

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

**NEW ISSUE  
BOOK-ENTRY ONLY**

**RATINGS:**  
Moody’s Aaa  
S&P AAA  
(See “RATINGS”)

**\$56,875,000**  
**CITY OF CHARLOTTESVILLE, VIRGINIA**  
**General Obligation Public Improvement Bonds,**  
**Series 2024**

**Dated: Date of Delivery**

**Due: June 15, as Shown on Inside Cover**

This Official Statement has been prepared by the City of Charlottesville, Virginia (the “City”), to provide information on its \$56,875,000 General Obligation Public Improvement Bonds, Series 2024 (the “Bonds”), the security therefor, the City and other relevant information. Selected information is presented on this cover page for the convenience of the user. To make an informed decision regarding the Bonds, a prospective investor should read this Official Statement in its entirety.

<b>Security</b>	The Bonds are general obligations of the City and the full faith and credit of the City will be irrevocably pledged to the punctual payment of the principal of, premium, if any, and interest on the Bonds as they become due. In each year while the Bonds, or any of them, are outstanding and unpaid, the City Council of the City is authorized and required to levy and collect annually, at the same time and manner as other taxes of the City are assessed, levied and collected, a tax upon all taxable property within the City, over and above all other taxes, authorized or limited by law and without limitation as to rate or amount, sufficient to pay when due the principal of, premium, if any, and interest on the Bonds to the extent other funds of the City are not lawfully available and appropriated to such purpose.
<b>Redemption</b>	The Bonds are subject to redemption prior to maturity as set forth herein.
<b>Purpose</b>	The proceeds of the Bonds will be used to finance the costs of certain capital improvement projects for the City and pay the costs of issuance (if not otherwise paid from other City funds).
<b>Interest Rates/Yields</b>	See inside cover.
<b>Interest Payment Dates</b>	June 15 and December 15, commencing December 15, 2024.
<b>Record Date</b>	The June 1 and December 1 immediately preceding each interest payment date.
<b>Paying Agent</b>	City’s Director of Finance.
<b>Denominations</b>	\$5,000 or integral multiples thereof.
<b>Closing/Delivery Date</b>	On or about August 28, 2024.
<b>Registration</b>	Full book-entry only; through the facilities of The Depository Trust Company, New York, New York.
<b>Bond Counsel</b>	Hunton Andrews Kurth LLP.
<b>Financial Advisor</b>	PFM Financial Advisors LLC.
<b>Conditions Affecting Issuance</b>	The Bonds are offered for delivery when, as and if issued, subject to the approving opinion of Hunton Andrews Kurth LLP, Bond Counsel, and to certain other conditions referred to herein.

Official Statement dated August 6, 2024.

**\$56,875,000**  
**CITY OF CHARLOTTESVILLE, VIRGINIA**  
**GENERAL OBLIGATION PUBLIC IMPROVEMENT BONDS,**  
**SERIES 2024**

**MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES, YIELDS AND CUSIP NUMBERS**

<b>Year (June 15)</b>	<b>Principal Amount</b>	<b>Interest Rate</b>	<b>Yield</b>	<b>CUSIP Numbers** (161069)</b>
2025	\$2,830,000	5.000%	2.580%	6R5
2026	2,855,000	5.000	2.570	6S3
2027	2,855,000	5.000	2.510	6T1
2028	2,855,000	5.000	2.500	6U8
2029	2,850,000	5.000	2.500	6V6
2030	2,850,000	5.000	2.500	6W4
2031	2,850,000	5.000	2.510	6X2
2032	2,850,000	5.000	2.530	6Y0
2033	2,850,000	5.000	2.560	6Z7
2034	2,850,000	5.000	2.580*	7A1
2035	2,845,000	5.000	2.620*	7B9
2036	2,845,000	5.000	2.660*	7C7
2037	2,845,000	5.000	2.720*	7D5
2038	2,845,000	5.000	2.790*	7E3
2039	2,840,000	5.000	2.870*	7F0
2040	2,840,000	5.000	2.950*	7G8
2041	2,830,000	5.000	3.040*	7H6
2042	2,830,000	4.000	3.490*	7J2
2043	2,830,000	4.000	3.550*	7K9
2044	2,830,000	4.000	3.600*	7L7

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\* Yield reflects Bonds priced to the first optional call date of June 15, 2033.

\*\* CUSIP numbers have been assigned by an organization not affiliated with the City and are included solely for the convenience of the holders of the Bonds. The City is not responsible for the selection or uses of these CUSIP numbers, nor is any representation made as to their correctness on the Bonds or as indicated above. No assurance can be given that these CUSIP numbers will remain the same after the date of issuance and delivery of the Bonds.

**CITY OF CHARLOTTESVILLE, VIRGINIA**

**CITY COUNCIL**

Juandiego Wade, *Mayor*  
Brian Pinkston, *Vice Mayor*  
Natalie Oschrin  
Michael Payne  
Lloyd Snook

---

Samuel Sanders, Jr.  
*City Manager*

James Freas  
*Deputy City Manager for Operations*

Ashley Reynolds Marshall  
*Deputy City Manager for Social Equity*

Eden Ratliff  
*Deputy City Manager for Administration*

Christopher V. Cullinan  
*Director of Finance*

Khristina S. Hammill  
*Director, Budget and Performance Management*

Sands Anderson PC  
*Acting City Attorney*

Jason A. Vandever  
*City Treasurer*

Dr. Royal A. Gurley, Jr.  
*Superintendent of Schools*

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Hunton Andrews Kurth LLP, *Bond Counsel*  
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951 East Byrd Street  
Richmond, Virginia 23219-4074  
(804) 788-8200

PFM Financial Advisors LLC, *Financial Advisor*  
4350 North Fairfax Drive, Suite 590  
Arlington, Virginia 22203  
(571) 527-5128

The Bonds are exempt from registration under the Securities Act of 1933, as amended. The Bonds also are exempt from registration under the securities laws of the Commonwealth of Virginia.

No dealer, broker, salesman, or other person has been authorized to give any information or to make any representations other than those contained in this Official Statement and, if given or made, such other information or representations should not be relied upon as having been authorized by the City. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. This Official Statement is not to be construed as a contract or agreement between the City and the purchasers or owners of any of the Bonds.

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

Certain persons participating in this offering may engage in transactions that stabilize, maintain or otherwise affect the price of the Bonds, including transactions to (1) over-allot in arranging the sales of the Bonds and (2) make purchases and sales of Bonds, for long or short account, on a when-issued basis or otherwise, at such prices, in such amounts and in such manner as the underwriters may determine.

This Official Statement contains statements that, to the extent they are not recitations of historical fact, constitute “forward-looking statements.” In this respect, the words, “estimate”, “project”, “anticipate”, “expect”, “intend”, “believe” and similar expressions are intended to identify forward-looking statements. A number of important factors affecting the City’s operations and financial results could cause actual results to differ materially from those stated in the forward-looking statements.

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## OFFICIAL STATEMENT

**\$56,875,000**

**CITY OF CHARLOTTESVILLE, VIRGINIA  
General Obligation Public Improvement Bonds,  
Series 2024**

### INTRODUCTION

The purpose of this Official Statement, including the cover page and Appendices attached hereto, is to set forth certain information in connection with the issuance of \$56,875,000 General Obligation Public Improvement Bonds, Series 2024 (the “Bonds”), by the City of Charlottesville, Virginia (the “City”). This information is qualified in its entirety by information found elsewhere in this Official Statement. This Official Statement speaks only as of its date, and the information contained herein is subject to change.

The Bonds will be issued in authorized denominations of \$5,000 and integral multiples thereof and will be held through the facilities of The Depository Trust Company, New York, New York (“DTC”), or its nominee, as securities depository with respect to the Bonds. See the section “DESCRIPTION OF THE BONDS - Book-Entry Only System” and **Appendix E**.

The Bonds are general obligations of the City for the payment of which the full faith and credit and unlimited taxing power of the City are irrevocably pledged. The security of the Bonds is more fully described in the section “DESCRIPTION OF THE BONDS - Security for the Bonds.” Financial and other information contained in this Official Statement has been prepared by the City from its records (except where other sources are noted). The information is not intended to indicate future or continuing trends in the financial or economic position of the City.

### DESCRIPTION OF THE BONDS

#### General

The Bonds will be dated the date of their delivery and will bear interest from their date payable semiannually on each June 15 and December 15, commencing December 15, 2024. The Bonds will mature on June 15 in each of the years as set forth on the inside cover page of this Official Statement. The City’s Director of Finance has been appointed registrar and paying agent for the Bonds (the “Registrar” or “Paying Agent”). The City Manager may in his discretion at any time appoint a qualified bank as successor paying agent and registrar for the Bonds. Interest on the Bonds shall be payable by check or draft to the holders of the Bonds as of the June 1 and December 1 immediately preceding each interest payment date at their addresses as they appear on the registration books kept by the Registrar. If such interest payment date is not a business day, such payment shall be made on the next succeeding business day with the same effect as if made on the interest payment date, and no additional interest shall accrue.

#### Authorization and Purposes of the Bonds

The Bonds are being issued under a resolution adopted by the City Council on July 1, 2024 (the “Bond Resolution”), pursuant to Article VII, Section 10 of the Constitution of Virginia and the Public Finance Act of 1991, Chapter 26, Title 15.2, of the Code of Virginia, 1950, as amended.

The Bond Resolution provides for the sale and issuance of not to exceed \$65,000,000 principal amount of bonds to finance the projects described below. The proceeds of the Bonds are proposed to be used: (1) to finance all or a portion of the costs to acquire, construct, renovate, rehabilitate, improve and equip certain capital improvement projects for various City purposes, including (without limitation) (a) public safety projects, (b) public school projects and (c) water, wastewater and stormwater projects (collectively, the “Projects”) and (2) to pay the costs of issuance (if not otherwise paid from other City funds).

## Sources and Uses of Funds

The following table sets forth the estimated sources of funds and application of the proceeds of the Bonds:

Sources:	
Principal Amount of Bonds	\$56,875,000
Original Issue Premium	7,012,963
Total Sources	<u>\$63,887,963</u>
Uses:	
Deposit to Capital Projects Fund	\$58,000,000
Deposit to Water Fund	3,200,000
Deposit to Stormwater Fund	800,000
Deposit to Wastewater Fund	1,500,000
Costs of Issuance (including underwriter's compensation)	387,963
Total	<u>\$63,887,963</u>

## Security for the Bonds

The Bonds are general obligations of the City, and the full faith and credit and unlimited taxing power of the City are irrevocably pledged to the punctual payment of the principal of, premium, if any, and interest on the Bonds as they become due. In each year while the Bonds, or any of them, are outstanding and unpaid, the City Council is authorized and required to levy and collect annually, at the same time and in the same manner as other taxes of the City are assessed, levied and collected, a tax upon all taxable property within the City, over and above all other taxes, authorized or limited by law and without limitation as to rate or amount, sufficient to pay when due the principal of, premium, if any, and interest on the Bonds to the extent other funds of the City are not lawfully available and appropriated for such purpose.

## Bondholder Remedies in the Event of Default

Section 15.2-2659 of the Code of Virginia of 1950, as amended, provides that upon affidavit filed with the Governor of the Commonwealth of Virginia (the "Commonwealth") by any owner of or paying agent for a general obligation bond of a locality of the Commonwealth in default as to payment of principal, premium, if any, or interest, the Governor shall make a summary investigation and, if satisfied that such default has occurred, the Governor shall make an order directing the State Comptroller to withhold all further payment to the locality of all funds, or any part thereof, appropriated and payable by the Commonwealth to the locality so in default for any and all purposes until such default is cured. The Governor shall, while such default continues, direct the payment of all such sums so withheld, or so much thereof as shall be necessary, to the owners of the bonds so in default, or the paying agent therefor so as to cure, or to cure insofar as possible, the default on such bonds and the interest thereon. The Governor shall, as soon as practicable, give notice of such default and of the availability of funds with the paying agent or with the State Comptroller by publication one time in a daily newspaper of general circulation in the City of Richmond and, in the case of registered bonds, by mail, to the registered owners of such bonds. Nothing in Section 15.2-2659 creates any obligation on the part of the State Comptroller or the Commonwealth to make any payments on behalf of the defaulting locality other than from funds appropriated and payable to the defaulting locality.

The State Comptroller advises that to date, no order to withhold funds pursuant to Section 15.1-227.61 or Section 15.1-225, the predecessor provisions of 15.2-2659, has ever been issued. Although a Virginia court has not had occasion to address the constitutionality of Section 15.2-2659, the Attorney General of Virginia has ruled that appropriated funds may be withheld by the Commonwealth pursuant to its predecessor section. For the fiscal year ended June 30, 2023, the Commonwealth appropriated \$112,527,459 to the City, of which \$29,772,453 was deposited in the General Fund.

Neither the Bonds nor the proceedings with respect thereto specifically provide any remedies to bondholders if the City defaults in the payment of principal of, premium, if any, or interest on the Bonds, nor do they contain any provision for the appointment of a trustee to protect and enforce the interests of the bondholders upon the occurrence



of such a default. Upon any default in the payment of principal, premium or interest, a bondholder may, among other things, seek a writ of mandamus from an appropriate court requiring the City Council to levy and collect taxes as described in the section “Security for and Sources of Payment of the Bonds.” The mandamus remedy, however, may be impracticable and difficult to enforce. Furthermore, the right to levy and collect taxes to enforce payment of the Bonds may be limited by bankruptcy, insolvency, reorganization, moratorium, and similar laws, and by equitable principles, which may limit the specific enforcement of certain remedies.

Although Virginia law currently does not authorize such action, future legislation may enable the City to file a petition of relief under the United States Bankruptcy Code (the “Bankruptcy Code”) if it is insolvent or unable to pay its debts. Bankruptcy proceedings by the City could have adverse effects on Bondholders including (1) delay in the enforcement of their remedies, (2) subordination of their claims to claims of those supplying goods and services to the City after the initiation of bankruptcy proceedings and to the administrative expenses of bankruptcy proceedings, and (3) imposition without their consent of a reorganization plan reducing or delaying payment of the Bonds. The Bankruptcy Code contains provisions intended to ensure that, in any reorganization plan not accepted by at least a majority of a class of creditors such as the holders of general obligation bonds, such creditors will have the benefit of their original claim or the “indubitable equivalent”. The effect of these and other provisions of the Bankruptcy Code cannot be predicted and may be significantly affected by judicial interpretation.

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

## **Redemption**

### *Optional Redemption*

The Bonds maturing on or before June 15, 2033, are not subject to optional redemption prior to maturity. The Bonds maturing on or after June 15, 2034, are subject to redemption prior to maturity at the option of the City at any time on or after June 15, 2033, in whole or in part (in integral multiples of \$5,000), upon payment of 100% of the principal amount of Bonds to be redeemed plus interest accrued and unpaid to the date fixed for redemption.

### *Manner of Redemption*

If less than all of the Bonds are called for redemption, the Bonds to be redeemed shall be selected by the chief financial officer of the City in such manner as such officer may determine to be in the best interests of the City. If less than all the Bonds of any maturity are called for redemption, the Bonds to be redeemed shall be selected by DTC or any successor securities depository pursuant to its rules and procedures or, if the book-entry system is discontinued, by the Registrar by lot in such manner as the Registrar in his discretion may determine.

### *Notice of Redemption*

The City shall cause notice of the call of redemption identifying the Bonds or portions thereof to be redeemed to be sent by facsimile or electronic transmission, registered or certified mail or overnight express delivery, not less than 30 nor more than 60 days prior to the redemption date to the registered owner of the Bonds. The City will not be responsible for giving notices of redemption to anyone other than DTC or another securities depository or its nominee unless no qualified securities depository is the registered owner of the Bonds. If no qualified securities depository is the registered owner of the Bonds, notice of redemption shall be mailed to the registered owners of the Bonds. If a portion of a Bond is called for redemption, a new Bond in principal amount equal to the unredeemed portion thereof will be issued to the registered owner upon the surrender thereof.

The City may give or cause to be given notice of redemption prior to a deposit of redemption moneys if such notice states that the redemption is to be funded with the proceeds of a refunding bond issue and is conditioned on the deposit of such proceeds. Provided that moneys are deposited on or before the redemption date, such notice shall be effective when given. If such proceeds are not available on the redemption date, such Bonds will continue to bear interest until paid at the same rate they would have borne had they not been called for redemption and principal will continue to be payable as scheduled. On presentation and surrender of the Bonds called for redemption at the place or places of payment, such Bonds shall be paid and redeemed.

## **Form and Denomination**

The Bonds will be issued by means of a book-entry system with no physical distribution of Bond certificates made to the public. Prior to closing on the Bonds, there will be deposited with DTC one bond certificate registered in the name of DTC's nominee, Cede & Co., for each stated maturity of the Bonds. The book-entry system will evidence beneficial ownership of the Bonds in principal amounts of \$5,000 or multiples thereof, with transfers of beneficial ownership effective on the records of DTC and its participants pursuant to rules and procedures established by DTC and its participants. Transfer of principal, premium, if any, and interest payments to beneficial owners (as hereinafter defined) by participants of DTC will be the responsibility of such participants and other nominees of beneficial owners. The City will not be responsible or liable for maintaining, supervising or reviewing the records maintained by DTC, its participants or persons acting through such participants.

In the event that (1) DTC determines to discontinue providing its services as securities depository for the Bonds, (2) the chief financial officer of the City determines that DTC is incapable of discharging its duties or that continuation with DTC as securities depository with respect to the Bonds is not in the best interest of the City, or (3) the chief financial officer of the City determines that continuation of the book-entry system of evidence and transfer of ownership of the Bonds is not in the best interest of the City or the beneficial owners, the City will discontinue the book-entry system with DTC. If the City fails to identify another qualified securities depository to replace DTC, the City will authenticate and deliver replacement Bonds in the form of fully registered certificates to the beneficial owners or their nominees.

## **Book-Entry Only System**

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

## **TAX EXEMPTION**

### **Opinion of Bond Counsel**

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

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

Bond Counsel's opinion represents its legal judgment based in part upon the representations and covenants referenced therein and its review of current law, but is neither a guarantee of a result nor binding on the Internal

Revenue Service (the “IRS”) or the courts. Bond Counsel assumes no duty to update or supplement its opinion to reflect any facts or circumstances that may come to Bond Counsel’s attention after the date of its opinion or to reflect any changes in law or the interpretation thereof that may occur or become effective after such date.

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

### **Alternative Minimum Tax**

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

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

### **Original Issue Premium**

Bonds purchased, whether upon issuance or otherwise, for an amount (excluding any amount attributable to accrued interest) in excess of their principal amount will be treated for federal income tax purposes as having amortizable bond premium. A holder’s basis in such a Bond must be reduced by the amount of premium that accrues while such Bond is held by the holder. No deduction for such amount will be allowed, but it generally will offset interest on the Bonds while so held. Purchasers of such Bonds should consult their own tax advisors as to the calculation, accrual and treatment of amortizable bond premium and the state and local tax consequences of holding such Bonds.

### **Other Tax Matters**

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

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

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

There are many events that could affect the value, liquidity and/or marketability of the Bonds after their issuance, including but not limited to public knowledge of an audit of the Bonds by the IRS, a general change in interest rates for comparable securities, a change in federal or state income tax rates, legislative or regulatory proposals affecting state and local government securities and changes in judicial interpretation of current law. In addition, certain tax considerations relevant to owners of Bonds who purchase Bonds after their issuance may be different from

those relevant to purchasers upon issuance. Neither the opinion of Bond Counsel nor this Official Statement purports to address the likelihood or effect of any such potential events or such other tax considerations, and purchasers of the Bonds should seek advice concerning such matters as they deem prudent in connection with their purchase of Bonds.

## LEGAL MATTERS

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

## PENDING LITIGATION

During the normal course of business, the City and its employees have been named as defendants in claims for personal injuries or property damage. The City’s potential liability is protected partially by indemnification agreements. It is the opinion of Sands Anderson, P.C., Acting City Attorney for the City, that any possible losses in connection with such litigation will not materially affect the City’s financial condition.

Sands Anderson, P.C., Acting City Attorney for the City, also confirms that no litigation has been served on the City, nor, to the knowledge of the City, are there any pending or threatened actions, suits or other legal proceedings seeking to restrain or enjoin the issuance and delivery of the Bonds or the levy and collection of taxes to pay the principal of, premium, if any, and interest on the Bonds.

## RATINGS

The City has applied to Moody’s Investors Service, 7 World Trade Center, 250 Greenwich Street, New York, New York, and S&P Global Ratings, 55 Water Street, New York, New York, for credit ratings on the Bonds. The initial credit ratings are set forth on the cover page of this Official Statement. An explanation of the significance of such ratings may only be obtained from the rating agency furnishing the same. The City furnished to such rating agencies the information contained in this Official Statement and certain publicly available materials and information about the City. Generally, rating agencies base their ratings on such materials and information, as well as investigations, studies, and assumptions of the rating agencies. Such ratings may be changed at any time, and no assurance can be given that they will not be revised downward or withdrawn entirely by either or both of such rating agencies if, in the judgment of either or both, circumstances so warrant. Such circumstances may include without limitation, changes in or unavailability of information relating to the City. Any downward revision or withdrawal of either of such ratings may have an adverse effect on the market price of the Bonds.

## CONTINUING DISCLOSURE

### General

The City will execute and deliver to the underwriters for the Bonds a Continuing Disclosure Agreement, the form of which is attached as **Appendix D** to this Official Statement, pursuant to which the City will covenant and agree, for the benefit of the holders of the Bonds, consistent with Rule 15c2-12 promulgated by the Securities and Exchange Commission (the “Rule”) to provide to the Municipal Securities Rulemaking Board annual financial information and operating data for the City, including audited financial statements of the City, no later than each March 31 after the end of the City’s preceding fiscal year, beginning with the fiscal year ending June 30, 2024, and, in a timely manner not in excess of ten (10) business days after the occurrence thereof, notices of certain events with respect to the Bonds. The continuing obligation of the City to provide annual financial information and notices referred to above will terminate with respect to the Bonds when the Bonds are no longer outstanding.

As described in **Appendix D**, the Continuing Disclosure Agreement requires the City to provide only limited information at specific times, and the information provided may not be all the information necessary to value the Bonds at any particular time. The City may from time to time disclose certain information and data in addition to that required by the Continuing Disclosure Agreement. If the City chooses to provide any additional information, the City shall have no obligation to continue to update such information or to include it in any future disclosure filing. Any failure by the City to comply with the foregoing will not constitute a default with respect to the Bonds. The sole remedy for a default under the Continuing Disclosure Agreement is to bring an action for specific performance of the City's covenants thereunder, and no assurance can be provided as to the outcome of any such proceeding.

### **Prior Compliance**

The City represents that, in the five previous years, it has not failed to comply in any material respect with any previous undertaking in a written contract or agreement specified in paragraph (b)(5)(i) of the Rule, with the exception of a late filing in fall 2021. The City issued its General Obligation Refunding Bond, Series 2021B, on September 2, 2021, but did not disclose such issuance on the MSRB's Electronic Municipal Market Access system until November 18, 2021.

### **SALE AT COMPETITIVE BIDDING**

After competitive bidding on August 6, 2024, the Bonds were awarded to Hilltop Securities Inc. (the "Underwriter"). The Underwriter has supplied the information as to the public offering yields on the Bonds set forth on the inside cover page hereof. If all of the Bonds are resold to the public at such public offering yields, the Underwriter has informed the City that it anticipates total underwriting compensation of \$161,496.05 (0.283949% of the principal amount). The Underwriter may change the public offering prices or yields from time to time.

### **CERTIFICATE CONCERNING OFFICIAL STATEMENT**

The City will furnish to the successful bidder a certificate dated as of the date of delivery of the Bonds, signed by the City Manager and the Director of Finance, stating that the descriptions and statements contained in the Official Statement (except for the sections "LEGAL MATTERS" and "TAX EXEMPTION," the information in the columns "Yield" and "CUSIP" on the inside cover and the information in Appendices C and E) on the date of sale and on the date of delivery of the Bonds were and are, to the best of their knowledge, true and correct in all material respects and did not and do not contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading. In such certificate, the City Manager and the Director of Finance may state that they did not independently verify the information indicated in the Official Statement as having been obtained or derived from sources other than the City but that they have no reason to believe such information is not accurate.

### **FINANCIAL ADVISOR**

The City has retained PFM Financial Advisors LLC, Arlington, Virginia, as financial advisor (the "Financial Advisor"), in connection with the issuance of the Bonds. Although the Financial Advisor assisted in the preparation and review of this Official Statement, the Financial Advisor is not obligated to undertake, and has not undertaken to make, an independent verification or to assume responsibility for the accuracy, completeness or fairness of the information contained in this Official Statement. The Financial Advisor is a financial advisory, investment management and consulting organization and is not engaged in the business of underwriting municipal securities.

### **INDEPENDENT AUDITOR**

The City's general purpose financial statements for the fiscal year ended June 30, 2023, have been audited by the independent public accounting firm of Robinson, Farmer, Cox Associates, PLLC, and are included as **Appendix B**. These financial statements, along with the related notes to financial statements, are intended to provide a broad overview of the financial position and operating results of the City's government wide and various fund financial statements and account groups. Robinson, Farmer, Cox Associates, PLLC has not been engaged to perform and has not performed, since the date of its report included herein, any procedures on the financial statements

addressed in that report. Robinson, Farmer, Cox Associates, PLLC also has not performed any procedures relating to this Official Statement.

#### **ADDITIONAL INFORMATION**

Any statements in this Official Statement involving matters of opinion or estimates, whether or not expressly so stated, are intended as such and not as representations of fact. No representation is made that any of the estimates will be realized.

Additional information concerning this offering may be obtained from the Director of Finance, City Hall, Charlottesville, Virginia 22902, Telephone (434) 970-3200 or from the City's Financial Advisor, PFM Financial Advisors LLC, 4350 North Fairfax Drive, Suite 590, Arlington, Virginia 22203, Telephone (571) 527-5128.

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

#### **CITY OF CHARLOTTESVILLE**

*Samuel Sanders, Jr.*

City Manager

## **APPENDIX A**

**City of Charlottesville, Virginia**

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## **THE CITY**

### **Introduction**

The City of Charlottesville (the “City” or “Charlottesville”) is located in central Virginia, approximately 100 miles southwest of Washington, D.C., and 70 miles northwest of Richmond, Virginia. Situated within the upper Piedmont Plateau, at the foothills of the Blue Ridge Mountains and at the headwaters of the Rivanna River, Charlottesville was established as a town in 1762 by the Virginia General Assembly and was incorporated as an independent city in 1888. As a result of eight annexations, the most recent of which was effective in 1968, the City now encompasses a land area of 10.4 square miles.

The City is autonomous and entirely independent of any county or any other political subdivision. It is not coterminous with or subject to taxation by any county or school district, and is not liable for any indebtedness other than City indebtedness.

As the seat of both the City and Albemarle County governments, Charlottesville serves as the economic, cultural, and educational center of a multi-county region in central Virginia. The City is part of the Charlottesville Metropolitan Statistical Area (the “MSA”). The MSA includes the City and the counties of Albemarle, Fluvanna, Greene and Nelson. According to the latest available (2022) estimates from the U.S. Census Bureau, the population of the City was 51,132 while the Charlottesville MSA population was approximately 223,534.

### **Overview of Governmental Organization**

The City has been organized according to the Council-Manager form of government since 1913. The City Council, which establishes policies for the administration of the City, is the governing body of the City. The five members of the City Council are elected by City voters for staggered four-year terms, with at least two members elected every two years. The Mayor and Vice Mayor are elected by the members every two years from among members of the City Council.

The City Council appoints a City Manager to serve as the chief executive and administrator of the City. The City Manager serves at the pleasure of the City Council, implements its policies, and directs the City’s business and administrative procedures. The City Manager also has the power of appointment and removal of certain department heads and City employees.

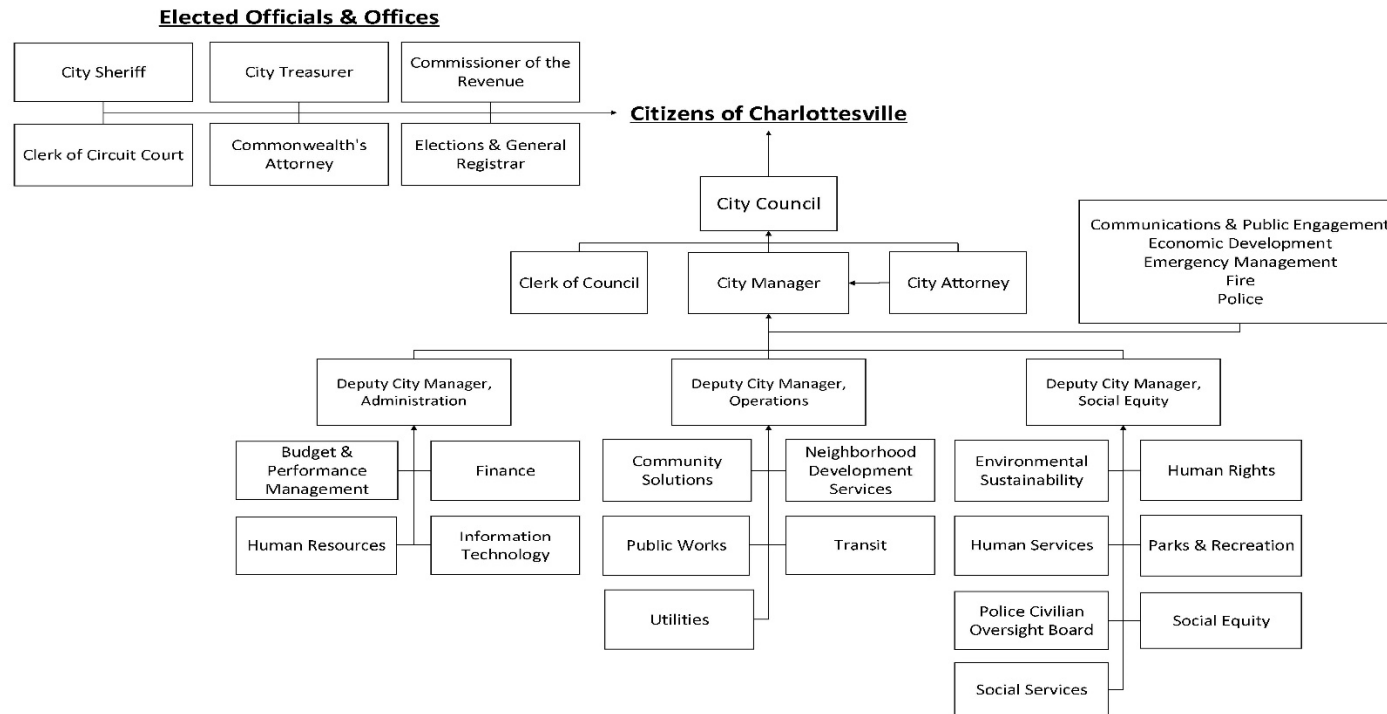
The operation of public schools in Charlottesville is the responsibility of a seven-member, separately elected School Board. The local share of the cost of operating public schools in the City is met with an annual appropriation by the City Council from the City’s General Fund. Operations of the School Board, however, are independent of the City Council and the City administration, as prescribed by Virginia law. The Superintendent of Schools is appointed by and serves at the pleasure of the School Board to administer the operations of the City’s public schools.

In addition to the City Council, other elected City officials include the Commonwealth’s Attorney, Commissioner of Revenue, Clerk of the Circuit Court, Sheriff and Treasurer. The Judges of the Circuit Court, General District Court, and Juvenile and Domestic Relations Court are appointed by the Virginia General Assembly. A chart of the City governmental organization is set forth on the following page.

The executive offices of the City are located at the City Hall, 7th and Main Streets, Charlottesville, Virginia 22902. The City’s central telephone number is (434) 970-3100.

[Remainder of page intentionally left blank.]

## City Organizational Chart



## **Elected Officials**

Juandiego Wade, *Mayor*, was elected in 2021 to serve a four-year term on City Council. He graduated from Norfolk State University with a B.A. in Urban Planning, and he went on to earn a master's degree in Urban and Environmental Planning from the University of Virginia. Mr. Wade serves on the Charlottesville Albemarle Convention and Visitors Bureau, Jefferson Area Board for Aging Board of Directors, Minority Business Commission, Virginia Career Works – Piedmont Region, and School Capital Projects Committee.

Dr. Brian Pinkston, *Vice Mayor*, was elected in 2021 to serve a four-year term on City Council. He graduated from Georgia Tech with a bachelor's degree in mechanical engineering and completed graduate studies in philosophy to earn a master's degree from Biola University in 2004 and a PhD from the University of Virginia in 2012. Dr. Pinkston serves on the Darden Towe Park Board, Metropolitan Planning Organization, Regional Transportation Partnership, Retirement Commission, Rivanna Solid Waste Authority, Rivanna Water and Sewer Authority, School Capital Projects, and Social Services Advisory Board.

Natalie Oschrin, *Council Member*, was elected in 2024 to serve a four-year term on City Council. She holds a B.A. in American Studies and History and a Masters of International Hospitality and Tourism Management. Ms. Oschrin serves on the Charlottesville Community Scholarship Program Committee, Darden Towe Memorial Park Committee, City of Charlottesville Legislative Committee, Metropolitan Planning Organization and Regional Transit Partnership.

Michael Payne, *Council Member*, was elected in 2024 to serve a four-year term on City Council. He graduated from Albemarle High School in Charlottesville and received a B.A. in Government from the College of William & Mary. Mr. Payne has worked in affordable housing with Habitat for Humanity Virginia and People and Congregations Engaged in Ministry. Mr. Payne serves on the Charlottesville Redevelopment & Housing Authority Board, Housing Advisory Committee, Local Energy Alliance Program Governance Board, Piedmont Housing Alliance, Regional Housing Partnership, Rivanna Corridor Planning Steering Committee, Rivanna River Basin Commission, and Thomas Jefferson Planning District Commission.

Lloyd Snook, *Council Member*, was elected in 2024 to serve a four-year term on City Council. He graduated from Lane High School in Charlottesville in 1970 and went on to earn an A.B. in Economics from Stanford University in 1974, and a J.D. cum laude from the University of Michigan School of Law in 1979. Mr. Snook owns a private practice and has been active with local, state and national bar associations. Mr. Snook serves on the City of Charlottesville Legislative Committee, Darden Towe Park Board, Metropolitan Planning Organization, Regional Housing Partnership, Regional Transportation Partnership, Rivanna Corridor Planning Steering Committee, Rivanna River Basin Commission, and Virginia First Cities Board of Directors.

## **Certain City Staff Members**

Samuel Sanders, Jr., *City Manager*, was appointed by City Council on August 1, 2023. He served for two years as Deputy City Manager of Operations for the City, after serving as the Executive Director of Baton Rouge, Louisiana's Mid City Redevelopment Alliance. Mr. Sanders previously served as Executive Director for Mid City Redevelopment Alliance in Baton Rouge, Louisiana, where he led comprehensive community development programs focused on affordable housing, economic development, wealth building, and community empowerment since 2003. He has 29 years of nonprofit and government program experience. He holds a B.A. in English from Christopher Newport University, an M.P.A. from Troy University, and a Certificate in *Achieving Excellence*, a NeighborWorks America Executive Education Program from Harvard's Kennedy School of Government.

Ashley Reynolds Marshall, *Deputy City Manager for Racial Equity, Diversity & Inclusion*, was appointed in May 2021. Ms. Marshall most recently served as Chief Executive Officer for YWCA of Central Virginia, located in Lynchburg, Virginia, since 2018. Ms. Marshall holds a B.A. in Psychology from Hollins University, a J.D. from the William & Mary Law School, and an M.P.A. from Virginia Tech. Ms. Marshall is also currently pursuing a Ph.D. at the Center for Public Administration and Policy at Virginia Tech where her dissertation is focused on Collaborative Governance, Corporation Social Responsibility and Collective Impact/Collaborative Programming. She is a member

of the International City/County Managers Association, the National Forum for Black Public Administrators, the Society for Human Resource Managers, and the Virginia Local Government Management Association.

James Freas, *Deputy City Manager for Operations*, was appointed in March 2024. Mr. Freas has direct oversight of the Office of Community Solutions, Public Works, Transit, and Utilities and is temporarily serving in a dual-role capacity as Director of Neighborhood Development Services, as well. Mr. Freas has a bachelor's degree from the University of Virginia and master's degrees in planning and environmental law from the University of Rhode Island and Vermont Law School. Prior to working for the City, Mr. Freas gained over 15 years of experience in city planning in Massachusetts and Virginia. He has an extensive background in building teams to lead collaborative planning and implementation work. In Hampton, Virginia, he led work on environmental policy and the development and implementation of neighborhood master plans as Senior Planner. In the Boston area, he worked for the Metropolitan Area Planning Council as Regional Planner. He then moved on to the City of Newton, Massachusetts, starting as the Chief Planner, and then the Deputy Director of the Department of Planning & Development. In late 2019, he was brought on as the Director of Community & Economic Development for the Town of Natick, Massachusetts. His work included strategies for housing, transportation, climate, and economic development as well as crafting clear and effective policies and zoning.

Eden Ratliff, *Deputy City Manager for Administration*, was appointed in January 2024. Mr. Ratliff oversees a variety of assignments relating to the City's Strategic Plan, special projects, organization-wide initiatives, capital improvement planning and operational efficiencies. His portfolio includes Budget, Finance, Human Resource and Information Technology. A native of West Chester, Pennsylvania, Mr. Ratliff graduated from Indiana University of Pennsylvania with a Master of Arts in employment and labor relations and a Bachelor of Arts in political science. He is currently pursuing a Master of Arts in public management from Johns Hopkins University. Mr. Ratliff most recently served as the Manager of Kennett Township, Pennsylvania, a role he held since 2019. He also previously served as borough manager for the Borough of Greencastle in Franklin County, Pennsylvania, and for the Borough of Ford City, Pennsylvania.

Christopher V. Cullinan, *Director of Finance*, was appointed in January 2015. He has 26 years of public finance experience in both the public and private sectors. His experience also includes serving as the Acting CFO/Budget Group Leader for the Washington Suburban Sanitary Commission, one of the largest water and wastewater utilities in the country, from 2012 to 2014. Mr. Cullinan was a principal in the consulting firm of TischlerBise specializing in the pricing and financing of public services, utilities, and infrastructure for local government clients in 23 states from 2001 to 2012. From 1996 to 2001, he worked for the City of Charlottesville as its Budget Director. He holds a MPA in Public Financial Management from the School of Public and Environmental Affairs at Indiana University-Bloomington and a B.A. in Political Science from Earlham College. Mr. Cullinan is a member of the Government Finance Officers Association and the Virginia Government Finance Officers Association.

Chris J. Engel, *Director of Economic Development*, was appointed in February 2012. Prior to that, he had served as the Assistant Director for the City's Office of Economic Development since 2005. Mr. Engel has a bachelor's degree in geography from Mary Washington College and a master's degree in planning from Virginia Commonwealth University. He is also a graduate of the Economic Development Institute at the University of Oklahoma and is a member of the International Economic Development Council where he is a certified economic developer. From 2001 to 2005, he served as Research Analyst with the Greater Richmond Chamber of Commerce and from 1999 to 2001 he worked as Director of Research for Realticorp, a commercial real estate development firm.

Dr. Royal A. Gurley, Jr., *Superintendent of Schools*, was appointed in October 2021. For two decades, he has worked to remove barriers and provide access and opportunities to all students. A lifelong educator and servant leader, Dr. Gurley has experience as a member of the armed forces, a teacher, an instructional technology integrator, a director of special education, building administrator, and an assistant superintendent. Dr. Gurley holds the following degrees from Virginia State University: Bachelor of Arts in Sociology, Master of Education, and Doctor of Education in Educational Administration and Supervision. Additionally, he earned a Post Baccalaureate Certificate in Instructional Technology and a Post-Master's Certificate in Educational Leadership from Virginia Commonwealth University. Most recently, Dr. Gurley completed the Urban Superintendents Academy at the University of Southern California.

Khristina S. Hammill, *Director of Budget and Performance Management/Debt Manager*, holds a B.S. in Commerce from the University of Virginia and a Master's Certificate in Local Government Management from

Virginia Tech's Center for Public Administration and Policy. She has more than 24 years of public finance experience. Mrs. Hammill joined the City of Charlottesville Finance staff in 1998 as a Senior Accountant and, in 2011, she became the Financial and Debt Manager. In November 2018, she became a Senior Budget and Management Analyst in the City's Budget Office, where in April 2022 she was promoted to Director. Mrs. Hammill also still serves as the City's Debt Manager. Prior to working for the City, she was Administrator of Accounting and Operations for Health Data Services, Inc. Mrs. Hammill is a member of the Government Finance Officers Association, the Virginia Government Finance Officers Association and Virginia Women in Public Finance.

Jason A. Vandever, *Treasurer*, has served in that role since October 1, 2012. A 2000 graduate of Charlottesville High School, Mr. Vandever holds a Bachelor's Degree from James Madison University and a Master's in Public Affairs with a concentration in Public Financial Management from the O'Neil School of Public and Environmental Affairs at Indiana University-Bloomington. Prior to becoming Treasurer, Mr. Vandever served for four years as Chief Deputy Treasurer for the City and three years in retail banking. In 2012, he earned a Master's Certificate in Local Government Management from Virginia Tech's Center for Public Administration and Policy, and in 2015 he earned his Master Governmental Treasurer Certification from the Treasurers' Association of Virginia. Additionally, he holds a Certified Public Funds Investment Manager Certificate from the Association of Public Treasurers, and a Certificate in Public Plan Policy in Pensions from the International Foundation of Employee Benefit Plans.

Todd D. Divers, *Commissioner of Revenue*, received a B.A. in Sociology and a Master of Teaching degree from the University of Virginia in 1995. After spending a number of years teaching in the Greene County and Albemarle County School systems, Mr. Divers spent ten years working for a local small business. Elected in 2013, he has achieved the designation of Master Commissioner of the Revenue from the Commissioner of the Revenue Association of Virginia and currently serves as the Fifth Vice President of that statewide association. He is an active participant on the Career Development Program Committee and has served as Chair of the West Central District of the Commissioners' Association. Additionally, he is an active member of the Virginia Association of Local Tax Auditors.

## **Government Services and Facilities**

The City provides a comprehensive range of public services expected of its form of government under Virginia law and its integral position as a service provider within the Central Virginia area. These vital services are designed to meet the changing needs of an increasingly urbanized community and to provide an environment within which the educational, physical, social, and cultural needs of its citizens can be best met efficiently and effectively.

The City has implemented a number of management and program innovations, several of which have received national recognition. Charlottesville has been recognized as providing services to meet the needs of some of the community's special citizens such as the elderly, handicapped and youth. The City has also been at the forefront of municipal innovation with many environmental, transportation, workforce development training, technology and affordable housing initiatives. The City has received several Management Innovation Awards from the International City Management Association, which recognized City management efforts in providing effective and efficient services. Also, the City has been recognized by the Virginia Municipal League, the Virginia Government Finance Officers Association, the Virginia Economic Development Association, and the Alliance for Innovation for innovative programs and service approaches that have resulted in improved City services and direct cost savings to taxpayers. The City was approved by the Virginia Department of Environmental Quality as a Virginia Environmental Excellence Program 2022 Sustainability Partner for the 10<sup>th</sup> year in a row, was recognized by the U.S. Environmental Protection Agency as a 2022 WaterSense Sustained Excellence Winner (8<sup>th</sup> year in a row receiving recognition), was recognized by the Arbor Day Foundation as a Tree City USA for the 17<sup>th</sup> year in a row, was the first Virginia locality to receive SolSmart Silver-level designation through the U.S. Department of Energy's SunShot Initiative, and received a Mid-Atlantic APWA award for community engagement in 2022 related to its recently adopted Climate Action Plan.

The Finance Department and the Office of Budget and Performance Management continue to earn the top awards by the Government Finance Officers Association for their Annual Report and budget document. The City has been included in "17 Most Beautiful College Campuses in the U.S." by Matador Network; "These Are America's Next Great Food Cities" by Food & Wine; "Beyond Sonoma: Check Out Wine Country in Oregon, Colorado, Virginia

and Pennsylvania” by USA Today; “Charlottesville, VA is the #22 Best City to Live in the USA” by Livability.com; and “The Five Best Wine Road Trips in the U.S.” by Food & Wine.

### ***Schools***

The Charlottesville School Division is directed by a seven-member elected School Board. The School Board functions independently of the City but is required to prepare and submit an annual budget to the City Council. Because the School Board can neither levy taxes nor incur indebtedness under Virginia law, the local costs of the school division are funded by an annual appropriation from the General Fund of the City, supplemented by state and federal funds. The capital improvement costs related to providing or improving school facilities are funded by capital appropriations from the City and by general obligation bonds issued by the City. For Fiscal Year 2023, approximately 24.2% of the School Division’s operating funds were provided by the Commonwealth of Virginia, approximately 9.4% were provided from federal and other funds, and the remaining 66.4% were provided by an appropriation and a transfer of local revenues from the City’s General Fund.

The City’s public schools provide a comprehensive program of education including vocational education, career and college preparation, technical education, special education, adult education, pre-school programs, and basic and general interest educational programs.

The School Board operates six elementary schools (PreK-4), one upper elementary school (5-6), one middle school (7-8), one high school (9-12) and one alternative education program, and shares in the cost of operating a technical education center and a regional special education center. The School Division employs approximately 810 professional and nonprofessional personnel within the local operating budget. Starting fall enrollment for the 2023-2024 school year was more than 4,200 pupils (Pre-school to Grade 12). Approximately 71% of the professional staff have obtained advanced degrees, and all are certified in their teaching fields.

### ***Public Safety***

The Charlottesville Police Department is an accredited law enforcement agency responsible for the protection of persons and property from criminal activity, the safe and orderly control of vehicular traffic throughout the City and the handling of all disputes and public disorder issues that impact the safety and quality of life of our citizens.

The City and the County of Albemarle (the “County” or “Albemarle County”), through the Charlottesville-Albemarle Regional Jail Authority, operate a regional jail facility. The City also participates with the County and the University of Virginia in a jointly operated center for dispatching all law enforcement personnel. The center serves as the central receiving point for a “911” emergency telephone number, providing direct and immediate access to all emergency services.

Fire suppression and emergency services are provided by approximately 118 full-time sworn, and six civilian employees operating from three City-staffed and operated fire stations, including four engine companies, one ladder company, one tower ladder, two advanced life support ambulances and an on-duty battalion chief. A replacement station for the existing Fire Station 1 is currently under construction and is slated to be completed in March of 2025. The fire department is currently winding down an extension on its three-year SAFER (Staffing for Adequate Fire and Emergency Response) staffing grant that was awarded in federal fiscal year 2019 to help the department add five additional firefighters. In July 2024 two additional FTE’s will be added to the sworn section of the department. These two FTE’s will work on the newly formed behavioral support and outreach unit/team titled the ANCHOR team.

The Fire Department is one of the few departments in the country to equip every in-service fire suppression position with a thermal imaging camera, and active shooter equipment. All firefighters and emergency services providers receive comprehensive training each year, including, but not limited to, firefighting strategy and tactics, hazardous material response/weapons of mass destruction/terrorism, technical and vehicle rescues, ASHER and related prehospital emergency medical services (“EMS”). The minimum certifications required for the department’s firefighters is Firefighter II, Hazardous Materials First Responder Operations and Emergency Medical Technician.

In August 2022, the Fire Department was reaccredited by the Center for Public Safety Excellence and the Commission on Fire Accreditation. The CFAI Accreditation Model requires the development of a strategic plan and comprehensive community risk assessment, along with the completion of a rigorous self-assessment of agency programs and performance in all areas. The documents undergo a thorough review by a peer-assessment team of industry experts and an onsite visit is conducted to validate the performance of the department and quality of services. The reaccreditation process culminated in August 2022 with a hearing and presentation before the Commission on Fire Accreditation International. In 2019, the Fire Department was also re-evaluated by the Insurance Service Organization (“ISO”) and maintained its Class 1 Rating. Currently, these two achievements combined make the Charlottesville Fire Department one of only 122 departments in North America to achieve both CFAI Accredited Agency status and an ISO Class 1 rating. The department is currently working with ISO, undergoing a periodic re-evaluation that is currently slated for the Fall of 2024. This site visit will be to re-evaluate the City’s assigned rating and the required ISO elements that the department and its service delivery partners must stay current on.

The Citywide EMS system is inclusive of both the Charlottesville-Albemarle Rescue Squad (“CARS”) and Charlottesville Fire Department and is supported by an EMS Cost Recovery Program. CARS is a non-profit organization operationally staffed entirely by volunteers. CARS contributes to the EMS system by providing volunteers trained at both the basic and advanced life support levels who respond to calls and staff special events within the City’s EMS system inclusive of the University of Virginia grounds.

### ***Public Works***

The Department of Public Works is the largest department within the City of Charlottesville, providing numerous public works services directly to residents and internally to other City departments. The Public Works Administration Office oversees the operations of six divisions, comprising Environmental Sustainability, Public Service, Facilities Development, Facilities Maintenance, Fleet Management and Engineering.

The Environmental Sustainability division is dedicated to environmental compliance, public education, and environmental sustainability and stewardship opportunities. Recent initiatives include Climate Protection, Water Resources Protection, and Green Infrastructure, support of high-performance building through LEED certification, greening of the City vehicle fleet, and water conservation.

The Public Service division is responsible for services related to the City’s rights-of-way including, but not limited to, street and sidewalk maintenance and repairs, emergency weather response, solid waste management, stormwater infrastructure maintenance, traffic operations, and street lighting operations. The division maintains the City’s 160 miles of streets, 77 traffic signals and 6,070 streetlights. The refuse collection program is responsible for administering and monitoring the City’s contract with private firms for collection of domestic refuse and recyclables. The City also provides litter collection, carcass removal, street sweeping and by-appointment-only large item pickup service for residents.

The Facilities Development division is responsible for the efficient and cost-effective planning, design and construction of projects related to the approximately 70 City-owned public buildings and nine City School campuses. Facilities Development leads the City’s efforts associated with all new capital construction and development, facility renovations, expansion of facilities and major repairs.

Facilities Maintenance provides routine repair and preventive maintenance services to buildings either owned or leased by the City, as well as Charlottesville City School campuses. Custodial Services are provided to select City-owned facilities. The division is also responsible for the execution of capital projects associated with heating, ventilation, air conditioning and electrical systems.

Fleet Management Operations is responsible for the upkeep and repair of 645 City-owned vehicles and equipment, and provides recommendations on the purchase of replacement vehicles and equipment.

Engineering provides design services, standards and regulations, and project administration to support the execution and oversight of infrastructure projects and services, and administration of the Water Resources Protection Program.

## ***Public Utilities***

The Department of Utilities provides the Charlottesville community with natural gas, water, wastewater, and stormwater services.

- Charlottesville Gas has provided residents of Charlottesville and urban areas of Albemarle County with natural gas service for over 150 years. Charlottesville Gas has approximately 21,500 customers and maintains approximately 343 miles of gas lines and over 300 miles of gas service lines.
- Charlottesville Water is responsible for the operation and maintenance of the City's water distribution system. There are approximately 1,192 fire hydrants, 3,823 valves, and 179 miles of water mains and one booster pump station within the City's system. Charlottesville Water has approximately 14,800 customers and maintains the water service connection from the water main to the water meter.
- Charlottesville Wastewater's collection system has 169 miles of gravity wastewater lines and 5,898 manholes. This system collects the wastewater from residential areas and businesses, transporting it to the Rivanna Water and Sewer Authority's Moore's Creek Treatment Plant. Charlottesville Wastewater operates the collection system, including general maintenance and emergency situations.
- The Stormwater Utility is responsible for managing and implementing the Water Resources Protection Program (the "WRPP"). The WRPP is responsible to rehabilitate the City's aging stormwater conveyance system, comply with federal and state stormwater regulations, address drainage problems, and pursue environmental stewardship.

## ***Charlottesville Area Transit***

This City department consists of two divisions – Charlottesville Area Transit and Charlottesville Pupil Transportation. Together these units employ approximately 195 City employees.

Charlottesville Area Transit ("CAT") provides fixed route bus service seven days a week within the City, to certain areas of Albemarle County and to the University of Virginia's grounds. CAT maintains a network of over 329 bus stops and provides over 1.3 million passenger trips annually. The division maintains and operates 40 transit buses equipped with a full array of Intelligent Transportation System technologies geared to assist both managers and the riding public with CAT information.

Pupil Transportation provides student transportation services to and from the City schools and several alternative education sites, activity transportation service, and field trip transportation service under contract to the Charlottesville City Schools. Pupil Transportation also contributes revenue to its operation through the provision of local charter bus service for special events. The division operates 40 Pupil Transportation buses.

## ***Social Services***

The Charlottesville Department of Social Services provides a variety of public assistance programs to help low-income citizens meet their basic needs for food, shelter, medical care and social services to protect vulnerable children and adults and promote self-sufficiency. As one of the Commonwealth's 120 local agencies under the supervision of the Virginia Department of Social Services, the department administers legally mandated public assistance programs, such as Supplemental Nutrition Assistance Program (SNAP), Temporary Assistance to Needy Families (TANF), Medicaid and child care assistance, and family services programs, such as protective services for abused and neglected children and adults, prevention services, foster care and adoption.

## ***Parks and Recreation***

The City offers a diverse array of recreational facilities and activities through its Department of Parks and Recreation. Residents and visitors can explore 27 parks, nearly six miles of paved trails, and approximately 30 miles of nature trails. The city also features four indoor recreation centers, four pools, four spray grounds, a regional skate



park, tennis and basketball courts, and the Meadowcreek Golf Course. Additionally, the City, in collaboration with Albemarle County, jointly owns Darden Towe Memorial Park and the Ivy Creek Natural Area. Ragged Mountain, which houses one of the region's reservoirs, is also under the management of the Parks Department.

The Parks and Recreation Department offers a wide range of programs catering to both youth and adults. These include team sports, youth activities, summer camps, fitness classes, and individual wellness programs focused on movement, yoga, and mind-body health. The department also provides adaptive recreation programs for disabled individuals and senior citizens. Many of these programs are entirely self-supporting, ensuring they meet the community's needs directly.

The City is dedicated to expanding its parks and recreational spaces. Over the past five years, an additional 153 acres have been added to the park system, demonstrating a strong commitment to enhancing the quality of life for all residents.

### ***Economic Development***

The Office of Economic Development ("OED") is the City's primary vehicle for providing economic development services. The OED team works to enhance Charlottesville's economy, create quality jobs, increase per capita income, and improve the quality of life for residents. Economic Development staff promotes Charlottesville as a premier location for business and regularly works with entrepreneurs and existing businesses seeking to grow in the City. Staff members provide unique assistance at the municipal level, acting as facilitators between the business community and City, state agencies, private and public sector, academia, and more. It is the intent of the team to craft business-driven strategies that enhance workforce and business development throughout Charlottesville and the region. The Office also coordinates and administers the functions of the Charlottesville Economic Development Authority ("CEDA"). CEDA issues revenue bonds for manufacturing and nonprofit projects and assists with public-private partnerships.

### ***Neighborhood Development Services***

The Department of Neighborhood Development Services provides planning and development services for the City. It assists in improving the quality of life and the environment for City residents and facilitates equitable access to opportunities within the City through comprehensive physical, social and economic planning actions. Services of the department include development, engineering, inspections and enforcement services relating to the Comprehensive Plan, land use planning and regulation, transportation, housing and community development, neighborhood planning, economic and social planning, grant planning and HUD entitlement administration, research and historic preservation. The Department also coordinates planning activities with other City departments, agencies and committees.

### ***Cooperative Service Agreements***

The City, together with Albemarle County, and in some cases other neighboring counties, has agreed to provide several services on a regional basis. Accounting and reporting responsibilities for these services are assigned on an alternating basis. The City is currently responsible for maintaining certain financial records of the Jefferson-Madison Regional Library.

### ***Jefferson-Madison Regional Library***

The Jefferson-Madison Regional Library, which serves the City and four neighboring counties, consists of a central library, seven branches and a bookmobile. The operating costs of the library are allocated based on book circulation. Currently, approximately 45% percent of the City's residents are cardholders. The City contributed \$2,075,318 to the Library for Fiscal Year 2023.

## **Cyber-Security**

The City maintains a robust and current cyber-security posture with solid management support. Some highlights are listed below.

- **User Training:** City IT administers an annual cyber-security training program with updated content every year. Thanks to heightened awareness and IT prioritization of the program, the City had 100% participation and completion for the last three years. In addition, City IT administers a monthly phishing email training test. All employees with access to IT resources are included in all training campaigns.
- **Security Policy:** The City maintains a current IT Security Policy and Written Information Security Program.
- **Security Committee and Action Team:** Dedicated teams (IT Security Action Team and IT Security Committee) in the City's IT Department meet weekly and bi-weekly respectively to assess risks and take active measures to continually and effectively police and reduce cyber-security risks. The City's IT department also has a dedicated security position to address cybersecurity alerts and data protection issues as well as administer the City's security training campaigns.
- **Regular External Assessment and Risk Mitigation:** The City annually hires a third-party security firm to perform an annual penetration test in which external risks are identified and mitigated.
- **Payment Processing:** All City departments work closely with the City's IT department to adhere to best practices.
- **Patching and Updates:** All servers, personal computers and other systems on the City network are updated regularly. The City's IT department performs critical system maintenance every month on a regular maintenance schedule.
- **Backup and Recovery:** The City's IT department maintains robust and modern backup systems and tests them regularly.
- **Vendor Access:** All vendor access requires multi-factor authentication and vendors are only permitted to access the system they need to access.
- **Email and Web filtering:** Enterprise-grade tools used to filter out spam email and phishing attempts as well as web filtering tools to protect from attacks and loss of security.
- **MultiFactor Authentication** is required of anyone accessing City IT resources.

## **Separate Authorities Related to the City**

### ***Charlottesville Economic Development Authority***

Charlottesville Economic Development Authority ("CEDA") was created by ordinance of the City Council on July 19, 1976, pursuant to provisions of the Industrial Development and Revenue Bond Act, Title 15.2, Chapter 49 of the Code of Virginia, 1950, as amended. A board of seven directors appointed by City Council governs. The bonds, notes and other obligations issued by CEDA are payable solely from and secured by revenues derived from leases and contracts on the lands, buildings and equipment financed. The City has no obligation to repay any indebtedness of CEDA.

More recent CEDA projects have involved the development of unique public-private partnerships. In 2010, CEDA managed a \$2 million City contribution towards phase 1 of the Hillsdale Drive Project, which attracted a Whole Foods Market. In 2011, CEDA oversaw the City's interest in the redevelopment of the historic Jefferson School, which underwent an \$18 million renovation into a community center. In 2017, CEDA provided matching funds for a Governors Agricultural & Forestry Industries Development grant on behalf of Three Notch'd Brewing Company. The

company, which was founded and is headquartered in Charlottesville, invested \$2,900,000 in its local facility and added 60 employees to its payroll during the three-year grant period. In 2019, CEDA commissioned HR & A Advisors to conduct a comprehensive Office and Retail Market Study for the City. In addition, in 2018, CEDA facilitated a tax-exempt bond financing for the Jefferson Scholars Foundation in an amount of \$22,500,000.

CEDA also serves in a management capacity for multiple City-owned properties including the S&P Building located at 700 E. Jefferson Street, and an approximately 22-acre parcel of mostly undeveloped land on E. High Street, adjacent to the Rivanna River. The S&P Building is currently a mix of private-business occupants and City offices. As part of the management agreement for the High Street property, which was acquired by the City in November 2023, CEDA will administer an assumed lease with a privately-owned, recreational business.

### ***Rivanna Solid Waste Authority***

The Rivanna Solid Waste Authority (the “Solid Waste Authority”) was created by ordinances of the governing bodies of both the City and Albemarle County on August 6, 1990. Organized pursuant to the Virginia Water and Waste Authorities Act, Chapter 51, Title 15.2, Code of Virginia, 1950, as amended (the “Water and Waste Authorities Act”), and chartered by the State Corporation Commission on September 4, 1990, the Solid Waste Authority was created as a political subdivision to acquire, finance, construct, operate and maintain those facilities needed for the disposal of solid waste as well as those needed for recycling or other alternatives. The Solid Waste Authority is governed by a board of seven directors: four ex-officio directors from the City and the County, one member of City Council, one member of the Board of Supervisors, and one director who is appointed by mutual consent of the City and the County’s governing bodies. The Solid Waste Authority is subject to the jurisdictions of the Virginia Division of Waste Management and Department of Health under the provisions of the State and federal laws. The Solid Waste Authority operates under terms of the Operating Agreement ratified by the City, the County and the Solid Waste Authority on November 4, 1990.

According to the Water and Waste Authorities Act, the Solid Waste Authority is authorized, among other things, to issue revenue bonds to pay all or any part of the cost of a garbage and refuse disposal system. All indebtedness incurred by the Authority is payable solely from the revenues derived from user fees set by the Solid Waste Authority. The Solid Waste Authority has the power to raise its fees to such a level as is necessary to cover the debt service on its obligations as well as to pay its operating expenses and provide cash reserves. At present, the Solid Waste Authority’s customers are the City and those private haulers who serve areas of Albemarle County and the City. Neither the City nor the County, however, has any direct obligation for the indebtedness of the Solid Waste Authority. As of June 30, 2023, the Solid Waste Authority had no debt outstanding, and the Solid Waste Authority had \$4,439,259 in landfill closure/post-closure care cost obligations, \$2,863,322 of which is guaranteed by the County and \$1,514,800 of which is guaranteed by the City. Additionally, the Solid Waste Authority has set aside a cash account restricted for payment of the transfer station closure costs in the amount of \$162,694.

### ***Rivanna Water and Sewer Authority***

The Rivanna Water and Sewer Authority (the “Water and Sewer Authority”) was created by ordinances of the governing bodies of both the City and the County on June 7, 1972. Organized pursuant to the Water and Waste Authorities Act and chartered by the State Corporation Commission on June 7, 1972, the Water and Sewer Authority was created as a political subdivision to acquire, finance, construct, operate and maintain those facilities needed for the production, storage and transmission of potable water, as well as those facilities needed for the interception, treatment and discharge of wastewater. The Water and Sewer Authority is governed by a board of seven directors, four of whom are ex-officio members from the City and County, two of whom are elected officials appointed by their respective bodies, one each from the City Council and the Board of Supervisors, and a seventh who is appointed by mutual consent of the City and County’s governing bodies. The Water and Sewer Authority is subject to the jurisdiction of the Virginia State Water Control Board under the provisions of the Virginia and federal water control laws.

Since July 1, 1973, the Water and Sewer Authority has provided wholesale water and sewer services to the City and the Albemarle County Service Authority after assuming responsibility for the operations of certain existing facilities of the City and the Albemarle County Service Authority. Service to the City and the Albemarle County

Service Authority is currently provided in a percentage of approximately 49/51, respectively, for water and 48/52, respectively, for wastewater service.

According to the Water and Waste Authorities Act, the Water and Sewer Authority is authorized, among other things, to issue revenue bonds of the Water and Sewer Authority to pay all or any part of the cost of water or wastewater discharge systems. All indebtedness incurred by the Authority is payable solely from the revenues of its water or sewerage system. The Water and Sewer Authority has the power to raise its rates to such a level as is necessary to cover the debt service on its obligations. At present, the Water and Sewer Authority has two customers, the City and the Albemarle County Service Authority. As of June 30, 2023, the outstanding principal amount of bonds issued by the Water and Sewer Authority was \$195,203,407.

#### ***Albemarle-Charlottesville Regional Jail Authority***

The Albemarle-Charlottesville Regional Jail Authority (the “Jail Authority”) was created by ordinances adopted by the governing bodies of both the City and the County of Albemarle on November 15, 1995. Organized under the authority of Chapter 3, Article 3.1 of Title 53.1 of the Code of Virginia, 1950, as amended (the “Enabling Legislation”), the Jail Authority was created as a political subdivision to acquire, finance, construct, operate and maintain a regional jail. On July 1, 1998, Nelson County became a member of the Jail Authority. The Jail Authority is governed by a board of eleven directors, four each from the City and Albemarle County (three of whom are ex-officio; the fourth is a citizen appointed by his or her respective governing body), two from Nelson County, and one who is jointly appointed by mutual consent of the governing bodies of the three member localities. The Jail Authority’s operations are subject to the limitations of Virginia statutes and regulations promulgated and enforced by the Virginia Department of Corrections.

According to its Enabling Legislation, the Jail Authority is empowered, among other things, to issue revenue bonds to pay all or any part of the cost of a regional jail facility. All indebtedness incurred by the Jail Authority is payable from the Jail Authority’s revenues, which primarily include (i) payments from the Commonwealth for a portion of personnel and other operating costs, (ii) operating cost per diem payments from all three member localities for prisoners they commit to the jail facility and (iii) an additional charge for the Jail Authority’s debt service, collected in equal shares subject to annual appropriations from the City and the County of Albemarle, a portion of which is reimbursed to them by the County of Nelson based on its usage of the jail facility. The Jail Authority’s bonds are backed solely by these revenues and do not pledge the full faith and credit of any of the member localities.

The Jail Authority currently has \$4,500,000 in debt outstanding in the form of a bank loan to finance the first phase of a renovation of the regional jail facility. The entire renovation is expected to cost approximately \$50,000,000 and will be financed with debt of the Jail Authority.

#### ***Charlottesville-Albemarle Airport Authority***

The Charlottesville-Albemarle Airport Authority (the “Airport Authority”) was created in 1984 by the Virginia General Assembly as a political subdivision of the Commonwealth of Virginia with the authority to direct the operations of the Charlottesville-Albemarle Airport. The former governing body of the Airport, the Charlottesville-Albemarle Airport Board, transferred all airport property to the Airport Authority and was then dissolved by joint resolutions of the City and County’s governing bodies. Neither the City nor the County is responsible for any operational expense or indebtedness of the Airport Authority.

The Airport Authority consists of three members: the City Manager (or his principal assistant, as chosen by the City Council), the County Executive (or his principal assistant, as chosen by the County Board of Supervisors) and a member of the Joint Airport Commission. The seven-member Joint Airport Commission is composed of three County residents, three City residents, and one member appointed by mutual consent of the City and County’s governing bodies. This jointly appointed member is the third member of the Authority Board. The Joint Airport Commission is advisory to the Airport Authority and elects its own Chairman.

The Airport Authority is a self-supporting, public entity. Annual revenues are derived from parking fees, airline rents and landing fees, rental car concessions and other fees paid to the Authority by concessions/tenants

operating at the Airport. Bond covenants require that Airport Authority revenues exceed bond financing expenses by 25% each fiscal year. Since 1988, the Airport Authority has issued several series of bonds to refund outstanding debt and to fund several major capital improvements, such as the construction of a 58,000-square foot terminal facility and site improvements, the construction of a new corporate hangar and office complex, the expansion and reconfiguration of the Airport parking facilities and revenue control system, and the addition of two surface parking lots.

### ***Charlottesville Redevelopment and Housing Authority***

The Charlottesville Redevelopment and Housing Authority (the “CRHA”), a political subdivision of the Commonwealth of Virginia, was created by City-wide referendum in 1954 pursuant to the Housing Authorities Act, Chapter 1 of Title 36 of the Code of Virginia, 1950, as amended (the “Housing Authorities Act”). The CRHA Board of Commissioners is composed of one member of City Council, two residents of Public Housing and four At-Large members who are appointed by City Council to serve as Commissioners.

The Housing Authorities Act authorizes and empowers the CRHA to acquire, own and operate various public housing developments within the City. Acting pursuant to the Act, CRHA owns and operates 279 units of public housing within the corporate limits of the City.

CRHA operates with revenues generated in the form of rents collected and government subsidy. The agency also secures funds annually from HUD to renovate existing housing.

CRHA currently has approximately \$50,000 principal amount of outstanding indebtedness, the repayment of which is secured by related project revenues.

## **DEMOGRAPHIC AND ECONOMIC FACTORS**

### **Historical Population**

Charlottesville’s population remained generally steady with modest growth for a period of 30 years between 1970 and 2000. However, the City has experienced a recent increase in residents, growing over 20% since 2000. Population data for the City as of July 1 in each of the years listed is shown in the following table:

<b>Year</b>	<b>Population</b>
1960	29,427
1970	38,880
1980	39,916
1990	40,475
2000	40,099
2010	43,552
2020	51,050
2023	51,132

Source: 1960-2020 – U.S. Census Bureau; 2023 - Weldon Cooper.

### **Public School Enrollment**

The City Public Schools have shown increases in enrollment during most of the last five school years. The following table provides information about the City Schools’ enrollment growth.

	<b>2019-2020</b>	<b>2020-2021</b>	<b>2021-2022</b>	<b>2022-2023</b>	<b>2023-2024</b>
Total Membership	4,313	4,337	4,265	4,391	4,444

Source: Superintendent of Schools, City of Charlottesville.

## **Employment**

Employment levels in the Charlottesville area have continued to grow modestly, with growth occurring primarily in the hospitality, administrative, healthcare and education sectors. The City has maintained its position as the economic center of a five-county area in Central Virginia. Charlottesville is home to firms specializing in renewable energy research and development, software development, life sciences and financial services, among others.

Charlottesville is viewed by many regional goods and services providers as a favorable location in which to conduct business. The transportation network includes passenger, charter and freight air service at Charlottesville-Albemarle Airport, rail passenger service by Amtrak, and rail freight service by Norfolk Southern and CSX Railroads. The major arterial highway in the area is Interstate 64, a major east-west divided four-lane route, and the City is also served by U.S. 29, a divided six-lane north-south route, and U.S. 250, an east-west arterial route, which runs parallel to I-64.

The University of Virginia (the “University”), including its Health System, is the area’s largest employer, providing approximately 28,000 jobs. Given the presence of the University, the City serves as a regional center for tourism, retail sales, and financial services, as well as education and health care. These factors also contribute to a heavy preponderance of professional people residing or working in the area.

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The following tables present information concerning employment in the Charlottesville area:

**Employment by Industry and Location**  
**4<sup>th</sup> Quarter, 2023**

	<u>Charlottesville</u>		<u>Albemarle</u>	
	<u>Number</u>	<u>Percent of Total</u>	<u>Number</u>	<u>Percent of Total</u>
Accommodation and Food Services	6,099	16.5	4,392	6.8
State Government	5,763	15.6	18,175	28.3
Health Care and Social Assistance	3,751	10.2	7,838	12.2
Professional, Scientific, and Technical Services	2,990	8.1	4,334	6.7
Retail Trade	2,801	7.6	5,633	8.8
Other Services (except Public Administration)	2,021	5.5	1,832	2.9
Educational Services	1,880	5.1	1,117	1.7
Local Government	1,795	4.9	4,511	7.0
Administrative and Support and Waste Management	1,743	4.7	2,203	3.4
Construction	1,362	3.7	2,401	3.7
Finance and Insurance	1,309	3.5	1,034	1.6
Arts, Entertainment, and Recreation	961	2.6	1,580	2.5
Manufacturing	907	2.5	2,380	3.7
Information	825	2.2	869	1.4
Wholesale Trade	783	2.1	846	1.3
Real Estate and Rental and Leasing	579	1.6	1,026	1.6
Management of Companies and Enterprises	564	1.5	1,291	2.0
Transportation and Warehousing	491	1.3	840	1.3
Federal Government	199	0.5	949	1.5
Unclassified	77	0.2	128	0.2
Utilities	27	0.1	44	0.1
Agriculture, Forestry, Fishing and Hunting	-	-	785	1.2
Mining, Quarrying, and Oil and Gas Extraction	-	-	44	0.1
<b>Total</b>	<b>36,925*</b>	<b>100.00%</b>	<b>64,252</b>	<b>100.00%</b>

Source: Virginia Employment Commission, "Quarterly Census of Employment and Wages."

\*NOTE: Totals May Not Reconcile Due to Disclosure Issues and Rounding.

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### Major Employers Located in the City

Employer Name	Product/Service	Number of Employees
University of Virginia/Blue Ridge Hospital	Hospital	1,000+
County of Albemarle	Government Support	1,000+
Sentara Healthcare	Healthcare	1,000+
UVA Health Services Foundation	Healthcare	1,000+
City of Charlottesville	Government Support	1,000+
Charlottesville City School Board	Educational Services	500 to 999
U.S. Department of Defense	Government	500 to 999
Food Lion	Retail	500 to 999
Walmart	Retail	500 to 999
Fluvanna County Public School Board	Educational Services	500 to 999

Source: City of Charlottesville Comprehensive Annual Financial Report for fiscal year ended June 30, 2023.

### Average Annual Unemployment Rates 2014-2023

Year	Charlottesville (City)	Virginia	United States
2014	4.2%	5.1%	6.2%
2015	3.6	4.4	5.3
2016	3.3	4.0	4.9
2017	3.1	3.7	4.4
2018	2.6	3.0	3.9
2019	2.3	2.8	3.7
2020	6.7	6.4	8.1
2021	3.6	3.9	5.3
2022	2.5	2.8	3.6
2023	2.4	2.9	3.6

Source: Virginia Employment Commission, Bureau of Labor Statistics.

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## Income

The following table shows a comparison of the Charlottesville Metropolitan Statistical Area (“MSA”) with other MSAs in central Virginia. The Charlottesville MSA includes the City of Charlottesville, and the counties of Albemarle, Buckingham, Fluvanna, Green and Nelson.

### Per Capita Income Comparison By Metropolitan Statistical Area

	<b>Charlottesville</b>	<b>Richmond</b>	<b>Lynchburg</b>	<b>Roanoke</b>	<b>Harrisonburg</b>	<b>Virginia</b>	<b>U.S.</b>
2013	\$50,460	\$46,709	\$34,749	\$39,670	\$33,047	\$48,198	\$44,401
2014	52,516	48,392	35,975	40,778	34,648	49,764	46,287
2015	55,164	50,627	36,846	42,655	36,638	51,620	48,060
2016	57,658	51,617	37,098	42,984	35,729	52,659	48,971
2017	61,779	53,636	38,262	43,813	37,635	54,380	51,004
2018	64,878	54,922	39,638	45,273	39,164	56,133	53,309
2019	67,651	57,772	41,008	46,442	40,536	58,368	55,547
2020	68,575	61,305	44,166	49,773	43,349	61,474	59,153
2021	78,538	65,915	47,456	53,519	48,056	66,838	64,430
2022	80,969	68,205	48,255	55,243	51,466	68,985	65,470

Source: Bureau of Economic Analysis.

## Per Capita Taxable Sales

The following table shows retail sales in the City for the last ten years.

### Per Capita Taxable Sales

<b>Calendar Year</b>	<b>Taxable Sales</b>	<b>Population</b>	<b>Per Capita Taxable Sales</b>
2014	\$ 942,420,773	47,783	\$19,123
2015	959,435,496	48,210	19,901
2016	1,006,303,597	49,071	20,507
2017	971,359,090	49,132	19,770
2018	972,265,842	49,281	19,729
2019	988,912,453	49,181	20,108
2020	821,026,208	51,050	16,604
2021	995,966,121	51,079	19,499
2022	1,108,763,612	51,278	21,623
2023	1,164,744,868	51,132	22,779

Source: Virginia Department of Taxation; Weldon Cooper Center for Public Service. Latest information available.

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## Development Activity in Charlottesville

On the heels of the addition of 500,000 square-feet of Class A office space to the market in the 2020-2022 timeframe, Charlottesville has continued to experience growth through development and redevelopment projects in various sections of the City. While most of the development has been predominantly residential in nature, medical, retail, and office space continues to be added to Charlottesville's real estate mix. Following is an overview of some of the more notable projects that have been recently completed, are under construction, or construction is expected to commence within the immediate future.

In Spring 2022, The Hudson opened to the public with 50 residential units available in a blend of studio, one-bedroom, and two-bedroom apartments. The ground floor offers complimentary retail and office uses. With a location in the Locust Hill neighborhood, onsite parking, and easy access to and from Long Street, one of the City's main transportation corridors, The Hudson quickly became and continues to be fully leased.

Completed in Fall 2022, the Sentara Medical Office Building, located at 10<sup>th</sup> and High Streets in the Martha Jefferson neighborhood, offers 45,320 square-feet of professional medical space in a three-story structure. Staff and visitors are able to utilize 150 convenient, onsite parking spaces. Sentara expects to open a new community health and wellness center in the facility in Winter 2025.

Greenleaf Center opened in Fall 2022 as a blend of high-end residential condominiums and Class A office space in the Rose Hill area of Charlottesville. A three-story LEED-certified building, Greenleaf Center is fully leased and occupied. Residents and visitors are able to utilize either street-level surface parking, or the pedestal enclosed parking structure underneath the building.

The first phase of the redevelopment of Friendship Court, an aging public housing facility, was completed in November 2023. The first phase of Kindewood, as the development will be called moving forward, provides a total of 106 residential rental units in three buildings: two in a townhome-style configuration and one in a more traditional multi-family apartment style, at three different price points, with onsite parking.

The second phase of Kindewood is expected to offer 106 residential units; however, the units will be distributed among four townhome-style buildings and one traditional multi-family structure. Six units will be available for sale, with the other 100 being for rental. The site plan for this phase of the project is nearing final approval and contains two community use options – a 20,000 square-foot community building and the initial portion of an outdoor park space that is planned for the third phase.

Virginia Guesthouse Hotel and Conference Center will be the University of Virginia's newest hospitality offering. Estimated to open in Spring 2025, the 220,000 square-foot facility is expected to include 217 guest rooms, 25,000 square feet of conference space, and a 10,000 square-foot ballroom. The \$132 million development will also include a new restaurant and rooftop bar to offer guests dining options.

The Belmont neighborhood is home to the new Belmont Condominiums development, offering 130 multi-family residential units spread out among eight buildings, each of which is expected to be between three and four stories tall. A portion of available units will be designated as affordable, workforce housing. Surface parking and outdoor recreation space are offered as amenities for residents. Over 6,000 square feet of retail/office space is expected to be available for complimentary uses upon completion of the project.

Designed to help address growing housing needs of the University of Virginia and the University of Virginia Medical Center, VERVE Charlottesville is expected to contain 550 residential units in two traditional multi-story apartment buildings. A full slate of living space options is expected to be available including studio apartments, as well as one, two, three, and four-bedroom configurations. Over 400 spaces of structured parking is expected to be provided as part of the development.

## Building Permits

Building permits issued by the City in the ten preceding fiscal years and the corresponding value of such permits are presented below:

Calendar Year	<u>Institutional and Other</u>		<u>Commercial</u>		<u>Residential</u>		<u>Total</u>	
	Number of Permits	Value	Number of Permits	Value	Number of Permits	Value	Number of Permits	Value
2014	23	\$ 7,100,000	482	\$ 51,300,000	1,331	\$ 72,700,000	1,836	\$131,100,000
2015	27	4,800,000	509	88,000,000	1,377	41,100,000	1,913	133,900,000
2016	19	600,000	492	73,000,000	1,496	51,100,000	2,007	124,700,000
2017	33	1,700,000	574	88,600,000	1,580	70,200,000	2,187	160,500,000
2018	37	3,000,000	475	58,100,000	1,608	116,100,000	2,120	177,200,000
2019	15	600,000	427	145,500,000	1,636	77,800,000	2,078	223,900,000
2020	14	1,100,000	440	73,000,000	1,340	156,000,000	1,794	230,100,000
2021	35	13,900,000	464	83,300,000	1,293	92,100,000	1,792	189,300,000
2022	25	9,100,000	379	51,900,000	1,265	78,400,000	1,669	139,300,000
2023	30	98,500,000	361	57,500,000	1,342	84,900,000	1,733	240,900,000

Source: Department of Neighborhood Development Services.

## Travel and Tourism

The tourism industry has rebounded nicely following the pandemic and remains a key component of the regional economy. In 2022, tourism was estimated to have a \$903 million impact in Charlottesville and neighboring Albemarle County, according to the Virginia Tourism Corporation. Whether coming to experience the beauty of the area or to enjoy its many cultural and historic sites, visitors contribute significant expenditures at the area's many hotels, restaurants, and specialty shops, while supporting over 6,500 jobs in the area.

Charlottesville has continued to be a destination of choice for both in-state and out-of-state travelers. The popularity of Virginia wines has become a significant attraction for the area, which was recently named by *Wine Enthusiast* as the 2023 Wine Region of the Year, beating out other well-known wine regions throughout the world such as France's Provence and Prosecco regions and Italy's Lambrusco region. Visitors from all over the world have continued to flock to Monticello, Ash Lawn-Highland, Michie Tavern, Montpelier, and the University of Virginia each year.

Festivals remain a strong draw throughout spring, summer, and fall. The Festival of the Book, Tom Tom Festival, and the Virginia Film Festival consistently draw large crowds to Charlottesville. The Downtown Mall, which is home to shops, art galleries, restaurants, outdoor cafés, street vendors, street musicians and the First Amendment monument, has also become a key part of a visit to Charlottesville. Interest in the Downtown mall is expected to grow as it has recently been named to the National Register of Historic Places and is nearing 50 years of existence.

## Transportation

The City and the surrounding areas are served by I-64 as a main east/west highway, connecting to I-81 and I-95, and by U.S. Highway 29 north/south and 250 east/west. The Charlottesville area is served by the Charlottesville-Albemarle Airport, which has daily flights from a number of major airlines, as well as commuter flights to Chicago, Washington, D.C., Charlotte, Philadelphia, Atlanta, New York, and other cities. Rail transportation is provided by direct Amtrak passenger service to Hampton Roads in the east, Washington, D.C., in the north, and Chicago in the Midwest. Charlottesville Area Transit is the public transportation provider for the greater Charlottesville urban area, providing service seven days a week on thirteen bus routes.

## Colleges and Universities

The primary institution of higher education in the area is the University of Virginia, a comprehensive State university. Founded in 1819 by Thomas Jefferson and situated on approximately 188.8 acres within and adjacent to the City's corporate limits, the University has a current enrollment of approximately 24,000 students, and is an important economic and cultural component of the City and the surrounding area. In its 2024 edition of "America's Best Colleges" published by *U.S. News and World Report*, the University of Virginia ranked fifth among all public colleges and universities and tied for No. 24 in the Top National Universities category, which includes public and private institutions.

The University of Virginia Medical Center is an integrated network of primary and specialty care services ranging from wellness programs and routine checkups to the most technologically advanced care. The hub of the Medical Center is a 600-bed hospital with a Commonwealth-designated Level 1 trauma center located in the City. *Newsweek* has ranked the University of Virginia Medical Center as the No. 1 hospital in Virginia in its "World's Best Hospitals 2024" guide.

Approximately 15,000 persons visit the University of Virginia each year to participate in conferences, short courses, and continuing education activities. The availability of faculty with a wide range of knowledge and experience is ideal for many business and professional people who turn to the University for assistance on technical, organizational, production, and marketing problems.

The University, which employs over 3,000 full-time faculty members, and University Health System combine to account for approximately \$5.9 billion in direct, indirect, and induced economic benefits in the greater Charlottesville area each year. Nearly half of that total amount (\$2.9 billion) comes in the form of direct economic benefit to the area. With ongoing advances within the University Health System, completion of the School of Data Science at the University, and the new Paul and Diane Manning Institute of Biotechnology, the University is expected to continue to play a strong, steady role in the region's economy.

## CITY INDEBTEDNESS AND CAPITAL PLANS

### Issuance and Authorization of Bonded Indebtedness

Article VII, Section 10(a) of the Constitution of Virginia, 1971, and Section 15.2-2634 of the Code of Virginia, 1950, as amended, contain a limitation on the principal amount of indebtedness that may be incurred by cities. This limitation is expressed as 10% of the assessed value of real estate subject to taxation by the City. As of June 30, 2023, the legal debt margin of the City was calculated as follows:

#### Legal Debt Margin

Total assessed value of real estate	\$10,408,254,800
Legal debt limit (10%)	1,040,825,480
Less: Amount of debt applicable to debt limit*	(179,270,051)
Legal margin for creation of additional debt	<u>\$ 861,555,429</u>

Source: City of Charlottesville Comprehensive Annual Financial Report for fiscal year ended June 30, 2023.

\*Outstanding debt as of June 30, 2023.

## Debt Information

As of June 30, 2023, the City had the following general obligation indebtedness outstanding:

General obligation bonds:	\$109,396,879
General government/schools	
Utilities*	56,608,133
Total general obligation indebtedness	166,005,012
Less self-supporting utility indebtedness*	<u>(56,608,133)</u>
Net general obligation indebtedness	<u>\$109,396,133</u>

Source: City of Charlottesville Finance Department.

\* Utility indebtedness consists of general obligation bonds issued to finance utility projects, the debt service on which is expected to be paid in full from utility system revenues.

The rapidity with which the net general obligation debt is scheduled to be repaid is as follows:

<b>Year</b>	<b>Amount Maturing</b>	<b>Percent of Principal Repaid</b>
Five years	\$ 67,568,398	41%
Ten years	117,735,013	71
Fifteen years	150,800,013	91
Twenty years	166,005,013	100

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The following table sets forth the annual principal and interest payments on the outstanding general obligation long-term bonded indebtedness of the City. General obligation debt service on self-supporting utility indebtedness is excluded.

### Net Tax-Supported Debt Service Requirements

Fiscal Year Ending June 30	Current Debt <sup>(1)</sup>		Series 2024 Bonds		Total*
	Principal	Interest	Principal	Interest	
2024	\$ 9,866,007	\$ 4,062,672	-	-	\$ 13,928,679
2025	9,530,223	3,663,296	\$2,590,000	\$2,008,841	17,792,360
2026	8,746,555	3,273,799	2,600,000	2,390,300	17,010,654
2027	8,571,539	2,919,632	2,600,000	2,260,300	16,351,471
2028	7,926,868	2,574,134	2,600,000	2,130,300	15,231,302
2029	7,381,660	2,258,856	2,600,000	2,000,300	14,240,816
2030	6,680,799	1,985,257	2,600,000	1,870,300	13,136,356
2031	6,221,029	1,738,597	2,600,000	1,740,300	12,299,926
2032	5,763,600	1,517,658	2,600,000	1,610,300	11,491,558
2033	5,758,600	1,313,287	2,600,000	1,480,300	11,152,187
2034	5,025,000	1,126,757	2,600,000	1,350,300	10,102,057
2035	5,025,000	949,713	2,600,000	1,220,300	9,795,013
2036	4,775,000	775,738	2,600,000	1,090,300	9,241,038
2037	3,930,000	627,279	2,600,000	960,300	8,117,579
2038	3,370,000	499,875	2,600,000	830,300	7,300,175
2039	3,140,000	384,719	2,600,000	700,300	6,825,019
2040	2,665,000	277,794	2,600,000	570,300	6,113,094
2041	2,665,000	184,825	2,590,000	440,300	5,880,125
2042	1,635,000	100,075	2,590,000	310,800	4,635,875
2043	720,000	31,800	2,590,000	207,200	3,549,000
2044	-	-	2,590,000	103,600	2,693,600
	<u>\$109,396,880</u>	<u>\$30,265,763</u>	<u>\$51,950,000</u>	<u>\$25,275,241</u>	<u>\$216,887,884</u>

<sup>(1)</sup> Does not reflect anticipated subsidy payments by the United States Treasury with respect to the City's outstanding Build America Bonds.

\*May not total due to rounding.

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Current debt service requirements for general obligation indebtedness allocable to the self-supporting water, wastewater and stormwater utilities of the City are shown below.

**Debt Service Requirements of Water Utility <sup>(1)</sup>**

<b>Fiscal Year Ending June 30</b>	<b>Current Debt<sup>(2)</sup></b>		<b>Series 2024 Bonds</b>		<b>Total*</b>
	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>	
2024	\$ 2,223,812	\$ 959,022	-	-	\$3,182,834
2025	2,060,523	870,067	\$140,000	\$110,854	3,181,444
2026	2,056,760	785,204	145,000	132,050	3,119,014
2027	2,050,207	703,856	145,000	124,800	3,023,863
2028	1,965,767	622,835	145,000	117,550	2,851,152
2029	1,887,100	544,828	145,000	110,300	2,687,228
2030	1,792,813	472,262	145,000	103,050	2,513,125
2031	1,717,305	403,605	145,000	95,800	2,361,710
2032	1,490,700	342,419	145,000	88,550	2,066,669
2033	1,485,700	291,161	145,000	81,300	2,003,161
2034	1,255,000	247,706	145,000	74,050	1,721,756
2035	1,255,000	207,400	145,000	66,800	1,674,200
2036	1,110,000	169,088	145,000	59,550	1,483,638
2037	1,110,000	135,231	145,000	52,300	1,442,531
2038	1,020,000	102,613	145,000	45,050	1,312,663
2039	840,000	74,325	140,000	37,800	1,092,125
2040	740,000	49,075	140,000	30,800	959,875
2041	740,000	26,825	140,000	23,800	930,625
2042	225,000	9,000	140,000	16,800	390,800
2043	-	-	140,000	11,200	151,200
2044	-	-	140,000	5,600	145,600
	<b>\$27,025,687</b>	<b>\$7,016,522</b>	<b>\$2,865,000</b>	<b>\$1,388,004</b>	<b>\$38,295,213</b>

<sup>(1)</sup> The bonds are secured by the full faith and credit of the City. While no revenues from the water utility have been pledged to the payment of debt service on the bonds, it is the City's practice to pay debt service on these bonds solely from the revenue generated from the water utility activities.

<sup>(2)</sup> Does not reflect anticipated subsidy payments by the United States Treasury with respect to the City's outstanding Build America Bonds.

\*May not total due to rounding.

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**Debt Service Requirements of Wastewater Utility <sup>(1)</sup>**

<b>Fiscal Year Ending June 30</b>	<b><u>Current Debt<sup>(2)</sup></u></b>		<b><u>Series 2024 Bonds</u></b>		<b>Total*</b>
	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>	
2024	\$2,040,489	\$703,370	-	-	\$2,743,859
2025	2,015,132	628,169	\$65,000	\$52,059	2,760,360
2026	1,973,247	552,981	70,000	62,050	2,658,278
2027	1,975,618	483,050	70,000	58,550	2,587,218
2028	1,910,651	414,432	70,000	55,050	2,450,133
2029	1,850,568	349,039	70,000	51,550	2,321,157
2030	1,741,884	287,921	70,000	48,050	2,147,855
2031	1,593,458	231,908	70,000	44,550	1,939,916
2032	1,160,700	186,363	70,000	41,050	1,458,113
2033	1,160,700	149,495	70,000	37,550	1,417,745
2034	790,000	117,694	70,000	34,050	1,011,744
2035	785,000	91,259	65,000	30,550	971,809
2036	535,000	68,913	65,000	27,300	696,213
2037	395,000	53,775	65,000	24,050	537,825
2038	395,000	40,884	65,000	20,800	521,684
2039	350,000	28,725	65,000	17,550	461,275
2040	235,000	17,325	65,000	14,300	331,625
2041	235,000	9,375	65,000	11,050	320,425
2042	90,000	3,600	65,000	7,800	166,400
2043	-	-	65,000	5,200	70,200
2044	-	-	65,000	2,600	67,600
	<b>\$21,232,447</b>	<b>\$4,418,278</b>	<b>\$1,345,000</b>	<b>\$645,709</b>	<b>\$27,641,434</b>

<sup>(1)</sup> The bonds are secured by the full faith and credit of the City. While no revenues from the wastewater utility have been pledged to the payment of debt service on the bonds, it is the City's practice to pay debt service on these bonds solely from the revenue generated from the wastewater utility activities.

<sup>(2)</sup> Does not reflect anticipated subsidy payments by the United States Treasury with respect to the City's outstanding Build America Bonds.

\*May not total due to rounding.

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**Debt Service Requirements of Stormwater Utility<sup>(1)</sup>**

<b>Fiscal Year Ending June 30</b>	<b><u>Current Debt<sup>(1)</sup></u></b>		<b><u>Series 2024 Bonds</u></b>		<b>Total*</b>
	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>	
2024	\$ 535,000	\$ 319,381	-	-	\$ 854,381
2025	535,000	292,881	\$ 35,000	\$ 27,664	890,545
2026	530,000	267,081	40,000	32,950	870,031
2027	530,000	242,106	40,000	30,950	843,056
2028	525,000	216,581	40,000	28,950	810,531
2029	525,000	190,881	35,000	26,950	777,831
2030	490,000	165,856	35,000	25,200	716,056
2031	490,000	143,731	35,000	23,450	692,181
2032	490,000	123,156	35,000	21,700	669,856
2033	485,000	105,941	35,000	19,950	645,891
2034	480,000	91,400	35,000	18,200	624,600
2035	480,000	76,825	35,000	16,450	608,275
2036	470,000	62,288	35,000	14,700	581,988
2037	450,000	48,800	35,000	12,950	546,750
2038	410,000	36,175	35,000	11,200	492,375
2039	330,000	25,475	35,000	9,450	399,925
2040	265,000	16,200	35,000	7,700	323,900
2041	265,000	8,800	35,000	5,950	314,750
2042	65,000	2,600	35,000	4,200	106,800
2043	-	-	35,000	2,800	37,800
2044	-	-	35,000	1,400	36,400
	<b>\$8,350,000</b>	<b>\$2,436,158</b>	<b>\$715,000</b>	<b>\$342,764</b>	<b>\$11,843,922</b>

<sup>(1)</sup> The bonds are secured by the full faith and credit of the City. While no revenues from the stormwater utility have been pledged to the payment of debt service on the bonds, it is the City's practice to pay debt service on these bonds solely from the revenue generated from the stormwater utility activities.

\*May not total due to rounding

**Installment Loans and Capital Lease Obligations**

The City currently has no debt service requirements for installment loans or capital lease obligations.

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**Key Debt Ratios  
2014 – 2023**

<b>Fiscal Year</b>	<b>Population<sup>(1)</sup></b>	<b>Real Estate Assessed Value</b>	<b>Gross Bonded Governmental Debt</b>	<b>Net Bonded Governmental Debt<sup>(2)</sup></b>	<b>Total Governmental Debt Service<sup>(2)</sup></b>	<b>General Fund Expenditures and Net Other Financing Sources</b>	<b>Ratio of Net Bonded Debt to Assessed Value</b>	<b>Net Bonded Debt per Capita</b>	<b>Ratio of Debt Service to Total General Fund Expenditures and Transfers</b>
2014	46,623	\$ 5,503,669,500	\$ 78,067,345	\$ 66,199,365	\$ 9,511,458	\$ 138,100,498	1.2%	\$1,420	6.89%
2015	47,783	5,704,217,700	82,293,261	70,686,860	8,744,777	139,577,852	1.24	1,479	6.27
2016	48,210	5,953,910,000	84,094,947	72,132,467	8,971,613	143,564,346	1.21	1,496	6.25
2017	49,071	6,740,234,600	88,098,432	76,218,419	9,979,175	152,655,215	1.13	1,553	6.54
2018	49,132	7,060,139,700	85,291,055	73,385,687	10,517,156	173,345,973	1.04	1,494	6.07
2019	49,281	7,647,893,000	87,670,733	74,840,659	10,181,886	180,019,008	0.98	1,519	5.66
2020	49,181	8,187,130,300	80,104,675	66,693,885	10,721,937	176,593,648	0.81	1,356	6.07
2021	49,447	8,410,772,999	93,866,215	80,640,739	10,415,180	173,634,208	0.96	1,631	6.00
2022	51,079	9,312,647,000	104,330,720	91,343,610	11,329,465	189,170,040	0.98	1,788	5.99
2023	51,278	10,408,254,800	109,397,151	86,106,479	13,124,456	215,959,180	0.83	1,679	6.08

Source: Office of the Director of Finance.

<sup>(1)</sup> Weldon Cooper Center for Public Service, Demographics & Workforce Group.

<sup>(2)</sup> Excludes self-supporting utility indebtedness, net of balance available in Debt Service Fund.

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## Commitments and Contingencies

Sick leave earned, but not taken, by general City and School System employees on June 30, 2023, is approximately \$13,594,730 and \$13,815,459, respectively. Upon retirement, no cash payments are made for sick leave. Therefore, an accrued balance is not recorded in the financial statements.

## Capital Improvements Program

A five-year Capital Improvements Program listing the potential capital improvements that the City plans to undertake during the next five years (Fiscal Years 2025 through 2029) has been adopted. Projects totaling approximately \$176.9 million have been identified. Funding for the projects in the Capital Improvements Program is provided primarily from three sources: General Fund revenues (including monies from the City-County revenue sharing agreement and a portion of interest income), borrowing (including the issuance of additional general obligation bonds), and the additional 1-cent of meals tax revenue (adopted in Fiscal Year 2004), which is preliminarily earmarked for debt service on future bond issues. The City Council has adopted a policy of reserving at least 3% of the General Fund revenues in each fiscal year for capital improvements. In addition, there is a policy whereby if the General Fund generates a surplus, any amount of unappropriated fund balance above 17% (12% prior to Fiscal Year 2014) of budgeted operating expenditures will be transferred to the Capital Improvements Program. Under these policies, General Fund revenues should provide at least the following percentages of capital projects funding for each of the next five years:

<b>Fiscal Year</b>	<b>Percentage of Total Sources of Funds</b>
2025	21.8%
2026	29.2
2027	25.0
2028	16.8
2029	28.9
Average	24.3%

In the Fiscal Year 2025 budget, a capital improvements budget of approximately \$35.8 million was approved by the City Council on April 15, 2024.

The formulation of the Capital Improvements Program begins in July of each year, with the development of project requests. Over the next several months, a staff/citizen committee reviews the project requests and assigns priorities. Once the capital needs assessment is completed, the five-year Capital Improvements Program is submitted, first to the Planning Commission for review and approval and then to the City Council for review and adoption.

Projects are reviewed and updated on an annual basis, and funds to support defined projects are appropriated as part of the annual budget process.

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**Capital Improvements Program**  
**Fiscal Year 2025 Adopted Budget and Projected Plan**

	<b>FY 2025</b>	<b>FY 2026</b>	<b>FY 2027</b>	<b>FY 2028</b>	<b>FY 2029</b>	<b>Totals</b>
<b>Sources of Funds:</b>						
General fund transfer	\$ 7,798,529	\$ 8,034,896	\$ 8,255,693	\$ 8,483,114	\$ 8,717,357	\$ 41,289,588
CIP Contingency	584,816	399,679	2,008,452	-	681,776	3,674,723
Bond issues	22,077,418	16,501,860	22,465,329	41,801,377	20,543,950	123,389,934
Contribution from Schools	2,400,000	2,500,000	200,000	200,000	200,000	5,500,000
Other	2,940,000	40,000	40,000	40,000	40,000	3,100,000
Total sources	<u>\$35,800,763</u>	<u>\$27,476,435</u>	<u>\$32,969,474</u>	<u>\$50,524,491</u>	<u>\$30,183,083</u>	<u>\$176,954,245</u>
<b>Uses of funds:</b>						
Education	\$ 5,787,504	\$ 5,757,489	\$ 8,900,000	\$30,900,000	\$ 4,900,000	\$ 56,244,993
Facilities Capital Projects	5,055,083	2,696,794	3,316,264	2,493,930	12,193,950	25,756,021
Public safety and justice	783,800	1,033,918	1,909,065	1,850,768	350,000	5,927,551
Transportation and access	9,704,376	5,036,234	5,044,645	5,025,293	4,452,133	29,262,681
Parks and recreation	5,050,000	1,112,000	1,112,000	1,112,000	1,112,000	9,498,000
Affordable Housing	8,910,000	11,400,000	12,247,500	8,852,500	6,885,000	48,295,000
Technology Infrastructure	510,000	440,000	440,000	290,000	290,000	1,970,000
Total uses	<u>\$35,800,763</u>	<u>\$27,476,435</u>	<u>\$32,969,474</u>	<u>\$50,524,491</u>	<u>\$30,183,083</u>	<u>\$176,954,245</u>

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## **FINANCIAL INFORMATION**

### **Basis of Accounting, Reporting Entity and Accounting Structure**

The financial statements of the City of Charlottesville are prepared in accordance with U.S. generally accepted accounting principles (“GAAP”) applicable to governmental units, as prescribed by the Governmental Accounting Standards Board (“GASB”). The following is a summary of the City’s more significant accounting policies.

#### **The Financial Reporting Entity**

As required by GAAP, these financial statements present the City (the “Primary Government”) and its component units. As such, the City of Charlottesville Public Schools (the “School Board” or “Schools”) and the Charlottesville Economic Development Authority (“CEDA”) are reported as separate and discretely presented component units in the City’s reporting entity. The Primary Government is hereafter referred to as the “City” and the reporting entity, which includes the City and its component units, is hereafter referred to as the “City Reporting Entity.”

The accompanying financial statements include all activities of the City, such as general operations and support services. 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:

##### ***School Board***

The City provides education through its own school system administered by 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.

##### ***Economic Development Authority***

CEDA was created 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 CEDA. By statute, CEDA has the power to cause the issuance of tax-exempt industrial revenue bonds for qualifying enterprises wishing to utilize that form of financing. The City is involved in the day-to-day operations of CEDA, including the determination of its operating budget and annual service fee rates. Financial statements of CEDA are included in a discretely presented component unit column and/or row of the government-wide financial statements. Complete audited financial statements of 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.

## **Government-Wide and Fund Financial Statements**

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all the non-fiduciary activities of the primary government and its component units. Governmental activities, generally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from legally separate component units for which the primary government (City) is financially accountable. Inter-fund activity and balances have been eliminated from the statements to avoid duplication.

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

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.

Separate fund financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major enterprise funds are reported as separate columns in the fund financial statements.

## **Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

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

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 meet prescribed compliance requirements. These resources are reflected as revenues at the time of receipt or earlier if the accrual criteria are met.

Governmental fund financial statements are reported using the current financial resource measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City Reporting Entity 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. 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 funds Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balances, respectively. These differences stem from governmental statements using a different measurement focus than government-wide statements.

As a general rule, the effect of inter-fund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments in lieu of taxes and other charges between the City's gas, water and wastewater functions and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include (1) charges to customers or applicants for goods, services, or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

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

Real and personal property taxes are recorded as revenues and receivables when levied, net of allowances for uncollectible amounts. Property tax receivables not collected within 45 days after year-end are reflected as deferred revenue. Sales and utility taxes, which are collected by the Commonwealth or utility companies by year-end and subsequently remitted to the City, are recognized as revenues and receivables upon collection by the Commonwealth of Virginia or utility company, which is generally in the month preceding receipt by the City.

Fees and permits, fines, charges for services and miscellaneous revenues, except interest on temporary investments, are recorded as revenues when received because they are generally not measurable until actually received. Investment earnings are recorded when earned since they are measurable and available. Unbilled accounts receivable are recorded in the Enterprise Funds when earned.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and delivering goods in connection with a proprietary fund's principal ongoing operations. Operating revenues for the City's enterprise and internal service funds are charges to customers for goods and services. Operating expenses for these funds include the cost of sales and service, administrative expenses and depreciation of capital assets. Any revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The City's fiduciary (pension) funds are presented in the Fiduciary Fund financial statements. By definition, these assets are being held for the benefit of a third party and cannot be used to address activities or obligations of the government; therefore, these funds are not incorporated into the government-wide statements.

The focus of the reporting model is on the City as a whole and the fund financial statements, including the major individual funds of the governmental and proprietary categories, as well as the fiduciary funds and the component units. Each presentation provides valuable information that can be analyzed and compared (between years and between governments) to enhance the usefulness of the information.

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

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. Major individual governmental funds and all of the individual enterprise funds are reported as separate columns in the fund financial statements.

## **Governmental Funds**

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 funds (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 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 the 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"). CDSS provides state and federal income support, employment assistance and social work service programs to alleviate poverty and other social problems, which is matched or 100% funded by the City.

## **Proprietary Funds**

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 stormwater collection system.

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

## **Non-Major Funds**

Special Revenue Funds are 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, Community Attention Programs, Comprehensive Services Act, Virginia Juvenile Community Crime Control Act, transit operations, cemetery perpetual care and various other grants to support projects undertaken.



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.

### **Fiduciary Funds**

The Fiduciary Fund is used to report assets held in a trustee capacity for the two pension trust funds for retirement and postemployment benefits. The pension trust fund is accounted for and reported similarly to proprietary funds since the economic resources measurement focus is also the same. Fiduciary funds cannot be used to finance the City's operating programs.

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## Five-Year Summary of General Fund Revenues, Expenditures and Fund Balance

The financial data shown in the following table present a summary of revenues, expenditures and other financing sources and uses of the City's General Fund for each of the five fiscal years through the period ended June 30, 2023. The summaries for the fiscal years have been compiled from the financial statements of the City for the respective years and should be read in conjunction with the financial statements for the year ended June 30, 2023, and notes thereto appearing in Appendix B.

### Summary of General Fund Accounts Fiscal Years 2019 Through 2023 (\$000)

	2019	2020	2021	2022	2023
<b>Revenues and other financing sources:</b>					
Revenues					
Taxes	\$130,458	\$133,163	\$135,496	\$146,878	\$162,261
Licenses and permits	2,801	2,892	2,784	10,935	11,376
From the state	10,771	11,798	11,993	12,288	13,110
From other governmental units	18,460	15,933	15,923	16,807	17,042
Charges for services	9,587	8,815	6,149	7,588	8,369
Fines and forfeitures	362	202	157	302	358
Miscellaneous revenue	2,889	2,917	1,597	1,094	3,108
Total Revenues	\$175,328	\$175,720	\$174,099	\$195,892	215,624
Transfers from other funds	5,945	6,448	5,776	6,138	6,208
Total Revenues and other financing sources	\$181,273	\$182,168	\$179,875	\$202,030	\$221,832
<b>Expenditures and other uses:</b>					
Expenditures:					
General Government	\$ 23,177	\$ 21,552	\$ 23,696	\$ 23,732	\$ 24,732
Public safety	37,804	38,230	36,621	38,981	40,464
Community services	7,929	7,935	8,019	8,277	9,927
Health and welfare	5,017	5,752	5,419	5,688	6,990
Culture and recreation	12,877	12,286	10,376	12,795	13,406
Education	53,169	56,759	57,041	58,132	62,030
Conservation and development	7,664	8,651	6,909	6,869	6,411
Other activities	2,089	860	1,905	1,277	3,083
Total Expenditures	\$149,726	\$152,025	\$149,987	\$155,751	\$167,043
Transfers to other funds:					
Capital Projects Fund	\$ 8,734	\$ 9,794	\$ 4,995	\$ 13,824	\$ 20,619
Social Services Fund	3,236	3,304	3,474	3,552	3,772
Debt Service Fund	11,003	11,049	10,354	11,215	17,567
Other transfers	6,920	6,871	4,825	4,828	6,956
Total Expenditures and other uses	\$179,619	\$183,042	\$173,635	\$189,170	\$215,959
Revenues over (under) expenditures	\$ 1,654	\$ (874)	\$ 6,241	\$ 12,860	\$ 5,874
Beginning fund balance	46,168 <sup>(1)</sup>	47,822	47,173 <sup>(2)</sup>	53,414	66,274
Residual Equity transfer	-	-	-	-	-
Increase (decrease) in reserve for inventory	-	-	-	-	-
Increase (decrease) in reserve for Loans Receivable	-	-	-	-	-
Ending fund balance	\$ 47,822	\$ 46,948	\$ 53,414	\$ 66,274	\$ 72,148

Source: Office of the Director of Finance.

<sup>(1)</sup> Beginning balance was restated due to a reconciliation of prior year taxes.

<sup>(2)</sup> Beginning balance was restated due to prior year adjustments.

The General Fund balance at the end of each fiscal year (2019-2023) is comprised of the following components:

**General Fund Balance as of June 30  
(\$000)**

	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>
Nonspendable	\$ 2	\$ 26	\$ 9	\$ 9	\$ 0
Restricted	328	484	415	603	559
Committed	7,990	9,435	14,484	6,133	6,289
Assigned	6,230	4,459	3,186	36,192	1,908
Unassigned	33,272	32,544	35,320	23,337	63,391
Ending fund balance	<u>\$47,822</u>	<u>\$46,948</u>	<u>\$53,414</u>	<u>\$66,274</u>	<u>\$72,148</u>

Source: Office of the Director of Finance.

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## General Fund Budget

Shown below are the City's budgeted revenues and expenditures for the General Fund for Fiscal Year 2025 as compared with the amended General Fund budgeted revenues and expenditures for Fiscal Year 2024.

### General Fund Comparison of Fiscal Year 2024 Budget and Fiscal Year 2025 Budget (\$000)

	Adopted FY 2024 Budget	Adopted FY 2025 Budget
<b>Revenues and other financing sources:</b>		
Revenues		
Taxes	\$164,930	\$180,333
Licenses and Permits	10,147	11,325
From the State	12,666	14,254
From Other Governmental Units	25,477	28,037
Charges for Services	12,912	6,509
Fines and Forfeitures	-	-
Miscellaneous Revenue	1,801	4,203
Total Revenues	\$227,933	\$244,661
Transfers from Other Funds and Issuance of Debt	500	7,288
Total Revenues and Other Financing Sources	\$228,433	\$251,949
<b>Expenditures and other uses:</b>		
Expenditures:		
General Government	\$ 33,549	\$ 36,319
Public Safety	48,207	54,288
Community Services	10,624	12,369
Health and Welfare	7,590	8,945
Culture and Recreation	15,318	14,545
Education	75,854	83,620
Conservation and Development	5,424	6,801
Other Activities	78	79
Total Expenditures	\$196,644	\$216,966
Transfers to Other Funds:		
Capital Projects Fund	\$ 7,542	\$ 7,799
Social Services Fund	3,603	3,995
Debt Service Fund	13,399	13,726
Other Transfers	7,245	9,463
Total Expenditures and Other Uses	\$228,433	\$251,949
Revenues and Other Sources Over Expenditures and Other Uses	-	-
Beginning Fund Balance	\$ 66,274	\$ 83,675
Ending Fund Balance	\$ 66,274	\$ 83,675

Source: Office of the Director of Finance.

\*NOTE: Totals May Not Reconcile Due to Disclosure Issues and Rounding.

## **Fiscal Year 2024 Budget and Preliminary Projections**

The City's operating budget for Fiscal Year 2024 was adopted by Council on April 11, 2023. The Adopted Budget for Fiscal Year 2024 totals \$228,433,246, which represents an increase of 7.30% over the previous year's budget of \$212,889,291. Important budget highlights include:

- Effective July 1, 2023, a 6% cost of living adjustment (COLA) will be provided to employees. This budget also covers a full-year of a Fiscal Year 2023 midyear 6% salary increase, which was received in January 2022. Retirees will receive a 3% COLA increase. There were no cost increases to employees related to benefit costs.
- This budget fully funds the City Schools budget request, providing \$87.9 million in operating funding, an increase of \$4,713,650 over Fiscal Year 2023. Through the City's Capital Improvement Program ("CIP"), \$88.8 million is provided in Fiscal Year 2024 for school related projects, and the five-year CIP includes \$109.6 million.
- \$2.4 million is funded for rent and tax relief programs.
- A total of 14 new full-time employees were added in various departments to enhance customer service efforts, comply with labor relations, project management and development review demands.
- For Fiscal Year 2024, the total CIP is \$114.9 million and includes \$84.8 million to use for construction related to the Buford School Reconfiguration project. Construction bids for this project were received in March of 2023 and additional funding for the project was added during the Fiscal Year 2024 budget development process to address inflationary increases and several project additions. With the additional funds added in Fiscal Year 2024, the total project cost is \$91.8 million.
- Current Fiscal Year 2024 projections indicate a strong performance against the Fiscal Year 2024 operating budget. The City currently anticipates a revenue surplus of 5.41% or \$11.5 million for Fiscal Year 2024, but actual results may differ materially. Real estate and personal property reflect an overall 5% general reassessment increase and tax rate increases approved by Council on April 15, 2024, as part of the Fiscal Year 2025 budget development process. The real estate tax rate increased by \$0.02, from \$0.96/\$100 to \$0.98/\$100 and the personal property tax rate increased \$0.20, from \$4.20/\$100 to \$4.40/\$100. Although approved in April, the rate increases are calendar rates that became effective on January 1, 2024. The real estate tax rate increase accounts for approximately \$1 million in additional and unplanned revenue. The personal property assessments for 2024 and tax rate increase account for \$600,000 more in revenue than previously projected. Sales tax, meals tax, business and professional licenses and interest income continue to show solid growth and remain large contributors to the total anticipated revenue surplus for Fiscal Year 2024.
- Expenditure indicators suggest that expenses are tracking well with the budget. Position vacancies are still anticipated to generate some budgetary savings in Fiscal Year 2024.

## **Fiscal Year 2025 Budget Discussion**

On April 15, 2024, the City Council adopted the Fiscal Year 2025 operating budget. The Adopted Budget for Fiscal year 2025 totals \$251,948,630 and represents a 10.29% increase over the Fiscal Year 2024 operating budget. There were four tax increases included in the budget. The real estate tax increased \$0.02; the meals tax increased 0.50%; the lodging tax increased 1.00%; and the personal property tax increased \$0.20. Cumulatively, the tax increases are expected to generate approximately \$5.4 million in new revenue, which was used to fund the larger budget priorities that included collective bargaining, class and compensation changes for unaffiliated employees, and an increased investment in transit.

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## General Fund Revenues

The General Fund is the primary operating fund maintained by the City to account for revenue derived from City-wide *ad valorem* taxes, other local taxes, licenses, fees, permits, and certain revenue from federal, State and other local governments. A summary of the relative contribution of each of the General Fund revenue sources for Fiscal Year 2023 follows:

### General Fund Sources of Revenues (Fiscal Year 2023)

Source	Percentage
Real estate and personal property tax	49.3%
Local sales tax	6.7
Utility tax	2.1
Restaurant meals tax	8.6
Business/professional licenses and permits	4.7
Other taxes	8.5
City-County revenue sharing	7.2
Revenue from the Commonwealth	6.1
Charges for services, fines and forfeitures and miscellaneous revenues	6.8
	<u>100.0%</u>

### *Real Estate and Personal Property Taxes*

An annual *ad valorem* tax is levied by the City on the assessed value of real and tangible personal property located within the City. Real property is assessed at 100% of its fair market value. Real and personal property are assessed as of January 1 of the calendar year and the taxes are due on June 5 and December 5 of the same year.

In cases of real estate on which delinquent taxes are not paid within two years, the City may sell the property at public auction to pay the amounts due. There is no limit on the property tax rates that may be established by the City. For Fiscal Year 2023, all property taxes (including penalties and interest on delinquent taxes) represented approximately 49.3% of total General Fund revenues. As of January 1, 2024, the current real property tax rate in the City is \$0.98 per \$100 assessed value.

The personal property assessment valuation method is clean trade-in on motor vehicles. Other types of personal property are taxed only when used for business purposes and are assessed at a declining percentage of cost. Personal property taxes are collected twice a year, with one-half payment by June 5, and the balance by December 5. The penalty for late payment is 10% of the tax due, with interest charges on unpaid balances commencing on the first day of the following month at a rate of 10% per annum. As of January 1, 2024, the current personal property tax is \$4.40 per \$100 assessed value. The City pro-rates personal property taxes for property that is owned for a period less than the whole year.

Certain classes of public service corporation property are required by Virginia law to be assessed at different ratios.

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The City's real and personal property tax levies and collections for the past ten fiscal years are as follows:

### Property Tax Levies And Collections

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
2014	\$62,251,968	\$61,010,246	98.01%	\$1,178,588	\$ 62,188,834	99.90%
2015	63,892,891	62,863,991	98.39	961,928	63,825,919	99.90
2016	65,952,891	65,027,636	98.60	850,676	65,878,312	99.89
2017	71,965,946	71,139,950	98.85	784,747	71,924,697	99.94
2018	77,696,498	76,521,606	98.49	1,128,715	77,650,321	99.94
2019	83,339,710	82,035,675	98.44	1,189,628	83,225,303	99.86
2020	88,263,566	86,287,564	97.76	1,830,525	88,118,089	99.84
2021	92,084,435	90,266,459	98.03	1,614,592	91,881,052	99.78
2022	101,074,101	98,874,159	97.82	1,686,827	100,560,986	99.49
2023	112,113,975	110,046,896	98.16	-	110,046,896	98.16

Source: Treasurer of the City of Charlottesville

<sup>(1)</sup> 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 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.

A listing of the City's ten largest real estate taxpayers as of June 30, 2023, follows:

### Largest Real Estate Taxpayers

Owner	Type of Business	2023 Assessed Valuation <sup>(1)</sup>	Tax Amount <sup>(2)</sup>	Percentage of Total Assessed Valuation
Federal Realty Investment Trust	Shopping Center	\$ 181,256,100	\$ 1,721,933	1.74%
Woodard United, LLC	Apartments	157,391,900	1,495,223	1.51
Neighborhood Development, Inc.	Apartments	122,478,600	1,163,547	1.18
Pavilion UVA, LLC & Pavilion UVA II, LLC	Apartments	110,740,100	1,052,031	1.06
KRE UP III Pavilion Owner, LLC	Apartments	101,234,200	961,725	0.97
853 West Main, LLC	Apartments	99,311,900	943,463	0.95
Piedmont Hospital, LLC	Apartments	93,597,200	889,173	0.90
Oxford Hill, LLC	Apartments	93,382,000	887,129	0.90
Brands Hatch, LLC	Office Building	90,298,500	857,836	0.87
Madison Loft, LLC	Apartments	82,668,800	785,354	0.79
		<u>\$1,132,359,300</u>	<u>\$10,757,414</u>	<u>10.86%</u>

Source: City Assessor and Commissioner of Revenue.

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

<sup>(2)</sup> Tax rate of \$0.96 in 2023.

The estimated value of tax-exempt property within the City is shown below:

**Estimated Value of Tax-Exempt Property  
Fiscal Year 2023**

Federal	\$ 45,853,500
State and regional	145,107,300
Local	576,922,400
Religious, charitable, educational, and other	1,480,001,600
Total tax-exempt property	<u>\$2,247,884,800</u>

Source: Office of the City Real Estate Assessor.

The assessed and estimated actual value of real property for the last ten calendar years follows:

**Assessed and Estimated Market Value of Real Property<sup>(1)</sup>  
Last Ten Calendar Years**

<b>Taxable Year</b>	<b>Real Estate</b>	<b>Public Service Real Estate</b>	<b>Total Taxable Real Property Assessed Value</b>	<b>Real Property Direct Tax Rate</b>	<b>Tax-Exempt Real Property</b>	<b>Total Value Real Property</b>
2014	\$5,503,669,500	\$137,745,380	\$ 5,641,414,880	0.95	\$1,017,616,600	\$ 6,659,031,480
2015	5,704,217,700	142,650,296	5,846,867,996	0.95	1,027,382,800	6,874,250,796
2016	5,953,910,000	140,924,014	6,094,834,014	0.95	1,135,055,400	7,229,889,414
2017	6,740,234,600	143,303,198	6,883,537,798	0.95	1,746,952,600	8,630,490,398
2018	7,060,139,700	151,135,069	7,211,274,769	0.95	1,917,683,250	9,128,958,019
2019	7,647,893,000	152,574,032	7,800,467,032	0.95	2,046,675,800	9,847,142,832
2020	8,187,130,300	161,534,532	8,348,664,832	0.95	2,260,050,500	10,608,715,332
2021	8,410,772,999	166,301,295	8,577,074,294	0.95	2,528,582,300	11,105,656,594
2022	9,312,647,000	168,894,020	9,481,541,020	0.96	2,649,257,800	12,130,798,820
2023	10,408,254,800	180,850,860	10,589,105,660	0.96	2,247,884,800	12,836,990,460

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

Notes: The City has no overlapping property taxes with another local jurisdiction.  
Assessed values of all classes of property approximate market value.

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The City's historical tax rates for real and personal property for the most recent ten calendar years follow:

**Direct Property Tax Rates  
(Per \$100 of Assessed Value)**

Year	Real Property <sup>(1)</sup>	Personal Property <sup>(2)</sup>	Machinery & Tools <sup>(2)</sup>	Total Direct Tax Rate of City Assessed Property	Public Service		Total Direct Tax Rate of State Assessed Property
					Real Property <sup>(3)</sup>	Personal Property <sup>(3)</sup>	
2014	\$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
2016	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
2018	0.95	4.20	4.20	9.35	0.95	4.20	5.15
2019	0.95	4.20	4.20	9.35	0.95	4.20	5.15
2020	0.95	4.20	4.20	9.35	0.95	4.20	5.15
2021	0.95	4.20	4.20	9.35	0.95	4.20	5.15
2022	0.96	4.20	4.20	9.36	0.96	4.20	5.16
2023	0.96	4.20	4.20	9.36	0.96	4.20	5.16

Source: Office of the Director of Finance.

Note: The City has no overlapping property taxes with another local jurisdiction.

<sup>(1)</sup> Assessed by the City of Charlottesville Real Estate Assessor.

<sup>(2)</sup> Assessed by the City of Charlottesville Commissioner of Revenue.

<sup>(3)</sup> Assessed by the State Corporation Commission.

**Local Sales Tax**

A 1% local retail sales tax is added to the 4% State sales tax and is collected with the State sales tax. The tax monies for the local portion are remitted to the City by the State during the month following receipt. Revenues from the City sales tax amounted to approximately 6.7% of the General Fund revenues for Fiscal Year 2023. City revenues from this tax for the past five years are as follows:

**City Sales Tax Revenues**

Fiscal Year	Amount
2019	\$11,876,599
2020	11,497,058
2021	12,202,161
2022	14,526,660
2023	14,377,795

[Remainder of page intentionally left blank.]

### ***Utility Taxes***

The City collects a tax on all electric, gas and water bills paid by City residents. These receipts amounted to approximately 2.1% of total General Fund revenues in Fiscal Year 2023. The utility tax figures shown below also include the collection of the state Telecommunications Sales Tax whereby tax on cable television and local service telephone bills is remitted directly to the State. The City receives a payment from the State for the City's prorated share of the total communications sales tax collections on a monthly basis. Revenues from utility taxes for the past five years are as follows:

#### **City Utility Tax Revenues**

<b>Fiscal Year</b>	<b>Amount</b>
2019	\$4,764,420
2020	4,491,483
2021	4,477,998
2022	4,611,301
2023	4,584,020

### ***Restaurant Meals Tax***

In 1983, the City imposed a 3% tax on all restaurant meals served in the City. In the Fiscal Year 2004 budget process, this tax was raised to 4%, with the additional one-percent increase to be used to fund the debt service on bonds to finance additional capital improvements. The Fiscal Year 2016 budget raised the tax to its current rate of 5%. In the Fiscal Year 2023, this revenue source produced \$18,632,606 representing 8.6% of total General Fund revenues.

### ***Business and Professional License Taxes***

The City levies taxes for the privilege of conducting business and engaging in certain professions, trades and occupations in the City. Both flat license taxes and rates established as a percentage of gross receipts are used. All license taxes are due on June 1 of each year and are calculated on the preceding calendar year's gross receipts. Persons liable for the payment of the license tax make application for the license to the Commissioner of the Revenue, and in cases where the tax is based on gross receipts, the applicant must furnish to the Commissioner of Revenue a sworn statement of the amount of gross receipts from the previous year. For Fiscal Year 2023, business and professional licenses, along with a variety of other permits and licenses, represented approximately 4.7% of total General Fund revenues.

The following table shows revenue from business and professional license taxes over the past five years and the percentage change in each of those years over the prior year:

#### **Business And Professional License Taxes**

<b>Fiscal Year</b>	<b>Amount</b>
2019	\$8,540,881
2020	8,169,497
2021	7,648,188
2022	8,712,415
2023	10,070,322

### ***Other Taxes***

Revenues received from various other local taxes include a franchise tax, tax on bank stock, cigarette tax, tax on wills and deeds, rolling stock tax and a transient room tax. For Fiscal Year 2023, this classification represented approximately 8.5% of total General Fund receipts.

### ***City-County Revenue Sharing Agreement***

As an alternative to future annexations by the City of portions of Albemarle County, the governing bodies of the two jurisdictions have entered into a revenue-sharing agreement. The agreement was adopted in 1982 after public hearings by both the City Council and the County Board of Supervisors, and approved in a referendum in May 1982 by County voters. No referendum by City voters was required.

Under this agreement, the City has permanently foregone its annexation rights to County territory. In return, the two jurisdictions annually pool a fixed percentage of their real estate tax proceeds. The pooled revenues are then re-divided under a formula based on population and relative real estate tax effort. The formula has produced a payment by the County to the City in each year since its inception. Payments for the last ten years are as follows:

<b>Fiscal Year</b>	<b>Amount</b>
2014	\$16,931,333
2015	16,466,981
2016	16,058,668
2017	15,767,084
2018	15,855,485
2019	15,696,360
2020	14,199,607
2021	14,589,313
2022	15,411,834
2023	15,545,227

For the Fiscal Year 2024, this payment is budgeted to be \$15,715,740.

### ***Revenue from the Commonwealth***

The City is reimbursed by the Commonwealth of Virginia for a portion of certain shared office and employee expenses involving the Clerk of the Circuit Court, Commonwealth's Attorney, Treasurer, Commissioner of the Revenue, Sheriff and law enforcement functions. In addition, the State provides the City with revenue from the collection of gasoline taxes to be used in the maintenance of streets in the City, and a share of net profits of the State Alcoholic Beverage Control Board derived from liquor sales. As previously disclosed, beginning in 1999, the State also reimburses the City for a portion of personal property taxes levied. Revenue received from the Commonwealth for the Fiscal Year 2023 was \$13,109,715 million, which represented 6.1% of total General Fund revenues.

### ***Revenue from the Federal Government***

The City General Fund receives no direct federal operating assistance. Federal revenues are received by the Transit Fund from the Department of Transportation for the operation of the City's transit system and by the Community Development Block Grant Fund for neighborhood improvements. Federal revenues passed through the state are received by the Schools Fund to support education and the Social Services Fund to support families and individuals in need. The Grants Funds receive both direct and pass-through federal funds to participate in various awards supporting public safety, community services, conservation, and at-risk youth programs.

### ***Charges for Services, Fines and Forfeitures, and Miscellaneous Revenues and Operating Transfers***

Charges for services encompass all revenues derived from service or user charges levied by the City, including solid waste disposal fees, monies received from Albemarle County and the University of Virginia for fire protection services provided by the City, revenues from the Courts and recreation income. Fines and forfeitures are imposed for moving traffic violations, parking violations and other City ordinance violations. Miscellaneous revenues include income from the investment of idle funds, and a variety of small revenue producing sources. Operating transfers include payments in lieu of taxes from the City's three utilities, as classified under GASB Statement #34.

## General Fund Expenses

The City pays the costs of general City government from the General Fund. General Fund expenditures include the costs of general City government, transfers to the City Schools to pay the local share of operating City public schools, transfers to Special Revenue Funds in support of certain City services, transfers to the Debt Service Fund, and transfers to the Capital Projects Fund. For Fiscal Year 2023, these expenditures included the following major classifications:

Classification	Percent of Expenses
General government	11.5%
Public safety	18.7
Community services	4.6
Health and welfare	3.2
Culture and recreation	6.2
Education	28.7
Conservation and development	3.0
Other	24.1
Total Expenditures	100.0%

### *Transfers to Other Operating Funds*

The City transfers from the General Fund to the City Schools amounts to pay the City's share of the costs of operating public schools in the City. This expenditure represented approximately 22.6% of the total General Fund expenditures for Fiscal Year 2023, and approximately 76.3% of total revenues of the School Fund, net of transfers to the City, which provide pupil transportation, facilities maintenance and energy management services to the Schools (\$8,750,586 in Fiscal Year 2023). The principal sources of other revenue credited directly to the City Schools are revenues from the State and federal governments and revenue derived locally from charges to students.

The City transfers from the General Fund to the Capital Projects Fund amounts sufficient to fund various capital projects. Transfers to the Capital Projects Fund represented approximately 9.5% of the total General Fund expenditures for Fiscal Year 2023.

The City makes transfers from the General Fund to the Social Services Fund, Transit Fund and certain other Special Revenue funds in support of the City's various social services and transit system, respectively. Transfers to all other funds approximated 8.2% of total General Fund expenditures for Fiscal Year 2023.

The City transfers from the General Fund to the Debt Service Fund amounts sufficient to pay, together with other available funds, principal and interest on general long-term debt, except that which is paid by the Enterprise Funds. Transfers to the Debt Service Fund represented approximately 8.1% of the total General Fund expenditures for Fiscal Year 2023.

## Public Utilities

The City operates utilities for water, wastewater, natural gas and stormwater. These utilities are funded by the utility rates and include funding for administration, operations, and maintenance of the four systems as well as funding for infrastructure improvements, technology advances, environmental components and debt payments. The utilities budgets are separate from the City's General Fund and are not supported by taxes. These budgets and the respective rates are considered and adopted by the City Council in May and June of each year.

## Employee Retirement Plans

City employees are participants in the federal Social Security System and most are also members of a City supplemental retirement system, which provides pension benefits and post-retirement healthcare and life insurance benefits for eligible employees through the City Retirement Fund and Post-employment Benefits Fund, respectively. Further information regarding the City retirement system is provided in Note 10 in "Notes to the Financial Statements"

in Appendix B. At June 30, 2023, the City's Retirement Fund and Post-employment Benefits Fund had a net position available for payment of future benefits of \$202,375,935, at market value. Actuarial valuations for post-employment benefits other than pensions determine annual required contributions for the City Retirement Fund. The City has historically fully funded the Annual Required Contribution (the "ARC"). The unfunded actuarial liability for pension benefits for retirees, terminated employees and beneficiaries currently receiving or entitled to benefits was approximately \$88.6 million at June 30, 2023.

Historically, the City has maintained a defined benefit plan for its employees (the "DB Plan"). Effective July 1, 2001, the City also established a defined contribution plan (the "DC Plan") for City employees who elect to participate. Current employees were given a one-time opportunity to elect to participate in this plan and to freeze their defined benefit; new hires are given the choice of participating in either the DC Plan or the DB Plan. At June 30, 2023, there were 397 active City employees and a total of 580 participants, including terminated employees enrolled in the DC Plan. For the same time period, there were 628 active City employees and a total of 1,733 participants, including terminated employees enrolled in the DB Plan. The City's contribution rate to this plan is 8%, and there is a three-year vesting period. Participants in this plan are not eligible for post-retirement healthcare benefits.

The School System does not participate in the City retirement plan. Employees of the School System participate in the Virginia Retirement System (VRS).

See Notes 10, 11 and 12 in Appendix B for further information.

#### **Post-Employment Benefits Other Than Pensions (OPEB)**

A post-employment benefits trust was established and adopted by City Council on July 1, 2007. The unfunded actuarial liability for post-employment benefits for retirees, terminated employees and beneficiaries currently receiving or entitled to benefits was approximately \$6.1 million at June 30, 2023. The City is fully funding the Annual Required Contribution (ARC) for Fiscal Year 2023 and is budgeted to fully fund the ARC for Fiscal Year 2024.

Employees of the School System are not eligible for post-retirement healthcare benefits, but may be eligible for a medical plan subsidy.

See Notes 13 and 14 in Appendix B for further information.

#### **Budgetary Procedure**

The City Charter requires that the City Manager submit a balanced General Fund budget to the City Council. In the fall of each fiscal year, each department within the City government is required to submit its estimate for the ensuing year's revenues and expenditures to the City administration by a date established by the Budget Manager. The City Manager reviews the estimates and other data and recommends an annual budget to the City Council. This budget may not exceed the estimated General Fund revenues.

All City budgets are presented at the departmental level, to allow for the reallocation of resources from low to high priority programs and to provide departments with flexibility of operations. Further, budgetary compliance is monitored by each department at the operating cost center level, and control is exercised at the department level, as specified by the City Code.

The budgets for the General Fund and Special Revenue Funds are maintained on the modified accrual basis of accounting, adjusted for encumbrances. General Fund appropriations lapse at year-end. Special Revenue Funds have appropriations that lapse at year-end or project appropriations that lapse at the end of the respective projects following City Council approval to continue them. Encumbrances are recorded upon the execution of appropriate documents and are accounted for as a reduction of the available budget amount.

Two public hearings on the budget are held after a synopsis of the budget is published in a local newspaper. After the public hearings, the City Council may change any item in the budget (other than debt service or items required by law), and an appropriation ordinance must be adopted by the City Council by April 15.

## **Employee Relations**

As part of the 2020 legislative session, the Virginia General Assembly voted to provide localities the ability to collectively bargain with some public employees. The legislation was subsequently signed by the Governor with an amendment making this legislation effective May 1, 2021.

In October 2022, City Council passed a collective bargaining ordinance, authorizing six bargaining units: Police, Fire, Transit, Labor and Trades, Administrative and Technical, and Professional. For at least one year following the adoption of the ordinance, the City will recognize up to three of the potential bargaining units for the purpose of collective bargaining. The three units recognized by the City will be the first three to achieve certification under the procedures outlined in the ordinance. Beginning in the second year following the adoption of the ordinance, additional bargaining units may be recognized by the City at a rate of one new bargaining unit per calendar year. The ordinance authorized the creation of a Labor Relations Administrator (“LRA”), who will be responsible for administering the provisions of the ordinance, including the process for certification and decertification of bargaining agents, resolving labor-management disputes, and assisting with the selection of mediators or arbitrators as needs arise under the ordinance or under any collective bargaining agreement.

The LRA was appointed in March 2023, and adopted administrative procedures on April 11, 2023. In June 2023, three separate labor unions were certified by the LRA as exclusive bargaining representatives for the Police, Fire and Transit bargaining units. Subsequently, each of these three labor unions entered into collective bargaining agreements with the City with an effective date of July 1, 2024 (FY 2025). The Police collective bargaining agreement is for a duration of two years (expiring June 30, 2026) while the Fire and Transit collective bargaining agreements are for a duration of three years (expiring June 30, 2027). In March 2024, the LRA certified the exclusive bargaining representative for the Labor and Trades bargaining unit. In July 2024, the City will start negotiating a collective bargaining agreement for this group of employees, which will be effective July 1, 2025 (FY 2026).

In March 2023, the Charlottesville School Board adopted a Collective Bargaining Resolution covering all Charlottesville City Schools staff. School officials have not determined the cost of implementing the resolution. Budget impacts are expected in Fiscal Year 2025.

## **Published Financial Information**

The City Code requires an annual audit of the books of account, financial records and transactions of all departments of the City by independent certified public accountants selected by the City Council. The most recently completed examination, which was for Fiscal Year 2023, was performed by Robinson, Farmer, Cox Associates, PLLC, Charlottesville, Virginia. Robinson, Farmer, Cox Associates, PLLC, has not been requested to review the information in this Official Statement. The City’s annual financial reports are available for inspection at the Office of the Director of Finance, which is located at City Hall, 7th and Main Streets, Charlottesville, Virginia 22902.

## **APPENDIX B**

### **General Purpose Financial Statements For the Fiscal Year Ended June 30, 2023**

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ROBINSON, FARMER, COX ASSOCIATES, PLLC

*Certified Public Accountants*

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**Independent Auditors' Report**

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

**Report on the Audit of the Financial Statements**

***Opinions***

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

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Charlottesville, Virginia, as of and for the year ended June 30, 2023, 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

We did not audit the financial statements of the School Activity Funds, which represent 2.20 percent, 1.22 percent, and 1.24 percent, respectively, of the governmental fund assets, governmental activities assets, and revenues of the discretely presented component unit - Charlottesville School Board as of June 30, 2023. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the School Activity Funds, is based solely on the report of the other auditors.

***Basis for Opinions***

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

***Change in Accounting Principle***

As described in Note 28 to the financial statements, in 2023, the City adopted new accounting guidance, GASB Statement Nos. 96, *Subscription-Based Information Technology Arrangements (SBITAs)*. Our opinion is not modified with respect to this matter.

### ***Restatement of Beginning Balances***

As described in Note 30 to the financial statements, in 2023, the City restated beginning balances to correct errors in prior year capital assets and a transfer from the discretely presented component unit - Charlottesville School Board. Our opinion is not modified with respect to this matter.

### ***Responsibilities of Management for the Financial Statements***

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

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

### ***Auditors' Responsibilities for the Audit of the Financial Statements***

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

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the *Specifications for Audits of Counties, Cities, and Towns*, we:

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

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

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

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and schedules related to pension and OPEB funding as listed in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We and other auditors 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. The budgetary comparison information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

### ***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise City of Charlottesville, Virginia's basic financial statements. The accompanying supplementary section is presented for purposes of additional analysis 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 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 by us and other auditors. In our opinion, based on our audit and the report of other auditors, the supplementary section is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

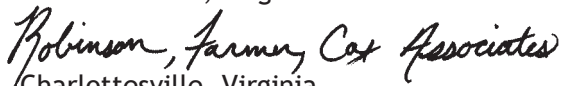
### ***Other Information***

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 12, 2023, on our consideration of City of Charlottesville, Virginia'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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of City of Charlottesville, Virginia's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Charlottesville, Virginia's internal control over financial reporting and compliance.

  
Robinson, Farmer, Cox Associates  
Charlottesville, Virginia  
December 12, 2023

# CITY OF CHARLOTTESVILLE, VIRGINIA

## Management's Discussion and Analysis Year Ended June 30, 2023

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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, 2023. 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 \$298.8 million as of June 30, 2023.
- The City's net position for the combined governmental and business-type activities, increased by \$59.9 million over the prior year. This increase is the sum of a \$60.0 million, as restated, for the governmental net position and a \$80.4 thousand decrease in business-type net position. A portion of the increase is related to the restatement due to assets under construction that should have been capitalized in prior years. Expenditure savings came from vacant positions.

#### Government Funds

- As of June 30, 2023, the City's governmental funds reported combined ending fund balances of \$126.7 million, an increase of \$15.1 million over the prior year, primarily due to increased spending on capital improvement projects. Approximately 87.8 percent, or \$63.3 million, of this amount is unassigned.
- The General Fund, on a current financial resource measurement focus and the modified accrual basis of accounting, reported revenues \$4.1 million over budget. Several tax revenues (real estate, personal property tax, meals, and lodging) performed better than expected. The expenditures and other financing sources (net) finished out the year \$21.6 million under budget primarily due to vacancies. In addition, City departments continued diligently monitoring their budgets.

#### Long-term Liabilities

- The City's total long-term liabilities, consisting of general obligation bonds, compensated absences, pension, leases, and OPEB obligations increased by \$33.8 million during the current fiscal year.

### OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City of Charlottesville's basic financial statements. The City's basic financial statements comprise the following three components:

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

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

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

- The first two statements are *government-wide financial statements* that provide both *long-term* and *short-term* information about the City's *overall financial status*.

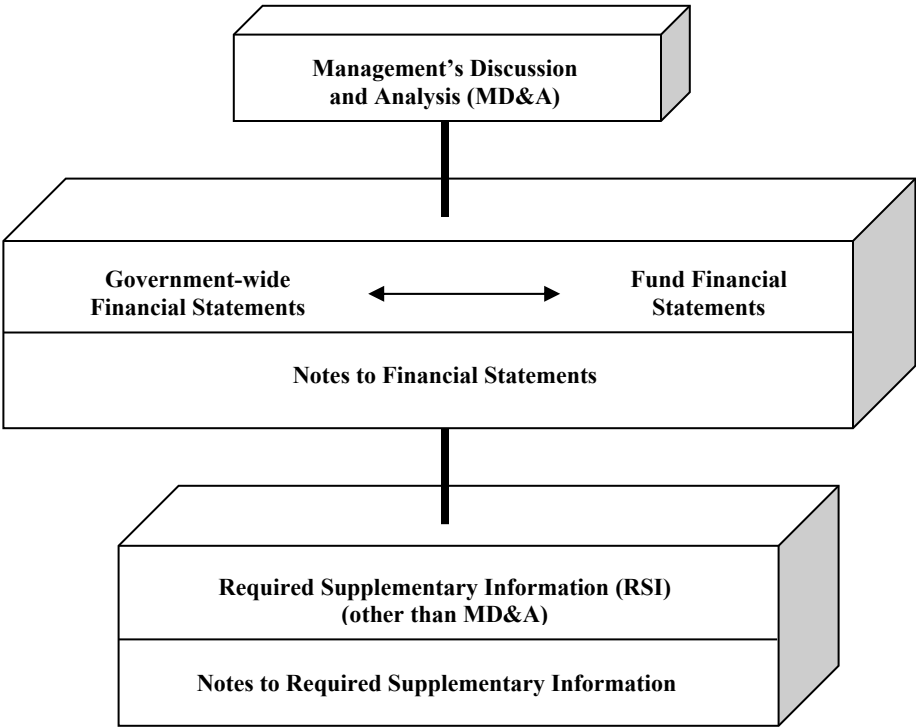
CITY OF CHARLOTTESVILLE, VIRGINIA

Management’s Discussion and Analysis  
Year Ended June 30, 2023

- 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.

# CITY OF CHARLOTTESVILLE, VIRGINIA

## Management's Discussion and Analysis Year Ended June 30, 2023

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### 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, gas and stormwater 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

# CITY OF CHARLOTTESVILLE, VIRGINIA

## Management's Discussion and Analysis Year Ended June 30, 2023

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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*. The General, American Rescue Plan Act and Social Service are major funds. Their budget and actual reports are presented on a budgetary reporting basis as Exhibits G-1, G-2 and G-3. 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 for Capital Project and Debt Service are 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 H-5, H-6, H-7, H-8, H-9, H-10, and H-11.

# CITY OF CHARLOTTESVILLE, VIRGINIA

## Management's Discussion and Analysis Year Ended June 30, 2023

### 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, 2023 and 2022

Table I

	Governmental Activities		Business Type Activities		Total	
	2023	2022	2023	2022	2023	2022
Assets:						
Current and other assets	\$ 252,799,296	\$ 233,640,356	\$ 36,343,925	\$ 49,856,231	\$ 28,913,221	\$ 282,496,587
Capital assets	289,786,028	247,698,208	107,379,956	102,814,537	397,164,984	350,512,745
Total assets	542,585,324	481,338,564	143,723,881	152,670,768	686,309,205	634,009,332
Deferred Outflow of resources	55,329,133	22,785,150	5,806,997	2,614,864	61,136,130	254,000,014
Liabilities:						
Long-term liabilities	270,432,166	182,288,158	74,721,105	70,590,735	345,153,271	252,878,893
Other liabilities	12,821,400	63,493,813	4,842,658	13,730,157	17,664,058	77,223,970
Total liabilities	283,253,566	245,781,971	79,563,763	8,432,089	362,817,329	330,102,863
Deferred inflow of resources	82,310,970	86,839,183	3,530,038	4,447,261	85,841,008	91,286,444
Net Position:						
Net investment in capital assets	189,196,275	146,771,789	50,437,386	44,909,801	239,663,661	191,681,590
General government	202,604	191,551	-	-	202,604	191,551
Public safety	494,068	645,099	-	-	494,068	645,099
Health and welfare	459,781	281,456	-	-	459,781	281,456
Parks, recreation and culture	81,475	99,597	-	-	81,475	99,597
Conservation and development	10,000	10,000	-	-	10,000	10,000
Nonspendable premanent fund	162,502	162,502	-	-	162,502	162,502
Unrestricted	41,743,216	23,331,106	15,969,691	21,607,679	57,712,907	44,938,785
Total net position	\$ 232,349,921	\$ 171,493,100	\$ 66,437,077	\$ 66,517,480	\$ 298,786,998	\$ 238,010,580

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 \$298.8 million at the close of fiscal year 2023. 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 \$171.5 million to \$232.3 million.

#### Business-type Activities

The City's business-type activities net position decreased by \$80.4 thousand due to an decrease in net position for 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



# CITY OF CHARLOTTESVILLE, VIRGINIA

## Management's Discussion and Analysis Year Ended June 30, 2023

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, 2023 and 2022

Table II

	Governmental		Business-type		Total		Percent Change
	2023	2022	2023	2022	2023	2022	
Revenues:							
Program revenues							
Charges for services	\$ 21,742,526	\$ 20,012,594	\$ 62,326,063	\$ 67,246,196	\$ 84,068,589	\$ 87,258,790	-3.66%
Operating grants and contributions	40,653,468	32,728,882	19,613	50,915	40,673,081	32,779,797	24.08%
Capital grants and contributions	6,865,626	3,112,320	-	-	6,865,626	3,112,320	120.60%
General revenues							
Property taxes	110,208,465	97,568,094	-	-	110,208,465	97,568,094	12.96%
Other taxes	52,836,231	49,604,138	-	-	52,836,231	49,604,138	6.52%
Grants/contributions	37,425,989	45,108,421	-	-	37,425,989	45,108,421	-17.03%
Miscellaneous	1,594,719	1,678,536	402,311	1,752,473	1,997,030	3,431,009	-41.79%
Use of money/property	4,047,623	539,105	193,754	84,494	4,241,377	623,599	580.14%
Total revenues	275,374,647	250,352,090	62,941,741	69,134,078	338,316,388	319,486,168	5.89%
Expenses:							
General government	29,628,675	40,219,990	-	-	29,628,675	40,219,990	-26.33%
Public safety	41,402,137	37,098,350	-	-	41,402,137	37,098,350	11.60%
Community services	29,215,029	21,951,554	-	-	29,215,029	21,951,554	33.09%
Health and welfare	35,020,443	35,027,830	-	-	35,020,443	35,027,830	-0.02%
Parks, recreation and culture	15,972,266	15,212,695	-	-	15,972,266	15,212,695	4.99%
Education	65,924,088	66,009,065	-	-	65,924,088	66,009,065	-0.13%
Conservation and development	14,602,408	17,443,746	-	-	14,602,408	17,443,746	-16.29%
Interest on long-term debt	2,342,281	1,694,940	-	-	2,342,281	1,694,940	38.19%
Water	-	-	12,552,647	11,441,564	12,552,647	11,441,564	9.71%
Sewer	-	-	12,894,454	12,305,110	12,894,454	12,305,110	4.79%
Gas	-	-	28,831,476	28,114,095	28,831,476	28,114,095	2.55%
Stormwater	-	-	1,577,874	1,429,656	1,577,874	1,429,656	10.37%
Golf	-	-	1,165,889	1,046,115	1,165,889	1,046,115	11.45%
Total expenses	234,107,327	234,658,170	57,022,340	54,336,540	291,129,667	288,994,710	0.74%
Change in net position before transfers	41,267,320	15,693,920	5,919,401	14,797,538	47,186,721	30,491,458	54.75%
Transfers	5,999,804	6,127,857	(5,999,804)	(6,137,857)	-	-	-
Change in net position	47,267,124	21,821,777	(80,403)	8,659,681	47,186,721	30,491,458	
Net position - beginning	185,081,797	165,367,181	66,517,480	62,800,845	251,599,277	228,168,026	10.27%
Net position - end of year	\$ 232,348,921	\$ 187,188,958	\$ 66,437,077	\$ 71,460,526	\$ 298,785,998	\$ 258,659,484	10.27%

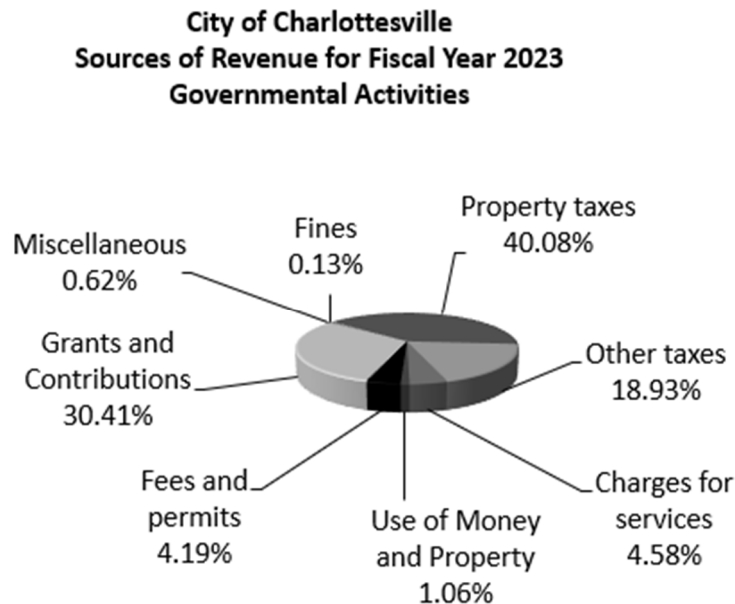
### Governmental Activities

The City's total revenues from governmental activities were \$298.8 million for the fiscal year ended June 30, 2023. Approximately 59.01% of the City's revenue from governmental activities comes from property and other taxes (59.79% in 2022).

CITY OF CHARLOTTESVILLE, VIRGINIA

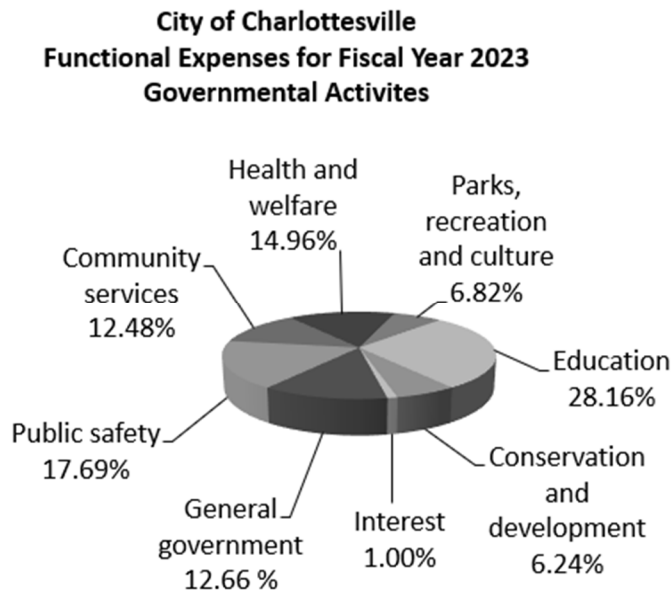
Management’s Discussion and Analysis  
Year Ended June 30, 2023

Revenues by Source – Governmental Activities



The City's governmental activity expenses increased by \$47.3 million in 2023. Expenses for fiscal year 2023 cover a wide range of services, with 14.96% or \$35.0 million related to health and welfare, 28.16% or \$65.9 million for education (primarily payments to the City’s Public Schools, a component unit), and 17.69% or \$41.4 million related to public safety.

Expenses by Function – Governmental Activities



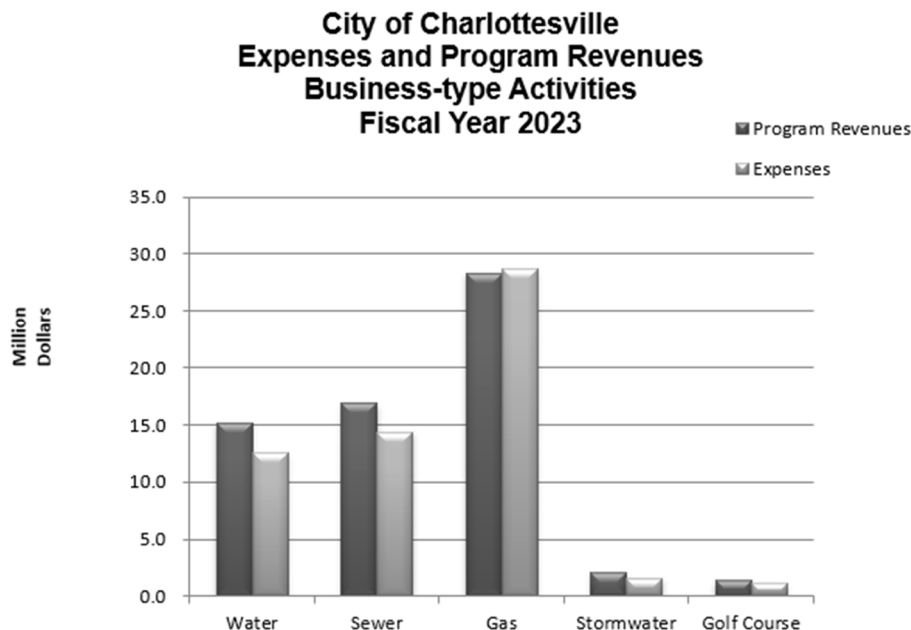
Business-Type Activities

# CITY OF CHARLOTTESVILLE, VIRGINIA

## Management’s Discussion and Analysis Year Ended June 30, 2023

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Net position for the City's business-type decreased by \$80.4 thousand.



### 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 \$1,720,811. The Sewer Fund had an increase in net position of \$1,901,875. The Gas Fund had a decrease in net position of \$4,660,343. The Stormwater Fund had an increase in net position of \$452,015. The Golf Fund had an increase in net position of \$520,459.

### FINANCIAL ANALYSIS OF THE CITY’S FUNDS

This section of the MD&A discusses the City’s fund financial statements.

#### Governmental Funds

The City of Charlottesville uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The focus of Charlottesville’s governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City’s financing requirements. Unassigned fund balance may serve as a useful measure of a government’s net resources available for spending at the end of the fiscal year.

The City reports fund balance in accordance with generally accepted accounting principles (GAAP), which categorizes fund balance into five classifications based upon constraints placed on the use of resources. Note 2 provides additional information on the fund balance categories.

For the fiscal year ended June 30, 2023, the governmental funds reported combined ending fund balances of \$126.7 million, an increase of \$14.7 million. The increase was mostly due to taxes collected and intergovernmental revenue received for road and bridge projects.

# CITY OF CHARLOTTESVILLE, VIRGINIA

## Management's Discussion and Analysis Year Ended June 30, 2023

Approximately \$61.9 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 \$23.3 million committed for debt service.

Nonspendable fund balance is \$162.5 thousand in the Cemetery Permanent Fund. This amount represents assets that are not readily available to the City for current expenditures.

The City also has \$1.3 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 contributions and grant funds that must be used for specific purposes but have not yet been spent.

The remaining fund balance as of June 30, 2023, indicated as unassigned, is \$63.4 million in the General Fund. This amount represents 38.0% of General Fund expenditures and transfers (net) and is a measure of the General Fund's liquidity. Total fund balance of the General Fund increased by \$5.9 million in fiscal year 2023.

### GENERAL FUND BUDGETARY HIGHLIGHTS

#### General Fund For the Year Ended June 30, 2023

Table III

	Original Budget	Amended Budget	Actual	Variance
Revenues				
Real Estate taxes	\$ 89,487,993	\$ 89,487,993	\$ 94,957,084	\$ 5,469,091
Other taxes	60,822,126	60,842,126	67,304,285	6,462,159
Licenses/permits	11,370,000	11,370,000	11,376,498	6,498
Intergovernmental	38,825,331	38,225,331	30,152,239	(8,673,092)
Charges for services	9,242,320	9,242,320	8,368,710	(873,610)
Other revenues	1,752,153	1,782,336	3,466,128	1,683,792
Total	211,499,923	211,550,106	215,624,944	4,074,838
Expenditures and net transfers				
Expenditures	189,284,819	190,578,028	167,045,184	23,532,844
Transfers (net)	26,559,163	45,217,350	42,706,108	2,511,242
	215,843,982	235,795,378	209,751,292	26,044,086
Change in Fund Balance	\$ (4,344,059)	\$ 24,245,272	\$ 5,873,652	\$ 30,118,924

#### Factors to explain economic performance for FY2023:

The City's budget ordinance includes, as part of the original budget for expenditures, the amount of \$1,908,229 for encumbrances re-appropriated from June 30, 2023, as well as continuing appropriations from the prior year totaling \$1,780,001 for equipment and facilities as well as \$2,325,756 for the Landfill Remediation Reserve. Differences between the original and the final amended budget for the City's General Fund for expenditures, totaled \$18,951,396. This difference is due to supplemental appropriations during the year.

Actual total revenues were higher than the amended budget by \$4,074,838. Significant positive variances between budgeted and actual revenue were in real estate tax, personal property tax, meals tax, lodging tax and business licenses. Some revenues underperformed their budgeted amounts, namely parking garage, and recreation charges. Expenditures and transfers were below budget by \$2,044,086 resulting from vacant positions and lower expenses.

# CITY OF CHARLOTTESVILLE, VIRGINIA

## Management's Discussion and Analysis Year Ended June 30, 2023

### 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, 2023, amounts to \$397.2 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, 2023 and 2022

Table IV

	Governmental		Business-type		Total		Percent Change
	2023	2022	2023	2022	2023	2022	
Land	\$ 22,057,286	\$ 22,057,286	\$ 2,064,048	\$ 2,064,048	\$ 24,121,334	\$ 24,121,334	0.00%
Assets under construction	45,972,349	21,546,737	-	-	45,972,349	21,546,737	113.36%
Building and improvements	102,703,659	94,368,706	324,594	351,104	103,028,253	94,719,810	8.77%
Vehicles	7,873,159	8,340,128	1,985,857	1,782,255	9,859,016	10,122,383	-2.60%
Equipment	3,853,797	4,494,432	230,141	293,981	4,083,938	4,788,413	-14.71%
Streets	47,099,445	49,486,453	-	-	47,099,445	49,486,453	-4.82%
Bridges	25,976,548	13,185,171	-	-	25,976,548	13,185,171	97.01%
Infrastructure	23,373,419	24,390,264	102,708,350	98,199,329	126,081,769	122,589,593	2.85%
Lease	8,875,864	9,829,031	65,966	120,820	8,941,830	9,949,851	-10.13%
Subscription	2,000,503	-	-	-	2,000,503	-	100.00%
Total	<u>\$ 289,786,029</u>	<u>\$ 247,698,208</u>	<u>\$ 107,378,956</u>	<u>\$ 102,811,537</u>	<u>\$ 397,164,985</u>	<u>\$ 350,509,745</u>	13.31%

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

- Belmont Bridge Replacement Project
- Circuit Court Renovations
- Purchase of Charlottesville-Albemarle Technical Education Center
- School Priority Projects

The City's fiscal year 2023 capital project fund provided approximately \$50.3 million for various capital projects. Some of the major categories include \$3.1 million in school related projects, \$13.6 million for street, sidewalk and bridge projects, \$6.6 million for housing, and 2.5 million for building improvements. General obligation bonds have been issued for a portion of the funding, in accordance with the City's on-going, five year capital plan. These increased expenditures of almost 30% along with half as much debt service funds issued resulted in a fund balance decrease of \$1.6 million.

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

CITY OF CHARLOTTESVILLE, VIRGINIA

Management’s Discussion and Analysis  
Year Ended June 30, 2023

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 \$166.0 million. This entire amount is backed by the full faith and credit of the City and \$56.6 million is being repaid by the City’s utilities.

City of Charlottesville’s Outstanding Debt  
General Obligation Bonds  
June 30, 2023 and 2022

Table V

	Governmental		Business-type		Total		Percent Change
	2023	2022	2023	2022	2023	2022	
General obligation bonds	\$ 109,396,879	\$ 104,330,720	\$ 56,608,404	\$ 61,269,414	\$ 166,005,283	\$ 165,600,134	0.24%

Charlottesville’s total debt increased by \$405,149 during the fiscal year. On its most recent bond issue in June 2023, the City’s bond rating was reaffirmed by S & P Global Ratings 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 \$861.5 million. 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 EFFECTNG NEXT YEAR’S BUDGET AND RATES

As noted above, many of the City’s locally derived taxes performed better than expected. In addition, several of the City’s economic indicators show positive improvement:

- The City’s unemployment rate decreased from 2.8% in July 2022 to 2.4% in July 2023. This is lower than the national unemployment rate of 3.8%, and the state’s rate of 2.7%.
- City labor force increased 11.9% from 24,196 in July 2022 to 27,060 in July 2023 based on current Virginia Employment Commission statistics.
- The City has an estimated population of 51,278 according to the Weldon Cooper Center for Public Service.

The budget for 2024 was developed building upon the strong performance of the City economy and the City’s operations and facilities being fully open. Amounts available for appropriation in the General Fund budget for 2024 are \$228.4 million, an increase of 7.3% over the 2023 budget of \$212.9 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.

## STATEMENT OF NET POSITION

JUNE 30, 2023

## ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	Economic Development Authority	School Board
ASSETS					
Cash, cash equivalents and investments (note 3)	\$ 132,851,037	\$ 21,702,452	\$ 154,553,489	\$ 2,500,137	\$ 26,033,983
Interest receivable	283,596	-	283,596	-	-
Accounts receivable, net	14,883,620	5,697,629	20,581,249	-	135,582
Taxes receivable, net	57,338,467	-	57,338,467	-	-
Leases receivable	824,075	-	824,075	6,527,749	-
Loans receivable (note 5)	3,409,777	-	3,409,777	804,336	-
Due from other governments (note 6)	25,591,467	-	25,591,467	-	9,542,758
Inventories	125,452	1,027,010	1,152,462	-	27,465
Prepaid expenses	93,127	3,166,818	3,259,945	13	-
Net pension asset	-	-	-	-	2,059,153
Restricted cash and investments (note 3)	17,398,677	4,751,016	22,149,693	-	-
Capital assets (note 8):					
Capital assets not being depreciated	68,029,635	2,064,048	70,093,683	-	982,889
Capital assets being depreciated	221,756,394	105,314,908	327,071,302	-	17,786,247
Total assets	<u>542,585,324</u>	<u>143,723,881</u>	<u>686,309,205</u>	<u>9,832,235</u>	<u>56,568,077</u>
DEFERRED OUTFLOWS OF RESOURCES					
Deferred charges on refunding resulting in loss transactions	260,813	39,646	300,459	-	-
Deferred charges - pension (notes 11 and 15)	41,517,377	4,423,183	45,940,560	-	12,139,750
Deferred charges - OPEB (notes 13 and 16)	13,550,943	1,344,168	14,895,111	-	1,788,433
Total deferred outflows of resources	<u>55,329,133</u>	<u>5,806,997</u>	<u>61,136,130</u>	<u>-</u>	<u>13,928,183</u>
Total Assets And Deferred Outflows of Resources	<u>\$ 597,914,457</u>	<u>\$ 149,530,878</u>	<u>\$ 747,445,335</u>	<u>\$ 9,832,235</u>	<u>\$ 70,496,260</u>

Continued

## STATEMENT OF NET POSITION

JUNE 30, 2023

## LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	Economic Development Authority	School Board
<b>LIABILITIES</b>					
Accounts payable	2,535,677	2,320,990	4,856,667	-	3,023,867
Accrued liabilities	31,475,196	2,622,609	34,097,805	65,627	6,044,194
Customer deposits	15,291	1,004,950	1,020,241	-	-
Due to other governments	987,639	-	987,639	-	4,422,394
Unearned revenue	13,421,506	-	13,421,506	20,000	14,208
Accrued interest payable	947,821	578,588	1,526,409	103,291	-
Long-term liabilities (note 9):					
Due within one year:	12,821,400	4,842,658	17,664,058	130,000	300,497
Lease liabilities due within one year	994,224	55,647	1,049,871	-	-
Subscription liabilities due within one year	670,649	-	670,649	-	-
Due in more than one year:	110,836,923	56,799,378	167,636,301	-	2,203,648
Lease liabilities due in more than one year	7,963,590	10,054	7,973,644	-	-
Subscription liabilities due in more than one year	1,354,452	-	1,354,452	-	-
Net pension liability (notes 9,11 and 15)	80,989,462	9,034,422	90,023,884	-	43,936,611
Net OPEB liability (notes 9, 13 and 15)	18,239,736	2,294,467	20,534,203	-	11,259,142
Total liabilities	283,253,566	79,563,763	362,817,329	318,918	71,204,561
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Deferred tax revenue	55,316,027	-	55,316,027	-	-
Deferred charges on refunding resulting in gain transactions	259,920	421,505	681,425	-	-
Deferred charges - pension (notes 11 and 15)	13,316,980	1,670,812	14,987,792	-	11,780,896
Deferred charges - OPEB (notes 13 and 16)	12,596,591	1,437,721	14,034,312	-	2,157,691
Deferred inflows-leases	821,452	-	821,452	5,587,667	-
Total deferred inflows of resources	82,310,970	3,530,038	85,841,008	5,587,667	13,938,587
<b>NET POSITION</b>					
Net Investment in capital assets	178,213,360	50,401,414	228,614,774	-	18,769,136
Restricted for:					
General government	202,604	-	202,604	-	11,714,913
Public safety	494,068	-	494,068	-	-
Health and welfare	459,781	-	459,781	-	-
Parks, recreation and culture	81,475	-	81,475	-	-
Education-net pension asset	-	-	-	-	2,059,153
Conservation and development	10,000	-	10,000	-	-
Permanent fund, nonexpendable	162,502	-	162,502	-	-
Unrestricted	52,726,131	16,035,663	68,761,794	3,925,650	(47,190,090)
Total net position	232,349,921	66,437,077	298,786,998	3,925,650	(14,646,888)
Total Liabilities, Deferred Inflows of Resources and Net Position	\$ 597,914,457	\$ 149,530,878	\$ 747,445,335	\$ 9,832,235	\$ 70,496,260

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, 2023

EXHIBIT B

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>PRIMARY GOVERNMENT</b>				
Governmental activities:				
General government	\$ 29,628,675	\$ 12,169,364	\$ 3,163,129	\$ 241,665
Public safety	41,402,137	377,848	6,844,173	-
Community services	29,215,029	1,319,311	22,827,948	2,948,082
Health and welfare	35,020,443	3,692,546	3,271,626	-
Parks, recreation and culture	15,972,266	1,043,233	222,920	22,510
Education	65,924,088	123,841	2,716,934	475,028
Conservation and development	14,602,408	3,017,383	1,606,738	3,178,341
Interest on long term debt	2,342,281	-	-	-
Total governmental activities	234,107,327	21,743,526	40,653,468	6,865,626
Business-type activities:				
Water	12,552,647	15,194,347	-	-
Sewer	12,894,454	15,804,318	-	-
Gas	28,831,476	28,363,102	9,685	-
Stormwater	1,577,874	1,986,275	4,979	-
Golf	1,165,889	1,380,331	4,949	-
Total business-type activities	57,022,340	62,728,373	19,613	-
Total Primary Government	\$ 291,129,667	\$ 84,471,899	\$ 40,673,081	\$ 6,865,626
<b>COMPONENT UNITS</b>				
Economic Development Authority	\$ 535,199	\$ 163,467	\$ -	\$ -
School Board	84,527,130	2,637,833	12,329,502	-
Total Component Units	\$ 85,062,329	\$ 2,801,300	\$ 12,329,502	\$ -

Continued

**CITY OF CHARLOTTESVILLE, VIRGINIA**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2023**

**EXHIBIT B - Concluded**

Functions/Programs	Net (Expense) Revenue and Changes in Net Position				
	Governmental Activities	Business Type Activities	Total Primary Government	Component Units	
				Economic Development Authority	School Board
<b>PRIMARY GOVERNMENT</b>					
Governmental activities:					
General government	\$ (14,054,517)	\$ -	\$ (14,054,517)		
Public safety	(34,180,116)	-	(34,180,116)		
Community services	(2,119,688)	-	(2,119,688)		
Health and welfare	(28,056,271)	-	(28,056,271)		
Parks, recreation and culture	(14,683,603)	-	(14,683,603)		
Education	(62,608,285)	-	(62,608,285)		
Conservation and development	(6,799,946)	-	(6,799,946)		
Interest on long term debt	(2,342,281)	-	(2,342,281)		
Total governmental activities	<u>(164,844,707)</u>	<u>-</u>	<u>(164,844,707)</u>		
Business-type activities:					
Water	-	2,641,700	2,641,700		
Sewer	-	2,909,864	2,909,864		
Gas	-	(458,689)	(458,689)		
Stormwater	-	413,380	413,380		
Golf	-	219,391	219,391		
Total business-type activities	<u>-</u>	<u>5,725,646</u>	<u>5,725,646</u>		
Total Primary Government	<u>(164,844,707)</u>	<u>5,725,646</u>	<u>(159,119,061)</u>		
<b>COMPONENT UNITS</b>					
Economic Development Authority				\$ (371,732)	\$ -
School Board				-	(69,559,795)
Total Component Units				<u>(371,732)</u>	<u>(69,559,795)</u>
<b>GENERAL REVENUES</b>					
General property taxes	110,208,465	-	110,208,465	-	-
Sales tax	14,377,795	-	14,377,795	-	-
Utility tax	4,584,020	-	4,584,020	-	-
Communications tax	-	-	-	-	-
Meals tax	18,632,606	-	18,632,606	-	-
Lodging tax	8,118,587	-	8,118,587	-	-
Public service corporation tax	1,630,557	-	1,630,557	-	-
Wills and deeds tax	728,613	-	728,613	-	-
Rolling stock tax	15,231	-	15,231	-	-
Short-term rental tax	77,570	-	77,570	-	-
Cigarette tax	445,156	-	445,156	-	-
State recordation tax	461	-	461	-	-
Bank stock tax	1,170,883	-	1,170,883	-	-
Plastic bag Tax	49,605	-	49,605	-	-
Business license tax	783,327	-	783,327	-	-
Grants & contributions not restricted to specific programs	39,647,809	-	39,647,809	-	-
State aid-formula grants	-	-	-	-	29,526,515
Payment from city	-	-	-	-	55,084,021
Unrestricted revenue from use of money and property	899,545	7,660	907,205	240,000	-
Interest on investment earnings	2,916,023	186,095	3,102,118	206,337	-
Leases	232,055	-	232,055	333,094	-
Miscellaneous	1,594,719	-	1,594,719	-	-
Transfers, net	5,999,804	(5,999,804)	-	-	-
Total general revenues and transfers	<u>212,112,831</u>	<u>(5,806,049)</u>	<u>206,306,782</u>	<u>779,431</u>	<u>84,610,536</u>
Change in net position	47,268,124	(80,403)	47,187,721	407,699	15,050,741
Net Position - July 1, 2022 Restated	185,081,797	66,517,480	251,599,277	3,517,951	(29,697,629)
Net Position - June 30, 2023	<u>\$ 232,349,921</u>	<u>\$ 66,437,077</u>	<u>\$ 298,786,998</u>	<u>\$ 3,925,650</u>	<u>\$ (14,646,888)</u>

**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**JUNE 30, 2023**

	General Fund	American Relief Program Act Fund	Social Services Fund	Capital Projects Fund	Debt Service Fund	Other Governmental Funds	Total
<b>ASSETS</b>							
Cash, cash equivalents and investments	\$ 56,617,074	\$ 13,421,867	\$ 78,276	\$ 33,001,900	\$ 23,416,274	\$ 513,855	\$ 127,049,246
Interest receivable	283,596	-	-	-	-	-	283,596
Accounts receivable, net	519,822	-	5,807	3,997	-	442,001	971,627
Taxes receivable, net	57,338,467	-	-	-	-	-	57,338,467
Leases receivable	824,075	-	-	-	-	-	824,075
Due from other governments (note 6)	3,095,543	-	821,742	9,886,508	-	11,787,674	25,591,467
Due from other funds (note 7)	13,911,992	-	-	-	-	-	13,911,992
Loans receivable (note 5)	-	-	-	2,530,000	-	879,777	3,409,777
Total assets	<u>\$ 132,590,569</u>	<u>\$ 13,421,867</u>	<u>\$ 905,825</u>	<u>\$ 45,422,405</u>	<u>\$ 23,416,274</u>	<u>\$ 13,623,307</u>	<u>\$ 229,380,247</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>							
<b>LIABILITIES</b>							
Accounts payable	\$ 1,105,634	\$ 51,190	\$ 7,142	\$ 938,982	\$ 61,332	\$ 278,858	\$ 2,443,138
Accrued liabilities	2,889,625	5,469	230,035	13,270,282	64,270	4,383,990	20,843,671
Deposits	-	-	-	1,112,163	-	-	1,112,163
Due to other governments	-	-	-	-	-	987,639	987,639
Due to other funds (note 7)	-	-	668,648	-	-	6,274,570	6,943,218
Unearned revenue-other	2,987	13,365,208	-	-	-	53,311	13,421,506
Total liabilities	<u>3,998,246</u>	<u>13,421,867</u>	<u>905,825</u>	<u>15,321,427</u>	<u>125,602</u>	<u>11,978,368</u>	<u>45,751,335</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>							
Unavailable tax revenue	55,622,960	-	-	-	-	-	55,622,960
Unavailable lease revenue	821,452	-	-	-	-	-	821,452
Unavailable opioid remediation revenue	-	-	-	-	-	428,031	428,031
Total deferred inflows of resources	<u>56,444,412</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>428,031</u>	<u>56,872,443</u>
<b>FUND BALANCES (Note 2b):</b>							
Nonspendable	-	-	-	-	-	162,502	162,502
Restricted	559,223	-	-	-	-	702,748	1,261,971
Committed	6,289,041	-	-	-	23,290,672	-	29,579,713
Assigned	1,908,229	-	-	30,100,978	-	351,658	32,360,865
Unassigned	63,391,418	-	-	-	-	-	63,391,418
Total fund balances	<u>72,147,911</u>	<u>-</u>	<u>-</u>	<u>30,100,978</u>	<u>23,290,672</u>	<u>1,216,908</u>	<u>126,756,469</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 132,590,569</u>	<u>\$ 13,421,867</u>	<u>\$ 905,825</u>	<u>\$ 45,422,405</u>	<u>\$ 23,416,274</u>	<u>\$ 13,623,307</u>	<u>\$ 229,380,247</u>

Continued

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

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Total fund balances per the Balance Sheet for Governmental Funds \$ 126,756,469

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: 289,786,029

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:

Deferred Inflows-Pensions	(13,316,980)
Deferred Inflows-OPEB	(12,596,591)
Deferred Outflows-Pensions	41,517,377
Deferred Outflows-OPEB	13,550,943

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 Services	18,149,719
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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 the City's opioid settlement funds are currently unavailable and therefore both are unavailable in the funds:

Deferred taxes	306,933
Deferred opioid settlement funds	428,031

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

Bonds payable	(109,397,151)
Accrued interest payable	(947,821)
Unamortized premiums on bonds	(8,592,173)
Net deferred amount on refunding	893
Net pension liability	(80,989,462)
Net OPEB liability	(18,239,736)
Compensated absences	(3,083,645)
Lease Liability	(8,957,813)
Subscription-Based IT Arrangements Liability	(2,025,101)

Net position per the Statement of Net Position (Exhibit A)	<u>\$ 232,349,921</u>
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The accompanying notes are an integral part of the basic financial statements.

**CITY OF CHARLOTTESVILLE, VIRGINIA**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**FOR THE YEAR ENDED JUNE 30, 2023**

**EXHIBIT D**

	General Fund	American Relief Program Act Fund	Social Services Fund	Capital Projects Fund	Debt Service Fund	Other Governmental Funds	Total
Taxes	\$ 162,261,369	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 162,261,369
Fees and permits	11,376,497	-	-	144,638	-	-	11,521,135
Intergovernmental	30,152,241	3,758,386	10,653,753	17,882,025	-	21,158,020	83,604,425
Charges for services	8,368,710	-	64	-	-	4,215,176	12,583,950
Fines	358,419	-	-	-	-	-	358,419
Leases	232,055	-	-	-	-	-	232,055
Investment earnings	1,872,454	-	-	-	1,031,811	11,759	2,916,024
Miscellaneous	1,003,199	-	11,654	173,282	-	282,100	1,470,235
Total revenues	<u>215,624,944</u>	<u>3,758,386</u>	<u>10,665,471</u>	<u>18,199,945</u>	<u>1,031,811</u>	<u>25,667,055</u>	<u>274,947,612</u>
Current:							
General government	24,732,417	495,468	-	2,534,500	230,950	534,346	28,527,681
Public safety	40,464,341	997,812	-	665,120	-	1,443,563	43,570,836
Community services	9,927,108	-	-	1,886,468	-	15,103,444	26,917,020
Health and welfare	6,989,724	1,066,047	14,555,922	-	-	13,117,770	35,729,463
Parks, recreation and culture	13,406,253	65,000	-	822,767	-	102,841	14,396,861
Education	62,030,967	-	-	3,105,930	-	-	65,136,897
Conservation and development	6,411,447	1,134,059	-	3,022,132	-	440,719	11,008,357
Debt service:							
Retirement of principal	1,597,100	-	1,203	-	9,403,570	1,039	11,002,912
Interest	263,267	-	72	-	3,720,886	168	3,984,393
Capital outlay	1,222,555	-	-	38,251,880	-	802,517	40,276,952
Total expenditures	<u>167,045,179</u>	<u>3,758,386</u>	<u>14,557,197</u>	<u>50,288,797</u>	<u>13,355,406</u>	<u>31,546,407</u>	<u>280,551,372</u>
Revenues over (under) expenditures	<u>48,579,765</u>	<u>-</u>	<u>(3,891,726)</u>	<u>(32,088,852)</u>	<u>(12,323,595)</u>	<u>(5,879,352)</u>	<u>(5,603,760)</u>
Transfers in (note 7)	6,207,893	-	3,772,028	20,619,018	17,567,099	6,185,928	54,351,966
Transfers out (note 7)	(48,914,001)	-	-	(552,170)	-	(44,991)	(49,511,162)
Issuance of debt (note 9)	-	-	-	9,409,943	5,060,057	-	14,470,000
Premium on issuance of debt (note 9)	-	-	-	975,480	-	-	975,480
Total other financial sources (uses)	<u>(42,706,108)</u>	<u>-</u>	<u>3,772,028</u>	<u>30,452,271</u>	<u>22,627,156</u>	<u>6,140,937</u>	<u>20,286,284</u>
Net change in fund balance	5,873,657	-	(119,698)	(1,636,581)	10,303,561	261,585	14,682,524
Fund Balance July 1, 2022 as restated	<u>66,274,254</u>	<u>-</u>	<u>119,698</u>	<u>31,737,559</u>	<u>12,987,111</u>	<u>955,323</u>	<u>112,073,945</u>
Fund Balance June 30, 2023	<u>\$ 72,147,911</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 30,100,978</u>	<u>\$ 23,290,672</u>	<u>\$ 1,216,908</u>	<u>\$ 126,756,469</u>

Continued

**CITY OF CHARLOTTESVILLE, VIRGINIA**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**FOR THE YEAR ENDED JUNE 30, 2023**

**EXHIBIT D - Concluded**

Net change in fund balances - total governmental funds (Exhibit D) \$ 14,682,525

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

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

Capital outlay	40,378,665
Depreciation expense	(13,590,681)

The net effect of various miscellaneous transactions involving capital assets is to decrease net position

Net gain (loss) on disposal of assets	(579,955)
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. Details of this item consist of the following:

Change in Opioid Settlement funding	428,031
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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 and refunding payments are expenditures in governmental funds but reduce long-term liabilities in the Statement of Net Position. Payments to reduce Lease and Subscription liabilities are only included in the Statement of Net Position:

New debt issued	(14,470,000)
Principal payments	9,403,570
Payments to reduce lease liability	978,915
Payments to reduce subscription liability	668,437

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	73,031
Change in amortization of bond premium	351,988
Interest earned on bond refunding	(16,894)

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	(52,814)
Change in net pension liability	(26,082,351)
Net change in deferred outflows and deferred inflows of resources related to net pension liability	28,909,998
Change in net OPEB liability	(7,276,844)
Net change in deferred outflows and deferred inflows of resources related to net OPEB liability	12,230,655

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.	1,231,848
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Change in net position per the Statement of Activities (Exhibit B)	\$ 47,268,124
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The accompanying notes are an integral part of the basic financial statements.

**CITY OF CHARLOTTESVILLE, VIRGINIA**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**JUNE 30, 2023**

**EXHIBIT E-1**

	Business - Type Activities - Enterprise Funds						Internal Service Funds
	Water	Sewer	Gas	Stormwater	Golf	Total	
<b>ASSETS</b>							
Current assets:							
Cash and cash equivalents	\$ 1,093,792	\$ 5,555,928	\$ 7,053,092	\$ 7,175,845	\$ 823,795	\$ 21,702,452	\$ 23,200,469
Accounts receivable, net	944,035	665,653	388,073	105,963	-	2,103,724	125,197
Unbilled accounts receivable	1,180,464	1,169,434	1,118,810	-	-	3,468,708	-
Inventories	-	-	-	-	29,058	29,058	1,123,402
Prepaid expenses	-	-	3,166,818	-	-	3,166,818	93,128
Restricted cash and investments	2,720,738	586,596	-	1,443,682	-	4,751,016	-
Total current assets	5,939,029	7,977,611	11,726,793	8,725,490	852,853	35,221,776	24,542,196
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	705,026	1,282,702	2,513,244	541,608	13,732	5,056,312	25,200
Transmission lines and mains	61,110,070	52,974,387	44,219,132	1,016,826	-	159,320,415	-
Storm drainage	-	-	-	10,860,666	-	10,860,666	-
Equipment	442,359	408,505	1,839,347	19,374	241,498	2,951,083	10,318,474
Lease equipment	685	685	1,382	-	63,215	65,967	-
Subscription assets	-	-	-	-	-	-	25,819
Accumulated depreciation	(20,110,849)	(15,164,526)	(36,012,839)	(1,757,085)	(1,771,429)	(74,816,728)	(9,979,827)
Total noncurrent assets	42,178,835	39,636,367	13,178,657	10,681,389	1,703,708	107,378,956	438,030
Total assets	48,117,864	47,613,978	24,905,450	19,406,879	2,556,561	142,600,732	24,980,226
<b>DEFERRED OUTFLOWS OF RESOURCES</b>							
Deferred charges on refunding losses	7,607	32,039	-	-	-	39,646	-
Deferred charges-pension	702,814	558,276	2,629,403	336,835	138,203	4,365,531	943,856
Deferred charges-OPEB	222,976	177,696	782,817	110,281	32,694	1,326,464	220,812
Total deferred outflows of resources	933,397	768,011	3,412,220	447,116	170,897	5,731,641	1,164,668
<b>LIABILITIES</b>							
Current liabilities:							
Accounts payable	1,040,452	986,851	215,003	9,519	7,451	2,259,276	273,291
Accrued liabilities	449,762	460,842	1,111,595	57,809	44,139	2,124,147	2,980,538
Accrued interest payable	257,218	238,915	-	82,454	-	578,587	-
Customer deposits	272,337	-	732,613	-	-	1,004,950	-
Due to other funds	-	-	-	-	-	-	2,575,674
Liabilities due in less than one year	2,093,290	2,181,780	28,151	537,724	1,126	4,842,071	10,695
Total current liabilities	4,113,059	3,868,388	2,087,362	687,506	52,716	10,809,031	5,840,198
Noncurrent liabilities:							
Liabilites due in more than one year	26,416,408	21,447,121	207,817	8,718,228	71,211	56,860,785	102,977
Net pension liability	1,516,687	1,182,503	5,570,982	153,598	475,476	8,899,246	2,864,859
Net OPEB liability	390,765	271,080	1,420,691	26,004	160,183	2,268,723	1,216,121
Total noncurrent liabilities	28,323,860	22,900,704	7,199,490	8,897,830	706,870	68,028,754	4,183,957
Total liabilities	32,436,919	26,769,092	9,286,852	9,585,336	759,586	78,837,785	10,024,155
<b>DEFERRED INFLOWS OF RESOURCES</b>							
Deferred charges on refunding gains	147,810	273,695	-	-	-	421,505	-
Deferred charges-pension	219,939	277,040	1,032,046	85,403	27,387	1,641,815	339,021
Deferred charges-OPEB	216,261	247,558	867,077	58,024	18,228	1,407,148	266,434
Total deferred inflows of resources	584,010	798,293	1,899,123	143,427	45,615	3,470,468	605,455
<b>NET POSITION</b>							
Net investment in capital assets	19,647,258	17,915,529	12,441,451	3,403,380	1,668,798	55,076,416	413,482
Unrestricted	(3,616,928)	2,899,074	4,690,244	6,721,852	253,459	10,947,701	15,101,800
Total net position	\$ 16,030,330	\$ 20,814,603	\$ 17,131,695	\$ 10,125,232	\$ 1,922,257	\$ 66,024,117	\$ 15,515,282
Total net position						\$ 66,024,117	
Allocated internal services:							
Warehouse assets						1,123,148	
Warehouse deferred outflows						75,356	
Warehouse liabilities						(725,974)	
Warehouse deferred inflows						(59,570)	
Total allocation of warehouse net position						412,960	
Net position of business-type activities						\$ 66,437,077	

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2023**

	Business - Type Activities - Enterprise Funds						Internal Service Funds
	Water	Sewer	Gas	Stormwater	Golf	Total	
<b>OPERATING REVENUES</b>							
Utility charges	\$ 14,689,415	\$ 16,773,926	\$ 27,921,263	\$ 1,926,661	\$ -	\$ 61,311,265	\$ -
Charges for services	173,935	57,568	318,186	64,594	1,386,670	2,000,953	26,359,125
Total operating revenues	<u>14,863,350</u>	<u>16,831,494</u>	<u>28,239,449</u>	<u>1,991,255</u>	<u>1,386,670</u>	<u>63,312,218</u>	<u>26,359,125</u>
<b>OPERATING EXPENSES</b>							
Purchases for resale	7,391,709	9,108,421	18,279,468	-	42,267	34,821,865	1,560,472
Personnel costs	1,226,112	899,516	5,255,966	700,663	328,181	8,410,438	1,620,913
Materials and supplies	449,743	101,946	783,015	19,789	65,851	1,420,344	923,764
Contractual services and charges	1,211,723	2,438,794	3,169,222	229,458	649,223	7,698,420	1,750,138
Depreciation	1,617,541	1,344,284	1,202,446	404,721	80,679	4,649,671	247,357
Claims incurred	-	-	-	-	-	-	17,225,816
Insurance premiums	-	-	-	-	-	-	3,085,422
Total operating expenses	<u>11,896,828</u>	<u>13,892,961</u>	<u>28,690,117</u>	<u>1,354,631</u>	<u>1,166,201</u>	<u>57,000,738</u>	<u>26,413,882</u>
Operating income (loss)	<u>2,966,522</u>	<u>2,938,533</u>	<u>(450,668)</u>	<u>636,624</u>	<u>220,469</u>	<u>6,311,480</u>	<u>(54,757)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>							
Gain/Loss on capital asset disposition	31,236	700	14,150	-	-	46,086	-
Interest expense	(606,454)	(467,832)	(5,627)	(222,092)	-	(1,302,005)	-
Interest income	33,338	40,680	55,739	56,338	-	186,095	98,973
Capacity fees	252,700	440,275	-	-	-	692,975	-
Total nonoperating revenues (expenses), net	<u>(289,180)</u>	<u>13,823</u>	<u>64,262</u>	<u>(165,754)</u>	<u>-</u>	<u>(376,849)</u>	<u>98,973</u>
Transfers in	-	-	-	-	300,000	300,000	1,159,000
Transfers out	(956,531)	(1,050,481)	(4,273,937)	(18,855)	-	(6,299,804)	-
Total transfers, net	<u>(956,531)</u>	<u>(1,050,481)</u>	<u>(4,273,937)</u>	<u>(18,855)</u>	<u>300,000</u>	<u>(5,999,804)</u>	<u>1,159,000</u>
Change in net position	1,720,811	1,901,875	(4,660,343)	452,015	520,469	(65,173)	1,203,216
Total net position - July 1, 2022	<u>14,309,519</u>	<u>18,912,728</u>	<u>21,792,038</u>	<u>9,673,217</u>	<u>1,401,788</u>	<u>66,089,290</u>	<u>14,312,066</u>
Total net position - June 30, 2023	<u>\$ 16,030,330</u>	<u>\$ 20,814,603</u>	<u>\$ 17,131,695</u>	<u>\$ 10,125,232</u>	<u>\$ 1,922,257</u>	<u>\$ 66,024,117</u>	<u>\$ 15,515,282</u>
Total business-type change in net position						\$ (65,173)	
Warehouse sales operating revenues						790,599	
Expenses associated with warehouse sales						(805,829)	
Net internal service fund allocation						<u>(15,230)</u>	
Change in net position of business-type activities						<u>\$ (80,403)</u>	



**STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDING JUNE 30, 2023**

	Business - Type Activities - Enterprise Funds						Internal Service Funds
	Water	Sewer	Gas	Stormwater	Golf	Total	
OPERATING ACTIVITIES							
Receipts from customers	\$ 14,832,777	\$ 15,587,491	\$ 29,594,568	\$ 2,000,897	\$ 1,390,483	\$ 63,406,216	\$ 26,255,143
Payments to suppliers	(9,157,411)	(10,230,183)	(24,425,267)	(460,611)	(826,945)	(45,100,417)	(23,901,972)
Payments to employees	(1,385,934)	(1,041,471)	(5,958,406)	(797,348)	(369,430)	(9,552,589)	(1,597,782)
Net cash provided by (used for) operating activities	4,289,432	4,315,837	(789,105)	742,938	194,108	8,753,210	755,389
NONCAPITAL FINANCING ACTIVITIES							
Transfers in	-	-	-	-	300,000	300,000	1,159,000
Transfers out	(956,531)	(1,050,481)	(4,273,937)	(18,855)	-	(6,299,804)	-
Net cash provided by (used for) noncapital financing activities	(956,531)	(1,050,481)	(4,273,937)	(18,855)	300,000	(5,999,804)	1,159,000
CAPITAL AND RELATED FINANCING ACTIVITIES							
Acquisition of capital assets	(4,997,278)	(2,819,973)	(451,730)	(916,279)	-	(9,185,260)	(96,812)
Capacity fees	252,700	440,275	-	-	-	692,975	-
Bond principal paid	(1,986,934)	(2,134,347)	-	(540,000)	-	(4,661,281)	-
Interest paid	(1,031,641)	(783,359)	(5,627)	(344,532)	-	(2,165,159)	-
Net cash provided by (used for) capital and related financing	(7,763,153)	(5,297,404)	(457,357)	(1,800,811)	-	(15,318,725)	(96,812)
INVESTING ACTIVITIES							
Interest on investments	33,338	40,680	55,739	56,338	-	186,095	98,973
Net cash provided by investment activities	33,338	40,680	55,739	56,338	-	186,095	98,973
Net increase (decrease) in cash and cash equivalents	(4,396,914)	(1,991,368)	(5,464,660)	(1,020,390)	494,108	(12,379,224)	1,916,550
Balances - July 1, 2022	8,148,971	8,179,307	12,517,553	9,639,917	329,687	38,815,435	21,361,377
Balances - June 30, 2023	\$ 3,814,530	\$ 6,142,524	\$ 7,053,092	\$ 8,619,527	\$ 823,795	\$ 26,453,468	\$ 23,200,469
Reconciliation of operating income (loss) to net cash used in operating activities							
Operating Income (Loss)	\$ 2,966,522	\$ 2,938,531	\$ (450,668)	\$ 636,624	\$ 220,469	\$ 6,311,478	\$ (54,757)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:							
Depreciation expense	1,617,541	1,344,284	1,202,446	404,721	80,679	4,649,671	247,357
(Increase) decrease in accounts receivable	(52,742)	224,147	1,253,364	9,643	5,204	1,439,616	(106,012)
(Increase) decrease in inventories	-	-	-	-	(15,042)	(15,042)	46,770
(Increase) decrease in prepaid expenses	-	-	(9,219)	-	-	(9,219)	(47,871)
Increase (decrease) in accounts payable	(57,175)	(49,171)	(2,057,383)	(211,364)	(55,953)	(2,431,046)	779,364
Increase (decrease) in accrued liabilities	(48,234)	(28,076)	(174,472)	(28,801)	(13,902)	(293,485)	28,451
Increase (decrease) in customer deposits	(24,893)	-	(25,091)	-	-	(49,984)	-
Increase (decrease) in compensated absences	(11,820)	(6,367)	4,920	2,035	(2,829)	(14,061)	6,763
Increase (decrease) in insurance claims payable	-	-	-	-	-	-	(108,890)
Net pension liability change for measurement year	(22,460)	(43,974)	(240,289)	(28,057)	(11,240)	(346,020)	(25,284)
Net OPEB liability change for measurement year	(77,307)	(63,537)	(292,713)	(41,863)	(13,278)	(488,698)	(76,181)
Net cash provided by (used for) operating activities	\$ 4,289,432	\$ 4,315,837	\$ (789,105)	\$ 742,938	\$ 194,108	\$ 8,753,210	\$ 689,710

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

**STATEMENT OF FIDUCIARY NET POSITION**  
**FIDUCIARY FUNDS**  
**JUNE 30, 2023**

	<u><b>Pension Trust Funds</b></u>
<b>ASSETS</b>	
Interest receivable	\$ 294,385
Investments (note 3b):	
Common stocks	47,784,465
Corporate fixed income securities	13,086,406
Government and agency fixed income securities	19,746,530
Mutual Funds:	
Domestic	66,288,336
International	24,641,142
Alternative Investments:	
Agriculture	12,423,348
Real Estate	22,582,587
Total investments	<u>206,552,814</u>
Total assets	<u>206,847,199</u>
<b>LIABILITIES</b>	
Due to general fund	4,393,101
Accounts payable	78,167
Total liabilities	<u>4,471,268</u>
<b>NET POSITION</b>	
Net position - restricted	<u><u>\$ 202,375,935</u></u>

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

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

	<u>Pension Trust Funds</u>
<b>ADDITIONS</b>	
Contributions:	
Employer	\$ 17,330,204
Plan members	2,264,516
Total contributions	<u>19,594,720</u>
Investment earnings:	
Net increase in fair value of investments	16,886,022
Interest	1,316,188
Dividends	1,410,322
Total investment earnings	<u>19,612,532</u>
Less investment expenses	<u>713,863</u>
Net investment earnings	<u>18,898,669</u>
Total additions	<u>38,493,389</u>
<b>DEDUCTIONS</b>	
Pension benefits	15,115,813
Refund of plan member contributions	263,357
Other post-retirement benefits	5,410,979
Administrative expenses	385,765
Total deductions	<u>21,175,914</u>
Increase in net position	17,317,475
Net Position - July 1, 2022	185,058,460
Net position - June 30, 2023	<u>\$ 202,375,935</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, 2023**

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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 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.

**CITY OF CHARLOTTESVILLE, VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2023**

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Generally, 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 funds, 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 *American Relief Program Act Fund* (ARPA) is used to account for and report all of the financial resources that are restricted to eligible expenditures under this federal COVID relief program.

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.

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 grant funds, PEG fee revenue and contributions from Charlottesville School Board and other local governments for shared facilities.

**CITY OF CHARLOTTESVILLE, VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2023**

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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.

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

The *Water Fund* accounts for the operations of the City's water distribution system.  
The *Sewer Fund* accounts for the operations of the City's wastewater collection system.  
The *Gas Fund* accounts for the operations of the City's natural gas distribution system.  
The *Stormwater Fund* accounts for the operations of the City's waterways.  
The *Golf Course Fund* accounts for the operations of the City's 18-hole municipal golf course.

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

Additionally, the City reports the following fund types:

*Special Revenue Funds* are nonmajor governmental funds used to account and report the proceeds of specific revenue sources that are restricted, committed or assigned to expenditures for specified purposes other than debt service or capital projects. The City has established special revenue funds to account for the Community Development Block Grant, Grants (consolidated Grants from federal, state, and local funding sources), Human Services Programs, Children's Services Act, Opioid Remediation, and Charlottesville Area Transit. 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 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 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.

**CITY OF CHARLOTTESVILLE, VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2023**

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**(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, deferred inflows, liabilities, deferred inflows, 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*.

**CITY OF CHARLOTTESVILLE, VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2023**

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**(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 uncollectible accounts**

The City calculates its allowances for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. At June 30, 2023, the allowances approximated \$1,368,484 in the General Fund, \$1,615,986 in the Proprietary Funds (\$385,039, \$444,503, \$761,012, \$25,432) for the Water, Sewer, Gas, and Stormwater Funds, respectively, and \$2,739,064 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 are tangible and intangible assets, which include property, plant, equipment, and infrastructure assets (e.g., streets, bridges, storm pipes and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets, except for infrastructure assets, are defined by the City and Component Units as assets with an initial, individual cost of \$5,000 or more and an estimated useful life greater than of two years. The same estimated minimum useful life is used for infrastructure assets, but only those projects that cost \$50,000 or more are reported as capital assets.

As the City and Component Units constructs or acquires capital assets each period they are capitalized and reported at historic cost. The reported value excludes normal maintenance and repairs which do not increase the asset's capacity or efficiency or its estimated useful life. Donated capital assets are recorded at acquisition value, which is the price that would be paid to acquire an asset with equivalent service, on the date donated.

Land and construction in progress are not depreciated. The other tangible and intangible property, plant equipment, lease assets, and infrastructure of the primary government and component units, are depreciated/amortized 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
Leases	1-13
Subscription	1-5

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

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



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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 inflow 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 plan changes for measurement date June 30, 2022 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 liability, changes in proportions and difference between employer contribution and proportionate share of contributions, changes in assumptions, and employer contributions subsequent to the measurement date. *Deferred inflows of resources* consists of the current year's amortization, actuarially determined changes in proportion on beginning net pension liability, difference between expected and actual investment earnings, 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 as of June 30, 2023, approximated \$14,065,349 and \$14,032,477 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) Pensions 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

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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) Leases**

The City leases various assets requiring recognition. A lease is a contract that conveys control of the right to use another entity's nonfinancial asset. Lease recognition does not apply to short-term leases, contracts that transfer ownership, leases of assets that are investments, or certain regulated leases.

- **The Lessee** recognizes lease liabilities and intangible right-to-use lease assets for contracts that are longer than twelve months in duration in the government-wide financial statements. As the commencement of the lease, the lease liability is measured at the present value of payments expected to be made during the lease term, less any lease incentives. The lease liability is reduced by the principal portion of payments made. The lease asset is measured at the initial amount of the lease liability, plus any payment made to the lessor at or before commencement of the lease term and certain direct costs. The lease asset is amortized over the shorter of the lease term or the useful life of the underlying assets.
- **The Lessor** recognizes leases receivable and deferred inflows of resources in the government-wide and governmental fund financial statements. At commencement of the lease, the lease receivable is measured at the present value of lease payments expected to be received during the lease term, reduced by any provision for estimated uncollectible amounts. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is measured at the initial amount of the lease receivable, less lease payments received from the lessee at or before the commencement of the lease term less any lease incentives.
- **Key Estimated and Judgements** for determining the rate used to discount the expected lease payments to present value, lease term, and lease payments are included in lease accounting:
  - The City uses the interest rate stated in lease contracts. When the interest rate is not provided or the implicit rate cannot be readily determined, the City uses its estimated incremental borrowing rate as the discount rate for leases.
  - The lease term includes the noncancellable period of the lease and certain periods covered by options to extend to reflect how long the lease is expected to be in effect, with terms and conditions varying by the type of underlying asset.
  - Fixed and certain variable payments as well as lease incentives and certain other payments are included in the measurement of the lease liability (lessee) or lease receivable (lessor).

**(p) Subscription Agreements**

The City has several subscription-based software applications that it has identified as a right-to-use asset for its operations. At the commencement of the Subscription Based IT Arrangement (SBITA) the liability is measured at the present value of payments expected to be made during the SBITA term. The SBITA represent only those agreements that are longer than twelve months in duration. The SBITA assets are amortized over its agreement term or the useful life of the underlying asset.

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**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.
- **Deferred outflows of resources** represent a consumption of net assets that applies to future periods.
- **Deferred inflows of resources** represent an acquisition of net assets that applies to future periods.

**(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 a particular use, to the exclusion of all other uses. Once adopted, the appropriation can only be changed by City Council through similar action.

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- **Assigned** – Represents amounts that are constrained by City Council's intent to use for specific purposes, but meet neither the restricted nor 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 as of June 30, 2023:

	General	Capital Projects	Debt Service	Other Govt	Total
<u>Nonspendable for:</u>					
Cemetery perpetual care	\$ -	\$ -	\$ -	\$ 162,502	\$ 162,502
Total nonspendable	-	-	-	162,502	162,502
<u>Restricted for:</u>					
Loans receivable	-	-	-	10,000	10,000
Fire Programs	41,360	-	-	214,682	256,042
Law Enforcement	160,264	-	-	15,716	175,980
Four for Life	76,089	-	-	-	76,089
Court House Maintenance/Construction	164,476	-	-	-	164,476
Commonwealth Attorney	38,128	-	-	-	38,128
Children's Services Act	-	-	-	304,033	304,033
Health and Welfare	-	-	-	15,645	15,645
Opioid Remediation	-	-	-	140,103	140,103
Youth Programs	64,182	-	-	2,569	66,751
Parks and Tree Conservation	14,724	-	-	-	14,724
Total restricted	559,223	-	-	702,748	1,261,971
<u>Committed for:</u>					
Nonrecurring vehicle/equipment	642,622	-	-	-	642,622
Repairs/Improvements to Government Bldgs	327,869	-	-	-	327,869
Parking enterprise fund	2,378,185	-	-	-	2,378,185
Parks and Recreation Programs	37,577	-	-	-	37,577
Fire Programs	10,281	-	-	-	10,281
City Council initiatives	5,000	-	-	-	5,000
Council Reserve	46,371	-	-	-	159,725
Citywide Reserve	113,254	-	-	-	113,254
Historic Resources	47,239	-	-	-	47,239
Fuel Price Volatility	150,000	-	-	-	150,000
Courthouse Security	62,144	-	-	-	62,144
Communications	11,420	-	-	-	11,420
Community Events	27,389	-	-	-	27,389
Sheriff Programs	3,728	-	-	-	3,728
Workforce Development	70,772	-	-	-	70,772
Corporate Training	7,652	-	-	-	7,652
Reserve for landfill remediation	2,347,538	-	-	-	2,347,538
Future debt service	-	-	23,290,672	-	23,290,672
Total committed	6,289,041	-	23,290,672	-	29,693,067
<u>Assigned for:</u>					
Purchases on Order	1,908,229	21,344,165	-	-	23,252,394
Health and Welfare	-	-	-	351,658	351,658
Subsequent year's budget	-	8,756,813	-	-	8,756,813
Total assigned	1,908,229	30,100,978	-	351,658	32,360,865
<u>Unassigned:</u>					
Unassigned	63,391,418	-	-	-	63,278,064
Total fund balance	<b>\$ 72,147,911</b>	<b>\$ 30,100,978</b>	<b>\$ 23,290,672</b>	<b>\$ 1,216,908</b>	<b>\$ 126,756,469</b>

**CITY OF CHARLOTTESVILLE, VIRGINIA**  
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**(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 value of encumbrances, net accrued encumbrances, expected to be honored upon performance by the vendor in the next year were as follows:

	General Fund	Americal Rescue Plan Act	Social Services	Capital Projects	Other Government	Total
Vehicles and Equipment	\$ 541,205	\$ 822,209	\$ -	\$ 25,535	\$ 3,735,243	\$ 5,124,192
Government Building Improvements	91,280	-	-	1,732,718	-	1,823,998
Parking enterprise	4,729	-	-	-	-	4,729
General Government	295,397	84,864	-	315,861	-	696,122
Public Safety	384,025	1,075	-	1,159,812	101,059	1,645,971
Community Service	17,199	-	-	-	607,160	624,359
Street Construction/Maintenance	29,220	-	-	13,673,412	-	13,702,632
Health and Welfare	-	-	339	-	74,471	74,810
Parks and Recreation	429,073	-	-	320,020	2,518	751,611
Education	108,059	-	-	1,640,765	-	1,748,824
Conservation and Development	8,042	2,542	-	2,476,042	240,811	2,727,437
Total	<u>\$ 1,908,229</u>	<u>\$ 910,690</u>	<u>\$ 339</u>	<u>\$ 21,344,165</u>	<u>\$ 4,761,262</u>	<u>\$ 28,924,685</u>

**3. CASH, CASH EQUIVALENTS AND INVESTMENTS**

**(a) Primary Government**

At June 30, 2023, 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	\$ 33,754,344	Various
Cash on hand	6,540	Various
Commonwealth LGIP	1,626,492	AAAm
Money Market Mutual Funds	1,993,492	AAAm
Commonwealth Non-Arbitrage Program (SNAP)	26,153,459	AAAm
Virginia Investment Pool	67,352,052	AAAm
Total deposits and investments	<u>\$ 130,886,379</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.

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- Level 1 inputs are quoted prices in active markets for identical assets.
- Level 2 inputs are significant other observable inputs, known as the market value approach, which uses prices and other relevant information generated by market transactions involving identical or comparable assets.
- Level 3 inputs are significant unobservable inputs.

At June 30, 2023, there was no change in valuation techniques that had a significant impact on the values. 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	\$ -	\$ 4,285,386	\$ -	\$ 4,285,386	Aa2 to Aa3
Corporate notes	-	4,948,684	-	4,948,684	Aaa to A3
U. S. Treasury notes	25,788,347	-	-	25,788,347	Aaa
Federal agency notes	-	11,964,927	-	11,964,927	Aaa
Total fair value investments	<u>\$ 25,788,347</u>	<u>\$ 21,198,997</u>	<u>\$ -</u>	<u>\$ 46,987,344</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.

The Virginia Investment Pool (VIP) was established in 2013 by local Treasurers and Investment Officers through sponsorship of the Virginia Association of Counties and the Virginia Municipal League. The impetus behind the creation of VIP was to develop an investment vehicle which local governments could jointly invest to prudently achieve higher earnings on operating and reserve funds. VIP enables local governments to take advantage of the full range of investments authorized in the Code of Virginia with the guidance of a professional fund manager. The stable NAV Liquidity Pool, rated AAAM by S&P, offers stable net asset value, daily liquidity, and a competitive yield.

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.

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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, 2023, 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. On June 30, 2023, 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 \$22,149,693. Of this amount, \$17,398,677 was for governmental activities, and \$4,751,016 was business-type activities.

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

On June 30, 2023, 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:

**CITY OF CHARLOTTESVILLE, VIRGINIA**  
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<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	\$ 47,784,465	\$ -	\$ -	\$ 47,784,465	Various
Corp Fixes Income Securities	13,086,406	-	-	13,086,406	Aaa-B3
Government and agency fixes income securities					
Explicitly guaranteed by U.S. government	-	11,736,812	-	11,736,812	Various
Implicitly guaranteed bu U/S. government	-	5,671,257	-	5,671,257	Aaa-Aa1
Municipal	-	2,338,462	-	2,338,462	Aaa-Aa1
Mutual Funds - domestic	-	66,288,337	-	66,288,337	Various
Mutual Funds - international	-	24,641,143	-	24,641,143	Various
Total investments at fair value	\$ 60,870,871	\$ 110,676,011	\$ -	\$ 171,546,882	
Total demand deposits and investments at fair value	\$ 60,870,871	\$ 110,676,011	\$ -	\$ 171,546,882	

**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 12.8% 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</u> <u>(if currently eligible)</u>	<u>Redemption</u> <u>Notice Period</u>
Alternative investments - UBS AgriVest	\$ 5,722,976	Quarterly	60 days
Alternative investments - Ceres Farms	6,700,372	Annually	150 days
Alternative investments - RE PRISA	11,436,936	Quarterly	90 days
Alternative investments - RE PRISA II	11,155,651	Quarterly	90 days
Total alternative investments at fair value	\$ 35,015,935		

**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, 10% for international equities, 5% for Emerging Markets, 5% for Farmland, and 10% 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, 2021:

<u>Investment Type</u>	<u>Rating</u>	<u>% of Total Portfolio</u>
Corporate Bonds	No rating	4.8 %
Corporate Bonds	Aaa	8.9
Corporate Bonds	Aa1-Aa3	3.2
Corporate Bonds	A1-A3	11.8
Corporate Bonds	Baa1-B3	11.1
Federal Home Loan Mortgage Corporation	Aaa-Aa1	4.8
Federal National Mortgage Association	Aaa-Aa1	9.7
Implicitly Guaranteed Bonds	Aaa-Aa1	2.7
Municipal Bonds	Aaa-Aa1	7.1



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**Concentration of Credit Risk:**

The policy establishes limitations on corporate securities by issuer 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.

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

**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, 2023, the Pension Trust Fund had the following investments and maturities:

	Investment Maturity			
	<u>Fair Value</u>	<u>0 - 5 years</u>	<u>6 - 10 years</u>	<u>11 - 40 years</u>
Corporate fixed income	\$ 13,086,406	\$ 4,100,064	\$ 1,998,410	\$ 6,987,932
Government fixed income	19,746,530	1,653,458	2,810,352	15,282,721
	<u>\$ 32,832,936</u>	<u>\$ 5,753,522</u>	<u>\$ 4,808,762</u>	<u>\$ 22,270,653</u>

**Rate of Return:**

The annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was -10.05% on June 30, 2023 and -10.99% at June 30, 2022. The money-weighted rate of return expresses investment performance adjusted for the changing amounts invested.

**(c) School Board Component Unit**

At June 30, 2023, 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	\$ 21,673,398	N/A
Commonwealth LGIP	4,360,585	AAAm
Total deposits and investments	<u>\$ 26,033,983</u>	

School Board deposits are invested in accordance with the City's investment policy. At June 30, 2023, 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, 2023, 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	\$ 2,500,137	N/A
Total deposits and investments	<u>\$ 2,500,137</u>	

**CITY OF CHARLOTTESVILLE, VIRGINIA**  
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The City serves as fiscal agent for the CEDA. However, the CEDA is not subject to the City's investment policy. At June 30, 2023, excluding the demand deposits, 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 based 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 that are 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, 2022, assessment which is due December 5, 2022. The first half of the January 1, 2023, assessment normally due June 5, 2023, less an allowance for uncollectable and less taxes not considered available for current expenditures plus collections on previously delinquent taxes. The tax rate for 2022 was \$0.96 and \$0.96 for 2023, per \$100 of assessed value. Real estate taxes receivable, assessed as of January 1, 2023, and due December 5, 2023, 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, 2023, 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 2022, the personal property taxes budgeted for and reported as revenue in the fund financial statements are the second half of the January 1, 2022 assessment due December 5, 2022, and the first half of the January 1, 2023 assessment normally due June 5, 2023, less an allowance for uncollectable and less taxes not considered to be available for current expenditures plus collections on previously delinquent taxes. The tax rate for both 2022 and 2023 was \$4.20 per \$100 of assessed value. Personal property taxes receivable, assessed during 2023 and due December 5, 2023, 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, 2023, are included in deferred revenue, since they are not due for the current fiscal year.

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

**CITY OF CHARLOTTESVILLE, VIRGINIA**  
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**5. LOANS RECEIVABLE**

The Community Development Block Grant (CDBG) Special Revenue Fund has \$8,775 in outstanding installment loans and \$487,957 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 \$383,044 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 principal balance and any accrued, unpaid, interest are due June 30, 2042, or upon sale of the property.
- \$2,739,064 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 principal 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 \$804,335 on June 30, 2023. 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.

**CITY OF CHARLOTTESVILLE, VIRGINIA**  
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**6. DUE FROM AND TO OTHER GOVERNMENTS**

(a) Amounts due from other governments on June 30, 2023, are presented below:

City Governmental Activities:	Federal	State	Other	Total
Major Funds:				
General fund	\$ -	\$ 1,654,790	\$ -	\$ 1,654,790
Capital funds	-	10,035,598	1,360,663	11,396,261
Social Services	-	817,558	4,184	821,742
	-	12,507,946	1,364,847	13,872,793
Non-major Funds:	6,331,707	4,358,416	1,028,551	11,718,674
Total Primary Government	\$ 6,331,707	\$ 16,866,362	\$ 2,393,398	\$ 25,591,467
Component Unit - Schools	\$ -	\$ 9,542,758	\$ -	\$ 9,542,758

(b) Amounts due to other governments on June 30, 2023, are presented below:

City Governmental Activities:	Federal	State	Other	Total
Non-major Funds:				
CDBG	\$ 496,733	\$ -	\$ -	\$ 496,733
Consolidated grants	383,044	107,862	-	490,906
Total Primary Government	\$ 879,777	\$ 107,862	\$ -	\$ 987,639

**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 on June 30, 2023, are presented below:

	Due from Other Funds	Due to Other Funds
Major Funds:		
General fund	\$ 13,911,993	\$ -
Social Services		668,648
Warehouse		495,515
Fleet		2,080,159
Retirement		3,161,356
OPEB		1,231,745
Total major funds	13,911,993	7,637,423
Non-major Funds:		
Special revenue funds:		
Grants fund		683,336
Human Services		83,989
Childrens Services Act		1,609,971
Transit		3,897,274
Total special revenue funds	-	6,274,570
Totals	\$ 13,911,993	\$ 13,911,993

(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.

**CITY OF CHARLOTTESVILLE, VIRGINIA**  
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Interfund transfers for the year ended June 30, 2023, consisted of the following:

	Transfers in:							Total
	General	Capital Projects	Debt Service	Social Services	Nonmajor Governmental	Proprietary	Internal Services	
Transfers out:								
General Fund	\$ -	\$ 20,619,018	\$ 17,567,099	\$ 3,772,028	\$ 5,496,856	\$ 300,000	\$ 1,159,000	\$ 48,914,001
Capital Projects Fund	-	-	-	-	552,170	-	-	552,170
Debt Service	-	-	-	-	-	-	-	-
Social Services	-	-	-	-	-	-	-	-
Nonmajor governmental funds	-	-	-	-	44,991	-	-	44,991
Water Fund	956,531	-	-	-	-	-	-	956,531
Sewer Fund	1,050,481	-	-	-	-	-	-	1,050,481
Gas Fund	4,200,881	-	-	-	57,062	-	-	4,257,943
Stormwater Fund	-	-	-	-	18,855	-	-	18,855
Total	\$ 6,207,893	\$ 20,619,018	\$ 17,567,099	\$ 3,772,028	\$ 6,169,934	\$ 300,000	\$ 1,159,000	\$ 55,794,972
Reconciliation to Exhibits:				Transfers in:	Transfers out:	Net Transfers		
Governmental Funds	Exhibit D			\$ 54,335,972	\$ 49,511,162	\$ 4,824,810		
Proprietary Funds	Exhibit E-2			300,000	6,283,810	(5,983,810)		
Internal Service Funds	Exhibit L-2			1,159,000	-	1,159,000		
Fiduciary Funds	Exhibit F-2			-	-	-		
Total				\$ 55,794,972	\$ 55,794,972	\$ -		

## 8. CAPITAL ASSETS

### (a) Primary Government

	Balance July 1, 2022	Adjustments	July 1, 2022 Adjusted	Increases	Decreases	Balance June 30, 2023
Governmental activities:						
Capital assets not being depreciated						
Land and improvements	\$ 18,802,787	\$ -	\$ 18,802,787	\$ -	\$ -	\$ 18,802,787
Infrastructure right of way	3,254,499	-	3,254,499	-	-	3,254,499
Assets under construction	21,546,737	13,164,526	34,711,263	14,100,320	2,839,234	45,972,349
Total capital assets not being depreciated	43,604,023	13,164,526	56,768,549	14,100,320	2,839,234	68,029,635
Other capital assets						
Buildings and improvements	174,328,195	-	174,328,195	12,785,615	-	187,113,810
Vehicles	42,931,815	-	42,931,815	2,065,648	502,476	44,494,987
Furniture and equipment	29,251,694	(35,289)	29,216,405	502,866	-	29,719,271
Streets	107,285,357	-	107,285,357	-	-	107,285,357
Bridges	16,121,483	-	16,121,483	13,285,424	-	29,406,907
Infrastructure	56,446,371	-	56,446,371	-	-	56,446,371
Lease - equipment	147,371	-	147,371	57,015	-	204,386
Lease - building space	10,691,069	-	10,691,069	-	-	10,691,069
Subscription assets	-	2,366,338	2,366,338	327,200	-	2,693,538
Total other capital assets at historical costs	437,203,355	2,331,049	439,534,404	29,023,768	502,476	468,055,696
Less accumulated depreciation:						
Buildings and improvements	79,959,488	-	79,959,488	4,450,663	-	84,410,151
Vehicles	34,591,687	-	34,591,687	2,430,690	400,549	36,621,828
Furniture and equipment	24,757,262	-	24,757,262	1,108,212	-	25,865,474
Streets	57,798,904	-	57,798,904	2,387,008	-	60,185,912
Bridges	2,936,312	-	2,936,312	494,047	-	3,430,359
Infrastructure	32,056,107	-	32,056,107	1,016,845	-	33,072,952
Lease - equipment	48,314	-	48,314	49,087	-	97,401
Lease - building space	961,095	-	961,095	961,095	-	1,922,190
Subscription assets	-	608,485	608,485	84,550	-	693,035
	233,109,169	608,485	233,717,654	12,982,197	400,549	246,299,302
Other capital assets, net	204,094,186	1,722,564	205,816,750	16,041,571	101,927	221,756,394
Governmental activities capital assets, net	\$ 247,698,209	\$ 14,887,090	\$ 262,585,299	\$ 30,141,891	\$ 2,941,161	\$ 289,786,029

\*Assets have opening balance adjustments

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	Balance July 1, 2022	Increases	Decreases	Balance June 30, 2023
Business-type activities:				
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				
Buildings and improvements	1,858,275	-	-	1,858,275
Vehicles	4,419,014	686,836	49,538	5,056,312
Equipment	3,093,206	-	122,056	2,971,150
Infrastructure	161,672,745	8,527,254	-	170,199,999
Lease - equipment	176,074	-	-	176,074
Total other capital assets at historical costs	171,219,314	9,214,090	171,594	180,261,810
Less accumulated depreciation:				
Buildings and improvements	1,507,171	26,510	-	1,533,681
Vehicles	2,636,759	483,234	49,538	3,070,455
Equipment	2,796,225	66,840	122,056	2,741,009
Infrastructure	63,473,416	4,018,233	-	67,491,649
Lease - equipment	55,254	54,854	-	110,108
	70,468,825	4,649,671	171,594	74,946,902
Other capital assets, net	100,750,489	4,564,419	-	105,314,908
Business-type capital assets, net	\$ 102,814,537	\$ 4,564,419	\$ -	\$ 107,378,956

**(b) School Board Component Unit**

	Beginning July 1, 2022	Increases	Decreases	Balance July 1, 2023
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	241,227	231,860	-	473,087
Furniture and equipment	2,037,413	246,766	-	2,284,179
Total other capital assets	61,751,884	478,626	-	62,230,510
Less accumulated depreciation:				
Building and improvements	41,560,517	1,298,348	-	42,858,865
Vehicles	182,607	17,877	-	200,484
Furniture and equipment	1,155,982	228,932	-	1,384,914
Total accumulated depreciation	42,899,106	1,545,157	-	44,444,263
Other capital assets, net	18,852,778	(1,066,531)	-	17,786,247
Governmental activities capital assets, net	\$ 19,835,667	\$ (1,066,531)	\$ -	\$ 18,769,136

**(c) Allocation of Depreciation Expense**

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

Governmental activities:	
General government	\$ 2,369,919
Public safety	1,802,599
Community services	2,813,820
Health and welfare	97,211
Parks, recreation and culture	1,790,812
Education	1,067,455
Conservation and development	3,648,866
Total increase in accumulated depreciation - governmental	<u>\$ 13,590,682</u>

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Busienss-Type activities:	
Water	\$ 1,617,541
Sew er	1,344,284
Gas	1,202,446
Stormw ater	404,721
Golf	80,679
Total increase in accumulated depreciation - business-type	<u>\$ 4,649,671</u>

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

School activities:	
Instruction and instruction related	\$ 911,642
Support services - student based	540,805
Administrative support services	92,710
Total accumulated depreciation	<u>\$ 1,545,157</u>

**(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, 2023, the City's long-term liabilities consisted of the following:

Governmental Activities	Interest Rate	Original Amount of Debt	Principle Amount Outstanding
General obligation Bonds:			
General improvement refunding , Series 2012	1.25-4.00	26,870,300	\$ 3,805,000
General improvement, Series 2013	3.00-4.00	5,610,000	2,800,000
General Improvement refunding , Sries 2014	2.125-5.00	7,130,695	3,100,000
General improvement refunding, Series 2015	2.00-5.00	23,068,366	14,854,765
General improvement refunding, Series 2016	2.00-5.00	11,125,466	8,421,866
General improvement, Series 2017	5.00	11,140,000	7,780,000
General improvement, Series 2018	3.375-5.00	4,610,000	3,450,000
General improvement, Series 2019	5.00	9,520,000	7,605,000
General improvement, Serices 2020	1.00-2.20	13,455,000	11,995,000
General improvement, Series 2021	2.00-5.00	12,045,700	10,349,700
General Improvement, Series 2021B	1.08	4,285,165	3,335,820
General Improvement, Series 2022	4.00-5.00	18,350,000	17,430,000
General Improvement, Series 2023	3.39-4.89	14,470,000	14,470,000
Total			<u>\$ 109,397,151</u>
Insurance claims payable			2,585,356
Lease liability			8,957,814
Subscription liability			2,025,102
Compensated absences			3,083,644
Net pension liability			80,989,462
Net OPEB lliability			18,239,736
Total *			<u>\$ 225,278,265</u>

\*Amounts exclude unamortized premium amounts on bonds

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Business Type Activities	Interest	Original	Principle Amount
General obligation bonds:			
General obligation bonds, Series 2010 (VRA)	2.93	\$5,030,409	\$ 2,325,013
General improvement refunding, Series 2012	1.25-4.00	7,224,700	930,000
General improvement, Series 2013	3.00-4.00	8,420,000	4,200,000
General improvement refunding, Series 2014	2.125-5.00	8,864,305	4,890,000
General improvement refunding, Series 2015	2.00-5.00	4,424,331	3,925,506
General improvement refunding, Series 2016	2.00-5.00	1,754,534	1,618,134
General improvement, Series 2017	5.00	2,680,000	1,840,000
General improvement, Series 2018	3.375-5.00	6,125,000	4,575,000
General improvement, Series 2019	5.00	6,310,000	4,895,000
General improvement, Series 2020	1.00-2.20	10,545,000	9,480,000
General improvement, Series 2021	2.00-5.00	8,759,300	7,640,300
General improvement, Series 2021B	1.08	8,560,000	3,024,451
General improvement, Series 2022	4.00-5.00	7,650,000	7,265,000
			<u>\$ 56,608,404</u>
Compensated absences			361,309
Lease liability			65,701
Net pension liability			9,034,422
Net OPEB liability			<u>2,294,467</u>
Total *			<u>\$ 68,364,303</u>

\*Amounts exclude unamortized premium amounts on bonds.

The Water, Sewer and Stormwater Funds are responsible for \$26,011,266, \$22,247,137, and \$8,350,000 respectively, of the Business-Type Activities bonds payable.

**(b) School Board Component Unit**

At June 30, 2023, the School Board's long-term liabilities consisted of:

Compensated absences	\$ 2,504,145
Net pension liability	43,936,611
Net OPEB liability	11,259,142
Total	<u>\$ 57,699,898</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, 2023:

	Balance July 1, 2022	Additions	Adjustments	Reductions	Balance June 30, 2023	Due Within One Year
Governmental Activities:						
Bonds payable:						
General obligation bonds	\$ 104,330,720	\$ 14,470,000	\$ -	\$ 9,403,569	\$ 109,397,151	\$ 9,403,570
Unamortized premium	8,944,161	975,480	-	1,327,468	8,592,173	-
Total bonds payable	113,274,881	15,445,480	-	10,731,037	117,989,324	9,403,570
Insurance claims payable	2,694,246	46,000	-	154,890	2,585,356	1,382,920
Lease liability	9,879,714	57,016	-	978,916	8,957,814	994,224
Subscription liability	-	-	2,693,538	668,437	2,025,101	670,649
Compensated absences	3,030,829	3,083,644	-	3,030,829	3,083,644	370,037
Net pension liability	54,907,111	26,082,351	-	-	80,989,462	-
Net OPEB liability	10,962,892	7,276,844	-	-	18,239,736	-
Total governmental activities	<u>\$ 194,749,673</u>	<u>\$ 51,991,335</u>	<u>\$ -</u>	<u>\$ 14,895,672</u>	<u>\$ 233,870,437</u>	<u>\$ 12,821,400</u>



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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 and net OPEB liability measurement dates are both June 30, 2022.

	Balance July 1, 2022	Additions	Refunding	Reductions	Balance June 30, 2023	Due Within One Year
<b>Business-Type Activities:</b>						
<b>Bonds payable:</b>						
General obligation bonds	\$ 61,269,414	\$ -	\$ -	\$ 4,661,010	\$ 56,608,404	\$ 4,742,181
Unamortized premium	5,404,581	-	-	731,987	4,672,594	-
Total bonds payable	66,673,995	-	-	5,392,997	61,280,998	4,742,181
Lease liability	120,960	-	-	55,259	65,701	55,647
Compensated absences	374,921	361,309	-	375,192	361,038	44,830
Net pension liability	6,531,084	2,503,338	-	-	9,034,422	-
Net OPEB liability	1,596,046	698,421	-	-	2,294,467	-
Total business-type activities	\$ 75,297,006	\$ 3,563,068	\$ -	\$ 5,823,448	\$ 73,036,626	\$ 4,842,658

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, 2022	Additions	Reductions	Balance June 30, 2023	Due within one year
<b>School Board:</b>					
Compensated absences	2,709,533	2,910,575	3,115,963	2,504,145	300,497
Net OPEB Liability	11,657,872	85,463	484,193	11,259,142	-
Net pension liability	36,027,758	7,908,853	-	43,936,611	-
Total	\$ 50,395,163	\$ 10,904,891	\$ 3,600,156	\$ 57,699,898	\$ 300,497

Net pension and OEPB liability measurement date is June 30, 2022.

**(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, 2023, the City had a debt limit of \$1,040,825,480 which is 10% of assessed value of real property and a legal debt margin of \$861,555,429.

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**

The City did not refund any bond series for this fiscal year.

**(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.

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Accordingly, the trust account assets and the liability for the defeased bonds are not included in the City's financial statements. At June 30, 2023, there are no defeased bonds remains outstanding.

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

General Obligations Bonds

Fiscal Year Ending June 30,	Governmental Activities		Business Type Activities	
	Principal	Interest	Principal	Interest
2024	\$ 9,403,570	\$ 4,062,670	\$ 4,742,181	\$ 1,981,775
2025	9,530,223	3,663,294	4,610,655	1,791,118
2026	8,746,555	3,273,798	4,560,007	1,605,268
2027	8,571,539	2,919,630	4,556,095	1,429,014
2028	7,926,868	2,574,132	4,401,418	1,253,850
2029 - 2033	32,268,396	8,813,670	18,418,048	3,988,573
2034 - 2038	22,125,000	3,979,361	10,940,000	1,550,050
2039 - 2043	10,825,000	979,213	4,380,000	271,325
Total bonds	<u>\$ 109,397,151</u>	<u>\$ 30,265,768</u>	<u>\$ 56,608,404</u>	<u>\$ 13,870,973</u>

Lease Liability

Fiscal Year Ending June 30,	Governmental Activities		Business Type Activities	
	Principle	Interest	Principle	Interest
2024	994,624	176,673	55,259	953
2025	998,705	155,934	55,247	401
2026	1,007,230	134,995	10,344	18
2027	1,021,462	113,779	111	-
2028	834,737	93,273	-	-
2029-2033	3,381,724	255,387	-	-
2034	719,331	8,091	-	-
Total lease	<u>\$ 8,957,813</u>	<u>\$ 938,132</u>	<u>\$ 120,961</u>	<u>\$ 1,372</u>

Subscription Liability

Fiscal Year Ending June 30,	Governmental Activities	
	Principle	Interest
2024	\$ 670,649	\$ 51,229
2025	600,573	32,122
2026	504,374	15,469
2027	240,824	2,678
2028	8,681	32
Total subscription	<u>\$ 2,025,101</u>	<u>\$ 101,530</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, 2022, 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

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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:

General Employee Pension Plan – Normal Retirement Benefit			
	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 before 30 years as of retirement date)	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

Public Safety Pension Plan – Normal Retirement Benefit			
	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
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.

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*Membership* in the City's Pension Plan consists of the following at June 30, 2023, according to the most recent actuarial valuation:

	City Members	JMRL Members	CACVB Members
Retirees and beneficiaries currently receiving benefits	721	46	5
Vested terminated employees	386	11	4
Current employees:			
Vested	412	17	-
Nonvested	214	-	-
Total	1,733	74	9

*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 2022 are based on the July 1, 2020, actuarial report. The general employee contribution rate for 2022 was 20.36% and the public safety contribution rate was 38.07%.

*Actuarial methods and assumptions.* The actuarial determined contribution (ADC) for the plan was determined as part of the July 1, 2022, 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.

*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 is as follows:

	June 30, 2023	June 30, 2022
Total Pension Liability	\$ 234,235,672	\$ 225,724,262
Fiduciary Net Position	145,633,425	132,515,912
Net Pension Liability	<u>\$ 88,602,247</u>	<u>\$ 93,208,350</u>
Fiduciary Net Position as a Percentage of Total Pension Liability	62.2%	58.7%

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*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	\$114,740,404	\$88,602,247	\$66,689,067

*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, 2023 was 10.05%. The investment return on the smoothed value of assets (actuarial value of assets) was 7.50%. 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. Actual earnings are dividends, interest, or sales of investments, projected, or unrealized returns, are market value of investments.

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic equity:		
Large Cap	30.0%	8.9%
Mid Cap	12.5%	9.9%
Small Cap	7.5%	8.8%
International equity	10.0%	6.3%
Emerging equity	5.0%	8.7%
Real estate	10.0%	5.6%
Farmland	5.0%	10.3%
Fixed income	20.0%	0.6%
Total	100%	11.3%

*Pension Trust Fund on June 30, 2023, Combining Statement of Net Position and Statement of Changes in Net Position:*

	Retirement Fund	Post-Retirement Benefits Fund	Total Pension Fund
<b>Assets</b>			
Interest receivable	\$ 211,845	\$ 82,540	\$ 294,385
Investments			-
Common stocks	34,386,576	13,397,889	47,784,465
Corporate fixed income securities	9,417,217	3,669,189	13,086,406
Government and agency fixed income securities	14,209,964	5,536,566	19,746,530
Mutual Funds			
Domestic	47,702,299	18,586,037	66,288,336
International	17,732,216	6,908,926	24,641,142
Alternative investments			
Agriculture	8,940,068	3,483,280	12,423,348
Real estate	16,250,842	6,331,745	22,582,587
Total investments	148,639,182	57,913,632	206,552,814
Total assets	148,851,027	57,996,172	206,847,199
<b>Liabilities</b>			
Due to General Fund	3,161,356	1,231,745	4,393,101
Accounts payables	56,250	21,917	78,167
<b>Net Position</b>			
Restricted for pension benefits	145,633,425		145,633,425
Restricted for other post-employment benefits		56,742,510	56,742,510
Total net position	\$ 145,633,425	\$ 56,742,510	\$ 202,375,935

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	Retirement Fund June 30, 2023	Post-Retirement Benefits Fund June 30, 2023	Total Pension Trust June 30, 2023
<b>ADDITIONS</b>			
Contributions:			
Employer	\$ 13,949,836	\$ 3,380,368	\$ 17,330,204
Plan members	1,250,482	1,014,034	2,264,516
Total contributions	15,200,318	4,394,402	19,594,720
Investment earnings:			
Net increase in fair value of investments	12,122,668	4,763,354	16,886,022
Interest	944,906	371,282	1,316,188
Dividends	1,012,487	397,835	1,410,322
Total investment earnings	14,080,061	5,532,471	19,612,532
Less investment expenses	(512,490)	(201,373)	(713,863)
Net investment earnings	13,567,571	5,331,098	18,898,669
Total additions	28,767,889	9,725,500	38,493,389
<b>DEDUCTIONS</b>			
Pension benefits	15,115,813	-	15,115,813
Refund of plan member contributions	263,357	-	263,357
Post retirement benefits	-	5,410,979	5,410,979
Administrative expenses	271,207	114,558	385,765
Total deductions	15,650,377	5,525,537	21,175,914
Change in net position	13,117,512	4,199,963	17,317,475
Net position as of July 1, 2022	132,515,914	52,542,546	185,058,460
Net position as of June 30, 2023	\$ 145,633,426	\$ 56,742,509	\$ 202,375,935

**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, 2022, are based on a pension plan measurement date of June 30, 2021.

*Membership* in the City's Pension Plan consists of the following on June 30, 2022, the date of the most recent actuarial valuation:

	City Members	JMRL Members	CACVB Members
Retirees and beneficiaries currently receiving benefits	712	47	5
Vested terminated employees	390	12	4
Current employees:			
Vested	448	16	-
Nonvested	194	-	-
Total	1,744	75	9

*Contributions.* The contribution requirements of plan members and the City are described in Note 10. The contribution rates for 2022 are based on the July 1, 2020, actuarial report. The general employee contribution rate for 2022 was 20.36% and the public safety contribution rate was 38.07%.

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*Actuarial methods and assumptions.* The actuarial determined contribution (ADC) for the plan was determined as part of the July 1, 2019, 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, 2022. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2021, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2022. The following chart is for the whole plan. The City's portion of the plan is 96.58%.

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a-b)
Balance at June 30, 2021	\$ 215,294,510	\$ 151,825,839	\$ 63,468,671
Changes for the year:			
Service cost	2,312,913	-	2,312,913
Interest	15,606,239	-	15,606,239
Differences between expected and actual experience	7,198,783	-	7,198,783
Contributions - employer	-	11,675,185	(11,675,185)
Contributions - employee	-	1,131,321	(1,131,321)
Net investment income	-	(17,187,451)	17,187,451
Benefit payments, including refunds of employee contributions	(14,688,183)	(14,688,183)	-
Other	-	(2)	2
Administrative expense	-	(240,797)	240,797
Net Changes	10,429,752	(19,309,927)	29,739,679
Balance at June 30, 2022	\$ 225,724,262	\$ 132,515,912	\$ 93,208,350

*Changes in Net Pension Liability per participating entity:*

	City Net Pension Liability	JMRL Net Pension Liability	All Entities - Net Pension Liability
Balance as June 30, 2021	\$ 61,438,195	\$ 2,030,476	\$ 63,468,671
Employer contributions	(11,276,302)	(398,883)	(11,675,185)
Expense	10,367,360	537,632	10,904,992
Change in deferred outflows of resources	23,736,486	859,770	24,596,256
Change in deferred inflows of resources	5,758,145	155,471	5,913,616
Balance at June 30, 2022	\$ 90,023,884	\$ 3,184,466	\$ 93,208,350

*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	\$118,566,626	\$93,208,350	\$71,960,548

Information on the annual money-weighted rate of return for 2023 is found in Note 3b and Exhibit I-1.

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*City Changes in deferred inflows and outflows:*

	Deferred Outflows of Resources	Deferred Inflows of Resources
Prior years difference between expected and actual	\$ 10,021,773	\$ 493,966
Prior years changes in proportion and differences between contributions	(1,565,996)	235,060
Prior years impact of change in proportion on beginning NPL	2,685,492	986,518
Prior years difference between expected and actual investment earnings	13,415,796	33,914,436
Prior years changes in assumptions	18,248,033	-
Prior years amortization	(34,146,776)	(14,883,773)
Current year amortization	(3,483,540)	(5,724,690)
Differences between expected and actual experience	5,226,374	-
Impact of change in proportion on beginning NPL	-	137,930
Difference between expected and actual investment earnings	22,066,557	-
Changes in proportion and difference between employer contribution and proportionate share of contribution	(72,892)	(171,655)
Employer contributions subsequent to the measurement date	13,545,739	-
	<u>\$ 45,940,560</u>	<u>\$ 14,987,792</u>

Deferred outflows of resources amounting to \$13,545,739 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, 2023. 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:	
2024	\$ (4,351,754)
2025	(4,351,754)
2026	(4,351,754)
2027	(4,351,754)
Thereafter:	-
	<u>\$ (17,407,016)</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 on June 30, 2023.

As of June 30, 2023, there were 397 active City employees and a total of 580 participants, including terminated employees enrolled in the DC Plan. During the year, the City contributed a total of \$1,162,264 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, 2023, a total of \$500,986 was contributed for 18 active senior management employees. The City contribution rate is 19.5% of eligible compensation.



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**13. CITY OF CHARLOTTESVILLE - OTHER POST EMPLOYMENT BENEFIT (OPEB) FIDUCIARY INFORMATION**

*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, 2023, the date of the most recent actuarial valuation:

	City	JMRL	CACVB
Inactive plan members or beneficiaries currently receiving benefit payments	521	45	5
Inactive plan members entitled to but not yet receiving benefit payments	-	-	-
Active plan members	907	105	-
Total	1,428	150	5

*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 2023 are based on the July 1, 2021, actuarial report. The general employee contribution rate is 1.83% and the public safety contribution rate is 5.16%.

*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.

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The annual required contribution (ARC) was determined as part of the July 1, 2022, actuarial valuation using the following methods and assumptions:

Method	Assumption
Actuarial cost method	Entry Age Normal
Amortization method	Level percent of payroll
Amortization period	18 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 4.0%

*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, 2023 and June 30, 2022 is as follows:

	June 30, 2023	June 30, 2022
Total OPEB Liability	\$ 62,812,951	\$ 73,979,596
Fiduciary Net Position	56,742,510	52,542,550
Net OPEB Liability	<u>\$ 6,070,441</u>	<u>\$ 21,437,046</u>
Fiduciary Net Position as a Percentage of Total OPEB Liability	90.34%	71.02%

*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	\$13,575,499	\$6,070,441	\$(202,428)

*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 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 Trend Rate: 7.5%	1.00% Higher 8.5%
Net OPEB Liability	\$754,812	\$6,070,441	\$12,382,125

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*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, 2023 was 10.05%. The investment return on the smoothed value of assets (actuarial value of assets) was 7.50%. 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%	8.9%
Mid Cap	12.5%	9.9%
Small Cap	7.5%	8.8%
International equity	10.0%	6.3%
Emerging equity	5.0%	8.7%
Real estate	10.0%	5.6%
Farmland	5.0%	1.3%
Fixed income	20.0%	0.6%
Total	100%	11.3%

**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, 2023, are based on an OPEB plan measurement date of June 30, 2022.

Membership in the City's OPEB Plan consists of the following on June 30, 2022, the date of the most recent actuarial valuation:

	City	JMRL	CACVB
Inactive plan members or beneficiaries currently receiving benefit payments	435	45	5
Inactive plan members entitled to but not yet receiving benefit payments	-	-	-
Active plan members	911	104	-
Total	1,346	149	5

*Contributions.* The contribution requirements of plan members and the City are described in Note 13. The contribution rates for 2022 are based on the July 1, 2019, actuarial report. The general employee contribution rate for 2022 was 4.6% and the public safety contribution rate was 11.07%.

*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, 2022, actuarial valuation using the following methods and assumptions:

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Method	Assumption
Actuarial cost method	Entry Age Normal
Amortization method	Level percent of payroll
Amortization period	20 years, closed
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 4.0%

**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, 2022. The total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation performed as of July 1, 2022, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of July 1, 2022. The following chart is for the plan as a whole. The City's portion of the plan is 95.95%.

	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a-b)
Balance at June 30, 2021	\$ 73,274,159	\$ 60,184,815	\$ 13,089,344
Changes for the year:			
Service cost	692,917	-	692,917
Interest	5,346,723	-	5,346,723
Difference between expected and actual experience	(2,559,726)	-	(2,559,726)
Changes in assumptions	2,580,406	-	2,580,406
Contributions - employer	-	3,489,602	(3,489,602)
Contributions - employee	-	1,140,942	(1,140,942)
Net investment income	-	(6,814,457)	6,814,457
Benefit payments, including refunds of employee contributions	(5,354,883)	(5,354,883)	-
Other	-	2	(2)
Administrative expense	-	(103,471)	103,471
Net Changes	705,437	(7,642,265)	8,347,702
Balance at June 30, 2022	\$ 73,979,596	\$ 52,542,550	\$ 21,437,046

**Changes in Net OPEB Liability per participating entity:**

	City Net OPEB Liability	JMRL Net OPEB Liability	All Entities - Net OPEB Liability
Balance as June 30, 2021	\$ 12,558,938	\$ 530,406	\$ 13,089,344
Employer contributions	(3,342,634)	(146,968)	(3,489,602)
Expense	(2,185,599)	(46,730)	(2,232,329)
Change in deferred outflows of resources	9,325,963	426,714	9,752,677
Change in deferred inflows of resources	3,877,535	139,421	4,016,956
Balance at June 30, 2021	\$ 20,234,203	\$ 902,843	\$ 21,137,046

**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	\$28,748,474	\$20,534,203	\$13,632,391

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*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 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 Trend Rate: 7.5%	1.00% Higher 8.5%
Net OPEB Liability	\$14,414,301	\$20,534,203	\$27,781,945

*City Changes in deferred inflows and outflows:*

<i>City Changes in deferred inflows and outflows:</i>	Deferred Outflows of Resources	Deferred Inflows of Resources
Prior years difference between expected and actual	\$ 136,560	\$ 14,760,344
Prior years changes in proportion and differences between contributions	(1,289,700)	(21,206)
Prior years impact of change in proportion on beginning NOL	1,302,249	109,409
Prior years difference between expected and actual investment earnings	1,521,428	9,295,003
Prior years changes in assumptions	811,723	-
Prior years amortization	(474,957)	(6,231,703)
Current year amortization	(675,705)	(5,482,392)
Differences between expected and actual experience	-	1,634,614
Impact of change in proportion on beginning NOL	-	20,864
Difference between expected and actual investment earnings	8,656,186	-
Changes in assumptions	1,647,820	-
Changes in proportion and difference between employer contribution and proportionate share of contribution	(3,335)	(50,621)
Employer contributions subsequent to the measurement date	3,262,842	-
	<u>\$ 14,895,111</u>	<u>\$ 14,034,312</u>

Deferred outflows of resources amounting to \$3,262,842 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, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ending June 30:	
2024	\$ 600,261
2025	600,261
2026	600,262
2027	600,262
Thereafter:	-
	<u>\$ 2,401,046</u>

**15. PENSION LIABILITIES – 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.

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**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, 2023 was 16.62% of covered teacher compensation. This rate was based on the actuarially determined rate from an actuarial valuation prepared as of June 30, 2021. This actuarially determined rate, when combined with teacher contributions, was expected to finance the costs of the benefits earned by the employees during the year, with an additional amount to finance any unfunded accrued liability. Based on the provisions of Section 51.1-145 of the *Code of Virginia*, as amended, the contributions may be impacted as a result of funding provided to school divisions by the VA General Assembly. Contributions to the pension plan from the School Board were \$6,970,461 and \$7,195,728 for the years ended June 30, 2023 and 2022, respectively.

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

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

At June 30, 2023, the School Board reported a liability of \$43,936,611 for its proportionate share of the Net Pension Liability. The Net Pension Liability was measured as of June 30, 2022 and the total pension liability used to calculate the Net Pension Liability was determined by an actuarial valuation 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, 2022 relative to the total of the actuarially determined

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employer contributions for all participating teachers. At June 30, 2023 the School Board's proportion was 0.46149% as compared to 0.46409% at June 30, 2022.

For the year ended June 30, 2023, the School Board recognized teacher pension expense of \$1,752,447. 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, 2023 the School Board reported deferred outflows and deferred inflows of resources related to teacher pensions from the following sources:

	Deferred Outflow s of Resources	Deferred Inflow s of Resources
Net difference between projected and actual earnings on pension plan investments	\$ -	\$ 5,728,414
Changes in proportion and differences between employer contributions and proportionate share of contributions	51,756	1,582,810
Changes in assumptions	4,142,337	-
Net difference between expected and actual experience	-	3,029,603
Employer contributions subsequent to the measurement date	6,970,461	-
Total	<u>\$ 11,164,554</u>	<u>\$ 10,340,827</u>

Deferred outflows of resources amounting to \$6,970,461 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, 2024.

Other amounts reported as deferred outflows and deferred inflows of resources related to teachers' pensions will be recognized in pension expense in future reporting periods as follows:

Year Ending June 30:	
2024	\$ (1,937,657)
2025	(2,465,273)
2026	(4,275,269)
2027	2,531,465
2028	-
Total	<u>\$ (6,146,734)</u>

**Actuarial assumptions.** The total pension liability for the teachers' pension was based on an actuarial valuation as of June 30, 2021, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2022:

Actuarial Cost Method	Entry Age Normal
Investment Rate of Return	6.75%, net of pension plan investment expenses, including inflation*
Inflation	2.5%
Projected Salary Increases	3.5 – 5.95%

**Mortality rates:**

Pre-Retirement – Pub-2010 Amount Weighted Teachers Employee Rates projected generationally; 110% of rates for males.

Post-Retirement – Pub-2010 Amount Weighted Teachers Healthy Retiree Rates projected generationally; males set forward 1 year; 105% of rates for females.

Post-Disablement – Pub-2010 Amount Weighted Teachers Disabled Rates projected generationally; 110% of rates for males and females.

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Beneficiaries and Survivors: Pub-2010 Amount Weighted Teachers Contingent Annuitant Rates projected generationally.

Mortality Improvement: Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates.

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

Mortality Rates (Pre-retirement, post-retirement health, and disabled)	Updated to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020.
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan2/Hybrid; changed final retirement age from 75 to 80 for all.
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	No change
Salary Scale	No change
Discount Rate	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, 2022, NPL amounts for the VRS Teacher Employee Retirement Plan is as follows (amounts expressed in thousands):

	Teacher Employee Retirement Plan
Total Pension Liability	\$ 54,732,329
Plan Fiduciary Net Position	45,211,731
Employer's Net Pension Liability (Asset)	\$ 9,520,598
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	82.61%

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

*Long-term Expected Rate of Return.* The long term expected rate of return on pension System investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension System investment 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:



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Asset Class	Target Allocation	Arithmetic Long-term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return
Public Equity	34.0%	5.71%	1.94%
Fixed Income	15.0%	2.04%	0.31%
Credit Strategies	14.0%	4.78%	0.67%
Real Assets	14.0%	4.47%	0.63%
Private Equity	14.0%	9.73%	1.36%
MAPS Multi-Asset Public Strategy	6.0%	3.73%	0.22%
PIP Private Investment Partnership	3.0%	6.55%	0.20%
Total	100.0%		5.33%
Inflation			2.50%
*Expected arithmetic nominal return			7.83%

The above allocation provides a one-year return of 7.83%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 6.72%, including expected inflation of 2.50%. On October 10, 2019, the VRS Board elected a long-term rate of 6.75% which is roughly at the 40<sup>th</sup> percentile of the expected long-term results of the VRS fund asset allocation at the time, providing a median return of 7.11%, including expected inflation of 2.50%.

**Discount Rate.** The discount rate used to measure the total pension liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that 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, 2022, the rate contributed by the school division 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 which was 100% of the actuarially determined contribution rate. From July 1, 2022, on, school divisions are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

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

	1.00% Decrease 5.75%	Current Discount Rate: 6.75%	1.00% Increase 7.75%
Teacher Net Pension Liability	\$78,474,150	\$43,936,611	\$15,815,459

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

**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

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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 or 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, 2021 actuarial valuation:

Inactive members or beneficiaries currently receiving benefits:	76
Inactive employees entitled to but not yet receiving benefits:	
Vested	9
Non-vested	27
Active elsew here in VRS	14
Total inactive	126
Active employees:	59
Total covered employees	185

*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 employer contribution rate for the year ended June 30, 2023 was 0% of covered employee compensation. This rate was based on the actuarially determined rate from an actuarial valuation prepared as of June 30, 2021. This rate, when combined with employee contributions, was expected to finance the costs of the benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the school Board were \$0 and \$51,690, for the years ended June 30, 2023 and 2022, respectively.

*Net pension liability.* The School Board’s net pension liability was measured as of June 30, 2022. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as

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of June 30, 2021, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2022.

*Actuarial assumption.* The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2020, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2021.

Actuarial Cost Method	Entry Age Normal
Investment Rate of Return	6.75%, net if pension plan investment expenses including inflation*
Inflation	2.5%
Projected Salary Increases	3.5 to 5.35%

*Mortality rates*

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

Pre-Retirement: Pub-2010 Amount Weighted Safety Employee Rates projected generationally; 95% of rates for males; 105% of rates for females set forward 2 years.

Post-Retirement: Pub-2010 Amount Weighted Safety Healthy Retiree Rates projected generationally; 110% of rates for males; 105% of rates for females set forward 3 years.

Post-Disablement: Pub-2010 Amount Weighted General Disabled Rates projected generationally; 95% of rates for males set back 3 years; 90% of rates for females set back 3 years.

Beneficiaries and Survivors: Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally; 110% of rates for males and females set forward 2 years.

Mortality Improvements: Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates.

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

Pre-Retirement: Pub-2010 Amount Weighted Safety Employee Rates projected generationally; 95% of rates for males; 105% of rates for females set forward 2 years.

Post-Retirement: Pub-2010 Amount Weighted Safety Healthy Retiree Rates projected generationally; 110% of rates for males; 105% of rates for females set forward 3 years.

Post-Disablement: Pub-2010 Amount Weighted General Disabled Rates projected generationally; 95% of rates for males set back 3 years; 90% of rates for females set back 3 years.

Beneficiaries and Survivors: Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally; 110% of rates for males and females set forward 2 years.

Mortality Improvements: Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates.

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

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Largest 10 – Non-Hazardous Duty:

Mortality Rates (Pre-retirement, postretirement health, and disabled)	Update to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020.
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age
Withdrawal Rates	Adjusted rates to better fit experience at each age and service decrement through 9 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change

All Others (Non 10 Largest) – Hazardous Duty:

Mortality Rates (Pre-retirement, postretirement health, and disabled)	Update to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP 2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	No change
Salary Scale	No change
Discount Rates	No change
Line of Duty Disability	No change

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

Asset Class	Target Allocation	Arithmetic Long-term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return
Public Equity	34.0%	5.71%	1.94%
Fixed Income	15.0%	2.04%	0.31%
Credit Strategies	14.0%	4.78%	0.67%
Real Assets	14.0%	4.47%	0.63%
Private Equity	14.0%	9.73%	1.36%
MAPS Multi-Asset Public Strategy	6.0%	3.73%	0.22%
PIP Private Investment Partnership	3.0%	6.55%	0.20%
Total	100.0%		5.33%
	Inflation		2.50%
	*Expected arithmetic nominal return		7.83%

The above allocation provides a one-year return of 7.83%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 6.72%, including expected inflation of 2.50%. On October 10, 2019, the VRS Board elected a long-term rate of 6.75% which is roughly at the 40<sup>th</sup> percentile of expected long-term results of the VRS fund asset allocations at that time, providing a median return of 7.11%, including expected inflation of 2.50%.

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*Discount rate.* The discount rate used to measure the total pension liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes, and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. For the fiscal year ending June 30, 2021, the rate contributed by the School Board for its retirement plan and the City 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, 2022 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 Net Pension Liability:	Total Pension Liability (a)	Increase (Decrease) Fiduciary Net Position (b)	Net Pension Liability/(Asset) (a-b)
Balance at June 30, 2021	\$ 10,445,704	\$ 13,218,715	\$ (2,773,011)
Changes for the year:			
Service cost	157,251	-	157,251
Interest	692,085	-	692,085
Changes in assumptions	-	-	-
Differences between expected and actual experience	(12,940)	-	(12,940)
Contributions - employer	-	37,522	(37,522)
Contributions - employee	-	98,910	(98,910)
Net investment income	-	(5,833)	5,833
Benefit payments, including refunds of employee contributions	(699,695)	(699,695)	-
Administrative expense	-	(8,358)	8,358
Other changes	-	297	(297)
Net Changes	136,701	(577,157)	713,858
Balances at June 30, 2021	\$ 10,582,405	\$ 12,641,558	\$ (2,059,153)

*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 6.75%, as well as what it would be at a discount rate that is one percentage point lower or one percentage point higher.

	1.00% Lower 5.75%	Current Discount Rate: 6.75%	1.00% Higher 7.75%
Net Pension Liability	\$(905,630)	\$(2,059,153)	\$(3,015,225)

*Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions.* For the year ended June 30, 2023 the School Board recognized pension expense of \$(507,799). The School Board reported deferred outflows and deferred inflows of resources related to pensions from the following sources at June 30, 2023:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual experience	\$ -	\$ 122,054
Changes in assumptions	53,170	-
Net difference between projected and actual earnings on plan investments	-	395,989
Employer contributions subsequent to the measurement date	-	-
	<u>\$ 53,170</u>	<u>\$ 518,043</u>

Deferred outflows of resources amounting to \$0 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, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized

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in pension expense as follows: 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,	
2024	\$ (217,519)
2025	(159,542)
2026	(263,574)
2027	175,762
2028	-
Total	<u>\$ (464,873)</u>

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

**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 June 30, 2023, the date of the most recent actuarial valuation:

	<u>Local Plan</u>
Inactive plan members or beneficiaries currently receiving benefit pay	20
Inactive plan members entitled to but not yet receiving benefit payment	-
Active plan members	607
Total	<u>627</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 for Active Employees and Retirees was Pub-2010 Teachers Employees MP 2021 (Headcount-Weighted).

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The following assumptions were used in the most recent actuarial report dated July 1, 2022:

Method	Assumption
Actuarial cost method	Entry Age Actuarial Cost Method
Salary scale	2.50%
Discount rate	3.89%
Investment return	None
Healthcare cost trend rate	6.00% FYE 2022, then 5.80% for fiscal year 2023, declining to ultimate rate of 3.94% in fiscal year 2075

*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, 2023, and June 30, 2022, is as follows:

	June 30, 2023	June 30, 2022
Total OPEB Liability	\$ 2,714,395	\$ 3,005,608
Fiduciary Net Position	-	-
Net OPEB Liability	<u>\$ 2,714,395</u>	<u>\$ 3,005,608</u>
Fiduciary Net Position as a Percentage of Total OPEB Liability	0.0%	0.0%

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

	Deferred Outflow s of Resources	Deferred Inflow s of Resources
Net difference between projected and actual experience	\$ 102,000	\$ (94,945)
Changes in assumptions	168,000	(1,031,121)
Employer contributions subsequent to the measurement date	207,440	-
	<u>\$ 477,440</u>	<u>\$ (1,126,066)</u>

Deferred outflows of resources amounting to \$207,440 resulting from the contributions after the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	
2024	\$ (94,940)
2025	(94,940)
2026	(94,940)
2027	(94,940)
2028	(94,940)
Thereafter	<u>\$ (385,366)</u>

*Sensitivity of the Net OPEB Liability to Changes in the Discount Rate.* The liability has been calculated using a 2.69% discount rate. The table below presents the net OPEB liability for the School calculated using the discount rate of 2.69%, as well as what it would be at a discount rate 1.00% lower and 1.00% higher.

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	1.00% Lower 2.69%	Current Discount Rate: 3.69%	1.00% Higher 4.69%
Net OPEB Liability	\$2,883,203	\$2,714,395	\$2,554,555

*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 3.94%, as well as what it would be at a discount rate 1.00% lower and 1.00% higher.

	1.00% Lower 2.94%	Current Trend Rate: 3.94%	1.00% Higher 4.94%
Net OPEB Liability	\$2,571,057	\$2,714,395	\$2,885,547

**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 & Nonprofessional Employee Health Insurance Credit Program All full time, salaried permanent (professional) and nonprofessional 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, 2021. 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:	Code of Virginia 51.1-506 and 51.1-508 and may be impacted as a result of funding provided to school divisions and governmental agencies by the Virginia General Assembly.
Total rate:	1.34% of covered employee compensation. Rate allocated 60/40; 0.80% employee and 0.54% employer. Employers may elect to pay all or part of the employee contribution.
June 30, 2023 Contribution	\$238,895 for teachers and \$12,411 for school board nonprofessionals
June 30, 2022 Contribution	\$245,552



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Teacher Health and Nonprofessional Insurance Credit Program

Governed by:	Code of Virginia 51.1-1401(E) and may be impacted as a result of funding provided to school divisions by the Virginia General Assembly.
Total rate:	1.21% for teachers and 0.93% for school board nonprofessionals.
June 30, 2023 Contribution	\$556,495
June 30, 2022 Contribution	\$523,901

*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, 2021, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2022:

Method	Assumption
Inflation	2.5%
Salary Increases – General employees	3.5 – 5.35%
Salary Increases – Teachers	3.5 – 5.95%
Investment rate of return – GLI & HIC	6.75% net of plan investment expenses, including inflation

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

	GLI	HIC Teacher
Total OPEB Liability	\$ 7,675,394	\$ 1,470,891
Fiduciary Net Position	5,158,592	221,845
Net OPEB Liability	<u>\$ 2,516,802</u>	<u>\$ 1,249,046</u>
Fiduciary Net Position as a Percentage of Total OPEB Liability	67.21%	15.08%

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:

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Asset Class	Target Allocation	Arithmetic Long-term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return
Public Equity	34.0%	5.71%	1.94%
Fixed Income	15.0%	2.04%	0.31%
Credit Strategies	14.0%	4.78%	0.67%
Real Assets	14.0%	4.47%	0.63%
Private Equity	14.0%	9.73%	1.36%
MAPS Multi-Asset Public Strategy	6.0%	3.73%	0.22%
PIP Private Investment Partnersh	3.0%	6.55%	0.20%
Total	100.0%		5.33%
	Inflation		2.50%
	*Expected arithmetic nominal return		7.83%

The above allocation provides for a one-year return of 7.83%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected rate of return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 6.72%, including expected inflation of 2.5%. On October 10, 2019, the VRS Board elected a long-term rate of 6.75% which is roughly at the 40<sup>th</sup> percentile of expected long-term results of the VRS fund assets allocation at that time, providing a median return of 7.11%, including expected inflation of 2.5%.

*Net OPEB Liability* 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, 2023 are based on a measurement date of June 30, 2022.

	Group Life Insurance Program	Teacher and Nonprofessional Health Insurance Credit Program
June 30, 2022 proportionate share of liability:	\$ 2,516,802	\$ 6,146,817
June 20, 2022 proportion	1.19010%	45.37400%
June 30, 2021 proportion	21.03000%	46.71000%
June 30, 2022 expense	\$ 65,533	\$ 451,323

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, 2022, the School Board reported deferred outflows of resources and deferred inflows of resources related to GLI and HIC OPEB from the following sources:

Group Life Insurance Program	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between expected and actual experience	\$ 199,299.00	\$ 100,968
Changes in assumptions	93,873	245,147
Net difference between expected and actual investment earnings	-	157,263
Change in proportion	13,850	89,452
Employer contributions subsequent to measurement date	250,922	-
Total	\$ 557,944	\$ 592,830

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<b>Health Insurance Credit Program - Teacher</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Net difference between expected and actual experience	\$ -	\$ 236,522
Changes in assumptions	169,523	14,818
Net difference between expected and actual investment earnings	-	5,824
Change in proportion	10,281	181,092
Employer contributions subsequent to measurement date	556,495	-
<b>Total</b>	<b>\$ 736,299</b>	<b>\$ 438,256</b>

<b>Health Insurance Credit Program - Nonprofessional</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Net difference between expected and actual experience	\$ -	\$ 539
Changes in assumptions	16,750	-
Net difference between expected and actual investment earnings	-	-
Change in proportion	-	-
Employer contributions subsequent to measurement date	-	-
<b>Total</b>	<b>\$ 16,750</b>	<b>\$ 539</b>

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, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<b>Group Life Insurance Program</b>		<b>Teacher HIC Program</b>		<b>Nonprofessional HIC Program</b>	
Year ending June 30,	Increase (Reduction) to OPEB Expense	Year ending June 30,	Increase (Reduction) to OPEB Expense	Year ending June 30,	Increase (Reduction) to OPEB Expense
2024	(60,685)	2024	(51,370)	2024	6,099
2025	(57,908)	2025	(48,652)	2025	6,040
2026	(145,310)	2026	(46,980)	2026	3,716
2027	(134)	2027	(30,018)	2027	356
2028	(21,771)	2028	(50,674)	2028	-
Thereafter	-	Thereafter	(30,758)	Thereafter	-

**Net Teacher Employee HIC OPEB Liability**

The net OPEB liability (NOL) for the Teacher Employee Health Insurance Credit Program represents the program's total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of June 30, 2022, NOL amounts for the VRS Teacher Employee Health Insurance Credit Program is as follows (amounts expressed in thousands):

	<b>Teacher Employee HIC OPEB Plan</b>
Total Teacher Employee HIC OPEB Plan	\$ 1,470,891
Less Plan Fiduciary Net Position	221,845
<b>Teacher Employee Net HIC OPEB Liability (Asset)</b>	<b>\$ 1,249,046</b>
Plan Fiduciary Net Position as a percentage of the Total Teacher Employee HIC OPEB Liability	15.08%

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Discount Rate

The discount rate used to measure the GLI and HIC OPEB liabilities was 6.75%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Guidance, and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2022, the rate contributed by the 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, 2022 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.

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 (5.75% HIC; GLI) or one percentage point higher (7.75% HIC; GLI) than the current discount rate:

	<b>Current</b>		
	<b>1.00% Decrease</b>	<b>Discount Rate</b>	<b>1.00% Increase</b>
	<b>5.75%</b>	<b>6.75%</b>	<b>7.75%</b>
GLI Net OPEB Liability	3,662,242	2,516,802	1,591,130
Teacher HIC Net OPEB Liability	6,539,564	5,802,571	5,177,840
Net OPEB Liability	10,201,806	8,319,373	6,768,970

Summary of entity wide Net OPEB Liability:

	<b>GLI</b>	<b>HIC Nonprofessional</b>	<b>HIC Teacher</b>	<b>Local</b>	<b>Total OPEB Liability</b>
<b>Net OPEB Liability</b>	<u>2,516,802</u>	<u>225,374</u>	<u>5,802,571</u>	<u>2,714,395</u>	<u>11,259,142</u>

OPEB Plan Fiduciary Net Position

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

**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

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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 \$15,545,227 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, 2023, the City paid a total of \$17,785,614 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's share of the local guarantee for the 2020 calendar year and for fiscal year 2023 is \$568,883. 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 \$2,075,318 to JMRL for the year ended June 30, 2023. 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,

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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, 2023, the City's share of the costs of the Jail was \$3,728,560. 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, 2023, the City's share of the costs for the Blue Ridge Juvenile Detention Center (BRJDC) was \$845,602. 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 based on population, numbers of calls for service and annual crime statistics. For the year ended June 30, 2023, the City's share of the costs of the Center was \$1,909,126. 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, 2023, the City contributed \$711,082 to the Bureau.

**(h) Darden Towe and Ivy Creek Parks**

The City and County jointly own and operate two parks, known as Darden Towe Park and Ivy Creek Nature Center (the Parks). The Parks are governed by a supervisory committee, consisting of two ex-officio members each from the City and County. The operating costs of the Parks 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, 2023, the City's share of the Parks' operating costs was \$108,420. Complete, audited financial statements for the Parks can be obtained at the County Office Building, 401 McIntire Road, Charlottesville, Virginia 22902.

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**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 \$12,200,972 at June 30, 2023, is a reserve for future extraordinary claims.

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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>2022-2023</u>	<u>2021-2022</u>
Accrued claims, July 1 2022	\$ 2,694,246	\$ 3,055,390
Add claims incurred during the current fiscal year including changes in estimated claims payable	17,206,309	15,772,556
Less payments on claims	<u>(17,315,199)</u>	<u>(16,133,700)</u>
Accrued claims, June 30 2023	<u>\$ 2,585,356</u>	<u>\$ 2,694,246</u>
Claims or judgements due within one year	\$ 2,404,217	\$ 2,405,870
Claims or judgements due in more than one year	181,139	288,376
Total	<u>\$ 2,585,356</u>	<u>\$ 2,694,246</u>

Public employee dishonesty insurance is provided by the Virginia Risk Sharing Association 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.

The City has comprehensive cyber liability coverage including a number of risks such as security breaches, system failures, data recovery, and cyber extortion.

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. NET POSITION DEFICIT**

The Charlottesville School Board had a net position deficit of \$12,682,564 at June 30, 2023. This deficit is due to the long-term net pension and OPEB liabilities.



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**23. MAJOR UTILITY CUSTOMER IN FISCAL YEAR 2023**

The City has one major water and gas customer, the University of Virginia. For the current year, water, wastewater, and gas revenue from this customer was \$3,587,389, \$4,253,472, and \$6,283,773, respectively, which represents 24.43% of water revenue, 27.62% of wastewater revenue, and 22.63% of gas revenue.

**24. CONSTRUCTION AND OTHER SIGNIFICANT COMMITMENTS**

At June 30, 2023, the City had several construction contracts and other commitments which are summarized as follows:

Project Name	Contract Amount	Expended To Date	Balance
Buford Walker	\$ 93,313,410	\$ 7,627,199	\$ 85,686,211
Belmont Bridge	59,461,700	28,388,697	31,073,003
HB2 - Emmet Street	16,298,307	1,680,047	14,618,260
HB2 - Fontaine Ave	12,516,414	1,148,912	11,367,502
Bypass Fire Station	9,124,861	996,889	8,127,972
SMART Scale Barracks/Emmett	8,640,866	885,601	7,755,265
Friendship Court	7,940,000	5,627,014	2,312,986
General District Court	6,862,028	6,838,028	24,000
HB2 - East High	6,638,000	1,202,273	5,435,727
Circuit Court Renovation	5,363,643	5,346,176	17,467
7th Street Deck	4,340,240	3,121,592	1,218,648
250 Bypass/Route 29 Business	3,847,554	3,421,607	425,947
Melbourne/NS Railroad -SGR	2,661,556	2,503,222	158,334
250 Bypass/Rugby Ave	2,488,292	2,264,773	223,519
250 Bypass/NS Railroad - SGR	1,303,496	799,148	504,348
	<u>\$ 240,800,367</u>	<u>\$ 71,851,178</u>	<u>\$ 168,949,189</u>

**25. TAX ABATEMENTS**

The Charlottesville Economic Development Authority (CEDA), a component unit, entered into the following agreement 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 the agreement. 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 with the following entity for the number years and the minimum performance measures indicated:

Agreement Date	Length of Agreement (Years)	Agreement Entity	Minimum Number of Jobs to be Created	Minimum Increase in Real Estate Value
June 2, 2011	10	459 Locust Charlottesville LLC/CFA Institute	400	\$40 Million

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

<u>Fiscal Year</u>	<u>Amount</u>
2015	\$ 267,000
2016	\$ 78,800
2017	\$ 342,936
2018	\$ 220,483
2019	\$ 343,422
2020	\$ 242,183
2021	\$ 267,944
2022	\$ 291,473
2023	\$ 148,467
	<u>\$ 2,202,708</u>

To date, this agreement has generated 426 jobs and added \$85 million in real estate value within the City.

**26. COVID-19 PANDEMIC FUNDING**

On January 30, 2020, the World Health Organization ("WHO") announced a global health emergency because of a new strain of coronavirus (the "COVID-19 outbreak") and the risks to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally.

The federal government passed legislation to mitigate the economy impact of the pandemic. As a result of this legislation, the City received the following awards beginning in the spring of 2020 through FY2023. The awards have been expended as follows:

	<u>Amount Awarded</u>	<u>Expended Prior Year</u>	<u>Expended July, 2022 - June, 2023</u>	<u>Available in Future Fiscal Years</u>
Direct Federal Aid:				
Health and Human Services - for EMS	\$ 58,201	\$ 58,201	-	-
Federal Transportation Agency - for Transit	9,359,143	3,362,858	3,815,620	2,180,665
Federal Transportation Agency - for JAUNT	3,119,715	1,785,896	377,546	956,273
Housing and Urban Development - for CDBG	581,401	408,046	28,771	144,584
U.S. Department of Justice - BJA	80,781	10,904	69,877	-
American Rescue Plan Act - for the City	19,609,709	3,156,398	3,743,251	12,710,060
Federal Aid Passed Through the State:				
Rail and Public Transportation - for Transit	221,227	221,227	-	-
Treasurer of Virginia - CARES Act for the City	8,311,781	8,311,781	-	-
Treasurer of Virginia - CARES Act for City Schools	2,409,620	2,409,620	-	-
Treasurer of Virginia - Utility Customer Relief	213,703	198,568	15,135	-
Housing and Community Development - Homeless	2,476,423	2,246,571	229,852	-
Total	<u>\$ 46,441,704</u>	<u>\$ 22,170,070</u>	<u>\$ 8,280,052</u>	<u>\$ 15,991,582</u>

**27. LEASES**

**Lessor Leases**

The City has leased 9 of its properties as shown on the schedule below. The longest lease term has a period of 82 months, as opposed to the shortest at 21 months, from the Lease beginning date, with the lease value of \$1,055,655 shown. The leases were recorded at the applicable federal rate, which was

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determined to be the best estimate of interest earnings when no interest rate was explicitly shown in the lease document. The City applied short, median and long-term rates as determined by the applicable federal rate as of the lease period beginning date. At June 30, 2023 the City has a lease receivable of \$824,074. Below is a schedule of leases receivable for future fiscal years per their respective lease term:

City Lessor Leases of Building Space							
Lease Asset Class	Lease Asset Description	Lease Begin Date	Lease End Date	Term (Months)	Monthly Payment	Lease Value	Interest Rate
Building Space	Virginia Discovery Museum	July 1, 2021	July 1, 2026	60	\$ 345	\$ 16,231	1.00%
Building Space	Sentara Martha Jefferson Hospital	July 1, 2021	January 1, 2024	29	3,828	68,355	1.00%
Building Space	Albemarle Charlottesville Historical Society	July 1, 2021	May 1, 2023	21	829	13,535	1.00%
Building Space	Tastings Restaurant And Wine Shop	July 1, 2021	January 1, 2024	29	3,969	70,874	1.00%
Building Space	United States Postal Service	July 1, 2021	June 1, 2028	82	7,650	510,788	2.07%
Building Space	Verizon Wireless	July 1, 2021	June 1, 2024	34	75	1,708	1.00%
Building Space	Mr. Fix Cell Phone & Computer Repair	February 1, 2023	February 1, 2028	60	1,710	85,659	3.82%
Building Space	1074 Square feet of net useable ground floor space	February 1, 2023	February 1, 2028	60	1,710	91,864	3.82%
Building Space	Albemarle Charlottesville Historical Society - Renewed Lease	May 1, 2023	May 1, 2028	60	904	48,869	3.57%
Building Space	MCGUFFEY Arts Associations INC	January 1, 2023	January 1, 2028	60	2,753	147,782	3.85%
						<u>\$ 1,055,665</u>	

Schedule of Lease Receivable at Fiscal Year End			
Fiscal Year	Principal	Interest	Lease Receivable at 6/30
<b>2023</b>	\$ 231,591	\$ 15,391	\$ 824,074
<b>2024</b>	211,188	18,189	612,886
<b>2025</b>	167,851	13,922	445,034
<b>2026</b>	172,100	9,674	272,935
<b>2027</b>	152,598	5,402	120,337
<b>2028</b>	120,337	1,346	-
	<u>\$ 1,055,665</u>	<u>\$ 63,923</u>	

**Lessee Leases**

The City has also procured leases for Copiers, Equipment and Building Spaces needed for various operations. A schedule of these leases is shown below. The longest lease term has a period of 155 months while the shortest lease term was for 15 months from the lease beginning date. The City recorded its lease activity for these leases at the beginning of Fiscal Year 2023 with the remaining lease values of \$10,057,690 shown. The leases were recorded at the applicable federal rate as of the Lease beginning date, which was determined to be the best estimate of the incremental borrowing rate when no interest rate was shown on the face of the lease document. The federal rate used was based on the short, medium and long term based on the lease term.

The copier interest rate was determined to be the present value of the lease payments as opposed to the copier purchase price at lease inception (see next page):

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City Lessee Leases of Copiers, Equipment and Building Space								
Lease Asset Class	Lease Asset Description	Lease Begin Date	Lease End Date	Term (Months)	Monthly Payment	Lease Value	Interest Rate	
Copier	Copier- Utility Billing Office	July 1, 2021	December 6, 2022	16	58	\$ 291	0.76%	
Copier	Copier- Public Works Facilities Development	July 1, 2021	July 28, 2024	35	136	3,233	0.76%	
Copier	Copier- Purchasing	July 1, 2021	December 18, 2023	28	181	3,032	1.95%	
Copier	Copier- Police Administration	July 1, 2021	November 12, 2022	15	114	455	1.72%	
Copier	Copier- Police Administration	July 1, 2021	November 12, 2022	15	114	455	1.72%	
Copier	Copier- Police Administration	July 1, 2021	November 12, 2022	15	130	518	1.72%	
Copier	Copier- Neighborhood Dev Serv - Administration	July 1, 2021	February 20, 2023	18	232	1,613	1.72%	
Copier	Copier- Neighborhood Dev Serv - Administration	July 1, 2021	March 19, 2023	19	165	1,315	1.72%	
Copier	Copier- School Pupil Transportation	July 1, 2021	May 19, 2023	21	116	1,153	1.72%	
Copier	Copier- City Treasurer	July 1, 2021	August 21, 2024	36	110	2,725	0.76%	
Copier	Copier- IT Operations	July 1, 2021	October 2, 2023	26	42	619	1.87%	
Copier	Copier- Commonwealth Attorney	July 1, 2021	June 17, 2025	46	176	6,047	1.12%	
Copier	Copier- Wastewater Collection	July 1, 2021	August 26, 2025	48	28	1,014	0.84%	
Copier	Copier- Water Division Operations	July 1, 2021	August 26, 2025	48	28	1,014	0.84%	
Copier	Copier- Gas General Operations	July 1, 2021	August 26, 2025	48	56	2,027	0.84%	
Copier	Copier- Circuit Court Administration	July 1, 2021	November 19, 2023	27	147	2,272	5.38%	
Copier	Copier- Circuit Court Administration	July 1, 2021	November 19, 2023	27	148	2,299	3.90%	
Copier	Copier- Public Works/School Maintenance	July 1, 2021	March 10, 2025	43	112	3,478	1.91%	
Copier	Copier- Parks and Recreation Administration	July 1, 2021	February 24, 2024	30	158	2,980	1.04%	
Copier	Copier- Parks and Recreation Administration	July 1, 2021	February 24, 2024	30	158	2,980	1.04%	
Copier	Copier- Parks and Recreation Administration	July 1, 2021	February 24, 2024	30	158	2,980	1.04%	
Copier	Copier- Human Resources Department	July 1, 2021	October 19, 2025	50	208	7,978	1.00%	
Copier	Copier- Meadow creek Golf Course	July 1, 2021	November 4, 2023	27	34	540	1.73%	
Copier	Copier- Carver Center	July 1, 2021	December 1, 2023	28	107	1,792	1.90%	
Copier	Copier- Public Service Administration	July 1, 2021	December 4, 2023	28	139	2,322	1.99%	
Copier	Copier- City Attorney's Office	July 1, 2021	November 4, 2024	39	195	5,409	0.84%	
Copier	Copier- City Manager's Office	July 1, 2021	March 1, 2025	43	245	7,740	0.95%	
Copier	Copier- City Treasurer	July 1, 2021	April 14, 2025	44	119	3,832	1.91%	
Copier	Copier- City Treasurer	July 1, 2021	April 29, 2025	44	95	3,066	1.91%	
Copier	Copier- Finance - Administration	July 1, 2021	May 5, 2025	45	125	4,141	1.91%	
Copier	Copier- Police Investigations	July 1, 2021	June 14, 2024	34	136	3,018	3.90%	
Copier	Copier- Police Field Operations	July 1, 2021	June 14, 2024	34	136	3,018	3.90%	
Copier	Copier - Parks and Recreation Administration	October 1, 2021	October 1, 2026	60	218	10,697	1.84%	
Copier	Copier- View Administration	January 25, 2022	January 24, 2026	48	106	4,313	1.91%	
Copier	Copier- Aquatics	November 9, 2021	November 8, 2026	60	75	3,877	0.07%	
Copier	Photocopier - Office of Equity and Inclusion	April 1, 2023	April 1, 2028	60	72	3,898	4.15%	
Copier	Photocopier Machine - Home to Hope	April 1, 2023	April 1, 2028	60	72	3,898	4.15%	
Copier	Photocopier Machine - Downtown Job Center	April 1, 2023	April 1, 2028	60	72	3,898	4.15%	
Copier	Photocopier Machine - Office of Human Rights	April 1, 2023	April 1, 2028	60	72	3,898	4.15%	
Copier	Photocopier Machine - Equip Rep City Sheriff	December 1, 2022	December 1, 2025	36	149	5,012	4.55%	
Copier	Photocopy Machine - Fire Administration	April 17, 2023	April 17, 2027	48	115	5,095	4.15%	
Copier	Photocopy Machine - Fire Administration	April 17, 2023	April 17, 2027	48	126	5,559	4.15%	
Copier	Photocopier Machine - IT Operations	May 28, 2023	May 28, 2027	48	139	6,214	3.57%	
Copier	Photocopier Machine - Circuit Court Judge	May 16, 2023	May 16, 2027	48	103	4,617	3.57%	
Copier	Photocopier Machine - Transit Maintenance	April 9, 2023	April 9, 2027	48	138	6,103	4.15%	
Copier	Photocopier Machine - Transit Administration	March 9, 2023	March 9, 2027	48	198	8,820	3.70%	
					<b>Total Copiers</b>	<b>161,258</b>		
Equipment	Golf Maintenance Equipment	July 1, 2021	September 4, 2024	37	4,515	116,076	1.00%	
					<b>Total Equipment</b>	<b>116,076</b>		
Building Space	200 East Water Street , Charlottesville (The Garage)	July 1, 2021	July 1, 2034	155	60,619	7,723,508	2.07%	
Building Space	Jefferson School Community Partnership L.L.L.P	July 1, 2021	January 1, 2028	77	32,999	2,056,848	2.07%	
					<b>Total Building Space</b>	<b>9,780,356</b>		
					<b>Total Lessee Leases</b>	<b>\$ 10,057,690</b>		

**CITY OF CHARLOTTESVILLE, VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2023**

At June 30, 2023 the liability of the leases outstanding was \$10,057,690. Below are the details of these leases and their future liability:

Lease Liability by Lease Asset Class				
Fiscal Year	Building Space	Copier	Equipment	Total
2023	\$ 929,744	\$ 51,169	\$ 53,261	\$ 1,034,174
2024	949,173	46,902	53,796	1,049,871
2025	969,008	31,023	9,018	1,009,049
2026	989,258	18,083		1,007,341
2027	1,009,931	11,531		1,021,462
2028	832,187	2,550		834,737
2029	648,661			648,661
2030	662,217			662,217
2031	676,056			676,056
2032	690,183			690,183
2033	704,607			704,607
2034	719,331			719,331
	<u>\$ 9,780,356</u>	<u>\$ 161,257</u>	<u>\$ 116,076</u>	<u>\$ 10,057,690</u>

Schedule of Lease Liability at Fiscal Year End			
Fiscal Year	Principal	Interest	Lease Liability at 6/30
2023	\$ 1,034,174	\$ 196,484	\$ 9,023,516
2024	1,049,871	177,074	7,973,645
2025	1,009,049	155,952	6,964,595
2026	1,007,341	134,995	5,957,254
2027	1,021,462	113,779	4,935,792
2028	834,737	93,273	4,101,055
2029	648,661	78,761	3,452,394
2030	662,217	65,205	2,790,177
2031	676,056	51,367	2,114,121
2032	690,183	37,239	1,423,938
2033	704,607	22,816	719,331
2034	719,331	8,091	-
	<u>\$10,057,690</u>	<u>\$1,135,034</u>	

**28. ADOPTION OF ACCOUNTING PRINCIPLE GASB STATEMENT 96 SUBSCRIPTION-BASED IT ARRANGEMENTS (SBITA) JULY 1, 2022**

For the adoption of GASB Statement 96 SBITA, the City reviewed its IT software agreements to determine application of this standard to its existing agreements. A total of thirteen such agreements were determined to meet this standard. All software agreements however, were reviewed according to the standards of GASB Statement 96. All subscription-based IT arrangements (SBITA) were then applied to the principles of the present value based on the applicable term at a determined interest rate. The SBITA terms were evaluated by the options presented in the agreement with any extensions taken into account if it was reasonably certain they would be extended. None of the SBITA had an interest rate explicitly shown in the agreement. For posting the SBITA the SBITA Asset was debited and the SBITA Liability were credited. Details of each SBITA is discussed in the note for SBITA presented below.

**29. SUBSCRIPTION BASED IT ARRANGEMENTS (SBITA)**

The City has purchased various subscription-based software applications needed for operations. A schedule of these subscriptions is shown below. The longest subscription term has a period of 60 months while the shortest subscription agreement period remaining was 18 months from the SBITA beginning date. The City recorded its SBITA activity at the beginning of Fiscal Year 2023, with the remaining SBITA value of \$2,693,538 as shown. The SBITA were recorded at the applicable federal interest rate at July 1, 2022, which was determined to be the best estimate of the incremental borrowing rate when no interest rate was shown on the face of the SBITA agreement. The federal rate used was based on the rate as determined by the lease term. At June 30, 2023 the liability of the SBITA outstanding was \$2,025,101. See next page for the list of City SBITA.

**CITY OF CHARLOTTESVILLE, VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2023**

Schedule of SBITA Liability at Fiscal Year End			
Fiscal Year	Principal	Interest	SBITA Liability at 6/30
2023	\$ 668,437	\$ 69,491	\$ 2,025,101
2024	670,649	51,229	1,354,452
2025	600,573	32,122	753,879
2026	504,374	15,469	249,505
2027	240,824	2,678	8,681
2028	8,681	32	-
	<u>\$2,693,538</u>	<u>\$ 171,021</u>	

City Subscription Based IT Arrangements (SBITA)						
SBITA Description	SBITA Begin Date	SBITA End Date	Term (Months)	Monthly Payment	SBITA Value	Interest Rate
Citizen Relationship Management Solution	July 1, 2022	March 19, 2027	57	\$ 956	\$ 49,908	2.99%
Budgeting Software	August 29, 2022	August 28, 2027	60	4,438	247,679	2.99%
Strategic Planning Software	July 1, 2022	August 23, 2025	38	2,083	73,549	2.99%
Benefit Enrollment Portal	July 1, 2022	May 2, 2025	35	3,954	128,759	2.99%
Cloud Based Office Productivity Service	July 1, 2022	November 30, 2026	53	32,075	1,590,646	2.99%
Cyber Security Training Tool	July 1, 2022	May 21, 2025	35	1,104	35,935	2.99%
Electronic Signature Service	July 1, 2022	September 30, 2025	39	2,903	107,774	2.99%
Email Filtering Service	July 1, 2022	August 29, 2024	26	4,937	119,508	2.99%
SAP Data and Entry software	October 1, 2022	September 30, 2027	60	1,425	79,521	2.99%
Fleet Management Information System	July 1, 2022	December 31, 2023	18	4,127	72,559	2.99%
CivicClerk Software System- Mayor City Council	July 1, 2022	February 26, 2026	44	884	36,008	2.99%
CivicClerk Software System- Communication Ofc	July 1, 2022	February 26, 2026	44	774	31,507	2.99%
NeoGov Perform Subscription	July 1, 2022	September 29, 2026	39	2,560	120,184	2.99%
				<b>Total SBITA</b>	<b>\$2,693,538</b>	

At June 30, 2023 the liability of the SBITA outstanding was \$2,025,101. Below are the details of the future liability:

**30. FUND BALANCE/NET POSITION AT JULY 1, 2022 RESTATED**

The Fund Balance and Net Position were restated due to prior year adjustments needed as shown:

	Government Activity
Net Position as previously reported at June 30, 2022	\$ 171,502,560
Capital Assets previously not reported	13,129,237
Transfer from City Schools incorrectly eliminated	450,000
Net Position as restated at July 1, 2022	<u>\$ 185,081,797</u>
Fund Balance as previously reported at June 30, 2022 (Capital Projects)	31,287,559
Transfer from City Schools incorrectly eliminated and not counted	450,000
Fund Banace as restated at July 1, 2022	<u>\$ 31,737,559</u>



## REQUIRED SUPPLEMENTARY INFORMATION

**CITY OF CHARLOTTESVILLE, VIRGINIA**  
**NOTE TO REQUIRED SUPPLEMENTARY INFORMATION**  
**FOR THE YEAR ENDED JUNE 30, 2023**

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**1. BUDGETARY ACCOUNTING**

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

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

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

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, American Relief Program Act Fund, and Social Services Fund are presented on Exhibits G-1 thru G-3, respectively. Original budget amounts are the budgets originally adopted by City Council, plus any approved amounts carried over from the previous fiscal year. Final budgets are these amounts plus any adjustments, through additional appropriations or reductions.



## CITY OF CHARLOTTESVILLE, VIRGINIA

SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - BUDGET BASIS  
GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2023

EXHIBIT G-1  
Page 1 of 5

	Budgeted Amounts		Actual-Budget	Variance
	Original	Final	Basis (see Note 1)	Positive (Negative)
REVENUES				
Taxes:				
Real estate	\$ 89,487,993	\$ 89,487,993	\$ 94,957,084	\$ 5,469,091
Personal property	12,000,000	12,000,000	14,365,556	2,365,556
Public service corporation	1,589,086	1,589,086	1,630,557	41,471
Penalties and interest on delinquent taxes	415,000	415,000	885,825	470,825
Sales and use	13,900,000	13,900,000	14,377,795	477,795
Utilities	4,600,000	4,600,000	4,584,020	(15,980)
Communications	2,125,000	2,125,000	2,221,820	96,820
Meals	16,640,000	16,640,000	18,632,606	1,992,606
Lodging	7,000,000	7,000,000	8,118,587	1,118,587
Tax on bank stock	1,200,000	1,200,000	1,170,883	(29,117)
Tax on wills and deeds	725,000	725,000	728,613	3,613
Rolling stock	18,040	18,040	15,231	(2,809)
Short-term rental	60,000	60,000	77,570	17,570
Cigarette	550,000	550,000	445,156	(104,844)
Recordation	-	-	461	461
Plastic Bag Tax	-	20,000	49,605	29,605
Total Taxes:	150,310,119	150,330,119	162,261,369	11,931,250
Licenses and permits:				
Vehicle license fees	890,000	890,000	195,788	(694,212)
Dog licenses	4,000	4,000	4,425	425
Business License	8,700,000	8,700,000	10,041,762	1,341,762
Electrical, heating and mechanical permits	330,000	330,000	251,931	(78,069)
Building and plumbing permits	550,000	550,000	467,663	(82,337)
Erosion control fees	29,500	29,500	16,425	(13,075)
Sign permits	8,000	8,000	11,923	3,923
Other permits	858,500	858,500	386,581	(471,919)
Total Licenses and permits:	11,370,000	11,370,000	11,376,498	6,498
Intergovernmental:				
Revenue from Federal government	-	-	9,833	9,833
Revenue from State agencies:				
Other State assistance	132,500	132,500	172,009	39,509
P2P vehicle share tax	-	-	2,446	2,446
Police assistance	2,238,352	2,238,352	2,460,982	222,630
PPTRA revenue	3,498,256	3,498,256	3,498,256	-
Reimbursement for constitutional officers	1,755,297	1,755,297	1,938,953	183,656
State highway assistance	4,263,654	4,263,654	5,034,812	771,158
Trailer titling tax	1,200	1,200	2,257	1,057
Revenue from other local governments:				
Circuit Court reimbursement	16,218	16,218	22,320	6,102
Court revenue	390,000	390,000	320,371	(69,629)
Fire Department operations	200,000	200,000	-	(200,000)
Juvenile and Domestic Relations Court	145,312	145,312	270,706	125,394
Other local governments	4,271,849	4,271,849	816,315	(3,455,534)
Payment in lieu of taxes - CRHA	6,293,888	6,293,888	-	(6,293,888)
Revenue sharing - Albemarle County	15,545,227	15,545,227	15,545,227	-
University of Virginia service charge	73,578	73,578	57,752	(15,826)
Total Intergovernmental:	38,825,331	38,825,331	30,152,239	(8,673,092)

(continued)

## CITY OF CHARLOTTESVILLE, VIRGINIA

EXHIBIT G-1

SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - BUDGET BASIS

Page 2 of 5

## GENERAL FUND

FOR THE YEAR ENDED JUNE 30, 2023

	Budgeted Amounts		Actual-Budget Basis (see Note 1)	Variance Positive (Negative)
	Original	Final		
Charges for services:				
Recreation income	1,206,509	1,206,509	884,953	(321,556)
Parking garage revenue	2,563,540	2,563,540	628,641	(1,934,899)
Solid waste collection fees	1,115,000	1,115,000	1,277,985	162,985
Emergency Medical Services	900,000	900,000	1,287,906	387,906
Tax abatement application fees	-	-	200	200
DMV Select Commissions	36,000	36,000	20,299	(15,701)
Other charges for services	3,421,271	3,421,271	4,268,726	847,455
Total Charges for services:	9,242,320	9,242,320	8,368,710	(873,610)
Fines:				
Parking fines	300,000	300,000	358,419	58,419
Investment earnings:				
Interest	580,000	580,000	2,088,762	1,508,762
Gains/Losses on Investments	-	-	(216,308)	(216,308)
Miscellaneous revenues:				
Rent	422,653	422,653	462,202	39,549
Proceeds from drug seizures	-	-	8,335	8,335
Contributions	-	10,000	23,131	13,131
Refund of prior year expenditures	50,000	50,000	103,824	53,824
Indirect cost recovery	125,000	125,000	206,861	81,861
Other miscellaneous revenues	274,500	294,683	430,902	136,219
Total Miscellaneous revenues:	872,153	902,336	1,235,255	332,919
Total Revenues	211,499,923	211,550,106	215,624,944	4,074,838
<b>EXPENDITURES-CURRENT</b>				
General government:				
Legislative:				
First Cities	18,000	18,162	18,162	-
Mayor and Council	752,231	557,708	538,747	18,960
Reserve for Council	373,820	501,639	111,003	390,636
Sister Cities	51,977	51,977	24,090	27,887
Judicial:				
City Circuit Court	1,020,765	1,020,765	935,588	85,177
City Sheriff	1,752,319	1,822,352	1,714,063	108,288
Commonwealth's Attorney	1,297,515	1,297,515	1,078,393	219,122
Court Services Unit	21,758	21,758	21,625	133
General District Court	23,566	23,566	16,152	7,414
Juvenile and Domestic Relations Court	334,381	392,351	392,351	-
Executive:				
City Manager	4,176,641	4,748,845	3,182,191	1,566,653
Citywide Reserve	1,583,810	1,474,486	1,024,997	449,489
Human Rights Commission	282,499	282,499	282,499	-
Legal:				
City Attorney	1,228,010	1,228,010	995,737	232,273
Financial administration:				
Commissioner of Revenue	1,525,217	1,525,217	1,523,729	1,488
Finance - Administration	1,395,730	1,410,435	1,410,371	64
Purchasing	579,705	579,705	442,790	136,915
Real Estate Assessor	902,633	902,633	887,379	15,254
Treasurer	1,517,597	1,609,097	1,586,640	22,457
Personnel administration:				
Human Resources Department	1,499,089	1,499,089	1,445,333	53,756

(continued)

## CITY OF CHARLOTTESVILLE, VIRGINIA

EXHIBIT G-1

SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - BUDGET BASIS  
GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2023

Page 3 of 5

	Budgeted Amounts		Actual-Budget Basis (see Note 1)	Variance Positive (Negative)
	Original	Final		
Elections:				
Office of the Registrar	754,715	754,715	686,707	68,008
General government buildings and plant:				
Custodial	693,312	650,549	545,923	104,625
Maintenance	3,331,590	3,374,353	2,720,934	653,419
Public Works - Administration	3,229,201	3,371,343	2,646,680	724,663
Information technology:				
IT Operations	3,733,442	3,733,442	3,424,675	308,767
Total General government:	<u>32,079,522</u>	<u>32,852,210</u>	<u>27,656,759</u>	<u>5,195,448</u>
Public safety:				
Police protection:				
Drug investigation	-	13,185	9,008	4,177
Police Department	20,768,827	20,755,642	18,583,541	2,172,101
Fire protection:				
Fire Department	13,388,828	13,442,478	13,441,779	699
Volunteer Fire Company	24,348	24,348	2,400	21,948
Other protection:				
Blue Ridge Juvenile Detention Center	796,709	845,602	845,602	-
Contribution - Charlottesville-Albemarle Regional Jail	3,728,560	3,728,560	3,728,560	-
Contribution - Emergency Communications Center	1,909,126	1,909,126	1,909,126	-
Crisis Intervention Training	137,421	40,421	10,173	30,248
Emergency medical services	842,644	842,644	801,683	40,962
Four for Life	119,909	119,909	46,153	73,755
Office of the Magistrate	10,450	10,450	9,713	737
Traffic Engineering	1,006,567	1,012,417	1,012,414	4
Total Public safety:	<u>42,733,389</u>	<u>42,744,782</u>	<u>40,400,152</u>	<u>2,344,631</u>
Community services				
Highways and streets:				
Public Service - Administration	581,713	581,713	555,829	25,884
Street lighting	674,930	674,930	674,930	-
Streets and sidewalks	3,566,498	3,560,648	3,067,103	493,545
Sanitation:				
Contribution to Ivy Landfill	500,000	568,883	568,883	-
Refuse collection and disposal	2,473,218	2,473,218	2,187,257	285,961
Transportation:				
Contribution to JAUNT	1,443,081	1,443,081	1,443,081	-
Total Community services	<u>9,239,440</u>	<u>9,302,473</u>	<u>8,497,083</u>	<u>805,390</u>
Health and welfare:				
Health:				
Blue Ridge Health District	639,858	639,858	639,858	-
Offender Aid and Restoration	380,337	380,337	380,337	-
Region Ten Community Services Board	1,001,865	1,021,865	1,021,865	-
Society for the Prevention of Cruelty to Animals	289,560	289,560	289,560	-
Welfare:				
Charlottesville homeowner assistance program	2,395,000	1,974,000	1,314,000	660,000
Contributions to community organizations	2,202,071	2,758,970	2,758,970	-
Education Extension program	60,704	60,704	45,160	15,544
Rent relief for the disabled	178,500	127,825	123,206	4,619
Rent relief for the elderly	31,500	34,300	34,102	198
Stormwater fee assistance program	20,000	20,000	19,149	851
Tax relief for the disabled	148,800	216,675	216,665	10
Tax relief for the elderly	316,200	717,200	716,341	859

(continued)

## CITY OF CHARLOTTESVILLE, VIRGINIA

EXHIBIT G-1

SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - BUDGET BASIS

Page 4 of 5

## GENERAL FUND

FOR THE YEAR ENDED JUNE 30, 2023

	Budgeted Amounts		Actual-Budget Basis (see Note 1)	Variance Positive (Negative)
	Original	Final		
Total Health and welfare:	7,664,395	8,241,294	7,559,213	682,081
Parks, recreation and culture:				
Culture:				
Contribution to Jefferson - Madison Regional Library	2,075,318	2,075,318	2,075,318	-
Contributions to community organizations	340,364	353,364	353,289	75
Contributions to festivals	215,546	166,546	137,978	28,568
Recreation:				
Administration	1,380,277	1,378,477	1,219,363	159,114
Aquatics	2,587,952	2,366,652	2,258,184	108,468
Athletics	575,059	542,277	470,667	71,610
Recreation centers	2,114,633	2,097,416	1,974,773	122,642
Special activities	1,179,637	1,082,637	979,409	103,229
Therapeutic programs	480,632	480,632	360,765	119,867
Parks:				
Contribution to Towe Park operations	110,000	110,000	108,420	1,580
Park maintenance	5,179,097	5,549,197	4,854,705	694,492
Total Parks, recreation and culture:	16,238,517	16,202,517	14,792,871	1,409,645
Education:				
Contribution to School Board component unit	62,925,964	62,925,964	55,084,021	7,841,943
School pupil transportation	4,010,689	4,010,689	3,220,378	790,311
School maintenance and energy management	4,401,815	4,401,815	4,306,962	94,853
Piedmont Virginia Community College	13,040	13,040	13,040	-
Lighthouse Studio	11,200	11,200	11,200	-
Contributions to community organizations	51,600	69,100	69,100	-
Total Education:	71,414,307	71,431,807	62,704,701	8,727,107
Conservation and development:				
Economic development:				
Chamber of Commerce	1,700	1,700	-	1,700
Contribution to Convention and Visitors Bureau	711,082	711,082	711,082	-
Office of Economic Development	1,658,435	1,658,435	1,130,736	527,699
Urban redevelopment and housing:				
Albemarle Housing Improvement Program	162,500	162,500	162,500	-
Contributions to community organizations	306,525	306,525	269,025	37,500
Historic Preservation Task Force	54,739	54,739	12,400	42,339
Neighborhood Development Services Department	3,065,998	3,065,998	2,651,032	414,966
Parking enterprise	2,584,441	2,584,441	2,094,343	490,098
Parking garages	3,399	3,399	3,399	-
Small Business Development Center	27,293	27,293	27,293	-
Virginia Career Works-Piedmont Region	104,245	104,245	104,245	-
Total Conservation and development:	8,680,357	8,680,357	7,166,055	1,514,302

(continued)

**CITY OF CHARLOTTESVILLE, VIRGINIA**  
**SCHEDULE OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - BUDGET BASIS**  
**GENERAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2023**

**EXHIBIT G-1**  
**Page 5 of 5**

	Budgeted Amounts		Actual-Budget Basis (see Note 1)	Variance Positive (Negative)
	Original	Final		
Other activities:				
Virginia Municipal League	17,400	20,100	20,018	82
Employee benefits	1,142,762	1,030,057	92,422	937,635
Corporate training program	39,740	39,740	32,088	7,652
Thomas Jefferson Soil & Water	13,440	13,440	13,440	-
Virginia Institute for Government	2,500	2,500	2,500	-
Alliance for Innovation	2,550	550	-	550
Rivanna Conservation Alliance	11,000	11,000	11,000	-
National League of Cities	5,000	4,300	4,106	194
Center for Nonprofit Excellence	600	1,000	1,000	-
Total Other activities:	<u>1,234,992</u>	<u>1,122,687</u>	<u>176,574</u>	<u>946,113</u>
Total Expenditures - Budgetary Basis	<u>189,284,919</u>	<u>190,578,128</u>	<u>168,953,408</u>	<u>21,624,717</u>
<b>ENCUMBRANCES</b>				
Less open encumbrances - June 30, 2023	-	-	(1,908,229)	1,908,229
Total Expenditures	<u>189,284,919</u>	<u>190,578,128</u>	<u>167,045,179</u>	<u>23,532,946</u>
Revenues Over Expenditures	<u>22,215,004</u>	<u>20,971,978</u>	<u>48,579,765</u>	<u>27,607,784</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in:				
Transfer from Proprietary Funds	5,351,089	5,351,089	6,207,893	856,804
Total Transfers in:	<u>5,351,089</u>	<u>5,351,089</u>	<u>6,207,893</u>	<u>856,804</u>
Transfers out:				
Transfer to State Grants Fund	(34,980)	(34,980)	(48,123)	(13,143)
Transfer to Social Services Fund	(3,602,777)	(3,712,777)	(3,772,028)	(59,251)
Transfer to Human Services Fund	(1,506,362)	(1,506,362)	(1,506,362)	-
Transfer to Children's Services Act Fund	(2,004,722)	(2,004,722)	(1,320,305)	684,417
Transfer to Virginia Juvenile Comm Crime Control Act Fund	(108,415)	(108,415)	(108,415)	-
Transfer to Transit Fund	(2,513,651)	(2,513,651)	(2,513,651)	-
Transfer to Debt Service Fund	(13,072,874)	(17,567,099)	(17,567,099)	-
Transfer to Capital Projects Fund	(8,906,471)	(21,661,433)	(20,619,018)	1,042,415
Transfer to Golf Fund	-	(300,000)	(300,000)	-
Transfer to Information Technology Fund	(159,000)	(1,318,000)	(1,159,000)	159,000
Total Transfers out:	<u>(31,909,252)</u>	<u>(50,727,439)</u>	<u>(48,914,001)</u>	<u>1,813,438</u>
Total Other Financing Sources (Uses), Net	<u>(26,558,163)</u>	<u>(45,376,350)</u>	<u>(42,706,108)</u>	<u>2,670,242</u>
Net Change in Fund Balance	<u>\$ (4,343,159)</u>	<u>\$ (24,404,372)</u>	5,873,657	<u>\$ 30,278,026</u>
Fund Balance - July 1, 2022			66,274,254	
Fund Balance - June 30, 2023			<u>\$ 72,147,911</u>	

See Accompanying Note to Required Supplementary Information

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL - BUDGET BASIS  
AMERICAN RELIEF PROGRAM ACT FUND  
FOR THE YEAR ENDED JUNE 30, 2023**

	Budgeted Amounts		Actual	Variance Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Intergovernmental	\$ -	\$ 29,524	\$ 3,758,386	\$ 3,728,862
Investment earnings	-	-	-	-
Total revenues	-	29,524	3,758,386	3,728,862
<b>EXPENDITURES</b>				
Current:				
General government	466,185	6,756,062	580,331	6,175,730
Public safety	1,130	1,650,130	998,887	651,242
Health and welfare	176,850	1,907,768	1,066,047	841,721
Parks, recreation and culture	-	1,380,000	65,000	1,315,000
Conservation and development	1,069,581	4,548,874	1,136,602	3,412,273
Risk management	-	300,000	-	300,000
Capital outlay	-	-	822,209	(822,209)
Total expenditures - budgetary basis	1,713,746	16,542,834	4,669,076	11,873,757
Less open encumbrances at June 30	-	-	(910,690)	(910,690)
Total expenditures	1,713,746	16,542,834	3,758,386	12,784,447
Revenues over (under) expenditures	(1,713,746)	(16,513,310)	-	16,513,309
Net change in fund balance	(1,713,746)	(16,513,310)	-	16,513,309
<b>FUND BALANCE July 1, 2022</b>	-	-	-	-
<b>FUND BALANCE June 30, 2023</b>	\$ (1,713,746)	\$ (16,513,310)	\$ -	\$ 16,513,309

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL - BUDGET BASIS  
SOCIAL SERVICES FUND  
FOR THE YEAR ENDED JUNE 30, 2023**

	Budgeted Amounts		Actual	Variance Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Intergovernmental	\$ 10,514,527	\$ 11,036,561	\$ 10,653,753	\$ (382,808)
Charges for services	-	-	64	64
Miscellaneous	-	46,000	11,654	(34,346)
Total revenues	<u>10,514,527</u>	<u>11,082,561</u>	<u>10,665,471</u>	<u>(417,090)</u>
<b>EXPENDITURES</b>				
Current:				
Health and welfare	15,766,324	16,564,056	14,557,536	2,006,521
Capital outlay	25,000	25,000	-	25,000
Total expenditures - budgetary basis	<u>15,791,324</u>	<u>16,589,056</u>	<u>14,557,536</u>	<u>2,031,521</u>
Less open encumbrances at June 30	-	-	(339)	(339)
Total expenditures	<u>15,791,324</u>	<u>16,589,056</u>	<u>14,557,197</u>	<u>2,031,860</u>
Revenues over (under) expenditures	<u>(5,276,797)</u>	<u>(5,506,495)</u>	<u>(3,891,726)</u>	<u>1,614,770</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	5,272,438	5,502,136	3,772,028	(1,730,108)
Total other financing sources (uses), net	<u>5,272,438</u>	<u>\$ 5,502,136</u>	<u>3,772,028</u>	<u>(1,730,108)</u>
Net change in fund balance	(4,359)	(4,359)	(119,698)	(115,338)
<b>FUND BALANCE July 1, 2022</b>	<u>119,698</u>	<u>119,698</u>	<u>119,698</u>	<u>-</u>
<b>FUND BALANCE June 30, 2023</b>	<u>\$ 115,339</u>	<u>\$ 115,339</u>	<u>\$ -</u>	<u>\$ (115,338)</u>

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

	2023	2022	2021	2020	2019	2018	2017	2016	2015
Total Pension Liability									
Service cost	\$ 2,312,913	\$ 2,263,023	\$ 2,884,731	\$ 2,718,977	\$ 2,659,173	\$ 2,512,981	\$ 2,500,699	\$ 2,240,673	\$ 2,209,225
Interest	15,606,239	15,312,412	14,613,181	14,162,162	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	7,198,783	714,457	(638,262)	2,223,406	3,517,133	1,889,654	26,647	2,803,443	1,767,216
Changes of assumptions	-	-	6,197,699	-	-	-	-	17,484,857	-
Benefit payments, including refunds of employee contributions	(14,688,183)	(14,067,437)	(13,412,920)	(12,780,445)	(11,648,911)	(11,029,235)	(10,502,386)	(9,972,849)	(9,269,548)
Net change in total pension liability	10,429,752	4,222,455	9,644,429	6,324,100	8,122,067	5,608,628	4,875,537	23,652,279	5,422,275
Total pension liability - beginning	215,294,510	211,072,055	201,427,626	195,103,526	186,981,459	181,372,831	176,497,294	152,845,015	147,422,740
Total pension liability - ending (a)	225,724,262	215,294,510	211,072,055	201,427,626	195,103,526	186,981,459	181,372,831	176,497,294	152,845,015
Plan fiduciary net position									
Contributions - employer	11,675,185	11,022,358	11,391,629	10,143,794	9,910,900	7,763,084	7,088,275	6,794,772	6,900,872
Contributions - employee	1,131,321	1,087,218	1,098,813	1,099,463	792,561	329,599	342,352	226,903	138,129
Net investment income	(17,187,451)	34,102,627	3,605,139	8,946,662	10,527,419	12,294,092	(1,546,127)	3,424,127	15,709,061
Benefit payments, including refunds of employee contributions	(14,688,183)	(14,067,437)	(13,412,920)	(12,780,445)	(11,648,911)	(11,029,235)	(10,502,386)	(9,972,849)	(9,269,548)
Administrative expense	(240,797)	(238,939)	(238,340)	(240,537)	(228,247)	(253,592)	(268,455)	(272,012)	(239,503)
Other	(2)	(409)	(309)	30	553,281	83,757	-	-	-
Net change in plan fiduciary net position	(19,309,927)	31,905,418	2,444,012	7,168,967	9,907,003	9,187,705	(4,886,341)	200,941	13,239,011
Plan fiduciary net position - beginning	151,825,839	119,920,421	117,476,409	110,307,442	100,400,439	91,212,734	96,099,075	95,898,134	82,659,123
Plan fiduciary net position - ending	\$ 132,515,912	\$ 151,825,839	\$ 119,920,421	\$ 117,476,409	\$ 110,307,442	\$ 100,400,439	\$ 91,212,734	\$ 96,099,075	\$ 95,898,134
Total net pension liability - ending	\$ 93,208,350	\$ 63,468,671	\$ 91,151,634	\$ 83,951,217	\$ 84,796,084	\$ 86,581,020	\$ 90,160,097	\$ 80,398,219	\$ 56,946,881
City Portion of Total net pension liability - ending	\$ 90,023,884	\$ 61,438,195	\$ 88,331,731	\$ 81,214,818	\$ 81,607,092	\$ 82,427,752	\$ 86,534,334	\$ 77,045,318	\$ 54,763,111
JMRL (Library) Portion of total net pension liability - ending	3,184,466	2,030,476	2,583,631	2,638,484	2,842,652	3,769,195	3,255,673	2,968,515	1,950,754
CACVB (Visitors Bureau) portion of net pension liability - ending	-	-	236,272	97,915	346,340	384,073	370,090	384,386	233,016
	\$ 93,208,350	\$ 63,468,671	\$ 91,151,634	\$ 83,951,217	\$ 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	59%	71%	57%	58%	57%	54%	50.29%	54.45%	62.74%
Covered payroll	\$ 40,745,359	\$ 38,981,614	\$ 37,054,637	\$ 39,573,350	\$ 37,845,597	\$ 36,800,404	\$ 34,820,331	\$ 35,324,742	\$ 34,244,022
Net pension liability as a percentage of covered payroll	229%	163%	246%	212%	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:

2023	2022	2021	2020	2019	2018	2017	2016	2015
10.05%	-11.40%	8.64%	8.18%	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.



**CITY OF CHARLOTTESVILLE, VIRGINIA**

**EXHIBIT H-2**

**SCHEDULE OF PENSION PLAN CONTRIBUTIONS**

**CITY PENSION PLAN**

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Actuarially determined contribution	\$ 12,300,995	\$ 11,379,972	\$ 10,797,447	\$ 9,591,629	\$ 10,053,850	\$ 9,910,900	\$ 7,763,084	\$ 6,388,275	\$ 6,094,772	\$ 6,200,872
Actual contributions in relation to actuarially determined contribution	13,949,835	11,675,185	11,022,358	11,391,629	10,143,794	9,910,900	7,763,084	7,088,275	6,794,772	6,900,872
Contribution deficiency (excess)	<u>\$ (1,648,840)</u>	<u>\$ (295,213)</u>	<u>\$ (224,911)</u>	<u>\$ (1,800,000)</u>	<u>\$ (89,944)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (700,000)</u>	<u>\$ (700,000)</u>	<u>\$ (700,000)</u>
Covered payroll	40,745,359	38,981,614	37,174,901	38,244,136	40,490,737	37,845,597	\$ 36,800,404	\$ 34,820,331	\$ 35,324,742	\$ 34,244,022
Actual contributions as a percentage of covered payroll	34.24%	29.95%	29.65%	29.79%	25.05%	26.19%	21.10%	20.36%	19.24%	20.15%

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)

## SCHEDULE OF FUNDING PROGRESS

SCHEDULE OF EMPLOYER CONTRIBUTIONS FOR OTHER POSTEMPLOYMENT BENEFIT PLANS  
FOR THE YEAR ENDED JUNE 30, 2023

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
2023	\$ 3,263,979	\$ 3,380,372	\$ (116,393)	\$ 55,134,780	6.13%
2022	3,315,561	3,489,602	(174,041)	43,171,367	8.08%
2021	4,087,636	4,333,409	(245,773)	43,485,490	9.97%
2020	4,627,541	4,627,541	-	38,244,140	12.10%
2019	5,194,962	5,488,448	(293,486)	40,490,740	13.55%
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%

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.

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

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Total OPEB Liability					
Service cost	\$ 1,073,751	\$ 692,917	\$ 723,701	\$ 1,141,394	\$ 1,328,196
Interest	5,426,089	5,346,723	5,437,566	5,845,433	6,293,159
Differences between expected and actual experience	(12,761,554)	(2,559,726)	(3,028,258)	(4,284,584)	(7,892,521)
Changes in assumptions	506,048	2,580,406	1,128,007	(2,246,767)	-
Benefit Payments	(5,410,979)	(5,354,883)	(5,528,074)	(5,423,938)	(5,599,475)
Net change in total OPEB liability	(11,166,645)	705,437	(1,267,058)	(4,968,462)	(5,870,641)
Total OPEB liability - beginning	73,979,596	73,274,159	74,541,217	79,509,679	85,380,320
Total OPEB liability - ending (a)	62,812,951	73,979,596	73,274,159	74,541,217	79,509,679
Plan fiduciary net position					
Contributions - employer	3,380,372	3,489,601	4,333,410	4,627,541	5,488,448
Contributions - employee	1,014,034	1,140,943	1,232,984	1,329,336	1,337,648
Net investment income	5,331,098	(6,814,457)	13,429,422	1,394,380	3,353,122
Benefit payments, including refunds of employee contributions	(5,410,979)	(5,354,883)	(5,528,074)	(5,423,938)	(5,599,475)
Administrative expense	(114,563)	(103,471)	(102,093)	(100,184)	(90,151)
Other	(2.00)	2.00	-	61,649	(31)
Net change in plan fiduciary net position	4,199,960	(7,642,265)	13,365,649	1,888,784	4,489,561
Plan fiduciary net position - beginning	52,542,550	60,184,815	46,819,166	44,930,382	40,440,821
Plan fiduciary net position - ending	\$ 56,742,510	\$ 52,542,550	\$ 60,184,815	\$ 46,819,166	\$ 44,930,382
Total net OPEB liability - ending	\$ 6,070,441	\$ 21,437,046	\$ 13,089,344	\$ 27,722,051	\$ 34,579,297
City Portion of Total net OPEB liability - ending	5,859,384	20,534,203	12,558,938	26,410,216	33,103,660
JMRL (Library) Portion of total net OPEB liability - ending	211,057	902,843	530,406	1,210,012	1,428,644
CACVB (Visitors Bureau) portion of net OPEB liability - ending	-	-	-	101,823	46,933
	\$ 6,070,441	\$ 21,437,046	\$ 13,089,344	\$ 27,722,051	\$ 34,579,237
Plan fiduciary net position as a percentage of total OPEB liability	90.34%	71.02%	82.14%	62.81%	56.51%
Covered payroll	\$ 55,134,780	\$ 43,171,367	\$ 43,485,490	\$ 38,244,140	\$ 39,573,350
Net OPEB liability as a percentage of covered payroll	11.01%	49.66%	30.10%	72.49%	87.38%
<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 expense, expresses investment performance adjusted for the changing amounts invested as follows:				
	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
	10.05%	-11.40%	28.70%	8.64%	8.18%

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.



**CHARLOTTESVILLE SCHOOL BOARD  
COMPONENT UNIT**

**Required Supplementary Information**

## CITY OF CHARLOTTESVILLE, VIRGINIA

## EXHIBIT H-5

## SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS

## VIRGINIA RETIREMENT SYSTEM (VRS)

## SCHOOL BOARD NON PROFESSIONAL EMPLOYEE PENSION PLAN

	2022	2021	2020	2019	2018	2017	2016	2015	2014
Total Pension Liability									
Service cost	\$ 157,251	\$ 169,581	\$ 197,515	\$ 176,264	\$ 187,291	\$ 198,247	\$ 195,809	\$ 196,210	\$ 213,920
Interest	692,085	701,011	708,789	731,101	722,190	717,771	718,672	713,114	700,933
Differences between expected and actual experience	(12,940)	(832,777)	(204,159)	(301,523)	-	(51,816)	(226,626)	-	-
Changes of assumptions	-	385,484	-	255,338	(55,260)	(66,534)	-	(853,779)	(748,708)
Benefit payments, including refunds of employee contributions	(699,695)	(725,889)	(908,847)	(700,964)	(752,873)	(716,215)	(685,251)	-	-
Net change in total pension liability	136,701	(302,590)	(206,702)	160,216	101,348	81,453	2,604	55,545	166,145
Total pension liability - beginning	10,445,704	10,748,294	10,954,996	10,794,780	10,693,432	10,611,979	10,609,375	10,553,830	10,387,685
Total pension liability - ending	\$ 10,582,405	\$ 10,445,704	\$ 10,748,294	\$ 10,954,996	\$ 10,794,780	\$ 10,693,432	\$ 10,611,979	\$ 10,609,375	\$ 10,553,830
Plan fiduciary net position									
Contributions - employer	37,522	35,567	67,014	67,470	84,487	87,234	171,836	164,445	172,171
Contributions - employee	98,910	96,805	101,183	97,699	94,766	97,046	100,765	96,590	95,584
Net investment income	(5,833)	2,912,633	219,330	728,430	801,592	1,229,764	174,795	472,412	1,476,650
Benefit payments, including refunds of employee contributions	(699,695)	(725,889)	(908,847)	(700,964)	(752,873)	(716,215)	(685,251)	(732,971)	(748,708)
Administrative expense	(8,358)	(7,622)	(7,782)	(7,616)	(7,250)	(7,477)	(6,745)	(6,848)	(8,295)
Other	297	271	(246)	(457)	(698)	(1,078)	(76)	(98)	78
Net change in plan fiduciary net position	(577,157)	2,311,765	(529,348)	184,562	220,024	689,274	(244,676)	(6,470)	987,480
Plan fiduciary net position - beginning	13,218,715	10,906,950	11,436,298	11,251,736	11,031,712	10,342,438	10,587,114	10,593,584	9,606,104
Plan fiduciary net position - ending	\$ 12,641,558	\$ 13,218,715	\$ 10,906,950	\$ 11,436,298	\$ 11,251,736	\$ 11,031,712	\$ 10,342,438	\$ 10,587,114	\$ 10,593,584
Total net pension liability - beginning	\$ (2,773,011)	\$ (158,656)	\$ (481,302)	\$ (456,956)	\$ (338,280)	\$ 269,541	\$ 22,261	\$ (39,754)	\$ 781,581
Total net pension liability - ending	\$ (2,059,153)	\$ (2,773,011)	\$ (158,656)	\$ (481,302)	\$ (456,956)	\$ (338,280)	\$ 269,541	\$ 22,261	\$ (39,754)
Plan fiduciary net position as a percentage of total pension liability	-19.46%	-26.55%	-1.48%	-4.39%	-4.23%	-3.16%	2.54%	0.21%	-0.38%
Covered payroll	\$ 2,298,354	\$ 2,108,308	\$ 2,178,188	\$ 2,087,006	\$ 1,983,725	\$ 1,998,410	\$ 2,058,976	\$ 1,972,080	\$ 1,996,131
Net pension liability as a percentage of covered employee payroll	-89.59%	-131.53%	-7.28%	-23.06%	-23.04%	-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>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Actuarially determined contribution *	\$ -	\$ 51,429	\$ 50,178	\$ 67,672	\$ 68,013	\$ 89,157	\$ 191,048	\$ 277,344	\$ 265,639	\$ 169,072
Contributions in relation to actuarially determined contribution	-	51,690	50,178	67,672	68,013	89,157	184,280	272,601	261,035	267,755
Contribution deficiency (excess)	\$ -	\$ (261)	\$ -	\$ -	\$ -	\$ -	\$ 6,768	\$ 4,743	\$ 4,604	\$ (98,683)
Covered payroll	\$ 2,298,354	\$ 2,160,890	\$ 2,108,308	\$ 2,178,188	\$ 2,087,006	\$ 1,983,725	\$ 1,998,410	\$ 2,058,976	\$ 1,972,080	\$ 1,996,131
Contributions as a percentage of covered payroll	0.00%	2.39%	2.38%	3.11%	3.26%	4.49%	9.22%	13.24%	13.24%	13.41%

**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, 2016 based on the most recent experience study of the System for the four-year period ending June 30, 2016:

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

\* Excludes contributions (mandatory and match on voluntary) to the defined contribution portion of Hybrid plan.

## CITY OF CHARLOTTESVILLE, VIRGINIA

## EXHIBIT H-7

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

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<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) (%)	0.46149%	0.46409%	0.4797%	0.4832%	0.4796%	0.4804%	0.4819%	0.4783%	0.4655%
School Board's proportion of the net pension liability (asset) (\$)	43,936,611	36,027,758	69,811,858	63,312,862	56,399,000	\$ 59,082,000	\$ 67,535,000	\$ 60,198,000	\$ 56,251,000
School Board's covered payroll	\$43,294,313	\$41,310,321	\$42,357,768	\$ 40,460,883	38,941,499	\$ 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 payroll	101.4836%	87.2125%	164.8148%	156.4792%	144.8301%	155.2459%	183.7724%	169.3962%	231.4875%
Plan fiduciary net position as a percentage of the total pension liability	82.61%	85.46%	71.47%	73.51%	74.81%	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.

## CITY OF CHARLOTTESVILLE, VIRGINIA

EXHIBIT H-8

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

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Actuarially determined contribution *	\$ 6,970,461	\$ 6,855,433	\$ 6,566,056	\$ 6,381,272	\$ 6,158,803	\$ 6,355,218	\$ 5,579,163	\$ 5,166,947	\$ 6,467,698	\$ -
Contributions in relation to actuarially determined contribution	6,970,461	6,855,433	6,566,056	6,381,272	6,158,803	6,355,218	5,579,163	5,166,168	5,156,160	3,969,047
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 779	\$ 1,311,538	\$ (3,969,047)
Covered payroll	\$ 44,224,987	\$ 43,294,313	\$ 41,310,321	\$ 42,357,768	\$ 40,460,883	\$ 38,941,499	\$ 38,057,049	\$ 36,749,269	\$ 35,536,803	\$ -
Contributions as a percentage of covered payroll	15.8%	15.8%	15.9%	15.1%	15.2%	16.3%	14.7%	14.1%	14.5%	

**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, 2016 based on the most recent experience study of the System for the four-year period ending June 30, 2016:

- 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
- No salary changes

\* Excludes contributions (mandatory and match on voluntary) to the defined contribution portion of Hybrid plan.



## CITY OF CHARLOTTESVILLE, VIRGINIA

## EXHIBIT H-9

## SCHOOL BOARD SCHEDULE OF FUNDING PROGRESS

SCHEDULE OF EMPLOYER CONTRIBUTIONS FOR OTHER POSTEMPLOYMENT BENEFIT PLANS  
FOR THE YEAR ENDED JUNE 30, 2023

Entity Fiscal Year Ended June 30	Contractually Required Contribution	Contributions in Relation to Contractually Required Contribution	Contribution Deficiency (Excess)	Employer's Covered Payroll	Contributions as a Percentage of Covered Payroll
<b>Virginia Retirement System - Health Insurance Credit - Nonprofessional</b>					
2023	\$ 21,375	\$ 21,375	\$ -	\$ 2,298,354	0.93%
2022	\$ 15,942	\$ 15,942	\$ -	\$ 2,154,307	0.74%
<b>Virginia Retirement System - Health Insurance Credit - Teachers</b>					
2023	\$ 535,120	\$ 535,120	\$ -	\$ 44,224,987	1.21%
2022	\$ 523,901	\$ 523,901	\$ -	\$ 43,297,608	1.21%
2021	\$ 515,396	\$ 515,396	\$ -	\$ 43,490,629	1.19%
2020	\$ 508,293	\$ 508,293	\$ -	\$ 42,357,767	1.20%
2019	\$ 486,028	\$ 486,028	\$ -	\$ 40,502,306	1.20%
2018	\$ 479,003	\$ 479,003	\$ -	\$ 38,943,365	1.23%
<b>Virginia Retirement System - Group Life Insurance</b>					
2023	\$ 238,895	\$ 238,895	\$ -	\$ 44,239,834	0.54%
2022	\$ 245,522	\$ 245,522	\$ -	\$ 45,466,972	0.54%
2021	\$ 234,561	\$ 234,561	\$ -	\$ 43,418,630	0.54%
2020	\$ 233,335	\$ 233,335	\$ -	\$ 42,357,767	0.55%
2019	\$ 223,133	\$ 223,133	\$ -	\$ 40,502,306	0.55%
2018	\$ 157,801	\$ 157,801	\$ -	\$ 38,943,365	0.41%
<b>Local Plan - Schools</b>					
2023	\$ 207,440	\$ 207,440	\$ -	*	*
2022	\$ 138,880	\$ 138,880	\$ -	*	*
2021	\$ 298,000	\$ 298,000	\$ -	\$ 38,536,000	0.77%
2020	\$ 193,000	\$ 193,000	\$ -	\$ 38,356,000	0.50%
2019	\$ 128,000	\$ 128,000	\$ -	\$ 36,995,000	0.35%
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.

\* No covered payroll provided in Local plan actuary report.

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

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total OPEB Liability						
Service cost	\$ 164,162	\$ 143,071	\$ 133,000	\$ 148,000	\$ 122,000	\$ 144,000
Interest	55,716	81,107	99,000	130,000	129,000	125,000
Differences between exoected and actual experience	-	(14,599)	132,000	(5,000)	(127,000)	-
Changes of assumptions	(303,651)	(539,091)	216,000	(423,000)	-	-
Benefit payments, including refunds of employee contributions	(207,440)	(138,880)	(298,000)	(193,000)	(128,000)	(226,000)
Net change in total OPEB liability	(291,213)	(468,392)	282,000	(343,000)	(4,000)	43,000
Total OPEB liability - beginning	3,005,608	3,474,000	3,192,000	3,535,000	3,539,000	3,496,000
Total OPEB liability - ending	<u>\$ 2,714,395</u>	<u>\$ 3,005,608</u>	<u>\$ 3,474,000</u>	<u>\$ 3,192,000</u>	<u>\$ 3,535,000</u>	<u>\$ 3,539,000</u>
Plan fiduciary net position						
Contributions - employer	207,440	138,880	298,000	193,000	128,000	226,000
Contributions - employee	-	-	-	-	-	-
Net investment income	-	-	-	-	-	-
Benefit payments, including refunds of employee contributions	(207,440)	(138,880)	(298,000)	(193,000)	(128,000)	(226,000)
Administrative expense	-	-	-	-	-	-
Other	-	-	-	-	-	-
Net change in plan fiduciary net position	-	-	-	-	-	-
Plan fiduciary net position - beginning	-	-	-	-	-	-
Plan fiduciary net position - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total net OPEB liability - beginning	<u>\$ 3,005,608</u>	<u>\$ 3,474,000</u>	<u>\$ 3,192,000</u>	<u>\$ 3,535,000</u>	<u>\$ 3,539,000</u>	<u>\$ 3,539,000</u>
Total net OPEB liability - ending	<u>\$ 2,714,395</u>	<u>\$ 3,005,608</u>	<u>\$ 3,474,000</u>	<u>\$ 3,192,000</u>	<u>\$ 3,535,000</u>	<u>\$ 3,539,000</u>
Plan fiduciary net position as a percentage of total OPEB liability	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
Covered-employee payroll	*	*	\$ 38,536,000	\$ 38,536,000	\$ 36,995,000	\$ 36,995,000
Net OPEB liability as a percentage of covered-employee payroll	*	*	9.01%	8.28%	9.56%	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.

\* No covered payroll provided in Local plan actuary report.

**SCHOOL BOARD SCHEDULE OF FUNDING PROGRESS  
SCHEDULE OF EMPLOYER PROPORTIONATE SHARE FOR OPEB PLANS  
FOR THE YEAR ENDED JUNE 30, 2023**

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 - Nonprofessional</b>					
2023	0.00999%	\$ 225,374	\$ 2,298,354	9.81%	39.63%
2022	0.01021%	\$ 208,251	\$ 2,154,307	9.67%	40.52%
<b>Virginia Retirement System - Health Insurance Credit - Teachers</b>					
2023	0.44353%	\$ 5,802,571	\$ 44,224,987	13.12%	15.08%
2022	0.46456%	\$ 5,995,551	\$ 43,297,608	13.85%	13.15%
2021	0.46710%	\$ 6,505,623	\$ 43,490,629	14.96%	9.95%
2020	0.48316%	\$ 6,321,000	\$ 42,357,767	14.92%	8.97%
2019	0.48105%	\$ 6,113,000	\$ 40,502,306	15.09%	9.51%
2018	0.48208%	\$ 6,116,000	\$ 38,943,365	15.70%	7.04%
<b>Virginia Retirement System - Group Life Insurance</b>					
2023	0.01021%	\$ 118,872	\$ 2,298,354	5.17%	67.21%
2022	0.01021%	\$ 118,872	\$ 2,156,414	5.51%	67.45%
2021	0.01058%	\$ 176,563	\$ 2,108,308	8.37%	52.64%
2020	0.01063%	\$ 172,978	\$ 2,178,183	7.94%	52.00%
2019	0.01043%	\$ 159,000	\$ 2,084,546	7.63%	51.22%
2018	0.01043%	\$ 163,000	\$ 2,084,546	7.82%	48.86%

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.

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## **APPENDIX C**

### **Proposed Form of Opinion of Bond Counsel**

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*Set forth below is the proposed form of opinion of Hunton Andrews Kurth LLP, Bond Counsel.  
It is preliminary and subject to change prior to delivery of the Bonds.*

[Closing Date]

City Council  
City of Charlottesville  
Charlottesville, Virginia

**\$56,875,000**  
**City of Charlottesville, Virginia**  
**General Obligation Public Improvement Bonds,**  
**Series 2024**

Ladies and Gentlemen:

We have examined the applicable law and certified copies of proceedings and documents relating to the issuance and sale by the City of Charlottesville, Virginia (the “City”), of its \$56,875,000 General Obligation Public Improvement Bonds, Series 2024 (the “Bonds”). The Bonds are being issued to finance the costs of certain capital improvement projects for the City and pay costs of issuance (if not otherwise paid from City funds). Reference is made to the form of the Bonds for information concerning their details, including payment and redemption provisions, and the proceedings pursuant to which they are issued.

Without undertaking to verify the same by independent investigation, we have relied on certifications by representatives of the City as to certain facts relevant to both our opinion and requirements of the Internal Revenue Code of 1986, as amended (the “Code”). The City has covenanted to comply with the current provisions of the Code regarding, among other matters, the use, expenditure and investment of the proceeds of the Bonds and the timely payment to the United States of any arbitrage rebate amounts with respect to the Bonds, all as set forth in the proceedings and documents relating to the issuance of the Bonds (the “Covenants”).

Based on the foregoing and in accordance with customary opinion practice, we are of the opinion that:

1. The Bonds have been authorized and issued in accordance with the Constitution and statutes of the Commonwealth of Virginia, including the Public Finance Act of 1991, and constitute valid and binding obligations of the City, and the City Council of the City is authorized and required by law, unless other funds are lawfully available and appropriated for timely payment of the Bonds, to levy and collect an annual ad valorem tax, over and above all other taxes authorized or limited by law and without limitation as to rate or amount, on all locally taxable property in the City sufficient to pay when due the principal of, premium, if any, and interest on the Bonds.

2. The rights of the holders of the Bonds and the enforceability of such rights may be limited or otherwise affected by (a) bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance and other laws affecting the rights of creditors generally and (b) principles of equity, whether considered at law or in equity.

3. Under current law, interest on the Bonds (a) is not included in gross income for Federal income tax purposes, (b) is not an item of tax preference for purposes of the federal alternative minimum tax, and (c) is taken into account in determining adjusted financial statement income for applicable corporations (as defined in Section 59(k) of the Code) for the alternative minimum tax imposed on such corporations. The opinion in (a) and (b) of the preceding sentence is subject to the condition that there is compliance subsequent to the issuance of the Bonds with all requirements of the Code that must be satisfied in order that interest thereon not be included in gross income for federal income tax purposes. Failure by the City to comply with the Covenants, among other things, could cause interest on the Bonds to be included in gross income for Federal income tax purposes retroactively to their date of issue. The City may in its discretion, but has not covenanted to, take any and all such actions as may be required by

future changes in the Code and applicable regulations in order that interest on the Bonds remain excludable from gross income for Federal income tax purposes. We express no opinion regarding other Federal tax consequences of the ownership of or receipt or accrual of interest on the Bonds.

4. Under current law, interest on the Bonds is exempt from income taxation by the Commonwealth of Virginia.

The opinions set forth above are based on existing law, which is subject to change. Such opinions are further based on our knowledge of facts as of the date hereof. Our services as bond counsel to the City have been limited to delivering the foregoing opinion based on our review of such proceedings and documents as we deem necessary to approve the validity of the Bonds and the tax-exempt status of the interest thereon. Our services have not included any financial or other non-legal advice. We express no opinion herein as to the financial resources of the City, its ability to provide for payment of the Bonds or the accuracy or completeness of any information, including the City's Preliminary Official Statement dated July 26, 2024, and its Official Statement dated August 6, 2024, that may have been relied upon by anyone in making the decision to purchase Bonds. We assume no duty to update or supplement these opinions to reflect any facts or circumstances that may hereafter come to our attention or to reflect any changes in any law or the interpretation thereof that may hereafter occur or become effective.

Very truly yours,



## **APPENDIX D**

### **Form of Continuing Disclosure Agreement**

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## FORM OF CONTINUING DISCLOSURE AGREEMENT

This **CONTINUING DISCLOSURE AGREEMENT** dated as of August 28, 2024 (the “Disclosure Agreement”), is executed and delivered by the City of Charlottesville, Virginia (the “Issuer”), in connection with the issuance by the Issuer of its \$56,875,000 General Obligation Public Improvement Bonds, Series 2024 (the “Bonds”). The Issuer hereby covenants and agrees as follows:

**Section 1. Purpose.** This Disclosure Agreement is being executed and delivered by the Issuer for the benefit of the holders of the Bonds and in order to assist the original purchasers of the Bonds in complying with the provisions of Section (b)(5)(i) of Rule 15c2-12, as amended (the “Rule”), promulgated by the Securities and Exchange Commission (the “SEC”), by providing certain annual financial information and material event notices required by the Rule.

**Section 2. Annual Disclosure.** (a) The Issuer shall provide annually financial information and operating data in accordance with the provisions of Section (b)(5)(i) of the Rule as follows:

(i) financial statements of the Issuer, prepared in accordance with generally accepted accounting principles; and

(ii) the operating data with respect to the Issuer substantially of the type described in the following portions of Appendix A to the Issuer’s Official Statement dated August 6, 2024: (1) the tables entitled “Legal Debt Margin” and “Key Debt Ratios” in “CITY INDEBTEDNESS AND CAPITAL PLANS” and (2) the five tables in the subsection entitled “*Real Estate and Personal Property Taxes*” in the section “General Fund Revenues” in “FINANCIAL INFORMATION.”

If the financial statements filed pursuant to Section 2(a)(i) are not audited, the Issuer shall also file such statements as audited when available.

(b) The Issuer shall file annually with the Municipal Securities Rulemaking Board (“MSRB”) the financial information and operating data described in subsection (a) above (collectively, the “Annual Disclosure”) no later than the March 31 following the end of the Issuer’s preceding fiscal year, commencing with the Issuer’s fiscal year ending June 30, 2024.

(c) Any Annual Disclosure may be included by specific reference to other documents previously provided to the MSRB or filed with the SEC; provided, however, that any final official statement incorporated by reference must be available from the MSRB.

(d) The Issuer shall file with the MSRB in a timely manner notice specifying any failure of the Issuer to provide the Annual Disclosure by the date specified.

**Section 3. Event Disclosure.** The Issuer shall file with the MSRB in a timely manner not in excess of ten (10) business days after the occurrence of the event, notice of the occurrence of any of the following events with respect to the Bonds:

- (a) principal and interest payment delinquencies;
- (b) non-payment related defaults, if material;
- (c) unscheduled draws on debt service reserves reflecting financial difficulties;
- (d) unscheduled draws on any credit enhancement reflecting financial difficulties;
- (e) substitution of credit or liquidity providers, or their failure to perform;

(f) adverse tax opinions; the issuance by the IRS of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;

(g) modifications to rights of the holders of the Bonds, if material;

(h) bond calls, if material, and tender offers;

(i) defeasance of all or any portion of the Bonds;

(j) release, substitution or sale of property securing repayment of the Bonds, if material;

(k) rating changes;

(l) bankruptcy, insolvency, receivership or similar event of the Issuer;

(m) the consummation of a merger, consolidation or acquisition involving the Issuer or the sale of all or substantially all of the assets of the Issuer, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;

(n) appointment of a successor or additional trustee or the change of name of a trustee, if material;

(o) incurrence of a financial obligation (hereinafter defined) of the Issuer, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the Issuer, any of which affect Bondholders, if material; and

(p) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of the financial obligation of the Issuer, any of which reflect financial difficulties.

The term “financial obligation” means a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) guarantee of (i) or (ii). The term “financial obligation” does not include municipal securities as to which a final official statement has been provided to the Municipal Securities Rulemaking Board consistent with the Rule.

**Section 4. Termination.** The obligations of the Issuer hereunder will terminate upon the redemption, defeasance (within the meaning of the Rule) or payment in full of all the Bonds.

**Section 5. Amendment.** The Issuer may modify its obligations hereunder without the consent of Bondholders, provided that the Issuer receives an opinion of nationally recognized bond counsel to the effect that this Disclosure Agreement as so modified complies with the Rule as it exists at the time of modification. The Issuer shall within a reasonable time thereafter file with the MSRB a description of such modification(s).

**Section 6. Defaults.** (a) If the Issuer fails to comply with any covenant or obligation regarding Continuing Disclosure specified in this Disclosure Agreement, any holder (within the meaning of the Rule) of Bonds then outstanding may, by notice to the Issuer, proceed to protect and enforce its rights and the rights of the holders by an action for specific performance of the Issuer’s covenant to provide the Continuing Disclosure.

(b) Notwithstanding anything herein to the contrary, any failure of the Issuer to comply with any obligation regarding Continuing Disclosure specified in this Disclosure Agreement (i) shall not be deemed to constitute an event of default under the Bonds or the resolution providing for the issuance of the Bonds and (ii) shall not give rise to any right or remedy other than that described in Section 6(a) above.

**Section 7. Filing Method.** Any filing required hereunder shall be accompanied by identifying information as prescribed by the MSRB and shall be made by transmitting such disclosure, notice or other information in an electronic format to the MSRB through the MSRB's Electronic Municipal Market Access ("EMMA") system pursuant to procedures promulgated by the MSRB.

**Section 8. Additional Disclosure.** The Issuer may from time to time disclose certain information and data in addition to the Continuing Disclosure. Notwithstanding anything herein to the contrary, the Issuer shall not incur any obligation to continue to provide, or to update, such additional information or data.

**Section 9. Counterparts.** This Disclosure Agreement may be executed in several counterparts, each of which shall be an original, and all of which shall constitute but one and the same instrument.

**Section 10. Governing Law.** This Disclosure Agreement shall be construed and enforced in accordance with the laws of the Commonwealth of Virginia.

**CITY OF CHARLOTTESVILLE, VIRGINIA**

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City Manager

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## **APPENDIX E**

### **Description of The Depository Trust Company And Book-Entry System**

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## **DESCRIPTION OF THE DEPOSITORY TRUST COMPANY AND BOOK-ENTRY SYSTEM**

**The description that follows of the procedures and recordkeeping with respect to beneficial ownership interests in the Bonds, payments of principal of and premium, if any, and interest on the Bonds to The Depository Trust Company, New York, New York (“DTC”), its nominee, Participants or Beneficial Owners (each as hereinafter defined), confirmation and transfer of beneficial ownership interests in the Bonds and other bond-related transactions by and between DTC, Participants and Beneficial Owners is based solely on information furnished by DTC.**

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for each maturity of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world’s largest depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (the “Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has a Standard & Poor’s rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com).

Purchases of the Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC’s records. The ownership interest of each actual purchaser of each Bond (the “Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners, however, are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct or Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of the Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to DTC. If less than all of the Bonds are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the City or the Registrar as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payments of principal and interest on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the City or the Registrar, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the City or the Registrar subject to any statutory or regulatory requirements as may be in effect from time to time. Payments of principal and interest on the Bonds to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City or the Registrar, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the Bonds at any time by giving reasonable notice to the City or the Registrar. Under such circumstances, in the event that a successor securities depository is not obtained, Bond certificates will be printed and delivered.

The City may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered.

**The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the City believes to be reliable, but the City takes no responsibility for the accuracy thereof.**

**Neither the City nor the Registrar has any responsibility or obligation to the Direct or Indirect Participants or the Beneficial Owners with respect to (a) the accuracy of any records maintained by DTC or any Direct or Indirect Participant; (b) the payment by any Direct or Indirect Participant of any amount due to any Beneficial Owner in respect of the principal of, premium, if any, and interest on the Bonds; (c) the delivery or timeliness of delivery by any Direct or Indirect Participant of any notice to any Beneficial Owner that is required or permitted under the terms of the Resolution to be given to Bondholders; or (d) any other action taken by DTC, or its nominee, Cede & Co., as Bondholder, including the effectiveness of any action taken pursuant to an Omnibus Proxy.**

**So long as Cede & Co. is the registered owner of the Bonds, as nominee of DTC, references in this Official Statement to the Owners of the Bonds shall mean Cede & Co. and shall not mean the Beneficial Owners, and Cede & Co. will be treated as the only holder of Bonds for all purposes under the Resolution.**

The City may enter into amendments to the agreement with DTC or successor agreements with a successor securities depository, relating to the book-entry system to be maintained with respect to the Bonds without the consent of Beneficial Owners or Bondholders.