530	31,358,502	30,161,585
Parks, recreation and culture	13,476,760	17,120,453	13,868,610	12,782,459	12,666,217	12,368,616	11,256,003	10,053,398	9,546,796	9,561,694
Education	52,237,967	52,714,685	50,053,416	52,968,559	45,368,328	51,677,155	42,460,291	57,974,958	41,990,709	41,558,411
Conservation and development	15,142,115	12,626,012	10,244,623	9,501,823	8,870,158	10,373,102	14,171,433	7,743,918	6,985,191	8,588,251
Interest on long-term debt	3,705,543	1,746,162	2,465,754	3,604,179	2,241,591	2,359,980	5,100,955	2,733,665	2,454,390	2,235,928
Total governmental activities	200,649,672	216,857,177	197,084,153	192,707,162	177,265,839	183,239,625	181,435,789	185,855,204	164,588,197	169,027,322
Business-type activities:										
Water	9,056,356	8,971,472	8,332,731	8,988,566	8,834,334	8,162,082	8,417,556	8,321,515	8,009,139	7,416,972
Sewer	10,762,194	10,301,902	10,583,241	10,770,341	11,503,795	9,858,802	9,829,643	8,416,888	8,840,500	7,090,366
Gas	23,467,175	23,698,603	18,420,330	26,493,000	28,239,126	23,788,374	22,288,691	24,869,854	25,111,699	34,388,021
Other enterprise funds	1,459,846	1,534,483	1,393,942	1,341,548	1,038,023	871,628	912,244	617,357	1,198,157	1,210,638
Total business-type activities	44,745,571	44,506,460	38,730,244	47,593,455	49,615,278	42,680,886	41,448,134	42,225,614	43,159,495	50,105,997
<b>Total Primary Government Expenses</b>	<b>\$ 245,395,243</b>	<b>\$ 261,363,637</b>	<b>\$ 235,814,397</b>	<b>\$ 240,300,617</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>Program Revenues</b>										
Governmental activities:										
Charges for Services										
General government	\$ 900,906	\$ 7,808,336	\$ 13,289,075	\$ 13,365,582	\$ 14,156,093	\$ 14,000,028	\$ 12,718,913	\$ 11,509,211	\$ 10,624,798	\$ 11,048,283
Public safety	165,172	7,130,597	12,349	16,206	10,969	29,778	29,919	31,416	42,850	44,907
Community services	1,336,122	5,112,907	1,968,282	1,808,948	1,820,062	1,843,964	1,840,737	1,786,899	1,945,796	2,122,384
Health and welfare	5,594,608	8,753,432	4,653,306	4,588,956	4,203,244	3,923,086	3,950,369	4,305,042	2,719,628	1,912,596
Parks, recreation and culture	1,117,006	5,350,770	1,630,679	1,744,910	1,785,912	1,610,587	1,372,958	1,214,220	943,705	808,869
Education	209,591	1,288,687	214,120	243,413	273,615	208,988	229,949	203,713	228,853	272,643
Conservation and development	2,787,740	3,922,782	40,047	34,496	27,506	21,321	28,322	23,487	27,685	43,045
Operating Grants and Contributions										
General government	2,503,684	29,242,564	151,621	2,212,016	2,275,679	1,762,119	1,643,234	2,022,303	2,099,757	2,161,567
Public safety	997,666	1,636,764	718,675	889,252	2,647,082	1,675,385	1,906,155	1,632,513	1,554,604	1,597,459
Community services	8,204,371	5,441,190	5,028,690	11,009,042	8,184,560	8,107,968	9,074,860	8,839,499	7,947,633	7,010,934
Health and welfare	18,423,390	17,076,168	16,730,096	17,046,746	15,664,102	16,278,179	16,481,533	17,810,096	18,163,600	18,456,403
Parks, recreation and culture	644,671	467,158	218,771	142,942	265,890	904,083	76,725	45,382	51,953	100,635
Education	228,081	347,685	217,188	269,716	232,043	562,087	566,776	566,566	224,203	527,281
Conservation and development	3,292,265	4,506,454	185,529	133,588	63,905	238,338	344,349	459,922	-	74,216
Capital Grants and Contributions										
General government	-	-	-	-	-	-	350,876	11,728	630,275	4,171,078
Public safety	-	-	-	-	-	12,825	383,584	-	-	-
Community services	411,471	592,408	3,039,031	6,948,100	13,486,069	6,776,156	5,070,874	1,990,553	13,285,028	7,526,581
Education	-	-	119,915	144,700	-	-	456,441	113,912	22,432	44,327
Conservation and development	3,323,240	5,977,748	-	33,162	16,839	59,500	115,398	-	-	-
Total governmental activities	50,139,984	104,655,650	48,217,374	60,631,775	65,113,570	58,014,392	56,641,972	52,566,462	60,512,800	57,923,208
Business-type activities:										
Charges for Services										
Water	11,049,045	11,189,236	10,311,760	9,868,917	9,163,447	9,064,161	8,923,040	9,244,578	9,134,985	9,333,610
Sewer	14,562,317	14,704,642	13,254,116	11,970,322	11,338,460	10,554,384	9,121,471	9,066,402	8,952,616	9,043,516
Gas	22,419,210	20,544,734	22,813,188	30,826,233	33,856,411	29,779,891	27,619,960	30,360,501	29,860,371	36,868,759
Other enterprise funds	2,780,797	2,810,284	2,719,146	2,818,345	1,780,508	842,787	939,797	949,264	1,064,929	1,035,709
Operating Grants and Contributions										
Other enterprise funds	-	-	-	-	-	-	-	17,105	54,667	58,838
Capital Grants and Contributions										
Other enterprise funds	-	-	-	68,552	-	-	18,800	-	-	-
Total business-type activities	50,811,369	49,248,896	49,098,210	55,552,369	56,138,826	50,241,223	46,623,068	49,637,850	49,067,568	56,340,432
<b>Total Primary Government Revenues</b>	<b>\$ 100,951,353</b>	<b>\$ 153,904,546</b>	<b>\$ 97,315,584</b>	<b>\$ 116,184,144</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>

**CHANGES IN NET POSITION  
LAST TEN FISCAL YEARS**

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
<b>Net (Expense) Revenue</b>										
Governmental activities:										
General government	\$ (18,516,582)	\$ 11,934,109	\$ (13,686,330)	\$ (11,218,576)	\$ (7,838,584)	\$ (7,773,298)	\$ (7,770,585)	\$ (10,091,249)	\$ (7,056,935)	\$ (8,436,248)
Public safety	(38,171,383)	(36,351,477)	(38,096,889)	(32,709,738)	(30,700,919)	(30,879,696)	(29,938,862)	(28,881,752)	(28,949,903)	(28,884,799)
Community services	(9,986,260)	(14,112,566)	(12,967,602)	(2,557,469)	2,786,440	(3,324,589)	(7,683,961)	(9,731,612)	1,884,970	(3,917,213)
Health and welfare	(10,875,672)	(11,325,565)	(10,109,804)	(9,479,511)	(9,918,622)	(10,073,701)	(9,602,645)	(8,705,392)	(10,475,274)	(9,792,586)
Parks, recreation and culture	(11,715,083)	(11,302,525)	(12,019,160)	(10,894,607)	(10,614,415)	(9,853,946)	(9,806,320)	(8,793,796)	(8,551,138)	(8,652,190)
Education	(51,800,295)	(51,078,313)	(49,502,193)	(52,310,730)	(44,862,670)	(50,906,080)	(41,207,125)	(57,090,767)	(41,515,221)	(40,714,160)
Conservation and development	(5,738,870)	1,780,972	(10,019,047)	(9,300,577)	(8,761,908)	(10,053,943)	(13,683,364)	(7,260,509)	(6,957,506)	(8,470,990)
Interest on long-term debt	(3,705,543)	(1,746,162)	(2,465,754)	(3,604,179)	(2,241,591)	(2,359,980)	(5,100,955)	(2,733,665)	(2,454,390)	(2,235,928)
Total governmental activities	<u>(150,509,688)</u>	<u>(112,201,527)</u>	<u>(148,866,779)</u>	<u>(132,075,387)</u>	<u>(112,152,269)</u>	<u>(125,225,233)</u>	<u>(124,793,817)</u>	<u>(133,288,742)</u>	<u>(104,075,397)</u>	<u>(111,104,114)</u>
Business-type activities:										
Water	1,992,689	2,217,764	1,979,029	880,351	329,113	902,079	505,484	923,063	1,125,846	1,916,638
Sewer	3,800,123	4,402,740	2,670,875	1,199,981	(165,335)	695,582	(708,172)	649,514	112,116	1,953,150
Gas	(1,047,965)	(3,153,869)	4,392,858	4,333,233	5,617,285	5,991,517	5,331,269	5,490,647	4,748,672	2,480,738
Other enterprise funds	1,320,951	1,275,801	1,325,204	1,545,349	742,485	(28,841)	46,353	349,012	(78,561)	(116,091)
Total business-type activities	<u>6,065,798</u>	<u>4,742,436</u>	<u>10,367,966</u>	<u>7,958,914</u>	<u>6,523,548</u>	<u>7,560,337</u>	<u>5,174,934</u>	<u>7,412,236</u>	<u>5,908,073</u>	<u>6,234,435</u>
<b>Total Primary Government Net Expense</b>	<u>\$ (144,443,890)</u>	<u>\$ (107,459,091)</u>	<u>\$ (138,498,813)</u>	<u>\$ (124,116,473)</u>	<u>\$ (105,628,721)</u>	<u>\$ (117,664,896)</u>	<u>\$ (119,618,883)</u>	<u>\$ (125,876,506)</u>	<u>\$ (98,167,324)</u>	<u>\$ (104,869,679)</u>
<b>General Revenues and Other Changes in Net Position</b>										
Governmental activities:										
General Revenues										
General property taxes	\$ 75,042,232	\$ 68,384,143	\$ 62,940,310	\$ 59,566,818	\$ 58,158,711	\$ 56,060,959	\$ 55,819,958	\$ 55,401,204	\$ 55,625,137	\$ 57,299,828
Sales tax	11,619,460	11,670,485	11,466,250	10,767,263	10,747,757	9,901,299	9,995,523	8,956,683	9,312,664	9,588,558
Utility tax	4,616,495	4,540,179	4,478,748	4,614,299	4,539,149	4,422,168	4,252,785	4,491,361	4,419,303	4,644,592
Communications tax	2,927,794	3,022,277	3,098,436	3,192,960	3,221,105	3,276,861	3,268,192	3,335,988	3,352,581	3,338,662
Meals tax	11,781,447	11,746,648	11,320,042	8,703,398	8,156,709	8,103,257	7,378,230	6,861,066	6,454,663	6,522,572
Lodging tax	5,151,629	4,846,549	3,664,156	3,166,309	2,933,227	2,932,367	2,807,326	2,460,055	2,475,914	2,286,843
Other taxes	4,256,433	4,593,226	4,511,753	4,319,279	4,139,312	4,022,679	4,059,205	4,317,180	3,762,710	3,596,854
Business license tax	8,767,125	7,918,093	6,925,402	6,788,971	6,442,386	6,880,942	6,491,428	6,061,192	6,502,949	7,295,646
Grants and contributions not restricted	27,056,841	-	30,117,894	23,502,728	24,353,298	27,910,750	24,887,083	25,229,997	25,160,421	21,166,672
Unrestricted revenue from use of money and property	1,297,431	-	-	-	-	-	-	-	-	-
Interest and investment earnings	-	406,625	341,347	365,070	259,548	276,657	373,961	538,029	918,853	1,435,592
Miscellaneous	980,353	-	-	-	-	-	-	-	-	-
Transfers, net	5,264,759	-	-	-	-	-	-	-	-	-
Gain from sale of assets	-	-	-	-	-	-	252,742	-	-	-
Total governmental activities	<u>158,761,999</u>	<u>117,128,225</u>	<u>138,864,338</u>	<u>124,987,095</u>	<u>122,951,202</u>	<u>123,787,939</u>	<u>119,586,433</u>	<u>117,652,755</u>	<u>117,985,195</u>	<u>117,175,819</u>
Business-type activities:										
Interest and investment earnings	-	101,036	141,362	113,151	32,668	62,128	109,079	204,224	240,142	246,926
Total business-type activities	<u>-</u>	<u>101,036</u>	<u>141,362</u>	<u>113,151</u>	<u>32,668</u>	<u>62,128</u>	<u>109,079</u>	<u>204,224</u>	<u>240,142</u>	<u>246,926</u>
<b>Total Primary Government Revenues</b>	<u>\$ 158,761,999</u>	<u>\$ 117,229,261</u>	<u>\$ 139,005,700</u>	<u>\$ 125,100,246</u>	<u>\$ 122,983,870</u>	<u>\$ 123,850,067</u>	<u>\$ 119,695,512</u>	<u>\$ 117,856,979</u>	<u>\$ 118,225,337</u>	<u>\$ 117,422,745</u>
Change in net position										
Governmental Activities	\$ 8,252,311	\$ 10,372,952	\$ (4,803,942)	\$ (1,773,911)	\$ 16,075,578	\$ 3,795,886	\$ (413,593)	\$ (10,330,130)	\$ 18,452,691	\$ 10,840,349
Business-type Activities	\$ 1,099,874	\$ (322,469)	\$ 5,310,729	\$ 2,757,684	\$ 1,279,571	\$ 2,389,285	\$ 490,222	\$ 2,310,603	\$ 1,132,261	\$ 1,634,617
<b>Total change in net position</b>	<u>\$ 9,352,185</u>	<u>\$ 10,050,483</u>	<u>\$ 506,787</u>	<u>\$ 983,773</u>	<u>\$ 17,355,149</u>	<u>\$ 6,185,171</u>	<u>\$ 76,629</u>	<u>\$ (8,019,527)</u>	<u>\$ 19,584,952</u>	<u>\$ 12,474,966</u>

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

Schedule prepared using the accrual basis of accounting

## CITY OF CHARLOTTESVILLE, VIRGINIA

TABLE 3

**FUND BALANCES OF GOVERNMENTAL FUNDS  
LAST TEN FISCAL YEARS**

	Fiscal Year									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
General Fund										
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,180,647	\$ 643,413
Unreserved:										
Designated	-	-	-	-	-	-	-	-	10,363,172	4,651,197
Undesignated	-	-	-	-	-	-	-	-	24,271,261	27,150,245
Total General Fund	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 35,815,080</u>	<u>\$ 32,444,855</u>
All Other Governmental Funds										
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 14,555,925	\$ 30,741,006
Unreserved:										
Capital Projects Funds	-	-	-	-	-	-	-	-	6,866,651	(3,843,863)
Social Service Funds	-	-	-	-	-	-	-	-	483,543	483,439
Special Revenue Funds	-	-	-	-	-	-	-	-	1,328,208	1,566,636
Debt Service Funds	-	-	-	-	-	-	-	-	9,547,048	9,156,884
Permanent Fund	-	-	-	-	-	-	-	-	162,501	162,501
Total All Other Governmental Funds	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 32,943,876</u>	<u>\$ 38,266,603</u>
General Fund										
Nonspendable	\$ 22,002	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted	637,910	-	656,777	728,278	725,441	545,723	472,056	462,244	-	-
Committed	8,779,538	4,931,956	6,732,612	6,363,639	7,004,685	6,737,955	8,206,185	7,880,345	-	-
Assigned	5,818,834	1,102,935	7,804,945	5,130,563	3,786,220	3,633,160	4,542,491	5,945,930	-	-
Unassigned	30,502,351	41,933,825	29,054,913	28,251,814	27,291,468	26,989,410	26,861,656	25,855,782	-	-
Total General Fund	<u>\$ 45,760,635</u>	<u>\$ 47,968,716</u>	<u>\$ 44,249,247</u>	<u>\$ 40,474,294</u>	<u>\$ 38,807,814</u>	<u>\$ 37,906,248</u>	<u>\$ 40,082,388</u>	<u>\$ 40,144,301</u>	<u>\$ -</u>	<u>\$ -</u>
All Other Governmental Funds										
Nonspendable	\$ 162,502	\$ 5,663,250	\$ 4,891,126	\$ 1,260,860	\$ 1,542,501	\$ 1,272,501	\$ 3,316,211	\$ 3,380,174	\$ -	\$ -
Restricted	2,951,459	8,300,066	440,648	6,159,927	4,216,750	9,486,035	15,949,126	20,687,703	-	-
Committed	11,905,368	15,541,112	12,082,178	11,745,744	15,202,070	14,768,068	11,252,983	9,508,177	-	-
Assigned	18,153,704	1,977,246	7,770,919	5,928,263	1,364,421	1,303,256	1,906,602	1,681,261	-	-
Unassigned	(5,117,190)	-	-	-	-	-	-	-	-	-
Total All Other Governmental Funds	<u>\$ 28,055,843</u>	<u>\$ 31,481,674</u>	<u>\$ 25,184,871</u>	<u>\$ 25,094,794</u>	<u>\$ 22,325,742</u>	<u>\$ 26,829,860</u>	<u>\$ 32,424,922</u>	<u>\$ 35,257,315</u>	<u>\$ -</u>	<u>\$ -</u>

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

**Note:** Fiscal years 2009 through 2010 have not been restated per GASB 54. Fiscal years prior to 2018 have not been restated for GASB 75.

Schedule prepared using the modified accrual basis of accounting

## CITY OF CHARLOTTESVILLE, VIRGINIA

## TABLE 4

CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
LAST TEN FISCAL YEARS

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
<b>Revenues</b>										
General property taxes	\$ 122,940,708	\$ 116,721,600	\$ 108,365,439	\$ 101,869,696	\$ 98,699,930	\$ 95,714,241	\$ 94,311,894	\$ 92,111,297	\$ 92,251,458	\$ 94,490,618
Fee and permits	2,719,933	2,575,469	2,169,777	2,283,546	1,966,895	2,464,889	2,042,063	1,825,729	1,640,727	1,836,514
Intergovernmental	61,458,198	61,924,408	55,268,548	60,955,964	66,426,300	60,215,042	61,026,601	58,235,118	67,888,839	62,127,824
Charges for services	11,917,913	12,117,670	11,701,232	11,685,158	10,920,381	10,607,302	10,065,910	10,201,768	8,068,430	7,348,673
Fines and forfeitures	419,344	481,032	481,630	476,632	393,398	392,763	552,075	567,027	392,515	383,480
Miscellaneous	3,381,950	2,789,931	2,386,349	2,296,159	2,226,308	5,056,883	2,036,426	2,011,104	2,724,433	2,753,583
<b>Total governmental revenues</b>	<b>202,838,046</b>	<b>196,610,110</b>	<b>180,372,975</b>	<b>179,567,155</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>Expenditures</b>										
General government	20,817,229	18,107,974	17,206,445	18,446,310	14,825,220	15,352,223	15,117,332	14,653,299	13,844,581	17,980,145
Public safety	39,397,475	35,081,163	36,357,223	33,290,687	32,609,199	31,987,432	32,231,433	30,460,236	30,760,038	29,927,240
Community services	16,980,656	17,257,531	18,470,598	20,824,429	21,796,529	18,524,126	23,573,132	21,264,573	21,000,353	22,183,823
Health and welfare	35,175,725	32,346,926	30,975,824	31,318,573	29,948,939	31,196,387	30,211,972	30,929,233	31,483,056	30,082,148
Parks, recreation and culture	12,709,049	11,912,756	13,023,170	12,152,256	11,739,822	12,229,739	10,586,859	9,870,613	9,123,591	9,386,707
Education	51,757,047	50,385,279	49,397,353	46,999,266	44,279,012	45,526,167	41,983,543	41,068,749	41,104,359	40,957,870
Conservation and development	13,070,791	9,620,535	10,710,688	8,928,892	7,469,535	8,764,632	13,711,905	7,109,914	6,395,913	7,957,922
Debt service										
Principal	7,417,376	7,146,882	6,379,799	6,084,318	6,685,521	6,430,175	6,611,249	6,236,895	5,926,396	5,241,154
Interest	3,099,780	2,832,293	2,591,814	2,660,459	2,725,366	2,452,754	2,855,961	2,550,831	2,407,670	2,029,199
Miscellaneous	-	123,892	172,063	384,966	100,571	87,599	196,062	94,848	107,867	146,910
Other activities	-	289,665	1,055,402	1,052,619	975,456	266,562	255,994	298,737	276,671	375,443
Capital outlay	16,960,272	19,795,285	5,613,733	11,713,606	23,165,369	21,380,655	11,213,317	9,882,212	28,702,858	17,694,234
<b>Total governmental expenditures</b>	<b>217,385,401</b>	<b>204,900,181</b>	<b>191,954,112</b>	<b>193,856,381</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>Revenues over (under) expenditures</b>	<b>(14,547,355)</b>	<b>(8,290,071)</b>	<b>(11,581,137)</b>	<b>(14,289,226)</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>Other financing sources (uses)</b>										
Transfers in	38,479,757	32,386,616	30,657,532	29,059,645	29,291,985	31,047,043	31,879,012	27,888,963	30,642,076	26,846,844
Transfers out	(31,547,212)	(27,166,718)	(25,140,392)	(22,880,748)	(23,356,855)	(25,108,773)	(26,698,163)	(22,054,595)	(24,733,114)	(21,669,705)
Issuance of debt	4,610,000	11,140,000	7,250,000	11,405,000	5,740,000	5,610,000	9,133,200	9,650,400	10,211,600	15,017,552
Refunding bonds issued	-	-	3,875,466	11,663,366	1,390,695	-	17,737,100	-	-	1,325,700
Premium on issuance of debt	420,561	1,076,892	1,282,326	2,261,124	417,486	427,859	3,411,666	616,989	93,887	575,073
Payment to refunded bond escrow agent	-	-	(4,365,996)	(13,096,411)	(1,506,186)	-	(20,195,331)	-	-	(1,378,999)
Sale of capital assets	-	-	-	312,782	107,650	-	352,000	9,000	-	-
<b>Total other financing sources (uses)</b>	<b>11,963,106</b>	<b>17,436,790</b>	<b>13,558,936</b>	<b>18,724,758</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>Net change in fund balances</b>	<b>\$ (2,584,249)</b>	<b>\$ 9,146,719</b>	<b>\$ 1,977,799</b>	<b>\$ 4,435,532</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>Debt service as a percentage of noncapital expenditures</b>										
Total debt service expenditures	\$ 10,517,156	\$ 10,103,067	\$ 8,971,613	\$ 8,744,777	\$ 9,410,887	\$ 8,882,929	\$ 9,467,210	\$ 8,787,726	\$ 8,334,066	\$ 7,270,353
Total governmental expenditures	217,385,401	204,900,181	191,954,112	193,856,381	196,320,539	194,198,451	188,548,759	174,420,140	191,133,353	183,962,795
Change in capital assets	(16,960,272)	(21,634,978)	(9,215,151)	(16,487,414)	(27,697,576)	(22,573,753)	(15,554,651)	(14,212,438)	(32,444,266)	(22,765,689)
Noncapital expenditures	<u>\$ 200,425,129</u>	<u>\$ 183,265,203</u>	<u>\$ 182,738,961</u>	<u>\$ 177,368,967</u>	<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>
Debt service as a percentage of noncapital expenditures	5.25%	5.45%	4.91%	4.93%	5.58%	5.18%	5.47%	5.49%	5.25%	4.51%

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

Schedule prepared using the modified accrual basis of accounting

## CITY OF CHARLOTTESVILLE, VIRGINIA

TABLE 5

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	Lodging Tax	Business License Tax	Franchise Taxes (2)	Tax on Bank Stock	Tax on Wills and Deeds	Other Taxes
2018	\$ 122,940,708	\$ 75,616,895	\$ 11,619,460	\$ 7,658,576	\$ 11,781,447	\$ 5,151,629	\$ 8,230,107	\$ 3,500	\$ 1,348,260	\$ 581,600	\$ 949,234
2017	116,724,600	69,739,801	11,670,485	7,562,456	11,746,648	4,846,549	7,918,093	3,500	1,226,609	904,353	1,106,106
2016	108,365,439	64,620,157	11,466,250	7,577,184	11,320,042	3,664,156	6,925,402	3,500	1,138,188	585,246	1,065,314
2015	101,869,696	62,020,045	10,767,263	7,807,259	8,703,398	3,166,309	6,788,971	3,500	982,185	554,805	1,075,961
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	93,490,618	58,750,030	8,588,558	7,983,254	6,522,572	2,286,843	7,295,646	12,397	639,849	473,913	937,556

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 6

## 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
2018	\$ 7,060,139,700	\$ 151,135,069	\$ 7,211,274,769	0.95	\$ 1,917,683,250	\$ 9,128,958,019
2017	6,740,234,600	143,303,198	6,883,537,798	0.95	1,746,952,600	8,630,490,398
2016	5,953,910,000	140,924,014	6,094,834,014	0.95	1,135,055,400	7,229,889,414
2015	5,704,217,700	142,650,296	5,846,867,996	0.95	1,027,382,800	6,874,250,796
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

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

**Note:** The City has no overlapping property taxes.

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

# CITY OF CHARLOTTESVILLE, VIRGINIA

TABLE 7

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

Year	Real Property (1)	Personal Property (2)	Machinery & Tools (2)	Total Direct Tax Rate of City Assessed Property	Public Service		Total Direct Tax Rate of State Assessed Property
					Real Property (3)	Personal Property (3)	
2018	0.95	4.20	4.20	9.35	0.95	4.20	5.15
2017	0.95	4.20	4.20	9.35	0.95	4.20	5.15
2016	0.95	4.20	4.20	9.35	0.95	4.20	5.15
2015	0.95	4.20	4.20	9.35	0.95	4.20	5.15
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

**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 8

**PRINCIPAL PROPERTY TAXPAYERS  
CURRENT YEAR AND NINE YEARS AGO  
JUNE 30, 2018**

Taxpayer	Type of Business	2018 Assessed Valuation (1)	Tax Amount (2)	Rank	Percentage of Total Assessed Valuation (1)	2009 Assessed Valuation (1)	Tax Amount (2)	Rank	Percentage of Total Assessed Valuation (1)
Federal Realty Investment Trust	Shopping Center	\$ 171,807,800	\$ 1,632,174	1	2.55 %	\$ 80,498,600	\$ 764,737	1	1.53 %
Woodard United, LLC	Apartments	105,370,200	1,001,017	2	1.56	-	-		-
Pavilion, LLC	Apartments	89,415,400	849,446	3	1.33	36,140,200	-	8	0.69
Pavilion UVA, LLC & Pavilion II, LLC	Apartments	80,463,600	764,404	4	1.19	-	-		-
Neighborhood Investment - UVA, LP	Apartments	80,435,500	764,137	5	1.19	-	-		-
Piedmont Hospital, LLC	Real Estate	66,832,900	634,913	6	0.99	-	-		-
Madison Loft, LLC	Apartments	65,655,700	623,729	7	0.97	-	-		-
Coal Tower Associates, LLC	Real Estate	59,985,300	569,860	8	0.89	-	-		-
The Residences at 219, LLC	Apartments	59,860,700	568,677	9	0.89	-	-		-
Caton, Douglas E.	Real Estate	58,747,600	558,102	10	0.87	49,295,300	468,305	2	0.94
Dominion Power Company	Public Utility	-	-		-	43,700,147	415,151	3	0.83
Wade Apartments	Apartments	-	-		-	42,759,800	406,218	4	0.81
Piedmont Hospital, LLC	Real Estate	-	-		-	42,115,200	400,094	5	0.80
Peyton Associates Partnership	Real Estate	-	-		-	39,805,400	378,151	6	0.76
Embarq, Inc.	Public Utility	-	-		-	37,559,490	356,815	7	0.72
Towers Limited Partnership, ETAL	Real Estate	-	-		-	35,291,300	335,267	9	0.67
University of Virginia Foundation	Real Estate	-	-		-	35,318,800	335,529	10	0.67
		<u>\$ 838,574,700</u>	<u>\$ 7,966,460</u>		<u>12.44 %</u>	<u>\$ 442,484,237</u>	<u>\$ 3,860,268</u>		<u>7.75 %</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 \$0.95 in 2018; Tax rate of \$0.95 in 2009

# CITY OF CHARLOTTESVILLE, VIRGINIA

TABLE 9

## PROPERTY TAX LEVIES AND COLLECTIONS LAST TEN FISCAL YEARS

Fiscal Year	Total Tax Levy for Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years <sup>(1)</sup>	Total Collections to Date	
		Amount Collected	Percentage of Levy		Amount Collected	Percentage of Levy
2018	\$ 77,696,498	\$76,521,606	98.49 %		\$76,521,606	98.49 %
2017	71,965,946	71,139,950	98.85	586,244	71,726,194	99.67
2016	65,952,891	65,027,636	98.60	811,921	65,839,557	99.83
2015	63,892,891	62,863,991	98.39	945,634	63,809,626	99.87
2014	62,251,968	61,010,246	98.01	1,167,668	62,177,914	99.88
2013	60,538,454	59,304,770	97.96	1,178,139	60,482,909	99.91
2012	60,132,379	58,573,010	97.41	1,517,424	60,090,434	99.93
2011	60,231,991	58,308,249	96.81	1,306,712	60,186,665	99.92
2010	60,201,656	58,243,180	96.75	1,329,491	60,179,770	99.96
2009	60,264,200	57,725,159	95.79 %	1,693,964	60,261,282	99.99 %

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

(1) Beginning with Fiscal year 2015, supplements are reported in the year in which they were billed and due.

Fiscal years 2009-2014 report supplemental tax levies back to the year they for which they are assessed, instead of reporting them in the fiscal year they were billed, causing the current year collection rate to decline in subsequent years.

## CITY OF CHARLOTTESVILLE, VIRGINIA

TABLE 10

ESTIMATED VALUE OF TAX-EXEMPT REAL PROPERTY  
LAST TEN FISCAL YEARS

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Federal	\$ 32,717,600	\$ 31,919,100	\$ 23,817,800	\$ 21,652,500	\$ 21,652,500	\$ 21,652,500	\$ 21,652,500	\$ 21,652,500	\$ 21,652,500	\$ 21,652,500
State and regional	455,398,000	450,963,700	306,883,300	279,103,600	278,984,600	288,908,100	278,983,600	324,752,400	323,065,400	323,065,400
Local	417,963,500	362,990,800	214,399,600	194,685,500	192,076,800	191,927,100	181,085,000	192,885,400	190,835,500	188,028,700
Religious, charitable, educational and other	1,011,604,150	901,079,000	589,954,700	531,941,200	524,902,700	510,229,200	534,852,200	477,056,100	517,652,100	512,451,600
Total	<u>1,917,683,250</u>	<u>\$ 1,746,952,600</u>	<u>\$ 1,135,055,400</u>	<u>\$ 1,027,382,800</u>	<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>

**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 11

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

Fiscal Year	Population (1)	Real Estate Assessed Value	Total Bonded Debt	Total Bonded Business Type Debt	Governmental Bonded Debt Service Due (2)	General Fund Expenditures and Net Other Financing Sources	Ratio of Net Bonded Debt to Assessed Value	Total Bonded Debt per Capita	Ratio of Debt Service to Total General Fund Expenditures and Transfers
2018	49,132	\$ 7,060,139,700	\$ 131,846,865	\$ 46,555,810	\$ 7,137,004	\$ 165,389,458	1.87 %	\$ 2,684	4.32 %
2017	49,071	6,740,234,600	132,121,039	44,022,607	7,417,376	152,655,215	1.96	2,692	4.86
2016	48,210	5,953,910,000	128,929,869	44,824,556	9,489,053	139,577,852	2.17	2,674	6.80
2015	47,783	5,704,217,700	130,376,506	48,052,860	9,121,289	139,577,852	2.29	2,729	6.53
2014	46,623	5,503,669,500	126,266,932	48,149,184	8,682,449	138,100,498	2.29	2,708	6.29
2013	45,073	5,281,021,000	122,474,814	43,325,574	6,938,939	137,559,888	2.32	2,717	5.04
2012	44,471	5,222,661,300	117,731,642	37,762,227	6,681,506	134,117,472	2.25	2,647	4.98
2011	43,475	5,282,859,100	114,532,934	36,693,311	6,847,707	127,413,032	2.17	2,634	5.37
2010	40,745	5,257,182,700	99,713,452	25,212,952	6,397,748	127,775,530	1.90	2,447	5.01
2009	40,745	5,251,290,000	92,495,597	22,187,636	6,165,039	124,813,778	1.76	2,270	4.94

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

(1) Weldon Cooper Center for Public Service, Demographics & Workforce Group  
<http://www.coopercenter.org/demographics/virginia-population-estimates>

(2) Governmental debt due within next fiscal year.

## CITY OF CHARLOTTESVILLE, VIRGINIA

TABLE 12

**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>
2018	\$ 7,417,377	\$ 3,099,780	\$ 10,517,157	\$ 224,199,432	4.69 %
2017	7,146,882	2,832,293	9,979,175	205,739,944	4.85
2016	6,379,799	2,591,814	8,971,613	195,491,554	4.59
2015	6,084,318	2,660,459	8,744,777	191,875,061	4.56
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

**Note:** Excludes Capital Projects Fund expenditures and transfers.  
The City has no overlapping debt.

## CITY OF CHARLOTTESVILLE, VIRGINIA

TABLE 13

RATIOS OF OUTSTANDING DEBT BY TYPE  
LAST TEN FISCAL YEARS

Fiscal Year	Governmental Activities				Business-Type Activities			Percent 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		
2018	\$85,291,055	-	-	85,291,055	\$46,555,810	-	131,846,865	* %	2,684
2017	88,098,432	-	-	88,098,432	44,022,607	-	132,121,039	*	2,692
2016	84,094,947	10,366	-	84,105,313	44,824,556	-	128,929,869	4.48	2,674
2015	82,293,261	30,385	-	82,323,646	48,052,860	-	130,376,506	4.53	2,729
2014	78,067,345	50,403	-	78,117,748	48,149,184	-	126,266,932	4.55	2,708
2013	78,676,333	70,421	402,486	79,149,240	43,325,574	-	122,474,814	5.00	2,717
2012	78,918,183	90,439	960,793	79,969,415	37,762,227	-	117,731,642	5.11	2,647
2011	76,002,100	118,343	1,641,771	77,762,214	36,693,311	77,409	114,532,934	5.50	2,630
2010	72,117,050	144,861	2,086,798	74,348,709	25,212,952	151,791	99,713,452	5.02	2,447
2009	67,492,366	171,379	2,399,760	70,063,505	22,187,636	244,456	92,495,597	4.75	2,270

\* Information not available at this time.

(1) Presented net of original issuance discounts and premiums, revised

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



## CITY OF CHARLOTTESVILLE, VIRGINIA

TABLE 14

COMPUTATION OF LEGAL DEBT MARGIN  
LAST TEN FISCAL YEARS

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Assessed value of real property	<u>\$ 7,060,139,700</u>	<u>\$ 6,740,234,600</u>	<u>\$ 5,953,910,000</u>	<u>\$ 5,704,217,700</u>	<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>
Debt limit - 10% of assessed value	\$ 706,013,970	\$ 674,023,460	\$ 595,391,000	\$ 570,421,770	\$ 550,366,950	\$ 528,102,100	\$ 522,266,130	\$ 528,285,910	\$ 525,718,270	\$ 525,129,000
Amount of debt applicable to debt limit	<u>131,846,865</u>	<u>132,121,039</u>	<u>128,929,869</u>	<u>119,460,105</u>	<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>
Legal debt margin	<u>\$ 574,167,105</u>	<u>\$ 541,902,421</u>	<u>\$ 466,461,131</u>	<u>\$ 450,961,665</u>	<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>
Total net debt applicable to the limit as a percentage of debt limit	18.67%	19.60%	21.65%	20.94%	20.79%	20.89%	20.39%	19.87%	17.12%	15.82%

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

CITY OF CHARLOTTESVILLE, VIRGINIA

TABLE 15

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
2018	44	\$3,404,801	566	\$ 45,291,407	1,556	\$ 107,599,017	\$ 2,499,593	2018	\$ 7,060,139,700	\$ 1,917,683,250
2017	17	1,204,091	467	128,400,704	1,653	63,999,554	2,476,231	2017	6,740,234,600	1,746,952,600
2016	19	2,300,978	582	88,939,069	1,383	48,684,124	2,366,694 (4)	2016	5,953,910,000	1,135,055,400
2015	22	8,635,285	469	63,025,855	1,420	51,009,735	2,328,209 (4)	2015	5,704,217,700	1,027,382,800
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	117,781,757	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

(1) Department of Neighborhood Planning, City of Charlottesville

(2) FDIC Summary of deposits

(3) Real property values only

(4) FDIC Summary of deposits was corrected to reflect the actual value

**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
2018	49,132	4,313	3.1	*	*	*	*
2017	49,071	4,210	3.6	*	*	\$ 971,359	19,795
2016	48,210	4,134	3.4	9,375,633	60,964	\$ 1,006,304	20,873
2015	47,783	4,101	3.7	9,182,721	\$ 60,294	959,435	20,079
2014	46,623	4,022	4.3	8,795,194	58,603	942,421	20,214
2013	45,073	3,945	4.9	7,764,329	52,693	864,748	19,186
2012	44,471	3,914	5.9	7,493,869	51,255	819,390	18,425
2011	43,552	3,874	7.1	6,778,562	47,052	822,681	18,890
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

\* Information not available at this time.

**Source:**

- (1) Weldon Cooper Center for Public Service, Demographics & Workforce Group  
<http://www.coopercenter.org/demographics/virginia-population-estimates>
- (2) Fall Membership Charlottesville Public Schools
- (3) Bureau of Labor Statistics Local Area Unemployment Statistics and represents unemployment for the calendar year
- (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 17

**PRINCIPAL EMPLOYERS CURRENT YEAR AND NINE YEARS AGO  
JUNE 30, 2018**

Employer	2018		2009	
	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	1000+		
Charlottesville City School Board	4	500 to 999	4	500 to 999
Servicelink Management Com Inc.	5	500 to 999		
Aramark Campus LLC	6	500 to 999		
Lakeland Tours	7	500 to 999	5	500 to 999
Association for Investment Management	8	250 to 499		
Rmc Events	9	250 to 499		
Crutchfield Corporation	10	250 to 499		
Martha Jefferson Hospital			2	1000+
Region Ten Community Services			6	500 to 999
SNL Security LP			8	250 to 499
Pharmaceutical Research Association			9	250 to 499
United State Postal Service			7	250 to 499
Kroger			10	250 to 499

**Source:** Virginia Employment Commission 50 Largest Employers during 4th Quarter (October, November, December) 2017

**Note:** 2009 employer rank/number of employees received from 4th quarter 2008 Virginia Employment Commission Labor Market Information

**GOVERNMENT EMPLOYEES BY FUNCTION  
LAST TEN FISCAL YEARS**

Department	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
<b>Management</b>										
Council/Clerk of 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	11.00	11.00	9.00	9.00	9.00	8.00	8.00	8.00	8.00	8.00
Office of Economic Development	6.50	6.00	6.00	5.50	4.00	5.00	5.00	4.00	4.00	4.00
Office of the City Manager/Parking Enterprise Fund	1.00	1.00	-	-	-	-	-	-	-	-
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	3.00	3.00	3.00	3.00	2.50	2.50	2.50
<b>Total</b>	<b>28.50</b>	<b>28.00</b>	<b>25.00</b>	<b>24.50</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>Internal Services</b>										
Finance Department: Purchasing/Risk Management/Warehouse	7.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00
Information Technology	20.00	19.00	19.00	19.00	19.00	19.00	19.00	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>35.00</b>	<b>33.00</b>	<b>33.00</b>	<b>33.00</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>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	34.00	34.00	34.00	34.00
Treasurer	13.50	13.00	13.00	13.00	13.00	13.00	13.00	13.00	13.00	13.00
<b>Total</b>	<b>60.50</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>60.00</b>	<b>60.00</b>	<b>60.00</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	10.00	10.00
Dept of Human Services	35.50	35.50	35.50	34.25	34.25	35.25	34.25	34.25	33.00	26.00
Children & Youth Commission/CCF	-	-	-	-	-	-	-	-	1.00	1.00
Department of Social Services	102.50	102.50	102.25	99.98	99.85	100.85	100.85	99.85	98.85	104.93
Neighborhood Development Services	39.00	37.50	37.50	36.00	33.00	32.00	32.00	32.00	32.00	32.00
Office of Human Rights/Human Rights Commission	1.50	1.50	2.00	2.00	2.00	-	-	-	-	-
Parks and Recreation/Parks Maintenance	40.00	39.00	39.00	37.00	37.00	37.00	37.00	37.00	38.00	39.00
Parks & Rec/Recreation and Programs	27.50	27.50	27.50	28.50	28.75	29.75	28.75	26.75	25.25	25.50
Parks & Rec/Golf Fund	4.00	4.00	4.00	4.00	4.75	7.00	7.00	8.00	8.00	9.00
CDBG/HOME Grant Coordinator (Grant Funded)	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Weed and Seed Grant	-	-	-	-	-	-	-	-	-	0.50
<b>Total</b>	<b>261.00</b>	<b>258.50</b>	<b>258.75</b>	<b>252.73</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>Infrastructure/Transportation</b>										
Public Works: Administration, Facilities Development	21.86	21.86	21.86	16.73	15.73	16.73	15.69	16.00	16.25	16.25
Public Works: School Building Maintenance	19.28	19.28	19.28	18.28	18.28	18.28	18.28	16.00	16.00	14.00
Public Works: Fleet Management	11.00	11.00	11.00	11.00	11.00	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	51.00
Charlottesville Area Transit (CAT)	72.00	69.00	68.00	68.00	68.00	77.50	77.50	78.00	78.00	81.50
Public Works: Pupil Transportation	29.00	28.50	28.50	28.50	28.00	27.50	27.50	28.50	28.50	32.00
Public Utilities: Gas, Water, Wastewater	92.00	92.00	92.00	92.00	92.00	93.00	93.00	93.00	93.00	93.00
Public Utilities: Stormwater Utility	4.00	4.00	4.00	4.00	4.00	-	-	-	-	-
<b>Total</b>	<b>300.14</b>	<b>296.64</b>	<b>295.64</b>	<b>289.51</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>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	13.50	13.50
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	91.00	91.00	91.00	91.00	89.00	89.00	89.00	89.00	89.00	89.00
Police Department	157.00	156.00	154.00	154.00	146.00	146.00	146.00	146.00	146.00	146.43
<b>Total</b>	<b>283.50</b>	<b>282.50</b>	<b>280.50</b>	<b>280.50</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>City-Wide Total</b>	<b>968.64</b>	<b>958.64</b>	<b>952.89</b>	<b>940.24</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>

**Source:** Adopted Operating and Capital Improvement Budget

**Note:** FTE positions

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

**OPERATING INDICATORS BY FUNCTION  
LAST TEN FISCAL YEARS**

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
<b>General Government</b>										
Date of incorporation	1888	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	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	10.4 sq miles
Bond rating:										
Moody's Investor Services	Aaa	Aaa	Aaa	Aaa	Aaa	Aaa	Aaa	Aaa	Aaa	Aaa
Standard & Poor's Corporation	AAA	AAA	AAA	AAA	AAA	AAA	AAA	AAA	AAA	AAA
Number of employees:										
City (full-time)	968.6	958.6	952.9	940	925	935	932	927	925.9	933.1
School Board	835	767	797	772	767	765	783	784	795	796
Elections:										
Number of registered voters:										
Last general election - November, 2017	31,876	35,725	31,039	32,273	32,290	33,150	28,670	28,126	27,643	28,678
Last municipal election - November, 2017	31,876	31,039	31,039	32,291	32,290	28,670	28,670	N/A	23,506	23,506
Number of votes cast in:										
Last general election	18,067	22,652	6,077	10,816	12,494	21,797	7,522	13,862	20,122	20,122
Last municipal election	18,067	6,077	6,077	12,560	11,045	6,624	6,627	N/A	6,086	6,086
Percentage of registered voters voting in:										
Last general election	56.7%	63.4%	19.2%	33.5%	38.7%	65.8%	26.2%	49.3%	72.8%	70.2%
Last municipal election	56.7%	19.6%	19.2%	38.9%	34.2%	23.1%	23.1%	N/A	25.9%	25.9%
<b>Public Safety</b>										
Fire protection:										
Number of firefighters and officers (exclusive of volunteer firefighters)	90	88	88	88	86	86	86	86	86	87
Police protection:										
Number of police officers	127	129	127	127	119	119	117	117	117	117
Number of arrests	3,216	2,763	2,639	2,741	3,018	4,417	5,043	4,700	5,514	5,773
Traffic Citations Issued	4,737	5,912	4,978	5,740	5,459	4,299	4,429	6,793	4,887	5,036
911 calls received	39,692	44,481	40,504	43,512	45,581	43,111	46,059	48,008	47,883	48,776
Cases investigated	4,442	5,287	4,962	5,198	5,443	2,846	1,110	1,076	1,140	1,268
Parking Violations										
Violations written	17,653	16,637	18,734	17,647	12,633	15,813	20,657	21,898	15,501	15,624
Building permits issued	2,166	2,137	1,984	1,911	1,824	2,096	1,704	1,479	1,387	1,719
<b>Education</b>										
Schools:										
Number of teachers	456	440	429	421	415	424	434	423	429	431
Number of students	4,313	4,210	4,134	4,101	4,022	3,945	3,914	3,874	3,915	3,997
Pupil: teacher ratio	9.46:1	9.56:1	9.64:1	10.26:1	9.69:1	9.31:1	9.02:1	9.16:1	9.13:1	9.27:1
<b>Public Utilities</b>										
Municipal utilities:										
Gas:										
Number of customers	20,665	20,467	20,043	19,849	19,454	19,077	18,655	18,699	18,062	17,851
Average daily consumption	7,570 DTH	7,562 DTH	6,802 DTH	8,487 DTH	8,688 DTH	6,601 DTH	6,492 DTH	6,894 DTH	7,245 DTH	7,318 DTH
Water:										
Number of customers	14,639	14,756	14,692	14,652	14,554	14,446	14,377	14,395	13,814	13,748
Average daily consumption	569.4 MCF	579.2 MCF	569.4 MCF	569.3 MCF	569.1 MCF	577.8 MCF	587.9 MCF	604 MCF	601 MCF	602 MCF
Sewer:										
Number of customers	14,528	14,626	14,558	14,511	14,406	14,294	14,251	14,243	13,688	13,598
Average daily treatment	502.8 MCF	564.6 MCF	502.8 MCF	505.6 MCF	520.7 MCF	524.2 MCF	537.6 MCF	556 MCF	598 MCF	597 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	13,200
Tons of domestic refuse	6,577	6,532	6,435	6,281	6,694	6,528	6,996	6,706	6,681	7,022
Tons of curbside recycling	3,865	3,666	3,647	3,557	3,254	3,342	2,471	3,331	3,330	3,370
Tons of stumps, demolition material & street sweeping <sup>(1)</sup>	866	1,160	2,117	1,048	2,063	1,654	1,532	1,505	1,423	1,250

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

<sup>(1)</sup> In FY2015, accounts for brush, street sweeping, and leaves

In FY2017, the total accounts for street sweeping.

**CAPITAL ASSET STATISTICS BY FUNCTION  
LAST TEN FISCAL YEARS**

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
<b>General Government</b>										
Miles of streets	158.76	158.45	158.1	157	156	156	156	156	156	156
Number of streetlights	6,070	6,070	6,040	6,025	6,016	6,016	6,010	5,985	5,960	5,960
<b>Public Safety</b>										
Fire protection:										
Number of stations	3	3	3	3	3	3	3	3	3	3
Police protection:										
Number of stations	10	8	4	4	4	5	6	6	6	5
Number of vehicular patrol units	50	64	68	67	63	55	64	64	64	64
Total vehicles	129	128	122	123	123	134	126	126	126	126
Motor Cycles	6	8	8	6	8	8	6	6	6	6
Unmarked cars	59	53	46	50	52	52	52	42	42	42
Bicycle patrol	14	14	24	17	17	18	15	15	15	15
<b>Education</b>										
Number of schools	9	9	9	9	9	9	9	9	9	9
<b>Parks, Recreation, &amp; Culture</b>										
Number of parks <sup>(1)</sup>	36	36	36	31	31	30	31	26	26	26
Acres of park land <sup>(2)</sup>	900	900	902	872	822	785	1,979	987	987	987
Number of golf courses	1	1	1	1	2	2	2	2	2	2
Number of swimming pools	4	4	4	4	6	5	5	5	5	4
Number of recreation centers	5	5	5	5	5	5	5	6	6	5
Number of libraries	3	3	3	3	3	3	3	3	3	3
<b>Public Utilities</b>										
Gas:										
Miles of gas main lines	331	330	329	328	319	318	317	316	315	314
Miles of gas service lines	288	282	274	272	226	223	221	219	217	214
Water:										
Water treatment plant capacity (millions of gallons per day)	19	19	19	19 MGD	19 MGD	19 MGD	19 MGD	19 MGD	19 MGD	19 MGD
Miles of water lines	183	180	180	180.8	180	180	180.0	178.3	177.7	177
Number of fire hydrants	1088	1,050	1,047	1,031	1,026	1,007	1,005	991	988	975
Sewer:										
Sewer treatment plant capacity (millions of gallons per day)	15	15	15	15	15	15	15	15	15	15
Miles of sanitary sewers	171	170	166	170	166	165	167	167	167	166

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

**Note:**

- (1) Includes 3 jointly funded parks with Albemarle County beginning fiscal year 2012.  
 (2) Includes City Parks and natural areas in FY2012



## **City of Charlottesville, Virginia**

**605 East Market Street**

**P O Box 911 Charlottesville, Virginia 22902**

**(434) – 970 – 3200      [www.charlottesville.org/finance](http://www.charlottesville.org/finance)**





## **SINGLE AUDIT REPORT**

*For the Year Ended June 30, 2018*

## CITY OF CHARLOTTESVILLE, VIRGINIA

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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT  
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

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

We have audited, in accordance with the 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; the *Specifications for Audits of Counties, Cities, and Towns*, and the *Specifications for Audits of Authorities, Boards, and Commissions*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements, the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Charlottesville, Virginia (the "City"), as of and for the year ended June 30, 2018 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 30, 2018.

**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 may exist that were not identified. **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 three instances of noncompliance that are required to be reported under *Government Auditing Standards* and which are described at Items 2018-001, 2018-002, and 2018-003 in the accompanying schedule of findings and questioned costs.**

## City of Charlottesville's Response to Findings

The City's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The City's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

## Purpose of this Report

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

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

CERTIFIED PUBLIC ACCOUNTANTS

Roanoke, Virginia  
November 30, 2018

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR  
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER  
COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

To the Honorable Members of  
the City Council  
Charlottesville, Virginia

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

We have audited the City of Charlottesville, Virginia's (the "City's") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the City's major federal programs for the year ended June 30, 2018. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

*Management's Responsibility*

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

*Auditor's Responsibility*

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

## Report on Compliance for Each Major Federal Program (Continued)

### *Opinion on Each Major Federal Program*

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018.

### Report on Internal Control over Compliance

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

*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 a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 material weaknesses or significant deficiencies. **We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.**

## **Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance**

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated November 30, 2018, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

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

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

CERTIFIED PUBLIC ACCOUNTANTS

Roanoke, Virginia  
November 30, 2018

**CITY OF CHARLOTTESVILLE, VIRGINIA**  
**Schedule of Expenditures of Federal Awards**  
**Year ended June 30, 2018**

<b>Federal granting agency/recipient state agency/grant program/grant number</b>	<b>CFDA number</b>	<b>Pass- Through Entity DUNS</b>	<b>Amount Passed- Through to Subrecipient</b>	<b>FY2018 Federal Expenditures</b>
<b><u>DEPARTMENT OF AGRICULTURE</u></b>				
<u>Pass-through payments:</u>				
<u>Virginia Department of Education</u>				
School Breakfast Program (457-07-05)	10.553		\$	429,654
National School Lunch Program (457-07-05)	10.555			1,162,346
<u>Virginia Department of Agriculture &amp; Consumer Services</u>				
Food Distribution - USDA Commodities	10.555			150,201
Summer Food Service Program for Children (10013)	10.559			66,697
Total Child Nutrition Cluster				<u>1,808,898</u>
<u>Virginia Department of Agriculture &amp; Consumer Services</u>				
Child & Adult Care Food Program (60090)	10.558			14,800
<u>Virginia Department of Social Services</u>				
Pilot Projects to Reduce Dependency under SNAP	10.596			30,618
State administrative matching grant for SNAP	10.561			1,247,870
<u>Virginia Department of Education</u>				
School Lunch Program - Fresh Fruit (179-01-00)	10.582			42,664
<u>Virginia Department of Forestry</u>				
Invasive Canopy Replacement Project (17VTCW08)	10.678			3,346
<b><u>DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u></b>				
<u>Direct payments:</u>				
Community Development Block Grant	14.218	198093189	\$	15,533
(B14MC10022; B15MC10022; B16MC10022; B17MC10022)	14.218	078675710		12,500
	14.218	042709139		<u>24,837</u>
				52,870
<u>Pass-through payments:</u>				
<u>Virginia Department of Housing &amp; Community Development</u>				
Virginia Homeless Solutions Program (18-VHSP-008)	14.231	832619907		71,778
Housing Opportunities for Persons with Aids (18-HW-303)	14.241	832619907		205,857
<u>Thomas Jefferson Planning District Commission</u>				
Housing Opportunities Made Equal (HOME)	14.239	128721896		57,175
	14.239	189610384		<u>3,750</u>
				60,925
<b><u>DEPARTMENT OF THE INTERIOR</u></b>				
<u>Pass-through payments:</u>				
<u>Virginia Department of Historic Resources</u>				
Historic Preservation Fund (CLG)	15.904			12,000
<b><u>DEPARTMENT OF JUSTICE</u></b>				
<u>Direct payments:</u>				
Cyber Crimes Task Force - FBI	16.304			1,189
Bulletproof Vest Partnership Program	16.607			6,738
Edward Byrne Memorial Justice Assistance Grant Program (2013-DJ-BX-0822; 2014-DJ-BX-0921; 2015-DJ-BX-0859)	16.738			12,149
<u>Pass-through payments:</u>				
<u>Virginia Department of Criminal Justice Services:</u>				
Juvenile Justice & Delinquency Prevention Title II (18-A4149JB13)	16.540			18,000
Crime Victim Assistance (18-X8566VW16)	16.575			164,150
Violence Against Women Formula Grant (18-V9413VA17)	16.588			31,489
Byrne Formula Grant (18-C3192AD16; 18-C3284BY13)	16.738	198093189	9,167	139,425
<u>Supreme Court of Virginia</u>				
Byrne Formula Drug Treatment Court (18-C3684AD17)	16.579	198093189	205,000	205,000
<b><u>DEPARTMENT OF LABOR</u></b>				
<u>Pass-through payments:</u>				
<u>Virginia Community College System</u>				
WIOA - Adult Services	17.258	957031974	270,181	270,181
WIOA - Youth Services	17.259	957031974	415,741	415,741
WIOA - Dislocated Worker Services	17.278	957031974	501,685	<u>501,685</u>
Total Workforce Innovation and Opportunity Act Cluster				1,187,607
Workforce Innovation Fund	17.283	957031974	114,334	114,334

(Continued)



**CITY OF CHARLOTTESVILLE, VIRGINIA**  
**Schedule of Expenditures of Federal Awards**  
**Year ended June 30, 2018**

<b>Federal granting agency/recipient state agency/grant program/grant number</b>	<b>CFDA number</b>	<b>Pass- Through Entity DUNS</b>	<b>Amount Passed- Through to Subrecipient</b>	<b>FY2018 Federal Expenditures</b>
<b><u>DEPARTMENT OF TRANSPORTATION</u></b>				
<u>Direct payments:</u>				
<u>Federal Transportation Agency</u>				
Federal Transportation Formula Grants	20.507	099592768	\$ 518,766	\$ 2,202,094
<u>Pass-through payments:</u>				
<u>Virginia Department of Transportation</u>				
Highway Planning and Construction	20.205			3,243,388
Safe Routes to School Projects	20.205			79,852
Total Highway Planning and Construction Cluster				<u>3,323,240</u>
<b><u>DEPARTMENT OF EDUCATION</u></b>				
<u>Direct payments:</u>				
Elementary and Secondary Education Act:				
Title VIII, Impact Aid (SO41B-2005-5233)	84.041			9,271
Title X, Part C, Education for Homeless Children & Youth (G10403)	84.196			15,000
Gear Up - Council of Higher Education	84.334			60,454
<u>Pass-through payments:</u>				
<u>Department of Education</u>				
NCLB - Title I Part A Chapter I: LEA (171-01-05)	84.010			1,540,371
NCLB - Title I, Part D, Subpart 2 - Neglected & Delinquent (171-01-05)	84.013			1,110
IDEA - Part B Section 611 - Sp. Ed. Flow Th. (171-02-50)	84.027			1,060,053
IDEA - Part B Section 619 Sp. Ed. Preschool (171-02-50)	84.173			54,029
Total IDEA Part B Cluster				<u>1,114,082</u>
Career & Technical Education Basic Grants to States (171-03-50)	84.048			92,201
Title IV Part B - Twenty First Century	84.287			195,594
NCLB - Title III Part A - English Language Acquisition (171-06-05)	84.365			50,449
Title II, Part A, ESEA Improving Teacher Quality (560-45-45)	84.367			178,541
Title IV Part A LEA Student Support & Academic Enrichment	84.424			16,102
<b><u>DEPARTMENT OF HEALTH AND HUMAN SERVICES</u></b>				
<u>Direct payments:</u>				
Substance Abuse and Mental Health Services Grant	93.243	198093189	92,990	92,990
Administration for Children & Families - Basic Center Grant	93.623	084136464	108,516	191,121
<u>Pass-through payments:</u>				
<u>Department of Social Services</u>				
Temporary Assistance for Needy Families	93.558			693,054
GO Training for TANF Clients (BEN-17-056)	93.558			50,000
Total TANF Cluster				<u>743,054</u>
Promoting Safe & Stable Families	93.556			36,986
Refugee & Entrant Assistance - State Administered Programs	93.566			11,435
Low-Income Home Energy Assistance	93.568			89,990
Child Care Mandatory & Matching Funds of CCDF	93.596			99,993
Chafee Education & Training Vouchers Programs	93.599			9,467
Adoption Incentive payments	93.603			2,800
Child Welfare Services - State Grants	93.645			2,145
Foster Care - Title IV-E	93.658			1,339,967
Adoption Assistance	93.659			964,609
Social Services Block Grant	93.667			886,342
Chafee Foster Care Independence Program	93.674			13,962
State Children's Insurance Program	93.767			52,675
Medical Assistance Program (Medicaid; Title XIX)	93.778			1,265,221
<b><u>DEPARTMENT OF HOMELAND SECURITY</u></b>				
<u>Pass-through payments:</u>				
<u>Virginia Department of Emergency Management</u>				
Local Emergency Management Performance Grant (7522)	97.042	066022047	7,500	7,500
Total			<u>\$ 2,635,310</u>	<u>\$ 20,260,226</u>

**CITY OF CHARLOTTESVILLE, VIRGINIA**  
**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**JUNE 30, 2018**

**Note 1 – General**

The Uniform Guidance 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 – Relationship to Basic Financial Statements**

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

	General	Capital	Social	Debt	Other		Component	
	Government	Projects	Services	Service	Governmental	Total	Unit	
							Schools	CVPED*
Intergovernmental revenue per financial statements	\$ 28,949,276	\$ 7,414,412	\$ 9,580,901	\$156,966	\$ 15,356,643	\$ 61,458,198	\$ 28,087,936	\$ 1,301,941
Less: amounts not related to federal financial assistance	28,941,349	4,169,824	2,833,767	156,966	11,450,201	47,552,107	23,029,896	-
Less: unearned federal revenue	-	-	-	-	9,378	9,378	-	-
Add: prior year unearned federal revenue expended in the current year	-	-	-	-	3,532	3,532	-	-
Total schedule of expenditures of federal awards	\$ 7,927	\$ 3,244,588	\$ 6,747,134	\$ -	\$ 3,900,596	\$ 13,900,245	\$ 5,058,040	\$ 1,301,941

\* 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.

(Continued)

**CITY OF CHARLOTTESVILLE, VIRGINIA**  
**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**JUNE 30, 2018**

**Note 4 – Subrecipients**

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

<b>Program Title</b>	<b>DUNS</b>	<b>CFDA</b>	<b>Amount</b>	<b>Subrecipients</b>
Community Development Block Grant	198093189	14.218	\$ 15,533	Offender Aid and Restoration
Community Development Block Grant	078675710	14.218	12,500	Community Investment Collaborative
Community Development Block Grant	042709139	14.218	24,837	United Way
Virginia Homeless Solutions Program	832619907	14.231	71,778	Thomas Jefferson Area Coalition for the Homeless
Housing Opportunities Made Equal	128721896	14.239	57,175	Albemarle Housing Improvement Program
Housing Opportunities Made Equal	189610384	14.239	3,750	Habitat for Humanity
Housing Opportunities for Persons with Aids	832619907	14.241	205,857	Thomas Jefferson Area Coalition for the Homeless
Drug Control System Improvement - Byrne Memorial Formula Grant	198093189	16.579	205,000	Offender Aid and Restoration
Byrne Formula Grant	198093189	16.738	9,167	Offender Aid and Restoration
Workforce Investment Act - Adult Services	957031974	17.258	270,181	Central VA Partnership for Economic Development
Workforce Investment Act - Youth Services	957031974	17.259	415,741	Central VA Partnership for Economic Development
Workforce Investment Act - Dislocated Worker Services	957031974	17.278	501,685	Central VA Partnership for Economic Development
Workforce Investment Act - WIF	957031974	17.283	114,334	Central VA Partnership for Economic Development
Federal Highway Administration	099592768	20.507	518,766	JAUNT
H&HS – Substance Abuse & Mental Health Services	198093189	93.243	92,990	Offender Aid and Restoration
H&HS - Basic Center Program for Runaway Services	084136464	93.623	108,516	Ready Kids
Local Emergency Management Performance Grant	066022047	97.042	7,500	C/A Emergency Communications Center
			<u>\$ 2,635,310</u>	

**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).

**Note 6 – De Minimus Indirect Cost Rate**

The City did not elect to use the 10% de minimus cost rate.

**Note 7 – Outstanding Loan Balances**

At June 30, 2018, the City had no outstanding loan balances requiring disclosure.

(Continued)

**CITY OF CHARLOTTESVILLE, VIRGINIA  
SUMMARY OF COMPLIANCE MATTERS  
JUNE 30, 2018**

As more fully described in the Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*, we performed tests of the City's compliance with certain provisions of the laws, regulations, contracts, and grants shown below.

**STATE COMPLIANCE MATTERS**

*Code of Virginia*

Budget and Appropriation Laws  
Cash and Investment Laws  
Conflicts of Interest Act  
Local Retirement Systems  
Debt Provisions  
Procurement Laws  
Children's Services Act  
Uniform Disposition of Unclaimed Property Act  
Sheriff Internal Controls

*State Agency Requirements*

Education  
Social Services  
Urban Highway Maintenance

**FEDERAL COMPLIANCE MATTERS**

Compliance Supplement for Single Audits of State and Local Governments

Provisions and conditions of agreements related to federal program selected for testing.

**CITY OF CHARLOTTESVILLE, VIRGINIA**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**JUNE 30, 2018**

**A. SUMMARY OF AUDITOR'S RESULTS**

1. The auditor's report expresses an **unmodified opinion** on the financial statements.
2. **No significant deficiencies** relating to the audit of the financial statements was reported in the Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*.
3. **No instances of noncompliance** material to the financial statements were disclosed.
4. **No significant deficiencies** relating to the audit of the major federal award programs were reported in the Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance.
5. The auditor's report on compliance for the major federal award programs expresses an **unmodified opinion** on all programs.
6. The audit disclosed **no audit findings** relating to the major programs.
7. The programs tested as major were:

<u>Name of Program</u>	<u>CFDA #</u>
Federal Transportation Formula Grants	20.507
Special Education Grants to States	84.027
Special Education Preschool Grants	84.173
Medical Assistance Program	93.778
State Administrative Matching Grant for SNAP	10.561
Social Services Block Grant	93.667
Temporary Assistance for Needy Families	93.558

8. The threshold for distinguishing Type A and B programs was \$750,000.
9. The City of Charlottesville was determined to be a low-risk auditee.

(Continued)

**CITY OF CHARLOTTESVILLE, VIRGINIA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)  
JUNE 30, 2018**

**B. FINDINGS – FINANCIAL STATEMENT AUDIT**

**None.**

**C. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS  
AUDIT**

**None.**

**D. FINDINGS – COMMONWEALTH OF VIRGINIA**

**2018-001: Social Services Terminated Employees**

***Condition:***

Employees who are terminated from employment from Social Services must be removed from the VDSS systems within three working days of termination. Employees tested were not removed timely. Per Title 63.2 of the Code of Virginia, terminated employee access must be removed within three working days of termination.

***Recommendation:***

We recommend all terminated employees' access be removed within three working days of termination by either the operations supervisor or their backup.

***Management Response:*** *If the operations officer is unable to remove the employees from the VDSS system within three days of termination, the back up security officer will take the required action.*

**2018-002: Social Services Employee Access Review**

***Condition:***

Employees' access to DSS applications are not reviewed on an annual basis. Title 63.2 of the Code of Virginia requires an annual review of employee access.

***Recommendation:***

We recommend the local security officer review all employees' access to each application with the employee's supervisor to ensure all access is properly aligned with job responsibilities annually.

***Management Response:*** *Local security officer will implement an annual review of subsequent years including contact with direct supervisors of personnel to ensure proper system alignment including a total refresh of paperwork with corresponding internal audit dates.*

(Continued)

**CITY OF CHARLOTTESVILLE, VIRGINIA**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)**  
**JUNE 30, 2018**

**D. FINDINGS – COMMONWEALTH OF VIRGINIA (Continued)**

**2018-003: Social Services Security Policies**

***Condition:***

Inconsistent documentation exists for employees' acknowledgement and completion of various information security policies. Per Title 63.2 of the Code of Virginia, employees must document acknowledgment of the Acceptable Use Awareness Policy.

***Recommendation:***

We recommend maintaining adequate documentation to support all employee acknowledgements of the Acceptable Use Awareness Policy and to enter all training completion information in the system.

***Management Response:*** *Local security officer will review annually to ensure that all folders have current year's acceptable use policy along with corresponding training completion dates in SAMS.*

**CITY OF CHARLOTTESVILLE, VIRGINIA  
SCHEDULE OF PRIOR YEAR AUDIT FINDINGS  
JUNE 30, 2018**

**A. FINDINGS – FINANCIAL STATEMENT AUDIT**

**2016-001: Segregation of Duties (Significant Deficiency)**

***Condition:***

One of the more important aspects of any internal control is segregation of duties. In an ideal system of internal controls, no individual would perform more than one duty in connection with any transaction or series of transactions. In particular, no one individual should have access to both physical assets and the related accounting records. Such access may allow errors or irregularities to occur and either not be detected or concealed. A proper segregation of duties has not been established in functions related to accounting system access, payroll, accounts payable, and accounts receivable. We did not detect any issues as a result of conditions of conflicting duties during our testing.

Specific items related to segregation of duties are discussed below:

- 1. Journal Entries (City):** Journal entries lacked proper approval and in one case, supporting documentation. A process should be established that requires review and approval of journal entries prior to the transactions' posting to include a sign-off procedure documenting the review.
- 2. System Access-Payroll (City):** Payroll clerks possess system access that allows them to manipulate payroll data to include entering new employees and adjusting pay rates. Limit system access to restrict the ability to manipulate payroll files and periodically review exception reports related to payroll.
- 3. Vendor Master List (City):** The Accounts Payable and Accounts Receivable staff is able to edit the master vendor file, record invoices, prepare checks for payment, and mail checks after they are signed.
- 4. Credit Card Purchases (Schools):** Credit card purchases made by the school Superintendent were also reviewed and approved by the Superintendent.

***Current Year Status:***

Condition is no longer present.



**CITY OF CHARLOTTESVILLE, VIRGINIA**  
**SCHEDULE OF PRIOR YEAR AUDIT FINDINGS (Continued)**  
**JUNE 30, 2018**

**B. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAM  
AUDIT**

**2017-001: 17.258, 17.259, 17.578 – Workforce Innovation and Opportunity Act Cluster**

***Condition/Criteria:***

The City did not provide adequate documentation of subrecipient monitoring as required by the Uniform Guidance. However, through independent inquiry with the subrecipient, we were able to verify the visits occurred as represented by management. Monitoring activities, though performed, were not documented. The City performed on-site monitoring visits where a City employee reviewed the audit report, invoices, and reimbursement requests related to the grant. The City employee also performed a follow-up visit to discuss the status of audit findings within six months of receipt of the audit report.

***Current Year Status:***

No such items noted in current year testing.