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**City of Charlotte, North Carolina**  
**Comprehensive Annual Financial Report**  
**For the Fiscal Year Ended June 30, 2014**

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*City of Charlotte, North Carolina*  
*Comprehensive Annual Financial Report*  
*For the Fiscal Year Ended June 30, 2014*

*Mayor: Daniel G. Clodfelter*

*Mayor Pro Tem: Michael D. Barnes*

*City Council:*

*Al Austin*

*John Autry*

*Ed Driggs*

*Claire Green Fallon*

*David Howard*

*Patsy Kinsey*

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*Kenny Smith*

*City Manager: Ron Carlee*

*Prepared by the City of Charlotte Finance Office*

*Randy J. Harrington, Chief Financial Officer and  
Management & Financial Services Director*

*Robert D. Campbell, Financial Controller*

*Teresa T. Smith, Chief Accountant*

This document is available online:



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OCTOBER 31, 2014

HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL

**CITY OF CHARLOTTE, NORTH CAROLINA**

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State law requires that all general-purpose local governments publish a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. Pursuant to that requirement, we hereby issue the comprehensive annual financial report (CAFR) of the City of Charlotte (City) for the fiscal year ended June 30, 2014.

This report consists of management's representations concerning the finances of the City. Consequently, management assumes full responsibility for the preparation and fair presentation of the information presented in this report. To provide a reasonable basis for making these representations, management of the City has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the City's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The City's financial statements, as required by North Carolina General Statute 159-34, have been audited by Cherry Bekaert LLP, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City for the fiscal year ended June 30, 2014, are free of material misstatement. The independent audit involved performing procedures to obtain audit evidence supporting the amounts and disclosures in the financial statements; evaluating the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was sufficient audit evidence for rendering an unmodified opinion that the City's financial statements for the fiscal year ended June 30, 2014, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

The independent audit of the financial statements of the City was part of a broader, federally and state mandated “Single Audit” designed to meet the special needs of federal and state grantor agencies. The Single Audit was performed in compliance with the Single Audit Act of the U.S. Office of Management and Budget Circular A-133 and North Carolina General Statute 159-34 (Single Audit Implementation Act). The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government’s internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. These reports are available in the Single Audit Section at the end of this report.

GAAP require that management provide a narrative introduction, overview and analysis to accompany the basic financial statements in the form of Management’s Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The City’s MD&A can be found immediately following the report of the independent auditors.



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## PROFILE OF THE GOVERNMENT

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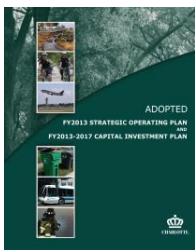
Charlotte, located in Mecklenburg County, North Carolina, is the largest city between Baltimore and Jacksonville, Florida. The City is in the Piedmont Region of the Carolinas, two hours east of the Appalachian Mountains and three and one-half hours west of the Atlantic Ocean. New York City is 631 miles to the northeast and Atlanta is 256 miles to the southwest. Location and growth reinforce the City’s role as a regional center in the Southeast.

The City, incorporated in 1768, became the county seat in 1774 and has grown from an initial 360 acres to a present area covering 306 square miles of the 527 square miles in Mecklenburg County. The City owes its name to German born Queen Charlotte, wife of England’s King George III, and the County’s name to her birthplace of Mecklenburg. That is why Charlotte is referred to as the “Queen City.” With an estimated population of 796,921, Charlotte is the core of the Charlotte-Gastonia-Concord Metropolitan Statistical Area, an area of over 1.9 million people that includes six counties. The vision of the City is to be a model of excellence that puts citizens first and makes this a community of choice for living, working and leisure activities. The mission of the City is to ensure the delivery of quality public services and to promote the safety, health, and quality of life of its citizens.

The City of Charlotte has had a **Council-Manager** form of government since 1929. Policy-making and legislative authority are vested in a governing council consisting of a mayor and eleven other members elected every two years on a partisan basis. The Mayor and four Council members are elected at-large by a citywide vote. The remaining seven Council members are elected by district, from voters who reside in each district. The City Council is responsible for appointing the City Manager, City Attorney, City Clerk and members of various boards and commissions; reviewing the annual budget; setting the tax rate; approving the financing of all City operations; and authorizing contracts on behalf of the City. The City Manager is responsible for carrying out policies and ordinances, and directs the daily operations of the City through Manager-appointed department directors.



The City provides a full range of services, including police and fire protection; the construction and maintenance of streets and other infrastructure; solid waste collection; water and sewer; storm water; an airport; and public transit. The City also has organizations for which the City is financially accountable and these are reported as component units. Financial accountability is determined in accordance with criteria established by the Governmental Accounting Standards Board (GASB). The **Charlotte Firefighters' Retirement System**, a blended component unit, is presented as a Pension Trust Fund. The **Charlotte Regional Visitors Authority** is reported as a discretely presented component unit. Additional information on these legally separate entities and the reporting entity can be found in Note 1.a. in the notes to the financial statements.



The **Strategic Operating and Community Investment Plan** illustrates the allocation of resources to fund the City's operations and capital programs. The City develops annually updated two-year operating budgets and five-year capital budgets. The City Council identifies priorities enabling departments to submit their budget requests based on organization focus and strategy. The Council Budget Committee ensures that the operating budget reflects the needs and issues of the City and the organization. Requests are submitted in January, followed by several half-day retreats, beginning in February, held to discuss requests that serve as the basis for the preliminary strategic operating plan presented to City Council in May. Workshops and public hearings are scheduled to enable citizens an opportunity to respond to the preliminary plan. In June, City Council adopts a final Strategic Operating and Community Investment Plan. Budget-to-actual comparisons are provided in this report for each fund for which an appropriated annual budget has been adopted. For the general fund, this comparison is presented as part of the basic financial statements. For other funds with annual and project-length budgets, detailed budget-to-actual comparisons are presented in the Combining and Individual Fund Statements and Schedules section of this report. Additional information on the budget can be found in the MD&A and Note 3. in the notes to the financial statements.

## LOCAL ECONOMY

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Charlotte has emerged as a financial, distribution and transportation center of an entire urban region. There are 7.5 million people living within a 100-mile radius.



**Financial Services Center** - One of Charlotte's many strengths as a leading business center is the concentration of financial institutions and resources. The City ranks as the nation's second largest financial center in headquartered banking assets and is the home of Bank of America Corporation, one of the nation's largest banks based on deposits. Many of the nation's top 20 banks have operations in Charlotte, as well as a branch of the Federal Reserve. Other financial

services that have a significant presence include mortgage banking, commercial finance and insurance industries.

**Transportation and Distribution Hub** - The City plays a major role in the transportation and distribution of goods throughout the nation. Charlotte-Douglas International Airport (CLT) is considered the "gateway to the world"; averaging 700+ flights per day with non-stop service to 150 different destinations. CLT has five concourses with 95 airline gates; the airport's large number of gates helps 87 percent of flights leave CLT on time, compared to 86 percent nationally. The airport served 43 million passengers in 2013. The Airport currently ranks 6th nationwide in operations, 8th in passengers, and 34th in cargo. Nine major commercial airlines and fourteen regional carriers offer direct or non-stop service. There are more than twenty cargo carriers serving the area. With customs services available at the Airport and a foreign trade zone designation, Charlotte is a port of entry and export.



CLT is also renowned for its facilities and hospitality. Charlotte-Douglas' 1.8 million square foot state-of-the-art terminal includes five concourses. In addition, the CLT 2015 development program includes various expansion projects to accommodate current and future passenger growth, to modify the Airport's entrance and parking, and to modify access to the terminal. CLT ranks among the most competitive and second most efficient airport in North America by Air Transport Research Society's Global Airport Performance Benchmarking study. Travel Leaders Group ranked CLT as the second best airport in the U.S. for making connections.

Trucking is a major industry in Charlotte. Charlotte's trucking industry is served by two interstate highways that pass through the City limits, Interstate Highways 77 and 85 (I-77 and I-85), running north/south and northeast/southwest, respectively. Convenient access to the nation's interstate highway system makes Charlotte an appealing location for the trucking industry. Approximately sixty percent of the nation's population is within a 24-hour drive from the city. There are over 500 trucks and transportation arrangement firms operating in Charlotte, including most of the nation's top trucking companies.

Interstate 485 (I-485) is the Outer Belt highway serving Mecklenburg County and metropolitan Charlotte. The 67-mile loop is presently open or under construction. NCDOT has taken steps to coordinate the three remaining projects that will complete the I-485 loop. These projects include building the final 5.7 miles of I-485, linking I-77 to I-85; converting the existing I-485 interchange to a turbine interchange, the first of its kind in North Carolina; and widening approximately 7 miles of I-85 from four to eight lanes in Cabarrus County. All three I-485/I-85 improvement projects will feature innovative interchange designs that will help save on construction costs while moving traffic more efficiently and safely. The final segment of I-485 has a scheduled completion date of early 2015.

Charlotte is also the center of the country's largest consolidated rail system. Two major rail systems, Norfolk Southern Railway and CSX Transportation, bring approximately 300 trains through Charlotte weekly and link Charlotte to 23 states, Washington, D.C. and Canada. To better integrate air, rail, and communications, Norfolk Southern Railway constructed a \$92 million intermodal rail and trucking facility on airport property that is expected to bring the region an economic boost of \$7.6 billion over the next two decades. The intermodal yard is situated on a 200 acre tract of land that is located between the airport runways. The intermodal yard will create another competitive edge for Charlotte, and will provide a boost to approximately 100 distribution centers operating in the Southeast.



**Business Environment** – Charlotte enjoys a vibrant, highly diversified economy that encompasses many sectors, as well as companies that range in size from multinational to micro-

*Top Five Industries  
(by number of employees)*

- Manufacturing
- Health & Social Assistance
- Retail Trade
- Education Services
- Finance & Insurance

business. Charlotte currently ranks 10<sup>th</sup> nationally in the number of Fortune 500 headquartered companies. Charlotte is home to operations for 270 companies that are listed on the Fortune 500. The City also has 4,200 Hoover's Million Dollar Companies. There are approximately 950 foreign-owned firms in the region, which have spawned the creation of several international and cultural organizations. Charlotte was ranked as the top U.S. city for foreign investment by *Site Selection* magazine. Charlotte is a major manufacturing force and is home to every major

manufacturing sector. Manufacturing in the Charlotte region includes industrial machinery, metal working, computer and electronic products, and biomedical facilities. The over 2,375 manufacturers in the Charlotte-Mecklenburg region employ more than 167,000 workers.



**Growth Outlook** - While many cities have seen construction costs rise, significant commercial growth continues throughout Charlotte. Charlotte construction costs rank as one of the lowest of the major metro centers. These low costs are reflected in the City awarding nearly 15,784 building permits in 2014 that represent more than \$2.3 billion of new construction. In 2013, Charlotte had a 2.6 percent increase in job growth resulting in Forbes ranking Charlotte 12th for Best Places for Business and Careers.

On April 11, 2014, the Knights opened their season at the new BB&T Ballpark. For 25 years the team had played away from Charlotte. The Knights welcomed 696,601 fans during the inaugural season in Uptown Charlotte – leading all of Minor League Baseball in attendance. The Knights were honored with the Economic Development Award for New & Existing Industry and the Top Hospitality/Entertainment Development Award. The Charlotte Knights will begin their second season at BB&T Ballpark on April 9, 2015.

Romare Bearden Park's grand opening was August 30, 2013. The 5.2 acre park is located in the Third Ward and at one point Bearden lived near the location of the new park. The park design is inspired by Bearden's multimedia collages where he used memory, experiences and tradition as the basis of his work. The main pathway of the park links Church Street to the BB&T Ballpark.



SKYE Condominiums are located in the building previously known as The Park. This 22 story tower is Charlotte's newest mixed-use development which includes 67 luxury residential condominiums, a 172-room Hyatt Place Hotel, ground floor retail, and a rooftop restaurant, called Fahrenheit. Chef Rocco Whalen's restaurant features amazing, unparalleled views of the Queen City and inventive new American cuisine. The building opened in the third quarter of 2013.

Work to complete the much-anticipated First Ward Urban Village project is currently underway. The estimated public-private project could spur nearly \$700 million in new development. The project would transform nine blocks or 24 acres to include a new park, 1,500 apartments, 1.5 million square feet of offices, 400,000 square feet of retail, and up to 400,000 square feet for educational, civic or cultural institutions.



In November 2007, Charlotte opened the first light rail line in the Carolinas, a 9.6-mile line known as the LYNX Blue Line. It runs between Uptown Charlotte and I-485 just north of Pineville. CATS was awarded a Federal Full Funding Grant Agreement in October 2012 for the LYNX Blue Line Extension project. To date, \$114.3 million has been spent on the project. During fiscal year 2014, the construction phase of the project began. All major construction contracts, valued at \$341.4 million, have been approved. This project will extend the current system 9.3 miles connecting Center City Charlotte with UNC Charlotte's main campus. Revenue service is anticipated to begin in fiscal year 2017.

**Recreational, Visitor and Cultural Events** - The City's eight percent hotel/motel and one percent prepared food and beverage taxes have provided a dedicated resource for the purpose of promoting the City as a destination for convention, business and leisure travel. With a steadily improving economy, Mecklenburg County saw \$4.6 billion in domestic traveler spending in 2013 (an increase of 4.7 percent over 2012).

Charlotte Regional Visitors Authority (CRVA), a discretely presented component unit, focuses on tourism promotions and facilities management. Through CRVA, the City provides entertainment and exhibition facilities consisting of an auditorium, two enclosed sports arenas and a convention center. The CRVA also operates the NASCAR Hall of Fame complex.



In May 2005, the North Carolina General Assembly passed legislation providing for funding a NASCAR Hall of Fame. On March 6, 2006, NASCAR awarded the Hall of Fame to the City of Charlotte. A two percent county-wide occupancy tax, which is a component of the eight percent hotel/motel tax, funds the construction, repair, maintenance and financing of the Hall of Fame. The Hall of Fame which opened in 2010 includes a 150,000 square foot museum, a 102,000 square foot expansion to the Convention Center which includes a 40,000 square foot ballroom and NASCAR Plaza, a 19-story, 393,000 square foot Class A office tower.

The City is home to two major-league sports franchises, the Carolina Panthers of the National Football League (NFL) and the Charlotte Hornets of the National Basketball Association (NBA). Home for the Carolina Panthers is the Bank of America Stadium, a privately owned, 73,778-seat facility in uptown Charlotte. The NBA's Charlotte Hornets play in the uptown Time Warner Cable Arena. In July 2013, the NBA voted to approve the Bobcats' petition to change its name back to the Hornets for the 2014-15 seasons. The Charlotte Hornets was the original franchise in Charlotte for fourteen seasons between 1988 and 2002. The team's current owner, Michael Jordan, sought to "bring the buzz back" by reclaiming the "Hornets" nickname. The Queen City is also home to the Charlotte Knights; the Charlotte Checkers of the American Hockey League affiliate of the National Hockey League (NHL) Carolina Hurricanes; and the Charlotte Eagles and Lady Eagles professional soccer teams of the United Soccer League.

Charlotte Motor Speedway, located in Concord, North Carolina, is the largest sports facility in the southeast. The 1.5 mile superspeedway, annually hosts three series of racing, including the Sprint Cup Series NASCAR Sprint All-Star Race, Coca-Cola 600, and the Bank of America 500; the Nationwide Series History 300 and Dollar General 300; and the Camping World Truck Series North Carolina Education Lottery 200.



The Coca-Cola 600 has the second largest attendance of all sporting events in the nation. The speedway hosts 140,000 permanent seats and has the capacity for nearly 40,000 more



spectators in the infield. Charlotte Motor Speedway is recognized as one of the busiest NASCAR facilities in the U.S. Also attracting race fans is the zMax Dragway at Charlotte Motor Speedway. The drag racing facilities' track, pit areas and midway cover 125 acres and seats 30,000. The dragway is unique in that it is the only four-lane, all concrete quarter-mile dragway in the national circuit.

College sports fans can attend the Belk Bowl at the Bank of America Stadium, which has matched an ACC team against a Big East team for the Bowl's twelve year history. The Belk Bowl averages 50,000 fans each year with three sellouts and has drawn over 630,000 fans to the Bank of America Stadium. College fans can also attend the CIAA Basketball Tournament which is held in the Time Warner Cable Arena. Golf lovers can attend one of the top events on the PGA tour, the Wells Fargo Championship. The U.S. National Whitewater Center is located on the Catawba River and is the world's largest artificial whitewater river and U.S. Olympic Training site. The 400 acre facility includes whitewater rafting and kayaking, flat water kayaking, mountain biking, eco-trekking, rock climbing, high ropes courses, a 57-foot climbing tower, zip line, a canopy tour, and team building programs. With over 24 activities, a restaurant, live music shows and events, this is the perfect playground for both children and adults.



Charlotte offers diverse facilities for culture, the arts, nature and science. The Bechtler Museum of Modern Art features collections of work by the most important and influential artist of the mid-20<sup>th</sup> century such as Alberto Giacometti, Pablo Picasso, Andy Warhol, Joan Miro, Jean Tinguely and Barbara Hepworth. The Knight Theater, part of the Blumenthal Performing Arts Center, is home to the Charlotte Ballet and also hosts other performing arts. The Harvey B. Gantt Center for African-American Arts + Culture serves as a community epicenter for music, dance, theater, visual art, film, arts education programs, literature and community outreach. The

145,000 square foot Mint Museum Uptown combines four collections (Craft + Design, Contemporary, American and selected European pieces) under one roof. The North Carolina Blumenthal Center for the Performing Arts, containing a 2,100-seat performance hall and a 440-seat theater, showcases the best in opera, symphony, chorus, dance and theater. The Charlotte Nature Museum, founded in 1946, provides programs and exhibits centered on a science theme of "Nature and Man." The "hands-on" science and technology museum, Discovery Place, features a 288 seat IMAX Dome Theatre. The 40,000 square feet Billy Graham Library on the grounds of the ministry's international headquarters in Charlotte includes a bookstore and a café. Also on the grounds is the Graham Family Home place.

**Education** - The County operates Charlotte-Mecklenburg Schools (CMS), a consolidated City-County public school system with current enrollment for kindergarten through grade 12 of more than 144,000 students. The City has no direct financial responsibility for CMS operations or capital projects. CMS has a diverse mix of students representing 160 different countries and various ethnic and cultural backgrounds. CMS offers magnet programs in 37 of its schools that develop students who have interests and talents in specific areas. On October 5, 2013, CMS received the National School Boards Association's Council of Urban Boards of Education Annual Award for Urban School Board Excellence. The award recognizes excellence in school board governance, building civic capacity, closing the achievement gap, and demonstrated success in academic excellence. The Association also noted that the school board raised its standing with the public by a purposeful effort to engage the community in strategic decisions that will influence the school system's future.



There are numerous opportunities for secondary education in the Charlotte area. Within the greater-Charlotte region there are twenty-three public and private secondary institutions offering baccalaureate degrees; seventeen schools offering graduate opportunities; seventeen junior colleges, community colleges and technical institutes conferring two-year associate degrees. Central Piedmont Community College (CPCC) is the largest of the North Carolina Community College System colleges, serving more than 75,000 students per year on its six campuses. UNC Charlotte is the 4<sup>th</sup> largest of the sixteen institutions comprising the University of North Carolina system. UNC Charlotte offers 92 bachelor's programs, 59 master's degrees and 19 doctoral programs. Founded in 1867, Johnson C. Smith University is an independent, close-knit urban university located in Charlotte. Offering 22 fields of study to more than 1,300 students from a variety of ethnic, socioeconomic and geographic backgrounds, its academic programs focus on servant leadership, civic engagement and global responsibility. A survey by Kiplinger ranked nearby Davidson College as the 5<sup>th</sup> best value liberal arts college, and U.S. News and World Report rated Davidson as number twelve on its list of the best liberal arts colleges. Queens University, located in the historic Myers Park neighborhood, has an approximate enrollment of 2,500. The Queens University College of Arts and Sciences has been praised by the National Endowment for the Humanities for its interactive approach to teaching liberal arts, serving as a model for other institutions of higher learning across the nation. Johnson & Wales University's Charlotte Campus is growing rapidly with over 2,500 full-time students enrolled in one of three colleges: the College of Business, the College of Culinary Arts or the Hospitality College. Pfeiffer University at Charlotte has an urban campus and offers adult learners the opportunity to earn both undergraduate and graduate degrees. Wake Forest University continues to have a strong graduate school presence in Charlotte with several top-ranked MBA programs. These programs attract talented professionals and foster an "urban campus" in the heart of the City's business district.

The Charlotte School of Law relocated to Charlotte Plaza in August 2013. This strategic move puts students closer to businesses and Mecklenburg and federal courts located uptown. The new facility includes 243,000 total square feet and 32,250 square feet in the library. There are seventeen classrooms, three moot court rooms, one training room, one courtroom, thirty-eight study rooms and five knowledge bars. Charlotte School of Law received full accreditation from the American Bar Association in June 2011.

**Health Care** – Charlotte and Mecklenburg County are served by a number of health care providers. There are nearly 2,500 hospital beds in the Charlotte-Mecklenburg area representing two health care systems, Carolinas HealthCare System and Novant Health. Carolina's HealthCare System is one of nation's largest public hospital systems in the country and is the most prominent health care system in the Carolinas. Carolinas Health Care System operates in 40 owned and managed hospitals and approximately 900 other care locations. Charlotte Healthcare system employs 61,000 people and manages an \$8 billion budget. Charlotte's largest hospital, Carolinas Medical Center (CMC), is a state-designated Academic Medical Center Teaching Hospital and for the 14th year has been recognized as Charlotte's most preferred hospital by the National Research Corporation. The center includes the Sanger Heart and Vascular Institute, a nationally known center with over 80 heart specialists, the nationally ranked Neuroscience and Spine Institute and the Women's Institute that specializes in the diagnosis and management of women's medical and reproductive conditions. The CMC campus also includes the 234-bed Levine Children's Hospital dedicated to the care of children and their families, and is the most comprehensive such facility between Washington, D.C. and Atlanta. Levine offers care in over 30 specialties and sub-specialties including pediatric surgery; a pediatric kidney, liver and heart transplant program; a pediatric intensive care unit and a children's diagnostic center. Presbyterian Healthcare is a not-for-profit healthcare provider under the parent organization of Novant Health. Novant Health was ranked nationally among the Top 100 Integrated networks for 2013.

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## LONG TERM FINANCIAL PLANNING

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Each year, in the early stages of budget planning, City Council establishes the areas of the community into which it wants to focus resources. These Focus Areas are the basis for budget decisions and operational programs. For fiscal year 2015, those areas are: **Community Safety, Housing and Neighborhood Development, Environment, Transportation & Planning, and Economic Development & Global Competitiveness**. The City uses the **Balanced Scorecard** performance measurement system to translate mission and strategy related to the Focus Areas into tangible objectives and measures; communicate strategy to employees; and ensure alignment of resources throughout the organization. City Strategy is documented in the Focus Area Plan and includes sixteen critical Corporate Objectives that guide and direct planning, decision making, and the accomplishment of the vision and mission of the City. For fiscal year 2015, initiatives within each Focus Area include:

**“Charlotte will be one of America’s safest communities.”** Community Safety is a major priority for the City. The City’s approach to building a safe community is focused on reducing crime and the loss of life and property resulting from fires. Initiatives in community safety include decreasing crime and life and property damages from fires; enhancing citizen perception of safety through citizen partnerships, crime and fire prevention and education activities; developing recruitment strategies that attract diverse applicant pools to the Police and Fire departments; and building collaborations with partners that enhance community safety initiatives.



**“The City of Charlotte will create and sustain distinct and diverse neighborhoods for residents of all ages.”** The City’s long-term health, vitality, and distinction as a competitive city is predicated upon its ability to utilize national and local best practices to create and sustain communities of choice for living, working and recreation. Initiatives in housing and neighborhood development include creating healthy and vibrant neighborhoods by improving and implementing quality physical infrastructure; strengthening opportunities for public and private partnerships to encourage the integration of education, recreation, employment and housing resources in identified redevelopment areas; assisting with increasing the supply of affordable housing; and redesigning the Quality of Life Study to more accurately reflect the City’s neighborhood conditions.



**“Charlotte will become a global leader in environmental sustainability, preserving our natural resources while balancing growth with sound fiscal policy.”** The City recognizes that environmental stewardship is fundamentally important to quality of life and essential to maintaining a vibrant economy. Protecting our natural resources, promoting conservation, and improving the environment all enhance the City’s mission to preserve the quality of life of its citizens. Initiatives in environment include leading by example by practicing environmental stewardship in City operations and facilities; seeking and supporting collaborative and regional solutions to environmental problems; and facilitating the growth of the clean energy industry, including the alternative energy sector.



**“Charlotte’s strong economy and attractive lifestyle will thrive due to our vibrant places healthy neighborhoods, and robust employment centers, supported by strategic transportation investments.”** Safe, convenient, efficient and sustainable transportation choices are critical to a viable community. The City’s strategy focuses on integrating land use and transportation choices for motorists, transit users, bicyclists and pedestrians. Initiatives in



transportation include enhancing multi-modal mobility, environmental quality and long term sustainability; promoting transportation choices, land use objectives, and transportation investments that improve safety, promote sustainability and livability; communicating land use and transportation objectives as outlined in the Transportation Action Plan; and seeking financial resources, external grants, and funding partnerships necessary to implement transportation programs and services.

**“Charlotte will strengthen its position as a city of prominence in the global marketplace by building upon its competitive advantages.”** The City’s long-



term economic health is in large part driven by its ability to facilitate private sector job growth and investment through partnerships which require public investment in public services and facilities and infrastructure. A healthy economy also requires

a commitment to strengthen and grow existing businesses, small business enterprises, entrepreneurship, business corridors and adjacent neighborhoods. Initiatives in economic development include helping grow small businesses; continue to focus on job and tax growth in business corridors; focusing on continuous improvement within the permitting and regulatory environment to facilitate job and tax base growth and to improve the customer experience; working with economic development partners to grow and retain business in the targeted industry sectors of energy and environment, finance, healthcare, manufacturing, defense, motorsports, tourism, film and international firms; and working with community partners to support youth employment and development in the community.

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## MAJOR INITIATIVES

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The City’s capital policy and future capital plans are established in a five-year community investment plan which matches the City’s highest priority capital needs with a financing schedule. The FY2015 - FY2019 Community Investment Plan (Plan) totals \$4.1 billion and includes investments in neighborhoods, housing, storm water, roads, transit, water and sewer, the airport and government facilities. This is a 22.4 percent increase from the FY2014 - 2018 Plan. The increase in the overall five-year Plan is a result of increases in the Aviation, Charlotte Area Transit System (CATS), General Government, Storm Water, and Water & Sewer capital programs.

Capacity for capital formation is determined annually through a comprehensive model that evaluates revenues dedicated to capital and future debt service requirements. The model specifies the additional capacity to issue debt that can be fully repaid with existing or planned revenues. As a result, when voters approve General Obligation Bonds, revenues are expected to be available to repay debt service without future tax increases. Effective July 1, 2013, the City adopted a 3.17 cents property tax increase that is dedicated to the General Community Investment Program projects. This property tax increase funds general obligation bond referenda for November 2014, 2016, 2018, and 2020.

**Aviation.** The Aviation Plan totals \$1.3 billion, a 31.9 percent increase, and is funded by \$854.8 million in revenue bonds, \$112.7 million in Federal Aviation Administration grants, \$33.0 million in Transportation Security Administration funding, and \$274.4 million in cash. The Aviation capital projects are mostly that of terminal expansions and runway reconstruction and rehabilitation that are part of the airports long range plan.

**Charlotte Area Transit System (CATS).** The Charlotte Area Transit System Plan totals \$1.2 billion, a 9.2 percent increase, and is funded by federal and state grants and the one half-cent sales tax for transit. The CATS capital program is primarily comprised of funding for the LYNX Blue Line Extension. The Lynx Blue Line Extension will extend the original light rail line from Center City Charlotte to a terminus on the University of North Carolina at Charlotte. The 9.3 mile extension will have 11 stations and is scheduled to begin operations in 2017.

**General Government.** The General Community Investment Plan programs include Housing and Neighborhood Development at \$260.7 million to support improving communities through the Housing Diversity Program and the Comprehensive Neighborhood Improvement Program; Transportation at \$268.4 million to support new investments in Corridors and increase transportation connections other than transit; Economic Development at \$116.7 million for additional corridor investments; Environment Services at \$16.6 million environmental mitigation and support of Charlotte's Tree Program; and Facility Investments at \$147.4 million to support additional public safety and maintenance facilities.

**Storm Water.** Storm Water totals \$267.9 million, a 25.7 percent increase over the prior year's five year program, and is funded by \$180.5 million in cash and \$87.4 million in revenue bonds. The program is self-funded through user fees charged to property owners according to areas of impervious surface. The Storm Water capital program includes major flood control, minor flood control and control maintenance repairs, and stream restoration projects.

**Water and Sewer.** Water and Sewer Plan totals \$609.8 million, a 32.1 percent increase, and is funded by \$203.5 million in cash and \$406.3 million in revenue bonds. The Water and Sewer capital projects are related to maintaining and expanding infrastructure to support growth and demand.

## AWARDS AND ACKNOWLEDGEMENTS

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The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Charlotte for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2013. This was the twenty-ninth consecutive year that the City has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized CAFR. This report must satisfy both GAAP and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

The cooperation of each City department is appreciated as we continue to provide a high level of public service at a reasonable tax rate. We appreciate the professional competency and dedication of the Finance Office staff throughout the year, especially during the preparation of this CAFR. Credit is given to the Mayor and City Council for their leadership and support in maintaining the highest standards of professionalism in the fiscal management of the City.

Respectfully submitted,

Ron Carlee  
City Manager

Randy Harrington  
Chief Financial Officer  
and Director of Management  
& Financial Services





Government Finance Officers Association

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

Presented to

**City of Charlotte  
North Carolina**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

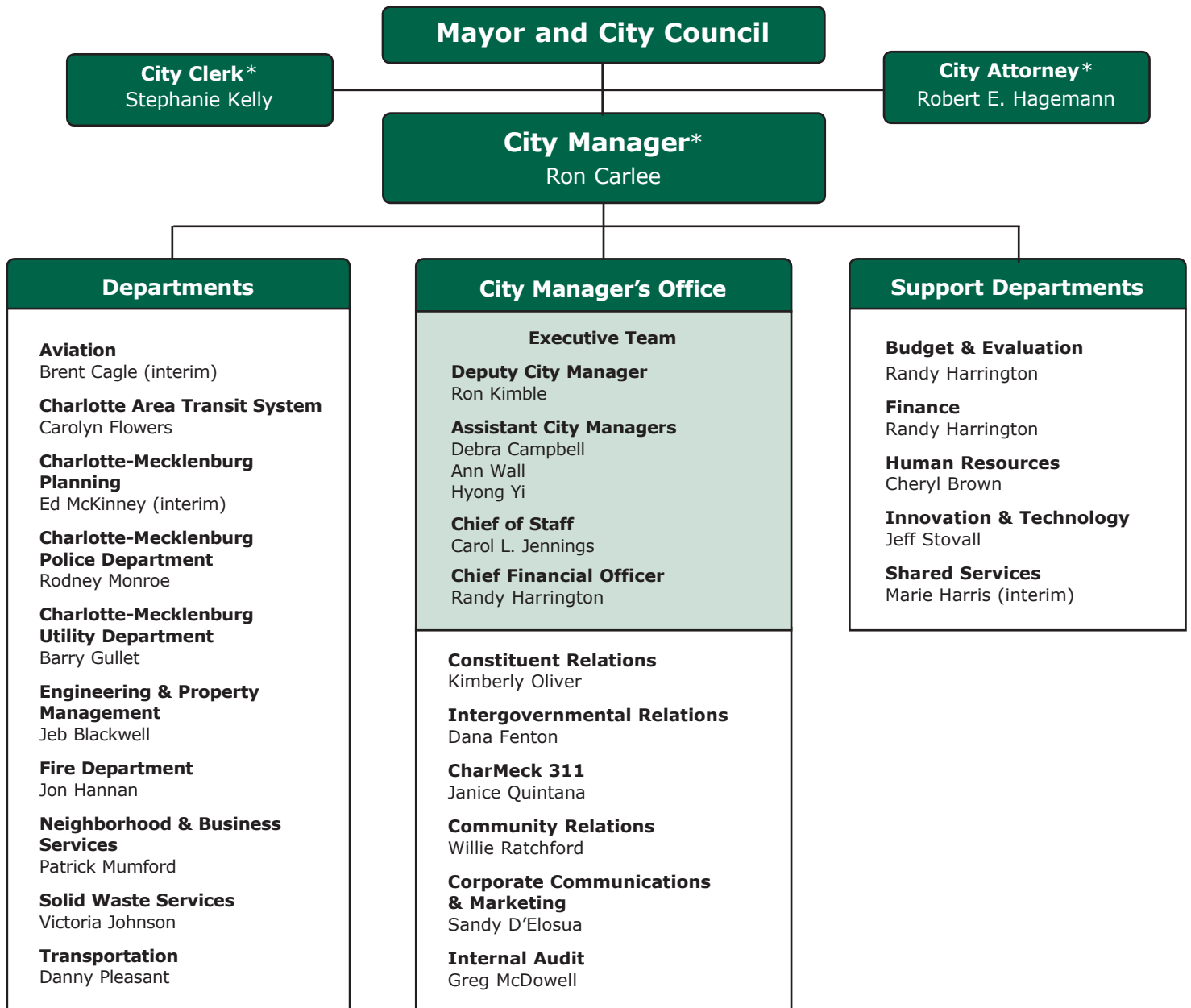
**June 30, 2013**



Executive Director/CEO



# City Government Organization Chart





## **Report of Independent Auditor**

To the Honorable Mayor and  
Members of the City Council  
City of Charlotte, North Carolina

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

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

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

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

### **Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Charlotte Regional Visitors Authority (the "CRVA"). Those statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the CRVA, is based solely on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

### **Opinions**

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

## **Other Matters**

### **Prior Period Adjustment**

As discussed in Note 6.k. to the basic financial statements, it was discovered that capital assets and net position were overstated as of and for the year ended June 30, 2013. Accordingly, beginning capital assets and net position have been restated to properly reflect balances as of June 30, 2013.

### **Required Supplementary Information**

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

### **Supplementary and Other Information**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining and individual fund statements and schedules, statistical section as well as the accompanying schedule of expenditures of federal and State awards as required by U.S. Office of Management and Budget Circular A-133, *Audits of States and Local Governments, and Non-Profit Organizations* and the State Single Audit Implementation Act are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund statements and schedules, and the schedule of expenditures of federal and State awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, based on our audit and the procedures performed as described above, the combining and individual fund statements and schedules, and the schedule of expenditures of federal and State awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 2014 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Channing R. Ricketts LLP

Raleigh, North Carolina  
October 31, 2014



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## MANAGEMENT'S DISCUSSION AND ANALYSIS

(Dollar Amounts in Millions)

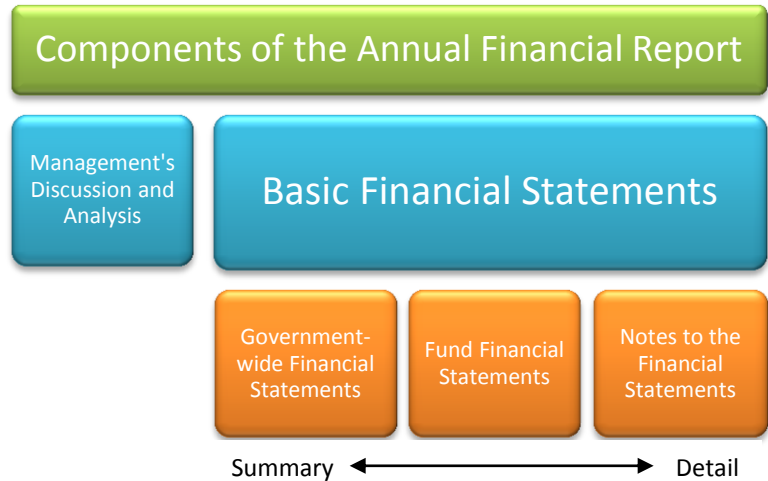
This section of the City of Charlotte's (City) annual financial report presents a narrative overview and analysis of the City's financial performance for the fiscal year ended June 30, 2014. Please read it in conjunction with the transmittal letter at the front of this report and the City's financial statements, which follow this section.

### FINANCIAL HIGHLIGHTS

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$9,628.4, (net position). Of this amount, \$1,237.5 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.
- The overall financial position of the City improved in 2014 as evidenced by an increase in total net position of \$359.4. This increase was from both governmental (\$55.0) and business-type (\$304.4) activities.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$746.9, an increase of \$93.1 in comparison with the prior year. This increase resulted from increased property tax revenue.
- Unassigned fund balance in the General fund was \$95.3 at June 30, 2014 and represents a traditional fund balance reserve maintained for emergencies, liquidity and overall financial strength. This meets the City Council's goal of 16 percent of the budget for fiscal year 2015. The amount exceeding the City Council's goal of 16 percent, \$5.3 is committed.
- The City maintained its AAA bond rating from all three major rating agencies.

### OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis serves as an introduction to the City's basic financial statements. The basic financial statements present two different views of the City through the use of government-wide statements and fund financial statements. This diagram shows how the components of the annual report are arranged and relate to one another.



The first two statements (pages 33-35) are *government-wide financial statements* that provide both long-term and short-term information about the City's overall financial status. The remaining statements (pages 36-53) are *fund financial statements* that focus on individual parts of the City government, reporting the City's operations in more detail than the government-wide statements.

- The *governmental funds statements* tell how general government services like public safety were financed in the short-term as well as what remains for future spending. A budgetary comparison statement has been provided for the General fund to demonstrate budgetary compliance.
- *Proprietary funds statements* offer short- and long-term financial information about the activities the City operates like businesses, such as the water and sewer system.
- The *fiduciary funds statements* reflect the financial relationship with the Firefighters' Retirement System, which provides benefits exclusively for certain City employees, and the Employee Benefit Trust, which accumulates resources for the provision of other postemployment benefit payments for retirees and their beneficiaries.

The financial statements also include *notes* that explain some of the information in the financial statements and provide more detailed data (pages 54-116). A section is also included with combining statements that provides details about non-major governmental funds, internal service funds, and fiduciary funds, each of which are totaled and presented in single columns in the basic financial statements. This section (pages 117-166) also includes detailed budgetary information required by North Carolina General Statutes.

The remainder of this overview section explains the structure and contents of the government-wide and fund financial statements.

**Government-wide financial statements.** The government-wide statements report information about the City as a whole using accounting methods similar to those used by private-sector companies.

The *statement of net position* includes all of the City's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether financial position is improving or deteriorating. Other nonfinancial factors such as changes in the City's property tax base and the condition of the City's roads must be considered to assess the overall health of the City.

The *statement of activities* presents information showing how the City's net position changed during the most recent fiscal year. The statement accounts for all of the current year's revenues and expenses regardless of when cash is received or paid.

The government-wide financial statements are divided into three categories:

- Governmental activities - Most of the City's basic services are included here, such as public safety, community planning and development, and streets and highways. Property taxes, other taxes, and grants and contributions finance most of these activities.
- Business-type activities - The City charges fees to customers to cover the costs of certain services provided. The City's water and sewer system, storm water system, airport, and public transit system are included here.

- Component unit - The City's annual report includes one other entity, the Charlotte Regional Visitors Authority. Although legally separate, the City appoints the governing board and provides financial support.

**Fund financial statements.** The fund financial statements provide more detailed information about the City's most significant funds, not the City as a whole. Funds are accounting groups that the City uses to keep track of specific sources of funding and spending for particular purposes. Some funds are required by State Statutes. Other funds are established to control and manage resources designated for specific purposes.

The City has three kinds of funds:

- Governmental funds - Most of the City's basic services are included in governmental funds, which focus on (1) the flow in and out of cash and other financial assets that can readily be converted to cash and (2) the balances left at year-end that are available for spending. These funds are reported using the modified accrual accounting basis and a current financial resources measurement focus. Consequently, the governmental funds statements provide a detailed short-term view that helps determine the financial resources available in the near future to finance the City's programs. The relationship between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is described in a reconciliation that follows the governmental fund financial statements.

The City adopts an annual budget for the General fund, as required by State Statutes. A budgetary comparison statement is presented for the General fund using the City's budgetary basis of accounting. This statement reflects the following: (a) the original budget, (b) the final budget as amended, (c) actual resources, and (d) the variance between the final budget and actual resources. Because the budgetary basis of accounting differs from the modified accrual basis used in the funds statements, a reconciliation is provided at the end of the statement.

- Proprietary funds – Services for which the City charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long- and short-term financial information. The City has two types of proprietary funds. Enterprise funds are the same as the business-type activities (shown in the government-wide financial statements), but provide more detail and additional information, such as cash flows. Internal service funds are used to report activities that provide supplies and services for the City's other programs and activities. These internal service activities predominately benefit governmental rather than business-type activities; therefore, they have been included with governmental activities in the government-wide financial statements.
- Fiduciary funds - The City is the trustee, or fiduciary, for the Firefighters' Retirement System and the Employee Benefit Trust. The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes. This fiduciary activity is reported in a separate statement of fiduciary net position and a statement of changes in fiduciary net position. These funds are excluded from the City's government-wide financial statements because the City cannot use these assets to finance its operations.

## FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

**Net position.** As noted earlier, net position may serve over time as a useful indicator of a government's financial position. For the City, assets exceeded liabilities by \$9,628.4 at the close of the most recent fiscal year. A summary of the City's net position at June 30, 2014 and 2013, as restated, is presented below. Information about the restatement is presented in Note 6.k. to the financial statements.

Net Position						
	Governmental Activities		Business-type Activities		Total Primary Government	
	2014	2013	2014	2013	2014	2013
Current and other assets	\$ 1,042.2	\$ 953.8	\$ 1,550.1	\$ 1,595.2	\$ 2,592.3	\$ 2,549.0
Capital assets	6,121.1	6,078.8	5,694.9	5,358.0	11,816.0	11,436.8
<b>Total assets</b>	<b>7,163.3</b>	<b>7,032.6</b>	<b>7,245.0</b>	<b>6,953.2</b>	<b>14,408.3</b>	<b>13,985.8</b>
<b>Deferred outflows of resources</b>	<b>56.4</b>	<b>57.8</b>	<b>86.5</b>	<b>91.9</b>	<b>142.9</b>	<b>149.7</b>
Current and other liabilities	235.7	126.3	275.5	148.1	511.2	274.4
Noncurrent liabilities	1,563.5	1,598.2	2,845.4	2,990.8	4,408.9	4,589.0
<b>Total liabilities</b>	<b>1,799.2</b>	<b>1,724.5</b>	<b>3,120.9</b>	<b>3,138.9</b>	<b>4,920.1</b>	<b>4,863.4</b>
<b>Deferred inflows of resources</b>	<b>2.7</b>	<b>3.1</b>	<b>-</b>	<b>-</b>	<b>2.7</b>	<b>3.1</b>
Net position:						
Net investment in capital assets	4,668.8	4,667.0	3,077.7	2,794.2	7,746.5	7,461.2
Restricted	252.4	248.4	392.0	356.5	644.4	604.9
Unrestricted	496.6	447.4	740.9	755.5	1,237.5	1,202.9
<b>Total net position</b>	<b>\$ 5,417.8</b>	<b>\$ 5,362.8</b>	<b>\$ 4,210.6</b>	<b>\$ 3,906.2</b>	<b>\$ 9,628.4</b>	<b>\$ 9,269.0</b>

By far the largest portion of the City's net position (80 percent) reflects its investment in capital assets (land, buildings, roads, bridges, etc.), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

An additional portion of the City's net position (7 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position (\$1,237.5) may be used to support operations and provide for payment of long-term debt.

At the end of the current fiscal year, the City is able to report positive balances in all three categories of net position, both for the government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.

Government-wide net position increased by \$359.4 during the current fiscal year from increases in both governmental and business-type activities. The increases resulted in part from contributed assets including the addition of streets due to annexation and contributions of infrastructure assets from developers.

**Changes in net position.** The following table presents the City's changes in net position for the fiscal years ended June 30, 2014 and 2013:

Change in Net Position						
	Governmental Activities		Business-type Activities		Total Primary Government	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
<b>Revenues</b>						
Program revenues:						
Fees, fines and charges for services	\$ 96.2	\$ 98.0	\$ 658.9	\$ 635.0	\$ 755.1	\$ 733.0
Operating grants and contributions	51.0	97.3	12.1	12.2	63.1	109.5
Capital grants and contributions	22.6	14.5	153.7	145.8	176.3	160.3
General revenues:						
Property taxes	436.6	397.6	-	-	436.6	397.6
Other taxes	225.6	218.0	71.2	66.5	296.8	284.5
Grants and contributions not restricted to specific programs	20.5	19.1	-	-	20.5	19.1
Other	3.4	34.1	12.8	(8.4)	16.2	25.7
Total revenues	<u>855.9</u>	<u>878.6</u>	<u>908.7</u>	<u>851.1</u>	<u>1,764.6</u>	<u>1,729.7</u>
<b>Program expenses</b>						
Public safety	348.4	372.9	-	-	348.4	372.9
Sanitation	52.9	49.6	-	-	52.9	49.6
General administration	47.1	45.3	-	-	47.1	45.3
Support services	28.8	25.6	-	-	28.8	25.6
Engineering and property management	25.8	31.6	-	-	25.8	31.6
Streets and highways	125.5	122.2	-	-	125.5	122.2
Culture and recreation	32.8	28.7	-	-	32.8	28.7
Community planning and development	67.2	68.8	-	-	67.2	68.8
Interest and other charges	54.3	56.4	-	-	54.3	56.4
Water	-	-	104.9	103.9	104.9	103.9
Sewer	-	-	149.9	145.0	149.9	145.0
Storm water	-	-	19.9	22.1	19.9	22.1
Airport	-	-	185.2	172.1	185.2	172.1
Public transit	-	-	162.5	168.2	162.5	168.2
Total expenses	<u>782.8</u>	<u>801.1</u>	<u>622.4</u>	<u>611.3</u>	<u>1,405.2</u>	<u>1,412.4</u>
Excess before transfers	73.1	77.5	286.3	239.8	359.4	317.3
Transfers	(18.1)	(13.8)	18.1	13.8	-	-
<b>Increase in net position</b>	<b>55.0</b>	<b>63.7</b>	<b>304.4</b>	<b>253.6</b>	<b>359.4</b>	<b>317.3</b>
Net position - beginning, restated	5,362.8	5,299.1	3,906.2	3,652.6	9,269.0	8,951.7
Net position - ending	<u>\$ 5,417.8</u>	<u>\$ 5,362.8</u>	<u>\$ 4,210.6</u>	<u>\$ 3,906.2</u>	<u>\$ 9,628.4</u>	<u>\$ 9,269.0</u>

Total government-wide revenues of \$1,764.6 were derived primarily from property and other taxes (42 percent) and grants and contributions (14 percent). These sources of revenues increased 2 percent from the prior year, primarily due to increased property tax revenues due to a higher than anticipated collection rate.

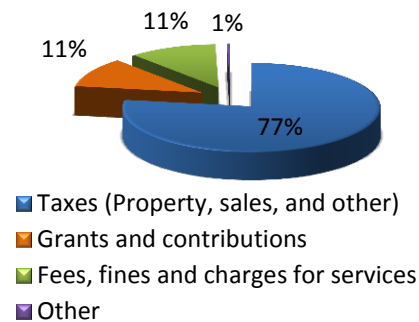
The total expenses of all programs were \$1,405.2. The expenses cover a range of services with the two largest being transportation (streets and highways, airport and public transit) for 34 percent and public safety (fire and police) for 25 percent. Transportation expenses increased over the prior year in part due to increased expenditures for airport operations and maintenance as a result of greater terminal and airfield utilization.

## Governmental Activities

As shown in the chart, property, sales and other taxes (77 percent) and grants and contributions (11 percent) were the major sources of revenues for governmental activities.

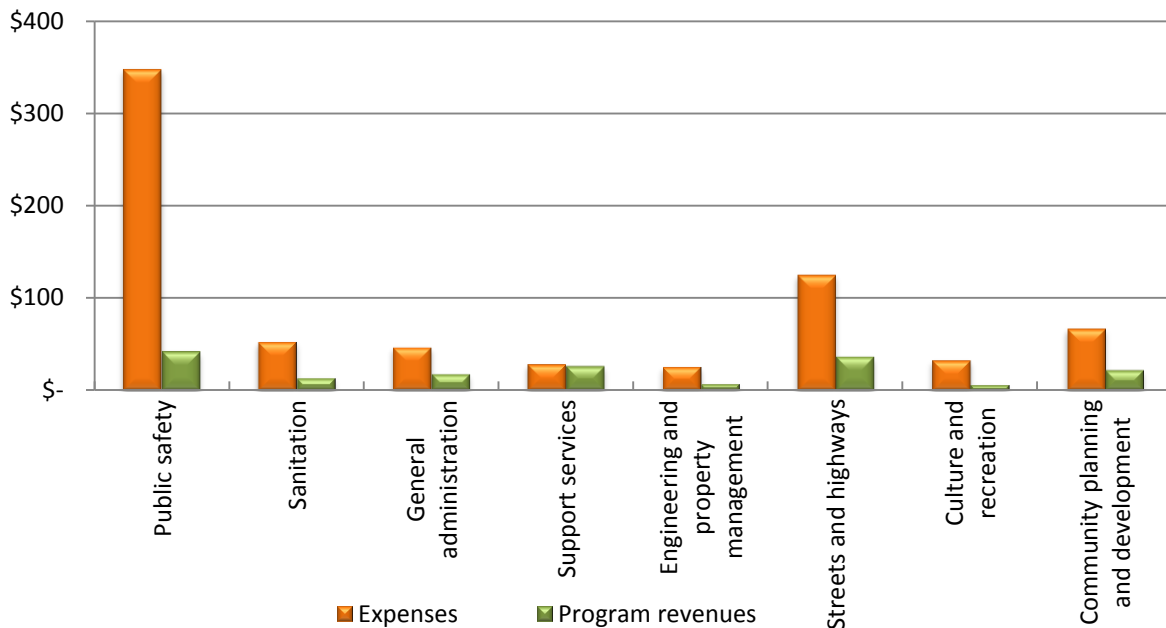
Governmental expenses decreased from \$801.1 to \$782.8 during this fiscal year. The prior year expenses were higher due to the costs for the Democratic National Convention (funded by a Federal grant). As in prior years, public safety continues to be the largest expense with 45 percent in the current and 47 percent in the prior year.

**Governmental Revenues by Source**



The following chart highlights the net cost (total cost less fees generated by the activities and intergovernmental grants) of the City's governmental programs mainly public safety, streets and highways and community planning and development. The net cost shows the financial support provided by taxes and other general revenue sources not restricted to specific programs.

**Governmental Expenses Compared with Program Revenues**



In addition to property and other taxes, the total cost of services of \$782.8 was supported by \$73.6 provided by other governments and organizations for specific programs and \$96.2 provided by fees, fines and charges from those who directly benefited from the programs.

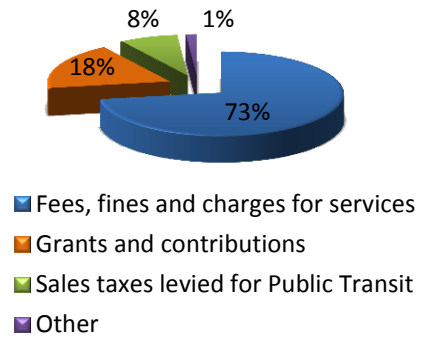


## Business-type Activities

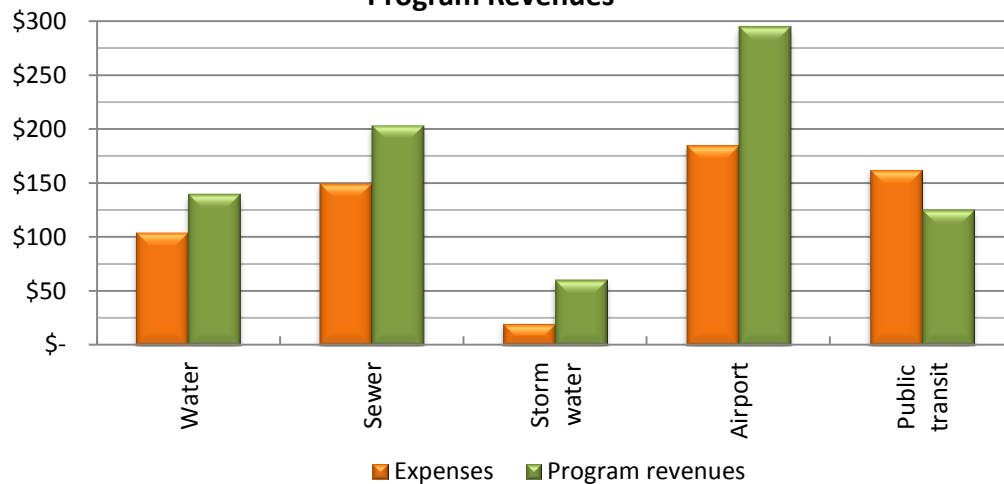
Revenues for the business-type activities were \$908.7, an increase of 7 percent from the prior year. This increase is due in part to increased passenger levels and increased concession revenues at the Airport and an increase in volume rate and availability fee for both water and sewer.

The chart below highlights the net cost of the City's business-type programs. For all business-type activities except Public Transit, user rates and fees are established to provide for operating expenses, debt service costs and adequate working capital. Public transit passenger fares are established to provide reasonably priced public mass transportation and therefore may not cover all operating costs. In addition to fare revenues, state operating assistance grants, a one-half percent sales tax and contributions from other local governments fund the transit program.

## Business-type Revenues by Source



## Business-type Expenses Compared with Program Revenues



Airport expenses increased \$13.1 or 8 percent from the prior year due in part to increased costs of various activities including deicing and recycling, and an increase in start-up cost payments to operators.

## FINANCIAL ANALYSIS OF THE CITY'S FUNDS

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

**Governmental funds.** The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the financing requirements. In particular, 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. At June 30, 2014, the governmental funds reported a combined fund balance of \$746.9, an increase of \$93.1 or 14 percent from last year. This amount consists of the following:

- (a) \$4.3 non-spendable for inventories and perpetual care,
- (b) \$249.3 restricted for State Statutes, special obligation debt service and specific programs,
- (c) \$145.4 committed primarily for capital projects,
- (d) \$252.6 assigned for debt service and specific programs, and
- (e) \$95.3 unassigned.

The general fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the general fund was \$95.3, while total fund balance reached \$170.5. The City's Capital Investment Plan Financial Policies include a policy to maintain fund balance at 16 percent of the operating budget. Any portion in excess of 16 percent is dedicated to capital expenses, unless otherwise directed by City Council. \$5.3 is committed for capital projects.

Other major governmental funds are the debt service and the capital projects funds. The debt service fund has a total fund balance of \$264.6, all of which will be used for either the payment of debt service or is restricted by State Statutes. Debt service fund balance increased \$41.0 from the prior year due primarily to increased property tax revenue and transfers. The capital projects fund has a total fund balance of \$137.5, all of which is committed for future capital projects. Capital project fund balance increased \$49.7 from the prior year due to debt sales for Bank of America Stadium improvements and equipment and facilities.

**Proprietary funds.** Proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net position at the end of the year amounted to \$224.9 in the Water and Sewer fund, \$43.6 in the Storm Water fund, \$339.1 in the Airport fund and \$131.6 in the Public Transit fund. The change in net position for the funds was \$92.1, \$41.5, \$112.9 and \$54.2 respectively. Factors concerning the finances of these funds have already been addressed in the discussion of the business-type activities.

## GENERAL FUND BUDGETARY HIGHLIGHTS

During the fiscal year, City Council approved several immaterial budget amendments. The most significant amendments related to appropriation of fund balance amounts from the prior year which exceeded the City Council's goal of 16 percent and were previously committed.

Revenues were \$4.3 above the final budgeted amount. Property tax revenues were \$7.5 greater than expected due in part to lower than estimated rebates and higher than expected collection rates. Sales tax revenues were \$6.4 greater than expected due primarily to higher than expected spending.

The fiscal 2014 budget reflected slow growth following the economic recession, weathered by the City through budget reductions and a continuation of conservative financial strategies. The most significant expenditure increase was \$1.7 for Police and Fire for fuel price escalations, maintenance of specialized equipment and specialized training for public safety. Actual expenditures were \$1.4 below final budget amounts for fiscal year 2014.

## CAPITAL ASSET AND DEBT ADMINISTRATION

**Capital Assets.** At June 30, 2014, the City had \$11,816.0 (net of accumulated depreciation) in capital assets consisting primarily of land, buildings, roads, and water and sewer lines. This amount represents a net increase of \$379.2, or 3 percent over last year. The following is a summary of capital assets at June 30, 2014 and 2013:

### Capital Assets (Net of Depreciation)

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total Primary Government</b>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
Land	\$ 3,195.8	\$ 3,163.9	\$ 403.3	\$ 399.4	\$ 3,599.1	\$ 3,563.3
Buildings	804.8	799.4	323.3	317.8	1,128.1	1,117.2
Improvements other than buildings	-	-	3,241.0	3,263.7	3,241.0	3,263.7
Infrastructure	1,615.0	1,629.3	-	-	1,615.0	1,629.3
Intangibles	2.4	2.6	5.9	6.2	8.3	8.8
Machinery and equipment	51.0	52.0	141.0	129.2	192.0	181.2
Construction in progress	452.1	431.6	1,580.4	1,241.7	2,032.5	1,673.3
Totals	<u>\$ 6,121.1</u>	<u>\$ 6,078.8</u>	<u>\$ 5,694.9</u>	<u>\$ 5,358.0</u>	<u>\$ 11,816.0</u>	<u>\$ 11,436.8</u>

This year's major capital asset additions included:

- Sewer rehabilitation - \$11.2
- Street main extensions - \$4.5
- Annexation area water mains - \$15.0
- Airport east terminal expansion - \$20.7
- Airport transit shuttles - \$6.1

At June 30, 2014, authorized and unexpended capital projects totaled \$2,087.0 as follows: governmental (\$466.4), water and sewer (\$720.2), airport (\$153.5), storm water (\$117.9), and public transit (\$629.0). The City has plans to issue additional debt to finance these projects in addition to using resources currently available.

More detailed information about the City's capital assets is presented in Note 4.f. to the financial statements.

**Long-term Debt.** At June 30, 2014, the City had \$4,531.7 of debt outstanding in bonds, installment purchases, commercial paper notes, derivative instrument liability, and other financing agreements. This was an increase of \$25.1 or 0.6 percent over last year. Details by type of debt are presented in the following table:

Outstanding Debt						
	Governmental Activities		Business-type Activities		Total Primary Government	
	2014	2013	2014	2013	2014	2013
General obligation bonds (backed by the City's taxing authority)	\$ 729.4	\$ 577.4	\$ 203.2	\$ 231.3	\$ 932.6	\$ 808.7
Revenue bonds (backed by specific fee revenues)	-	-	2,303.0	2,404.5	2,303.0	2,404.5
Special obligation bonds	8.3	9.2	-	-	8.3	9.2
Installment purchases	747.2	727.9	281.8	288.4	1,029.0	1,016.3
Commercial paper notes	7.1	98.1	-	-	7.1	98.1
Revenue bond anticipation notes	-	-	87.0	-	87.0	-
Derivative instrument liability	48.8	50.0	67.1	69.6	115.9	119.6
Swaption borrowing payable	8.5	9.1	-	-	8.5	9.1
Other financial agreements	35.3	35.3	5.0	5.8	40.3	41.1
Totals	<u>\$ 1,584.6</u>	<u>\$ 1,507.0</u>	<u>\$ 2,947.1</u>	<u>\$ 2,999.6</u>	<u>\$ 4,531.7</u>	<u>\$ 4,506.6</u>

New debt for 2014 resulted from issuing Water and Sewer general obligation bonds (\$30.0) for refunding debt; issuing installment purchases for refunding debt (\$297.1), issuing revenue bond anticipation notes (\$87.0); purchasing equipment (\$26.0), improving facilities (\$17.0), and stadium upgrades (\$28.1).

The City's sound financial condition is evidenced by the continuation of its Aaa rating from Moody's Investors Service and AAA rating from Standard & Poor's Ratings Services and Fitch Ratings. Charlotte is one of the few cities in the nation that maintains the highest financial category rating from these major rating agencies. This achievement is a primary factor in keeping interest costs low on the City's outstanding debt.

The City's total debt of \$4,531.7 arises from both governmental and business-type activities. The largest portion of debt is revenue bonds (51 percent), which are backed by specific fee revenues, rather than the City's taxing authority.

North Carolina General Statutes limit the amount of general obligation debt that the City can issue to 8 percent of the total assessed value of taxable property. The legal debt margin for the City at June 30, 2014, was \$5.1 billion. The City had \$260.8 in authorized but unissued debt for streets, housing, and neighborhood improvements.

More detailed information about the City's long-term liabilities is presented in Note 4.j. of the financial statements.

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

The following economic indicators impact the City's budget outlook:

- During fiscal year 2014, 15,778 building permits were issued with a value of over \$2.8 billion compared to 15,244 permits for 2013.
- Retail sales during 2013 were \$15.9 billion compared to \$15.1 billion for 2012.
- The June 2014 unemployment rate was 6.0 percent compared to 6.5 percent for the state and 6.3 percent for the nation.
- Assessed property valuations are expected to exceed \$91.6 billion for 2014 compared to \$88.5 billion for 2013, or an increase of 4 percent.

The fiscal 2015 operating budget reflects the continuation of core services with only small base budget adjustments. The budget calls for no property tax increase and minimal changes to fees that reflect the cost of services.

The 2015 General fund budget is \$513.3 and reflects a 4 percent increase over FY14. The two largest revenue sources in the General fund are Property Tax and Sales Tax which comprise 69.4 percent of total revenue. The budgeted growth in 2015 for Property Tax and Sales Tax is 1.5 and 11.8 percent, respectively. The total General fund revenue growth is budgeted at \$20.6 which is an increase of 3.7 percent above 2014.

The following are highlights for the 2015 budgets for the business-type activities:

- Utilities customers will experience an increase in the volume rate, fixed billing charge, and the availability fee for both water and sewer. The average monthly total water and sewer bill for residential customers is estimated to increase \$1.73 per month. Operating expenses will increase by \$6,987.6 over 2014 and will be used to maintain the current infrastructure.
- Storm water impervious surface fee rate will increase 3.0 percent. Operating expenses will increase by \$502.6 over 2014. Larger flood events are straining the older drainage systems which need to be maintained.
- Airport rates will remain flat. The fees will increase for landing fees per load weight and cargo facility rentals per square foot. Operating expenses will increase by \$9,563.9 over 2014. This increase is primarily due to the 147 full time temporary positions being converted to full time along with 23 positions being added in various areas.
- Public transit fares will increase 20 cents to support increased costs and expanded services. Operating expenses will increase by \$3,961.6 over 2014. This increase is driven by the expansion of transportation options.

## **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. Questions concerning this report or requests for additional financial information should be directed to the City of Charlotte's Finance Department, 600 East Fourth Street, Charlotte, NC 28202-2848.



## **Financial Section- Basic Financial Statements**

**CITY OF CHARLOTTE, NORTH CAROLINA**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2014**  
**(In Thousands)**

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Charlotte Regional Visitors Authority
<b>ASSETS</b>				
Cash and cash equivalents	\$ 785,370	\$ 1,061,889	\$ 1,847,259	\$ 13,066
Receivables, net	21,630	80,410	102,040	1,244
Due from other governmental agencies	74,306	107,342	181,648	981
Due from component unit	4,560	-	4,560	-
Due from primary government	-	-	-	2,056
Internal balances	(1,778)	1,778	-	-
Inventories	1,208	8,428	9,636	398
Other	918	-	918	320
Restricted assets:				
Temporarily restricted-				
Cash and cash equivalents	11,510	84,005	95,515	-
Investments	41,328	178,887	220,215	-
Permanently restricted-				
Cash and cash equivalents	3,111	-	3,111	-
Notes receivable	97,432	-	97,432	-
Other postemployment benefit assets (Note 5.f.)	-	27,407	27,407	-
Pension assets (Note 5.b.)	2,608	-	2,608	-
Capital assets (Note 4.f.)				
Land	3,195,791	403,332	3,599,123	-
Buildings, improvements, infrastructure, intangibles, and machinery and equipment, net	2,473,155	3,711,106	6,184,261	-
Construction in progress	452,139	1,580,462	2,032,601	-
Total assets	<u>7,163,288</u>	<u>7,245,046</u>	<u>14,408,334</u>	<u>18,065</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Accumulated decreases in fair value of hedging derivatives	48,820	67,064	115,884	-
Unamortized bond refunding charges	<u>7,593</u>	<u>19,408</u>	<u>27,001</u>	<u>-</u>
Total deferred outflows of resources	<u>56,413</u>	<u>86,472</u>	<u>142,885</u>	<u>-</u>
<b>LIABILITIES</b>				
Accounts payable/claims payable	91,705	60,356	152,061	4,904
Deposits and retainage payable	8,193	16,956	25,149	4,533
Accrued interest payable	11,363	29,350	40,713	-
Due to component unit	1,994	62	2,056	-
Due to primary government	-	-	-	4,560
Unearned revenues	1,059	72	1,131	326
Liabilities payable from restricted assets	4,576	75,550	80,126	-
Noncurrent liabilities (Note 4.j.):				
Due within one year	116,873	93,193	210,066	-
Due after one year	<u>1,563,453</u>	<u>2,845,335</u>	<u>4,408,788</u>	<u>5,061</u>
Total liabilities	<u>1,799,216</u>	<u>3,120,874</u>	<u>4,920,090</u>	<u>19,384</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Prepaid taxes	82	-	82	-
Prepaid licenses	<u>2,622</u>	<u>-</u>	<u>2,622</u>	<u>-</u>
Total deferred inflows of resources	<u>2,704</u>	<u>-</u>	<u>2,704</u>	<u>-</u>
<b>NET POSITION</b>				
Net investment in capital assets	4,668,843	3,077,745	7,746,588	-
Restricted for:				
State statute	70,306	-	70,306	-
Debt service	8,270	57,221	65,491	-
Perpetual care - Nonexpendable	3,111	-	3,111	-
Other purposes (Note 1.d.(8))	170,698	-	170,698	13
Passenger facility charges	-	277,238	277,238	-
Contract facility charges	-	32,486	32,486	-
Airport working capital	-	25,021	25,021	-
Unrestricted	<u>496,553</u>	<u>740,933</u>	<u>1,237,486</u>	<u>(1,332)</u>
Total net position	<u>\$ 5,417,781</u>	<u>\$ 4,210,644</u>	<u>\$ 9,628,425</u>	<u>\$ (1,319)</u>

*The notes to the financial statements are an integral part of this statement.*

**CITY OF CHARLOTTE, NORTH CAROLINA**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2014**  
**(In Thousands)**

ACTIVITIES	Expenses	Program Revenues		
		Fees, Fines and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental-				
Public safety	\$ 348,428	\$ 28,452	\$ 9,859	\$ 3,308
Sanitation	52,871	13,084	429	-
General administration	47,158	17,418	77	69
Support services	28,820	20,641	-	5,407
Engineering and property management	25,769	6,796	290	-
Streets and highways	125,518	5,889	22,434	7,716
Culture and recreation	32,826	503	1,096	4,601
Community planning and development	67,154	3,437	16,793	1,528
Interest and other charges	54,329	-	-	-
Total governmental	<u>782,873</u>	<u>96,220</u>	<u>50,978</u>	<u>22,629</u>
Business-type-				
Water	104,925	129,115	-	10,889
Sewer	149,865	189,744	-	13,917
Storm water	19,934	56,885	-	3,875
Airport	185,178	254,331	-	40,246
Public transit	162,511	28,820	12,082	84,739
Total business-type	<u>622,413</u>	<u>658,895</u>	<u>12,082</u>	<u>153,666</u>
Total primary government	<u>\$ 1,405,286</u>	<u>\$ 755,115</u>	<u>\$ 63,060</u>	<u>\$ 176,295</u>
Component Unit:				
Charlotte Regional				
Visitors Authority	<u>\$ 53,140</u>	<u>\$ 31,882</u>	<u>\$ -</u>	<u>\$ -</u>
General revenues:				
Taxes-				
Property				
Sales				
Sales, levied for Public Transit				
Utility franchise				
Occupancy				
Prepared foods				
Business privilege				
Municipal vehicle				
Payment from City of Charlotte				
Grants and contributions not restricted				
to specific programs				
Investment earnings				
Miscellaneous				
Transfers				
Total general revenues and transfers				
Change in net position				
Net position - beginning, previously reported				
Restatement (Note 6.k.)				
Net position - beginning, restated				
Net position - ending				

*The notes to the financial statements are an integral part of this statement.*

Net (Expense) Revenue and  
Changes in Net Position

Primary Government			Component Unit
Governmental Activities	Business-type Activities	Total	Charlotte Regional Visitors Authority
\$ (306,809)	\$ -	\$ (306,809)	\$ -
(39,358)	-	(39,358)	-
(29,594)	-	(29,594)	-
(2,772)	-	(2,772)	-
(18,683)	-	(18,683)	-
(89,479)	-	(89,479)	-
(26,626)	-	(26,626)	-
(45,396)	-	(45,396)	-
(54,329)	-	(54,329)	-
<u>(613,046)</u>	<u>-</u>	<u>(613,046)</u>	<u>-</u>
-	35,079	35,079	-
-	53,796	53,796	-
-	40,826	40,826	-
-	109,399	109,399	-
-	(36,870)	(36,870)	-
<u>-</u>	<u>202,230</u>	<u>202,230</u>	<u>-</u>
<u>(613,046)</u>	<u>202,230</u>	<u>(410,816)</u>	<u>-</u>
-	-	-	(21,258)
436,597	-	436,597	-
92,853	-	92,853	-
-	71,233	71,233	-
38,915	-	38,915	-
40,087	-	40,087	-
25,514	-	25,514	-
9,188	-	9,188	-
19,001	-	19,001	-
-	-	-	22,608
20,546	-	20,546	-
3,842	7,738	11,580	43
(450)	5,118	4,668	160
<u>(18,091)</u>	<u>18,091</u>	<u>-</u>	<u>-</u>
<u>668,002</u>	<u>102,180</u>	<u>770,182</u>	<u>22,811</u>
54,956	304,410	359,366	1,553
5,381,209	3,938,379	9,319,588	(2,872)
<u>(18,384)</u>	<u>(32,145)</u>	<u>(50,529)</u>	<u>-</u>
<u>5,362,825</u>	<u>3,906,234</u>	<u>9,269,059</u>	<u>(2,872)</u>
<u>\$ 5,417,781</u>	<u>\$ 4,210,644</u>	<u>\$ 9,628,425</u>	<u>\$ (1,319)</u>

**CITY OF CHARLOTTE, NORTH CAROLINA**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**JUNE 30, 2014**  
**(In Thousands)**

	General	Debt Service	Capital Projects	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>					
Cash and cash equivalents	\$ 152,086	\$ 257,040	\$ 102,482	\$ 165,066	\$ 676,674
Receivables, net:					
Property taxes	12,414	1,554	1,112	128	15,208
Accounts	2,495	-	2,770	3	5,268
Other	-	-	-	60	60
Total receivables	14,909	1,554	3,882	191	20,536
Due from other governmental agencies	49,841	4,785	6,127	13,553	74,306
Due from other funds	1,144	4,400	-	-	5,544
Due from component unit	-	3,140	298	-	3,438
Inventories	1,208	-	-	-	1,208
Prepaid expenditures	-	-	-	190	190
Restricted assets:					
Cash and cash equivalents	-	-	11,510	-	11,510
Investments	-	13	41,315	-	41,328
Total restricted assets	-	13	52,825	-	52,838
Other postemployment benefit assets	1,837	-	-	-	1,837
Notes receivable	21	-	49,597	47,814	97,432
Total assets	<u>\$ 221,046</u>	<u>\$ 270,932</u>	<u>\$ 215,211</u>	<u>\$ 226,814</u>	<u>\$ 934,003</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>					
Liabilities:					
Accounts payable	\$ 27,738	\$ 1,593	\$ 9,969	\$ 2,209	\$ 41,509
Deposits and retainage payable	4,432	-	3,072	689	8,193
Due to other funds	642	-	4,400	1,144	6,186
Due to component unit	-	-	1,929	65	1,994
Unearned revenues	-	-	-	1,059	1,059
Liabilities payable from restricted assets	-	-	4,576	-	4,576
Total liabilities	<u>32,812</u>	<u>1,593</u>	<u>23,946</u>	<u>5,166</u>	<u>63,517</u>
Deferred inflows of resources:					
Prepaid taxes	82	-	-	-	82
Prepaid licenses	2,622	-	-	-	2,622
Unavailable revenues	15,013	4,694	53,777	47,443	120,927
Total deferred inflows of resources	<u>17,717</u>	<u>4,694</u>	<u>53,777</u>	<u>47,443</u>	<u>123,631</u>
Fund balances:					
Nonspendable:					
Inventories	1,208	-	-	-	1,208
Perpetual care	-	-	-	3,111	3,111
Restricted:					
State statute	65,521	4,785	-	-	70,306
Special obligation debt service	-	8,270	-	-	8,270
Other purposes (Note 1.d.(8))	-	-	-	170,698	170,698
Committed:					
Capital projects	5,311	-	137,488	-	142,799
Other purposes (Note 1.d.(8))	2,146	-	-	396	2,542
Assigned:					
Debt service	-	251,590	-	-	251,590
Other purposes (Note 1.d.(8))	1,033	-	-	-	1,033
Unassigned	95,298	-	-	-	95,298
Total fund balances	<u>170,517</u>	<u>264,645</u>	<u>137,488</u>	<u>174,205</u>	<u>746,855</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 221,046</u>	<u>\$ 270,932</u>	<u>\$ 215,211</u>	<u>\$ 226,814</u>	<u>\$ 934,003</u>

*The notes to the financial statements are an integral part of this statement.*

**CITY OF CHARLOTTE, NORTH CAROLINA**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS**  
**BALANCE SHEET TO THE STATEMENT OF NET POSITION**  
**JUNE 30, 2014**  
**(In Thousands)**

Total fund balances for governmental funds	\$	746,855
--------------------------------------------	----	---------

Total net position reported for governmental activities in the statement of net position is different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	6,121,080
---------------------------------------------------------------------------------------------------------------------------	-----------

Pension assets resulting from contributions in excess of the annual required contributions are not financial resources and therefore are not reported in the funds.	2,608
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Pension assets reported in governmental funds are reported as a reduction to the long-term liability in the governmental activities statement of net position.	(1,837)
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Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	179,267
----------------------------------------------------------------------------------------------------------------------------	---------

Internal service funds are used to charge the costs of insured and uninsured risks of loss as well as employee health and life claims to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position.	49,535
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Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds. (Note 2.a.)	<u>(1,679,727)</u>
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Total net position of governmental activities	\$	<u>5,417,781</u>
-----------------------------------------------	----	------------------

*The notes to the financial statements are an integral part of this statement.*



**CITY OF CHARLOTTE, NORTH CAROLINA**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2014**  
**(In Thousands)**

	General	Debt Service	Capital Projects	Other Governmental Funds	Total Governmental Funds
REVENUES:					
Property taxes	\$ 327,803	\$ 87,223	\$ 10,702	\$ 4,929	\$ 430,657
Other taxes	82,828	14,797	9,856	64,383	171,864
Intergovernmental	74,870	1,160	5,627	54,541	136,198
Licenses, fees and fines	43,446	52	18,543	960	63,001
Investment earnings	1,090	1,918	442	1,289	4,739
Private contributions	-	6,537	2,891	-	9,428
Administrative charges	25,227	-	-	-	25,227
Charges for current services	6,364	-	-	-	6,364
Miscellaneous	2,366	160	1,528	5,774	9,828
Total revenues	<u>563,994</u>	<u>111,847</u>	<u>49,589</u>	<u>131,876</u>	<u>857,306</u>
EXPENDITURES:					
Current-					
Public safety	326,364	-	-	9,613	335,977
Sanitation	49,278	-	-	-	49,278
General administration	43,923	-	-	1,372	45,295
Support services	22,171	-	-	3,785	25,956
Engineering and property management	22,470	-	-	9	22,479
Streets and highways	31,617	-	-	25,696	57,313
Culture and recreation	3,876	-	-	17,159	21,035
Community planning and development	29,133	-	-	22,814	51,947
Debt service-					
Principal	-	77,139	-	-	77,139
Interest and other charges	-	61,053	-	-	61,053
Capital outlay	-	-	162,571	-	162,571
Total expenditures	<u>528,832</u>	<u>138,192</u>	<u>162,571</u>	<u>80,448</u>	<u>910,043</u>
Excess (deficiency) of revenues over (under) expenditures	<u>35,162</u>	<u>(26,345)</u>	<u>(112,982)</u>	<u>51,428</u>	<u>(52,737)</u>
OTHER FINANCING SOURCES (USES):					
Sales of capital assets	815	-	-	302	1,117
General obligation bonds issued	-	-	34,370	-	34,370
Commercial paper issued	-	-	59,055	-	59,055
Installment purchases issued	-	125	63,869	-	63,994
Refunding debt issued	-	266,893	-	-	266,893
Premium on debt issuance	-	28,536	3,008	-	31,544
Payment to refunded bond escrow agent	-	(293,020)	-	-	(293,020)
Transfers in	7,286	69,203	30,228	14,811	121,528
Transfers out	(52,290)	(4,407)	(27,811)	(55,111)	(139,619)
Total other financing sources (uses)	<u>(44,189)</u>	<u>67,330</u>	<u>162,719</u>	<u>(39,998)</u>	<u>145,862</u>
Net change in fund balances	<u>(9,027)</u>	<u>40,985</u>	<u>49,737</u>	<u>11,430</u>	<u>93,125</u>
Fund balances - beginning	<u>179,544</u>	<u>223,660</u>	<u>87,751</u>	<u>162,775</u>	<u>653,730</u>
Fund balances - ending	<u>\$ 170,517</u>	<u>\$ 264,645</u>	<u>\$ 137,488</u>	<u>\$ 174,205</u>	<u>\$ 746,855</u>

*The notes to the financial statements are an integral part of this statement.*

**CITY OF CHARLOTTE, NORTH CAROLINA**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN**  
**FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2014**  
**(In Thousands)**

Net change in fund balances - total governmental funds \$ 93,125

The change in net position reported for governmental activities in the statement of activities is different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period. (Note 2.b.) 51,883

The net effect of various miscellaneous transactions involving capital assets (i.e., sales and donations) is to decrease net position. (Note 2.b.) (9,564)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. (2,206)

The issuance of long-term debt (e.g., bonds and installment purchases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net assets in the government-wide statements. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items. (Note 2.b.) (84,639)

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. (Note 2.b.) (1,004)

Internal service funds are used to charge the costs of insured and uninsured risks of loss as well as employee health and life claims to individual funds. The net revenue of certain activities of the internal service funds is reported with governmental activities. 7,361

Change in net position of governmental activities \$ 54,956

*The notes to the financial statements are an integral part of this statement.*

**CITY OF CHARLOTTE, NORTH CAROLINA**  
**STATEMENT OF BUDGETARY COMPARISON**  
**GENERAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2014**  
**(In Thousands)**

	Budgeted Amounts		Actual	Variance with
	Original	Final	(Budgetary Basis)	Final Budget Positive (Negative)
Resources (inflows):				
Property tax	\$ 320,313	\$ 320,313	\$ 327,803	\$ 7,490
Sales tax	71,800	71,800	78,151	6,351
Utilities franchise tax	38,059	38,059	38,915	856
Police services	18,874	18,874	18,460	(414)
Tax reimbursements	4,092	4,092	4,133	41
Solid waste fee	12,221	12,221	12,228	7
Business privilege licenses	17,442	17,442	8,520	(8,922)
Licenses and permits	16,284	16,284	17,821	1,537
Fines, forfeits and penalties	2,867	2,867	2,975	108
Interlocal grants and agreements	10,615	10,615	9,838	(777)
Federal and state shared revenues	2,353	2,353	2,627	274
General government	6,063	6,063	6,094	31
Public safety	4,566	4,566	4,600	34
Cemeteries	524	524	572	48
Use of money and property	797	1,153	1,692	539
Sale of salvage and land	750	750	815	65
Other	1,212	1,212	406	(806)
Occupancy taxes	3,841	3,841	4,322	481
Intragovernmental	27,259	27,259	24,837	(2,422)
Transfers from other funds	3,275	7,550	7,286	(264)
Resources available for appropriation	563,207	567,838	572,095	\$ 4,257
Fund balance appropriated	19,394	29,289	23,646	
Total amounts available for appropriation	<u>\$ 582,601</u>	<u>\$ 597,127</u>	<u>\$ 595,741</u>	
Charges to appropriations (outflows):				
Police	\$ 218,455	\$ 220,340	\$ 220,340	\$ -
Fire	107,346	107,762	107,762	-
Solid waste	51,834	48,644	48,644	-
Transportation	23,449	22,217	22,217	-
Engineering and property management	20,717	19,404	19,404	-
Neighborhood development	12,695	12,010	11,909	101
Planning	5,537	5,505	5,423	82
Mayor and council	1,520	1,715	1,714	1
City attorney	2,411	2,572	2,572	-
City clerk	552	552	513	39
City manager	18,530	18,387	17,851	536
Human resources	4,431	4,431	4,201	230
Finance	11,554	11,528	11,290	238
Business support services	27,148	26,350	26,225	125
Budget and evaluation	1,647	1,647	1,613	34
Non-departmentals	74,775	94,063	94,063	-
Total charges to appropriations	<u>\$ 582,601</u>	<u>\$ 597,127</u>	<u>\$ 595,741</u>	<u>\$ 1,386</u>

*The notes to the financial statements are an integral part of this statement.*

**CITY OF CHARLOTTE, NORTH CAROLINA**  
**RECONCILIATION OF THE STATEMENT OF BUDGETARY COMPARISON TO THE**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GENERAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2014**  
**(In Thousands)**

Sources (inflows) of resources:

Actual amounts (budgetary basis) "available for appropriation" from the statement of budgetary comparison	\$ 595,741
Differences - budget to GAAP:	
Contributed fund balance is a budgetary resource available for appropriation but is not a current-year revenue for financial reporting purposes.	(23,646)
Transfers from other funds are inflows of budgetary resources but are not revenues for financial reporting purposes.	(7,286)
Proceeds from the sale of salvage and land are budgetary resources but are regarded as other financing resources, rather than revenue, for financial reporting purposes.	<u>(815)</u>
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds	<u>\$ 563,994</u>

Uses (outflows) of resources:

Actual amounts (budgetary basis) "total charges to appropriations" from the statement of budgetary comparison	\$ 595,741
Differences - budget to GAAP:	
Encumbrances for supplies and equipment ordered but not received are reported in the year the order is placed for budgetary purposes, but in the year the supplies are received for financial reporting purposes.	(14,619)
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes.	<u>(52,290)</u>
Total expenditures as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds	<u>\$ 528,832</u>

*The notes to the financial statements are an integral part of this statement.*

**CITY OF CHARLOTTE, NORTH CAROLINA**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**JUNE 30, 2014**  
**(In Thousands)**

	Business-type Activities -		
	Water and Sewer	Storm Water	Airport
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ 193,677	\$ 37,547	\$ 745,830
Receivables, net-			
Accounts	49,517	7,274	21,193
Other	189	60	970
Total receivables	49,706	7,334	22,163
Due from other governmental agencies	3,112	620	32,172
Due from other funds	-	-	-
Prepaid insurance	-	-	-
Inventories	1,505	-	-
Restricted assets-			
Cash and cash equivalents	158	-	83,847
Investments	1,204	-	77,245
Total restricted assets	1,362	-	161,092
Total current assets	249,362	45,501	961,257
Noncurrent assets:			
Other postemployment benefit assets	17,784	1,300	7,008
Capital assets-			
Land	43,600	-	302,868
Buildings	27,490	-	670,508
Improvements other than buildings:			
Water and sewer systems	3,770,202	-	-
Storm water systems	-	202,235	-
Runways	-	-	392,982
Transit corridors	-	-	-
Other	-	-	100,066
Total improvements other than buildings	3,770,202	202,235	493,048
Intangibles	14,611	3,359	3,317
Machinery and equipment	33,216	69	54,207
Construction in progress	600,628	336,382	279,094
Total capital assets	4,489,747	542,045	1,803,042
Less accumulated depreciation	1,282,181	47,803	609,707
Total capital assets, net	3,207,566	494,242	1,193,335
Total noncurrent assets	3,225,350	495,542	1,200,343
Total assets	3,474,712	541,043	2,161,600
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Accumulated decreases in fair value of hedging derivatives	67,064	-	-
Unamortized bond refunding charges	15,877	1,761	1,608
Total deferred outflows of resources	82,941	1,761	1,608

Enterprise Funds		Governmental Activities -
Public Transit	Total	Internal Service Funds
\$ 84,835	\$ 1,061,889	\$ 111,807
1,058	79,042	-
149	1,368	289
1,207	80,410	289
71,438	107,342	-
-	-	642
-	-	728
6,923	8,428	-
-	84,005	-
100,438	178,887	-
100,438	262,892	-
264,841	1,520,961	113,466
1,315	27,407	-
56,864	403,332	-
86,303	784,301	-
-	3,770,202	-
-	202,235	-
-	392,982	-
336,755	336,755	-
36,464	136,530	-
373,219	4,838,704	-
8,275	29,562	-
201,461	288,953	159
364,358	1,580,462	-
1,090,480	7,925,314	159
290,723	2,230,414	154
799,757	5,694,900	5
801,072	5,722,307	5
1,065,913	7,243,268	113,471
-	67,064	-
162	19,408	-
162	86,472	-

*Continued on next page*

**CITY OF CHARLOTTE, NORTH CAROLINA**  
**STATEMENT OF NET POSITION-(Continued)**  
**PROPRIETARY FUNDS**  
**JUNE 30, 2014**  
**(In Thousands)**

	Business-type Activities -		
	Water and Sewer	Storm Water	Airport
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	\$ 9,788	\$ 862	\$ 40,713
Claims payable	-	-	-
Deposits and retainage payable	5,786	3,106	7,768
Accrued interest payable	28,076	448	-
Due to component unit	-	-	62
Unearned revenue	-	-	-
Current maturities of long-term liabilities	80,695	5,697	731
Current liabilities payable from restricted assets-			
Accounts payable	-	-	6,882
Deposits and retainage payable	-	-	6,036
Accrued interest payable	-	-	17,844
Revenue bonds payable	-	-	23,904
Total current liabilities payable from restricted assets	-	-	54,666
Total current liabilities	124,345	10,113	103,940
Noncurrent liabilities:			
General obligation bonds payable - net of unamortized premium	166,541	8,299	-
Revenue bonds payable - net of unamortized premium	1,348,697	103,622	774,533
Commercial paper notes payable	87,054	-	-
Other financing agreements - net of unamortized premium	10,091	-	-
Derivative instrument liability	67,064	-	-
Federal revolving loan payable	-	1,110	-
Refundable water and sewer construction deposits	5,733	-	-
Due to participants	-	-	-
Compensated absences payable	1,934	218	1,020
Net OPEB liability	-	-	-
Total noncurrent liabilities	1,687,114	113,249	775,553
Total liabilities	1,811,459	123,362	879,493
<b>NET POSITION</b>			
Net investment in capital assets	1,517,997	375,868	555,990
Restricted for:			
Debt service	3,310	-	53,911
Passenger facility charges	-	-	277,238
Contract facility charges	-	-	32,486
Working capital	-	-	25,021
Unrestricted	224,887	43,574	339,069
Total net position	\$ 1,746,194	\$ 419,442	\$ 1,283,715

Adjustment to reflect the consolidation of internal service fund activities related to  
enterprise funds.

Net position of business-type activities

*The notes to the financial statements are an integral part of this statement.*



Enterprise Funds		Governmental Activities - Internal Service Funds	
Public Transit	Total		
\$ 8,993	\$ 60,356	\$ 448	
-	-	49,748	
296	16,956	-	
826	29,350	-	
-	62	-	
72	72	-	
6,070	93,193	-	
19,671	26,553	-	
1,213	7,249	-	
-	17,844	-	
-	23,904	-	
20,884	75,550	-	
37,141	275,539	50,196	
-	174,840	-	
-	2,226,852	-	
-	87,054	-	
267,233	277,324	-	
-	67,064	-	
-	1,110	-	
-	5,733	-	
-	-	11,642	
2,186	5,358	157	
-	-	163	
269,419	2,845,335	11,962	
306,560	3,120,874	62,158	
627,890	3,077,745	5	
-	57,221	-	
-	277,238	-	
-	32,486	-	
-	25,021	-	
131,625	739,155	51,308	
\$ 759,515	4,208,866	\$ 51,313	
	1,778		
	<u>\$ 4,210,644</u>		

**CITY OF CHARLOTTE, NORTH CAROLINA**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2014**  
**(In Thousands)**

	Business-type Activities -		
	Water and Sewer	Storm Water	Airport
OPERATING REVENUES:			
Charges for services	\$ 271,438	\$ 56,885	\$ 157,035
Availability fees	30,857	-	-
Capacity fees	11,795	-	-
Miscellaneous	4,769	-	27,761
Total operating revenues	<u>318,859</u>	<u>56,885</u>	<u>184,796</u>
OPERATING EXPENSES:			
Administration	26,327	1,887	14,123
Operations and maintenance	79,255	9,766	61,587
Claims and insurance premiums	-	-	-
Other	1,629	-	25,035
Depreciation	92,658	3,409	38,066
Total operating expenses	<u>199,869</u>	<u>15,062</u>	<u>138,811</u>
Operating income (loss)	<u>118,990</u>	<u>41,823</u>	<u>45,985</u>
NONOPERATING REVENUES (EXPENSES):			
Sales tax	-	-	-
Grant contributions	-	-	-
Passenger facility charges	-	-	59,526
Contract facility charges	-	-	10,009
Investment earnings	1,175	360	5,438
Interest expense and other charges	(56,653)	(4,988)	(32,149)
Non-airline terminal revenue distribution	-	-	(14,777)
Miscellaneous	3,734	432	(1,421)
Total nonoperating revenues (expenses)	<u>(51,744)</u>	<u>(4,196)</u>	<u>26,626</u>
Income (loss) before contributions and transfers	67,246	37,627	72,611
CAPITAL CONTRIBUTIONS	24,806	3,875	40,246
TRANSFERS IN	-	-	-
TRANSFERS OUT	-	-	-
Change in net position	92,052	41,502	112,857
Total net position - beginning, previously reported	1,654,142	410,085	1,170,858
Restatement (Note 6.k.)	-	(32,145)	-
Total net position - beginning, restated	<u>1,654,142</u>	<u>377,940</u>	<u>1,170,858</u>
Total net position - ending	<u>\$ 1,746,194</u>	<u>\$ 419,442</u>	<u>\$ 1,283,715</u>

Adjustments to reflect the consolidation of internal service fund activities related to enterprise funds.

Change in net position of business-type activities

*The notes to the financial statements are an integral part of this statement.*

Enterprise Funds		Governmental
Public		Activities -
Transit	Total	Internal Service
		Funds
\$ 28,820	\$ 514,178	\$ 111,202
	30,857	-
-	11,795	-
-	32,530	-
<u>28,820</u>	<u>589,360</u>	<u>111,202</u>
11,342	53,679	7,628
105,554	256,162	-
-	-	93,186
-	26,664	-
<u>38,154</u>	<u>172,287</u>	<u>2</u>
<u>155,050</u>	<u>508,792</u>	<u>100,816</u>
<u>(126,230)</u>	<u>80,568</u>	<u>10,386</u>
71,233	71,233	-
12,082	12,082	-
-	59,526	-
-	10,009	-
765	7,738	782
(8,861)	(102,651)	-
-	(14,777)	-
<u>2,373</u>	<u>5,118</u>	<u>-</u>
<u>77,592</u>	<u>48,278</u>	<u>782</u>
(48,638)	128,846	11,168
84,739	153,666	-
18,952	18,952	-
<u>(861)</u>	<u>(861)</u>	<u>-</u>
54,192	300,603	11,168
705,323		40,145
-		-
<u>705,323</u>		<u>40,145</u>
<u>\$ 759,515</u>		<u>\$ 51,313</u>
	3,807	
	<u>\$ 304,410</u>	

**CITY OF CHARLOTTE, NORTH CAROLINA**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2014**  
**(In Thousands)**

	Business-type Activities -		
	Water and Sewer	Storm Water	Airport
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Receipts from customers	\$ 315,701	\$ 57,078	\$ 193,066
Receipts from participants	-	-	-
Payments to suppliers	(48,099)	(5,266)	(67,858)
Internal activity - (payments to) receipts from other funds	(22,112)	(2,318)	(9,969)
Receipts from trust	-	-	-
Receipts from recovery of losses	-	-	-
Payments to employees	(37,022)	(6,168)	(18,025)
Payments to airlines for non-airline terminal revenue distribution	-	-	(13,152)
Payments for claims	-	-	-
Payments for premiums	-	-	-
Other receipts (payments)	1,120	(569)	11
Net cash provided (used) by operating activities	<u>209,588</u>	<u>42,757</u>	<u>84,073</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>			
Operating grants	-	-	-
Sales tax	-	-	-
Transfers	-	-	-
Net cash provided by noncapital financing activities	<u>-</u>	<u>-</u>	<u>-</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>			
Proceeds from capital debt	91,400	-	-
Passenger facility charges	-	-	63,530
Contract facility charges	-	-	9,950
Acquisition and construction of capital assets	(126,309)	(46,328)	(155,179)
Principal paid on capital debt	(74,290)	(4,651)	(49,780)
Interest and other charges paid on capital debt	(72,059)	(5,385)	(37,422)
Capital contributions	1,142	601	25,947
Net cash used by capital and related financing activities	<u>(180,116)</u>	<u>(55,763)</u>	<u>(142,954)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Purchase of investments	(10,607)	-	(75,006)
Proceeds from sale and maturities of investments	11,882	-	162,461
Interest received	1,299	384	5,658
Net cash provided by investing activities	<u>2,574</u>	<u>384</u>	<u>93,113</u>
Net increase (decrease) in cash and cash equivalents	32,046	(12,622)	34,232
Cash and cash equivalents - beginning of year	161,789	50,169	795,445
Cash and cash equivalents - end of year	<u>\$ 193,835</u>	<u>\$ 37,547</u>	<u>\$ 829,677</u>

Enterprise Funds		Governmental
Public		Activities -
Transit	Total	Internal Service
		Funds
\$ 28,856	\$ 594,701	\$ -
-	-	40,266
(47,628)	(168,851)	(6,383)
(9,190)	(43,589)	63,835
-	-	17,682
-	-	181
(59,793)	(121,008)	(1,548)
-	(13,152)	-
-	-	(78,157)
-	-	(24,387)
2,114	2,676	280
<u>(85,641)</u>	<u>250,777</u>	<u>11,769</u>
12,099	12,099	-
69,269	69,269	-
18,091	18,091	-
<u>99,459</u>	<u>99,459</u>	<u>-</u>
-	91,400	-
-	63,530	-
-	9,950	-
(108,032)	(435,848)	-
(6,375)	(135,096)	-
(11,522)	(126,388)	-
<u>91,089</u>	<u>118,779</u>	<u>-</u>
<u>(34,840)</u>	<u>(413,673)</u>	<u>-</u>
(176,035)	(261,648)	-
200,656	374,999	-
786	8,127	871
<u>25,407</u>	<u>121,478</u>	<u>871</u>
4,385	58,041	12,640
80,450	1,087,853	99,167
<u>\$ 84,835</u>	<u>\$ 1,145,894</u>	<u>\$ 111,807</u>

*Continued on next page*

**CITY OF CHARLOTTE, NORTH CAROLINA**  
**STATEMENT OF CASH FLOWS-(Continued)**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2014**  
**(In Thousands)**

	Business-type Activities -		
	Water and Sewer	Storm Water	Airport
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:			
Operating income (loss)	\$ 118,990	\$ 41,823	\$ 45,985
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities-			
Depreciation	92,658	3,409	38,066
Other receipts (payments)	1,120	(569)	11
Non-airline terminal revenue distribution	-	-	(13,152)
Change in assets and liabilities:			
(Increase) decrease in receivables	(3,168)	193	8,270
(Increase) in due from other governmental agencies	(2)	-	(222)
(Increase) decrease in due from other funds	68	-	-
(Increase) decrease in inventories	(83)	-	-
(Increase) in prepaid insurance	-	-	-
Decrease in other postemployment benefit assets	-	55	28
Increase (decrease) in accounts payable	(298)	(2,180)	2,876
Increase in claims payable	-	-	-
Increase in due to participants	-	-	-
Increase in deposits and retainage payable	12	-	1,852
Increase in due to component unit	-	-	24
Increase in compensated absences payable	291	26	335
Increase in net OPEB liability	-	-	-
Total adjustments	90,598	934	38,088
Net cash provided (used) by operating activities	\$ 209,588	\$ 42,757	\$ 84,073
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:			
Donated assets	\$ 24,806	\$ 3,436	\$ -
Proceeds from refunding bonds	32,440	154	-
Payment to refunded bond escrow agent	(32,440)	(154)	-
Net noncash investing, capital and financing activities	\$ 24,806	\$ 3,436	\$ -

*The notes to the financial statements are an integral part of this statement.*

Enterprise Funds		Governmental
Public		Activities -
Transit	Total	Internal Service
		Funds
\$ (126,230)	\$ 80,568	\$ 10,386
38,154	172,287	2
2,114	2,676	-
-	(13,152)	-
36	5,331	(38)
(17)	(241)	-
-	68	(116)
296	213	-
-	-	(290)
345	428	-
(371)	27	(477)
-	-	192
-	-	2,090
-	1,864	-
-	24	-
32	684	17
-	-	3
40,589	170,209	1,383
\$ (85,641)	\$ 250,777	\$ 11,769
\$ 242	\$ 28,484	\$ -
-	32,594	-
-	(32,594)	-
\$ 242	\$ 28,484	\$ -



**CITY OF CHARLOTTE, NORTH CAROLINA**  
**STATEMENT OF FIDUCIARY NET POSITION**  
**FIDUCIARY FUNDS**  
**JUNE 30, 2014**  
**(In Thousands)**

	Firefighters' Retirement Pension Trust	Employee Benefit - Other Employee Benefit Trust
<b>ASSETS</b>		
Cash and cash equivalents	\$ 21,035	\$ 18,085
Receivables:		
Employer contributions	189	-
Member contributions	186	462
Interest and dividends	570	28
Total receivables	945	490
Investments:		
Equity securities - stocks	168,076	-
Fixed income securities - bonds	82,527	-
Mutual funds	201,854	52,486
Total investments	452,457	52,486
Capital assets, at cost, net of accumulated depreciation of \$382	243	-
Total assets	474,680	71,061
<b>LIABILITIES</b>		
Accounts payable	1,105	19
Deposits payable	-	178
Total liabilities	1,105	197
<b>NET POSITION</b>		
Restricted for pensions	\$ 473,575	
Held in trust for other postemployment benefits		\$ 70,864

*The notes to the financial statements are an integral part of this statement.*

**CITY OF CHARLOTTE, NORTH CAROLINA**  
**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION**  
**FIDUCIARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2014**  
(In Thousands)

	Firefighters' Retirement Pension Trust	Employee Benefit - Other Employee Benefit Trust
ADDITIONS:		
Contributions-		
Member	\$ 8,723	\$ 7,342
Employer	8,348	17,068
Total contributions	<u>17,071</u>	<u>24,410</u>
Investment income -		
Net appreciation in fair value of investments	68,366	7,046
Interest	2,155	1,485
Dividends	5,610	-
	<u>76,131</u>	<u>8,531</u>
Investment expense	2,524	88
Net investment income	<u>73,607</u>	<u>8,443</u>
Total additions	<u>90,678</u>	<u>32,853</u>
DEDUCTIONS:		
Benefits	23,928	11,761
Refunds	(67)	-
Insurance premiums	-	5,401
Administration	691	520
Depreciation	48	-
Total deductions	<u>24,600</u>	<u>17,682</u>
Change in net position	66,078	15,171
Net position - beginning	<u>407,497</u>	<u>55,693</u>
Net position - ending	<u>\$ 473,575</u>	<u>\$ 70,864</u>

*The notes to the financial statements are an integral part of this statement.*

**CITY OF CHARLOTTE, NORTH CAROLINA**  
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**JUNE 30, 2014**

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**CITY OF CHARLOTTE, NORTH CAROLINA**  
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**JUNE 30, 2014**

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**CITY OF CHARLOTTE, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2014**  
**(Dollar Amounts In Thousands)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of the City of Charlotte and its discretely presented component unit conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant accounting policies.

**a. Reporting Entity**

The City of Charlotte (City) is a municipal corporation governed by an elected mayor and eleven-member council. The accompanying financial statements present the activities of the City and its two component units, entities for which the City is financially accountable. The Charlotte Firefighters' Retirement System (System) is so intertwined with the City that it is, in substance, the same as the City. Accordingly, the System is blended and reported as if it was part of the City. The Charlotte Regional Visitors Authority (Authority) is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the City. The following table describes the City's component units:

Component Unit	Criteria for Inclusion	Reporting Method	Separate Financial Statements
Charlotte Firefighters' Retirement System	The System provides retirement, disability and death benefits to civil service employees of the Charlotte Fire Department. These services are exclusively for the City.	Blended	Charlotte Firefighters' Retirement System 428 East Fourth Street, Suite 205 Charlotte, North Carolina 28202
Charlotte Regional Visitors Authority	A "special district" as defined by state statutes. The City Council appoints the governing board and the City pays outstanding general obligation bonded debt. Net operating proceeds are to be used to pay principal and interest on the bonded debt or as otherwise directed by City Council.	Discrete	Charlotte Regional Visitors Authority 501 South College Street Charlotte, North Carolina 28202

**CITY OF CHARLOTTE, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS-(Continued)**  
**JUNE 30, 2014**  
**(Dollar Amounts In Thousands)**

The Charlotte Housing Authority (Housing Authority), which is excluded from the City's financial statements, is considered a related organization. The City Council appoints the Housing Authority's governing board; however, the City is not financially accountable for the Housing Authority.

The Charlotte Transit Center, Inc. is a joint venture resulting from an agreement between the City and Bank of America. The corporation was established to build and operate a public transportation terminal known as the Charlotte Transit Center (Center). The Board of Directors is comprised of two members appointed by the City and two members appointed by Bank of America. The City provided the land and Bank of America constructed the building. The Center has two sections, transit and retail. The City funds all expenses related to the transit section and common areas which benefit transit riders and employees. Bank of America funds all expenses related to the retail area which is available for lease to tenants. The City does not have an equity interest but does have an ongoing financial responsibility because the Center's existence depends on continued funding by the City. The City's expenditures related to the transit section are reflected in the Public Transit Enterprise Fund. The financial statements of the Center, which has a December 31 year-end, may be obtained from the following address:

Charlotte Transit Center, Inc  
c/o Lincoln Harris, LLC  
4725 Piedmont Row Drive, Suite 800  
Charlotte, North Carolina 28210

**b. Basis of Presentation**

*Government-wide Statements:* The statement of net position and the statement of activities display information about the primary government (the City) and its component unit. These statements include the financial activities of the overall government, except for fiduciary activities. These statements distinguish between the *governmental* and *business-type* activities of the City as well as the City and its discretely presented component unit. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for a given function or activity. Direct expenses are those that are clearly identifiable with a specific program. Program revenues include (a) charges paid by recipients of goods or services offered by the program and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Taxes and other items not properly included as program revenues are reported as general revenues.

**CITY OF CHARLOTTE, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS-(Continued)**  
**JUNE 30, 2014**  
**(Dollar Amounts In Thousands)**

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are certain charges between the City's enterprise 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.

*Fund Financial Statements:* The fund financial statements provide information about the City's 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 funds are aggregated and reported as nonmajor funds.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise funds, charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. *Nonoperating* revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

The City reports the following major governmental funds:

*General fund.* This is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

*Debt Service.* This fund accounts for the resources accumulated and payments made for principal and interest on debt of governmental activities.

*Capital projects.* This fund accounts for financial resources, primarily proceeds from bonds, other financing agreements and taxes, used for the acquisition, construction and improvement of capital equipment and facilities.

The City reports the following major enterprise funds:

*Water and sewer.* This fund accounts for the activities of Charlotte-Mecklenburg Utilities, provider of water and sewer services.

*Storm water.* This fund accounts for the activities of Storm Water Services, administrator of storm water programs and policies.



**CITY OF CHARLOTTE, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS-(Continued)**  
**JUNE 30, 2014**  
**(Dollar Amounts In Thousands)**

*Airport.* This fund accounts for the activities of the Charlotte/Douglas International Airport.

*Public transit.* This fund accounts for the activities of the Charlotte Area Transit System, provider of public mass transportation.

The City reports the following fund types:

*Internal service funds.* These funds account for (a) the general insurance program of the City, as well as risk management services provided, on a cost-reimbursement basis, to other governmental units and agencies in Mecklenburg County, and (b) funds contributed by the City and its employees for health and life benefits.

*Fiduciary funds.* These funds account for (a) resources accumulated for the provision of benefit payments to the Charlotte Firefighters' Retirement System members and their beneficiaries, and (b) resources accumulated for the provision of other postemployment benefit payments for retirees and their beneficiaries.

c. Measurement Focus and Basis of Accounting

*Government-wide, Proprietary, and Fiduciary Fund Financial Statements:* The government-wide, proprietary fund, and fiduciary fund financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the City gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, and donations. Revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and donations is recognized in the fiscal year in which all requirements have been satisfied.

*Governmental Fund Financial Statements:* Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Under this method, revenues are recognized when measurable and available. The City considers all revenues reported in the governmental funds to be available if the revenues are collected within ninety days after the end of the current fiscal period except reimbursement grants which are accrued based on expenditures. Primary sources of revenue susceptible to accrual include occupancy tax, sales tax, Alcoholic Beverage Commission profits and federal and state grants. Expenditures are recorded when a liability is incurred, except for principal and interest on general debt, claims and judgments, and compensated absences, which are recognized as expenditures when payment occurs. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of debt issues are reported as other financing sources.

**CITY OF CHARLOTTE, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS-(Continued)**  
**JUNE 30, 2014**  
**(Dollar Amounts In Thousands)**

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there is both restricted and unrestricted net position available to finance the program. It is the City's policy to first apply grant resources to such programs followed by general revenues.

d. Assets, Deferred Outflows and Inflows, Liabilities and Net Position/Fund Balances

(1) Cash and Investments

The City maintains a cash management pool to facilitate disbursement and investment and maximize investment income. Earnings on the pooled funds are apportioned and credited to the funds monthly based on the average daily balance of each fund. Since individual funds may deposit additional amounts at any time and may withdraw funds at any time without prior notice or penalty, the pool is used essentially as a demand deposit account and considered cash and cash equivalents. The pool is used by all funds except the Firefighters' Retirement System Fund. For arbitrage purposes, the City also maintains separate pools for the proceeds of each bond sale subsequent to 1986 in compliance with the Internal Revenue Code relative to yield restrictions and rebate requirements.

For funds not included in the pools described above, cash and cash equivalents consist of cash, demand deposits and short-term, highly liquid investments. Short-term refers to investments with an original maturity of three months or less at date of acquisition. Highly liquid investments are those that are both readily convertible to known amounts of cash and so near their maturity that the risk of changes in value because of changes in interest rates is insignificant.

The restricted cash and cash equivalents/investments are restricted pursuant to bond covenants and other financing agreements. All restricted money market funds of the enterprise funds are considered cash and cash equivalents. The remaining amount of restricted assets is considered investments.

Investments, except for North Carolina Capital Management Trust (NCCMT) and Firefighters' Retirement System Fund, are reported at fair value as determined by quoted market prices. The securities of the NCCMT Cash Portfolio, a SEC registered money market mutual fund, are valued at fair value, which is the NCCMT's share price. The NCCMT Term Portfolio's securities are valued at fair value. Money market investments that have a remaining maturity at the time of purchase of one year or less are reported at amortized cost. Non-participating interest earning investment contracts are reported at cost. See Note 5.b., "Method Used to Value Investments," for an explanation of reporting the Firefighters' Retirement System's investments at fair value.

**Component Unit:** The Authority considers investments with an original maturity of three months or less to be cash equivalents.

**CITY OF CHARLOTTE, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS-(Continued)**  
**JUNE 30, 2014**  
**(Dollar Amounts In Thousands)**

(2) Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Property tax and accounts receivables are shown net of an allowance for uncollectibles. Notes receivable in governmental funds consist of housing rehabilitation and economic development loans that are generally not expected or scheduled to be collected in the subsequent year.

(3) Inventories

Inventories are recorded as an expenditure/expense when consumed rather than when purchased. Inventories are valued at cost, which approximates market, using the first-in, first-out (FIFO) method.

(4) Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair value at the date of donation. General infrastructure assets include annexed streets that were acquired or received substantial improvements subsequent to July 1, 1980 and are reported at estimated historical cost using deflated replacement cost. The cost of normal maintenance and repairs that do not add value to the assets or materially extend assets' lives are not capitalized.

Capital assets are assets with an initial, individual cost of more than \$5, except intangible assets which have a minimum cost of \$100. Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Buildings	20 - 40 years
Infrastructure	40 years
Improvements other than buildings	10 - 60 years
Intangible	5 - 10 years
Machinery and equipment	3 - 40 years

Net interest cost on debt issued to finance the construction of capital assets was capitalized during the construction period in the Water and Sewer, Storm Water, Airport and Public Transit Enterprise Funds in the amounts of \$14,767, \$58, \$4,329 and \$1,642, respectively, for the year ended June 30, 2014.

**CITY OF CHARLOTTE, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS-(Continued)**  
**JUNE 30, 2014**  
**(Dollar Amounts In Thousands)**

**(5) Deferred Outflows and Inflows of Resources**

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. The Deferred Outflows of Resources financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The City has two items that meet this criterion, the unamortized bond refunding charges and the accumulated decrease in the fair value of hedging derivatives.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. The Deferred Inflows of Resources financial statement element represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The City has prepaid taxes and prepaid licenses that meet this criterion. In the governmental funds, the City also has unavailable revenues that are reported as deferred inflows.

**(6) Long-term Liabilities**

In the government-wide financial statements and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary funds statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable premium or discount. Bond issuance costs are expensed in the reporting period in which they are incurred.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of the debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

The City enters into interest rate swap agreements to modify interest rates on outstanding debt. The swaps are reported at fair market value in the government-wide financial statements and proprietary fund financial statements using hedge accounting.

**(7) Compensated Absences**

Employees earn vacation leave at the rate of 10 to 20 days per year and can accrue a maximum of 20 to 40 days, depending on length of service. Unused vacation days are payable upon termination, resignation, retirement or death.

**CITY OF CHARLOTTE, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS-(Continued)**  
**JUNE 30, 2014**  
**(Dollar Amounts In Thousands)**

Employees accumulate sick leave at the rate of one day per month and can accrue an unlimited number of days. Sick leave can be taken for personal illness or illness of a member of the immediate family. Sick leave is lost upon termination or resignation. However, twenty percent of outstanding sick leave, with a maximum of 43.5 days, is payable upon retirement or death.

Compensated absences payable includes accumulated unpaid vacation leave and sick leave. This liability is recorded in the government-wide and proprietary fund financial statements.

**(8) Net Position/Fund Balances**

*Net Position.* Net position in government-wide and proprietary fund financial statements are classified as net investment in capital assets; restricted; and unrestricted. Restricted net position represents constraints on resources that are externally imposed by creditors, grantors, contributors, bond covenants, regulations of other governments or by State statute. Net position is restricted for other purposes as follows:

Public Safety	\$ 11,830
Streets and highways	14,332
Culture and recreation	138,774
Community planning and development	5,762
Total	<u>\$ 170,698</u>

*Fund Balances.* In the governmental fund financial statements, fund balance is composed of five classifications designed to disclose the hierarchy of constraints placed on how fund balance can be spent.

North Carolina State law [G.S.159-13(b)(16)] restricts appropriation of fund balance for the subsequent year's budget to an amount not to exceed the sum of cash and investments minus the sum of liabilities, encumbrances, and deferred revenues arising from cash receipts as those amounts stand at the close of the fiscal year preceding the budget year.

The governmental fund types classify fund balances as follows:

*Nonspendable fund balance* – This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

*Inventories* – \$1,208 of fund balance that is not an available resource because it represents the year-end balance of ending inventories, which are not spendable resources.

*Perpetual care* – \$3,111 of fund balance that is required to be retained in perpetuity for maintenance of cemeteries.

**CITY OF CHARLOTTE, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS-(Continued)**  
**JUNE 30, 2014**  
**(Dollar Amounts In Thousands)**

*Restricted fund balance* – This classification includes amounts that are restricted to specific purposes externally imposed by creditors or imposed by law.

*Restricted for State statute* – \$70,306 of fund balance that is not an available resource for appropriation in accordance with State law [G.S. 159-8(a)].

*Restricted for Special obligation debt service* – \$8,270 of fund balance that is legally restricted through financing agreements for future payment of debt service requirements.

*Restricted for Public safety* – \$11,830 of fund balance that is restricted by revenue source for public safety expenditures.

*Restricted for Streets and highways* – \$14,332 of Powell Bill and other fund balance that is restricted by revenue source for street construction and maintenance expenditures. For the Special Revenue funds, this amount represents the balance of the total unexpended Powell Bill and other grant funds.

*Restricted for Culture and Recreation* – \$138,774 of fund balance that is restricted by revenue source for culture and recreation expenditures.

*Restricted for Community planning and development* – \$5,762 of fund balance that is restricted by revenue source for community planning and development expenditures.

*Committed fund balance* – This classification includes amounts that can only be used for specific purposes imposed by ordinance approved by the City Council, the highest level of decision-making authority. Any changes or removal of specific purposes requires action by the City Council.

*Committed for Capital projects* – \$142,799 of fund balance committed by the City Council for capital projects.

*Committed for Culture and recreation* – \$396 of fund balance that is committed by contractual obligation for culture and recreation expenditures.

*Committed for Component unit* – \$2,146 of fund balance committed by the City Council for the Charlotte Regional Visitors Authority.

**CITY OF CHARLOTTE, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS-(Continued)**  
**JUNE 30, 2014**  
**(Dollar Amounts In Thousands)**

*Assigned fund balance* – This classification includes amounts that the City intends to use for specific purposes.

*Assigned for Debt service* – \$251,590 of fund balance in the Debt Service fund that is not nonspendable, restricted, nor committed that will be used for future payment of debt service requirements. By approval of the budget of the Debt Service fund, the City Council has assigned this amount to the purpose of the Debt Service fund.

*Assigned for Capital projects* – \$550 of fund balance in the General fund that is not nonspendable, restricted, nor committed that will be used for capital projects. The appropriation of existing fund balance by City Council eliminates a projected budgetary deficit in the subsequent year's budget.

*Assigned for Community planning and development* – \$483 of fund balance in the General fund that is not nonspendable, restricted, nor committed that will be used for community planning and development. The appropriation of existing fund balance by City Council eliminates a projected budgetary deficit in the subsequent year's budget.

*Unassigned fund balance* – This classification includes \$95,298 that has not been restricted, committed, or assigned to specific purposes or other funds.

When expenditures are incurred for purposes for which both restricted and unrestricted fund balance is available, the City considers restricted amounts to have been spent first. For purposes of fund balance classification, expenditures are to be spent from restricted fund balance first, followed in order by committed, assigned, and unassigned fund balance.

The City's Capital Investment Plan Financial Policies which are approved annually by the City Council include a policy to maintain the General fund balance at sixteen percent of the operating budget. Any portion of the General fund balance in excess of sixteen percent of budgeted expenditures is dedicated to capital expenses, unless otherwise directed by City Council.



**CITY OF CHARLOTTE, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS-(Continued)**  
**JUNE 30, 2014**  
**(Dollar Amounts In Thousands)**

**2. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

- a. Explanation of certain differences between the governmental funds balance sheet and the government-wide statement of net position

The governmental fund balance sheet includes a reconciliation between *fund balance - total governmental funds* and *net position - governmental activities* as reported in the government-wide statement of net position. One element of that reconciliation explains that "Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds."

Bonds and installment purchases payable	\$ 1,384,862
Net of premiums and discounts	99,961
Commercial paper notes	7,137
Derivative instrument liability	48,820
Swaption borrowing payable	8,481
Compensated absences	48,340
Section 108 loan guarantee	8,444
Private loan	35,331
Law enforcement officers' separation allowance	19,833
Unfunded OPEB liability	7,155
Accrued interest payable	11,363
Net adjustment to reduce <i>fund balance - total governmental funds</i> to arrive at <i>net position - governmental activities</i>	<u>\$ 1,679,727</u>

- b. Explanation of certain differences between the governmental funds statement of revenues, expenditures and changes in fund balances and the government-wide statement of activities

The governmental fund statement of revenues, expenditures and changes in fund balances includes a reconciliation between *net changes in fund balances - total governmental funds* and *changes in net position of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that "Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense."

Capital outlay	\$ 158,551
Depreciation expense	<u>(106,668)</u>
Net adjustment to increase <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net position of governmental activities</i>	<u>\$ 51,883</u>

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Another element of that reconciliation states "The net effect of various miscellaneous transactions involving capital assets (i.e., sales and donations) is to decrease net position

In the statement of activities, only the loss on the sale of capital assets is reported. However, in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net position differs from the change in fund balance by the cost of the capital assets sold.

\$ (9,564)

Another element of that reconciliation states "The issuance of long-term debt (e.g., bonds and installment purchases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is issued, whereas these amounts are deferred and amortized in the statement of activities."

Debt issued or incurred:

Issuance of general obligation bonds	\$ (34,370)
Issuance of installment purchase	(63,994)
Issuance of commercial paper notes	(59,055)
Plus premium on debt issuance	(31,544)
Swaption borrowing	600
Principal repayments:	
General obligation debt	58,882
Installment purchases	44,384
Section 108 loan guarantee	<u>458</u>

Net adjustment to decrease *net changes in fund balances - total governmental funds* to arrive at *changes in net position of governmental activities*

\$ (84,639)

Another element of that reconciliation states, "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."

Accrued interest	\$ (21)
Amortization on deferred amount on refunding	(847)
Amortization of debt premiums	7,024
Amortization of discounts	(32)
Compensated absences	(2,398)
Law enforcement officers' separation allowance	(2,315)
Change in pension assets	<u>(2,415)</u>
Net adjustment to increase <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net position of governmental activities</i>	<u>\$ (1,004)</u>

**CITY OF CHARLOTTE, NORTH CAROLINA**  
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**3. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**Budgetary Information**

As required by State statutes, prior to July 1 each year the City Council adopts an annual appropriation ordinance for all funds except those for which expenditures are authorized by project ordinance and the Internal Service and Fiduciary Funds. City funds budgeted by project ordinance include the Capital Projects Fund, Democratic National Convention, Public Safety and Other Grants, Neighborhood Development, Employment and Training, Stimulus Grants, and Emergency Telephone System Special Revenue Funds and the Enterprise Funds capital projects.

The annual budgets are adopted at the fund level which is the legal level of budgetary control. Supplemental appropriations at this level require approval of the City Council. During the year, several amendments to the budget were necessary. Administrative control is maintained through the establishment of more detailed line-item budgets. The budget is entered into the accounting records and comparisons of actual to budget are made throughout the year. City administration has the authority to amend line-item budgets. The final budgets shown in the statements are as amended at June 30, 2014.

Annual budgets are adopted on the modified accrual basis except that they include encumbrances for the current year. Current year's appropriations are charged for encumbrances when commitments for the expenditures of monies are issued. Encumbrances outstanding at year-end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be reappropriated and honored during the subsequent year.

The accompanying Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (Non-GAAP Basis) - General Fund presents comparisons of the original and final budget with actual data. Since the legally adopted budget is on a basis which differs from GAAP, the actual data is similarly presented on a budgetary basis for comparison purposes. A reconciliation of the non-GAAP basis to the GAAP basis is presented.

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4. DETAILED DISCLOSURES ON ALL FUNDS

a. Deposits

As of June 30, 2014, the bank balances and carrying amounts of bank deposits were as follows:

	<u>Bank Balance</u>	<u>Carrying Amount</u>
City - Governmental and Business-type Activities	\$ 57,632	\$ 14,649
City - Fiduciary Funds	165	21,035
Component unit - Authority	12,521	12,702

All deposits of the City are made in board-designated official depositories and are secured as required by State statutes. The City may designate as an official depository any bank or savings and loan association whose principal office is located in North Carolina. Also, the City may establish time deposit accounts such as NOW and SuperNOW accounts, money market accounts, and certificates of deposit.

All of the City's deposits are either insured or collateralized by using the Pooling Method. Under the Pooling Method, a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the City, these deposits are considered to be held by the City's agent in the City's name. The amount of the pledged collateral is based on an approved averaging method for non-interest bearing deposits and the actual current balance for interest bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the City or the escrow agent. Because of the inability to measure the exact amount of collateral pledged for the City under the Pooling Method, the potential exists for under collateralization, and this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method. The City has no policy regarding custodial credit risk for deposits. Of the City's bank balances, \$1,165 was covered at the federal depository insurance coverage level and \$56,632 was covered by collateral held under the Pooling Method.

**Component Unit:** The Authority must comply with the requirements of the State statutes as previously described for the City. Of the bank balances, \$2,576 was covered by federal depository insurance coverage (including coverage by the Certificate of Deposit Account Registry Service Program). The remaining balances were covered by collateral held under the Pooling Method.

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b. Investments

State statute 159-30 authorizes the City and the Authority to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain non-guaranteed federal agencies; certain high quality issues of commercial paper and bankers' acceptances; repurchase agreements having third-party safekeeping; and the North Carolina Capital Management Trust (NCCMT), an SEC registered mutual fund. The City is not authorized to enter into reverse repurchase agreements. The investments of the Charlotte Firefighters' Retirement System (System) Pension Trust fund are governed by the North Carolina Act (Act) establishing the System. This Act authorizes additional investment types which include corporate bonds, common stock, guaranteed investment contracts and mutual funds. The investments of the Employee Benefit Trust Plan (EBTP) are governed by State statute 147-69.2(b)(1)-(6)&(8). This legislation authorizes additional investment types which include corporate bonds, common stock, and mutual funds.

**CITY OF CHARLOTTE, NORTH CAROLINA**  
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**City - Governmental and Business-type Activities** – The investments and maturities at June 30, 2014, were as follows:

Investment type	Fair Value	Investment Maturities (in Years)		
		Less than 1	1-3	More than 3
U.S. Agencies	\$ 1,565,951	\$ 439,531	\$ 1,126,420	\$ -
Commercial Paper	277,100	277,100	-	-
Mutual Funds	95,522	N/A	N/A	N/A
NCCMT Cash Portfolio	204,569	N/A	N/A	N/A
NCCMT Term Portfolio*	8,000	8,000	-	-
Total	<u>\$2,151,142</u>	<u>\$ 724,631</u>	<u>\$ 1,126,420</u>	<u>\$ -</u>

\* Because the NCCMT Term Portfolio had a weighted average maturity of 0.23 years, it was presented as an investment with a maturity of 6-12 months.

*Interest Rate Risk.* Although the City does not have a formal investment policy, internal investment guidelines prohibit maturities longer than five years which helps manage exposure to fair value losses in rising interest rate environments.

*Credit Risk.* State law limits investments in commercial paper to the top rating issued by nationally recognized statistical rating organizations (NSRO's). Although the City had no formal policy on managing credit risk, internal investment guidelines for commercial paper require at least two ratings from either Standard & Poor's (S&P), Fitch Ratings (Fitch), or Moody's Investors Service (Moody's). As of June 30, 2014, the City's investments in commercial paper carried at least S&P A1, Moody's P1 or Fitch F1 ratings. The City's investments in the NCCMT Cash Portfolio carried a credit rating of AA+ by S&P as of June 30, 2014. The City's investment in the NCCMT Term Portfolio is unrated. The Term Portfolio is authorized to invest in instruments permitted by State statute 159-30 described above. The City's investments in U.S. Agencies (Federal Home Loan Bank, Federal National Mortgage Association, Federal Home Loan Mortgage Corporation and Federal Farm Credit Bank) are rated AA+ by S&P and Aaa by Moody's.

*Custodial Credit Risk.* For an investment, custodial credit risk is the risk that in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. At June 30, 2014, the City had no investments subject to custodial credit risk. The City had no formal policy on custodial credit risk. However, the City's internal policy limits custodial credit risk by providing that security in the collateral be delivered to a third party safekeeping bank designated by the City.

*Concentration of Credit Risk.* The City's informal investment policy limits the amount of commercial paper or bankers acceptances to a maximum of 25 percent of the portfolio. For commercial paper, a maximum of \$20 million may be invested in any one issuer. For bankers acceptances, the maximum investment is limited to 10 percent of the portfolio for any one issuer.

**CITY OF CHARLOTTE, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS-(Continued)**  
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**City – Fiduciary Fund: Charlotte Firefighters’ Retirement System** – The investments and maturities at June 30, 2014 were as follows:

Investment type	Fair Value	Investment Maturities (in Years)			
		Less than 1	1 - 5	6 - 10	More than 10
U.S. Treasuries	\$ 10,823	\$ -	\$ 839	\$ 8,404	\$ 1,580
U.S. Agencies	21,671	-	-	20	21,651
Corporate bonds	50,033	-	31,484	12,507	6,042
Common stocks	177,716	N/A	N/A	N/A	N/A
Mutual funds	192,214	N/A	N/A	N/A	N/A
Total	<u>\$ 452,457</u>	<u>\$ -</u>	<u>\$ 32,323</u>	<u>\$ 20,931</u>	<u>\$ 29,273</u>

**Interest Rate Risk.** The System does not have a formal investment policy that limits investment maturities.

**Credit Risk.** The System is authorized to invest bonds with a quality rating of no less than investment grade and unrated U.S. Treasuries and Agencies. The quality ratings of investments in fixed income securities as described by nationally recognized statistical rating organizations at June 30, 2014 are as follows:

Quality Rating	Fair Value	Percentage of Portfolio
AAA	\$ 2,486	3.34%
Baa > AA	39,118	52.60%
Total credit risk debt securities	41,604	55.94%
US Government fixed income securities:		
Government National Mortgage Association	3,589	4.83%
U.S. Treasury	10,822	14.55%
Not rated	18,359	24.68%
Total fixed income securities	<u>\$ 74,374</u>	<u>100.00%</u>

**Concentration of Credit Risk.** The System limits the amount of equity holdings in any one company to 8 percent of the market value of the portfolio; the amount of equity holdings in any one sector to 30 percent of the market value of the portfolio; and the amount of fixed-income securities in any one corporation to 5 percent of the market value of the portfolio. There is no limit on securities backed by the full faith and credit of the U.S. Government or any of its instrumentalities.

In accordance with the Act, the System has invested in collateralized mortgage obligations (CMO) and mortgage backed securities. CMO and mortgage backed securities are based on cash flows from principal and interest payments on underlying mortgages. CMO rates trade in sympathy with treasury rates. At year-end, the System held \$1,747 of these securities.

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**City – Fiduciary Fund: Employee Benefit Trust Plan (EBTP)** – At June 30, 2014, the EBTP had investments of \$18,085 in NCCMT Cash Portfolio and \$52,486 in mutual funds.

*Interest Rate Risk.* The EBTP does not have a formal investment policy that limits investment maturities.

*Credit Risk.* The EBTP adheres to State statutes which limit credit risk by limiting investments in below investment grade securities and restricting the purchase of non-exchange traded investments.

*Concentration of Credit Risk.* The EBTP diversifies investments according to a strategic asset allocation across a range of company capitalizations in domestic and international equities as well as domestic and global bonds. The EBTP limits the amount of equity holdings in any one company to 8 percent of the market value of the portfolio; the amount of equity holdings in any one sector to 30 percent of the market value of the portfolio; and the amount of fixed-income securities in any one corporation to 5 percent of the market value of the portfolio. There is no limit on securities backed by the full faith and credit of the U.S. Government or any of its instrumentalities.

**Component Unit** – At June 30, 2014, the Authority had investments of \$191 in the NCCMT's Cash Portfolio, which carried a credit rating of AAAm by Standard and Poor's.

c. Receivables

The receivable amounts presented in the accompanying financial statements are net of the following allowances for doubtful accounts:

<u>Governmental</u>	
General	\$ 11,551
Debt Service	891
Capital Projects	1,989
Nonmajor	<u>3,441</u>
Total Governmental	<u>17,872</u>
<u>Proprietary</u>	
Water and Sewer	9,175
Storm Water	1,279
Airport	258
Public Transit	<u>333</u>
Total Proprietary	<u>11,045</u>
Total	<u>\$ 28,917</u>

In February 2002, City Council approved an interest-free loan to the Authority for \$5,000 for the renovation of Ovens Auditorium. In May 2007, the Council approved a new repayment schedule for the loan agreement. The term of the loan was extended by thirty years and established a \$160 per year repayment through fiscal year 2037. At June 30, 2014 the balance of the loan outstanding was \$3,438.



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d. Property Taxes

Pursuant to State statutes, property taxes levied on July 1, the beginning of the fiscal year, are due September 1; however, penalties do not accrue until January 6. The taxes levied effective July 1, 2013, were based on the assessed values listed as of January 1, 2013, which is the lien date.

The City and Mecklenburg County have a common tax base and overlapping bonded debt. Mecklenburg County is the City's agent for listing and collecting property taxes levied. The distribution of the City's levy for 2014 (tax rate per \$100 valuation) to its funds is shown below:

General	\$ 0.3600
Debt Service	0.0967
Capital Projects	0.0120
Total	<u>\$ 0.4687</u>

In addition, special taxes are levied on areas referred to as Municipal Services Districts. The purpose of these taxes is to aid the revitalization of these areas. The tax rates for 2014 for Districts 1, 2, 3, 4 and 5 were \$.0168, \$.0233, \$.0358, \$.0668 and \$.0279, respectively.

e. Restricted Assets

Cash, cash equivalents and investments are restricted in the accompanying statements as follows by fund:

<u>Governmental-</u>	
Debt Service	\$ 13
Capital Projects	<u>52,825</u>
Total Governmental	<u>52,838</u>
<u>Enterprise-</u>	
Water and Sewer	1,362
Airport	161,092
Public Transit	<u>100,438</u>
Total Enterprise	<u>262,892</u>
Total	<u>\$ 315,730</u>

These fund assets are restricted pursuant to bond orders and other financing agreements.

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f. Capital Assets

Capital asset activity for governmental activities for the year ended June 30, 2014 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<u>Governmental activities-</u>				
Capital asset, not being depreciated:				
Land	\$ 3,163,892	\$ 31,899	\$ -	\$ 3,195,791
Construction in progress, previously reported	449,965			
Restatement (Note 6.k.)	<u>(18,384)</u>			
Construction in progress, restated	431,581	149,685	129,127	452,139
Total capital assets, not being depreciated	<u>3,595,473</u>	<u>181,584</u>	<u>129,127</u>	<u>3,647,930</u>
Capital assets, being depreciated:				
Buildings	1,081,899	32,403	-	1,114,302
Infrastructure	2,439,777	47,448	238	2,486,987
Intangibles	15,122	697	-	15,819
Machinery and equipment	<u>183,635</u>	<u>18,597</u>	<u>10,519</u>	<u>191,713</u>
Total capital assets being depreciated	<u>3,720,433</u>	<u>99,145</u>	<u>10,757</u>	<u>3,808,821</u>
Less accumulated depreciation for:				
Buildings	282,453	27,065	-	309,518
Infrastructure	810,460	61,515	-	871,975
Intangibles	12,558	905	-	13,463
Machinery and equipment	<u>131,667</u>	<u>17,185</u>	<u>8,142</u>	<u>140,710</u>
Total accumulated depreciation	<u>1,237,138</u>	<u>106,670</u>	<u>8,142</u>	<u>1,335,666</u>
Total capital assets, being depreciated, net	<u>2,483,295</u>	<u>(7,525)</u>	<u>2,615</u>	<u>2,473,155</u>
Governmental activities capital assets, net	<u>\$ 6,078,768</u>	<u>\$ 174,059</u>	<u>\$ 131,742</u>	<u>\$ 6,121,085</u>

Depreciation expense was charged to activities as follows:

Governmental activities:	
Public safety	\$ 14,111
Sanitation	4,642
General administration	1,504
Support services	1,015
Engineering and property management	3,684
Streets and highways	58,842
Community planning and development	9,951
Culture and recreation	12,919
Capital assets held by the City's internal service funds are charged to the various functions based on the usage of assets	<u>2</u>
Total depreciation expense - governmental activities	<u>\$ 106,670</u>

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Capital asset activity for business-type activities for the year ended June 30, 2014 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<u>Business-type activities-</u>				
Water and Sewer:				
Capital assets, not being depreciated:				
Land	\$ 42,570	\$ 1,030	\$ -	\$ 43,600
Construction in progress	539,449	131,607	70,428	600,628
Total capital assets, not being depreciated	582,019	132,637	70,428	644,228
Capital assets, being depreciated:				
Buildings	26,611	879	-	27,490
Water and sewer systems	3,677,698	92,504	-	3,770,202
Intangibles	13,722	889	-	14,611
Machinery and equipment	30,505	4,158	1,447	33,216
Total capital assets being depreciated	3,748,536	98,430	1,447	3,845,519
Less accumulated depreciation for:				
Buildings	6,747	667	-	7,414
Water and sewer systems	1,148,924	89,081	-	1,238,005
Intangibles	12,453	541	-	12,994
Machinery and equipment	22,807	2,369	1,408	23,768
Total accumulated depreciation	1,190,931	92,658	1,408	1,282,181
Total capital assets, being depreciated, net	2,557,605	5,772	39	2,563,338
Water and Sewer capital assets, net	3,139,624	138,409	70,467	3,207,566
 Storm Water:				
Capital assets, not being depreciated:				
Construction in progress, previously reported	334,156			
Restatement (Note 6.k.)	(40,470)			
Construction in progress, restated	293,686	43,821	1,125	336,382
Capital assets, being depreciated:				
Storm water systems, previously reported	189,136			
Restatement (Note 6.k.)	8,538			
Storm water systems, restated	197,674	4,561	-	202,235
Intangibles	3,359	-	-	3,359
Machinery and equipment	69	-	-	69
Total capital assets being depreciated	201,102	4,561	-	205,663
Less accumulated depreciation for:				
Storm water systems, previously reported	40,777			
Restatement (Note 6.k.)	213			
Storm water systems, restated	40,990	3,400	-	44,390
Intangibles	3,359	-	-	3,359
Machinery and equipment	45	9	-	54
Total accumulated depreciation	44,394	3,409	-	47,803
Total capital assets, being depreciated, net	156,708	1,152	-	157,860
Storm Water capital assets, net	450,394	44,973	1,125	494,242

continued on next page

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	Beginning Balance	Increases	Decreases	Ending Balance
Airport:				
Capital assets, not being depreciated:				
Land	\$ 299,917	\$ 2,951	\$ -	\$ 302,868
Construction in progress	158,255	169,314	48,475	279,094
Total capital assets, not being depreciated	458,172	172,265	48,475	581,962
Capital assets, being depreciated:				
Buildings	642,556	27,952	-	670,508
Runways	392,371	611	-	392,982
Other	91,366	8,700	-	100,066
Intangibles	3,317	-	-	3,317
Machinery and equipment	38,485	15,823	101	54,207
Total capital assets being depreciated	1,168,095	53,086	101	1,221,080
Less accumulated depreciation for:				
Buildings	394,877	18,790	-	413,667
Runways	123,158	11,390	-	134,548
Other	34,138	3,686	-	37,824
Intangibles	332	663	-	995
Machinery and equipment	17,881	4,893	101	22,673
Total accumulated depreciation	570,386	39,422	101	609,707
Total capital assets, being depreciated, net	597,709	13,664	-	611,373
Airport capital assets, net	1,055,881	185,929	48,475	1,193,335
Public Transit:				
Capital assets, not being depreciated:				
Land	56,870	-	6	56,864
Construction in progress	250,314	132,542	18,498	364,358
Total capital assets, not being depreciated	307,184	132,542	18,504	421,222
Capital assets, being depreciated:				
Buildings	86,303	-	-	86,303
Transit corridors	336,017	738	-	336,755
Other	36,171	293	-	36,464
Intangibles	7,467	808	-	8,275
Machinery and equipment	197,140	10,160	5,839	201,461
Total capital assets being depreciated	663,098	11,999	5,839	669,258
Less accumulated depreciation for:				
Buildings	36,014	3,932	-	39,946
Transit corridors	102,739	18,940	-	121,679
Other	17,650	3,640	-	21,290
Intangibles	5,564	755	-	6,319
Machinery and equipment	96,212	10,887	5,610	101,489
Total accumulated depreciation	258,179	38,154	5,610	290,723
Total capital assets, being depreciated, net	404,919	(26,155)	229	378,535
Public Transit capital assets, net	712,103	106,387	18,733	799,757
Business-type capital assets, net	\$ 5,358,002	\$ 475,698	\$ 138,800	\$ 5,694,900

**CITY OF CHARLOTTE, NORTH CAROLINA**  
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g. Interfund Receivables, Payables and Transfers

The following is a summary of interfund receivables, payables and transfers, respectively, at June 30, 2014, by fund:

	Interfund Receivables	Interfund Payables
Due to/from other funds:		
General	\$ 1,144	\$ 642
Debt Service	4,400	-
Capital Projects	-	4,400
Nonmajor governmental	-	1,144
Employee Health and Life	642	-
Total	<u>\$ 6,186</u>	<u>\$ 6,186</u>

The balances between General, Nonmajor governmental and Employee Health and Life are for reimbursable expenditures and will be paid within 30 days. The balances between Debt Service and Capital Projects are to advance funding for a project until permanent financing is approved.

Due to/from primary government and component unit for reimbursable expenditures:

	Receivable Entity	Payable Entity
Primary Government:		
Debt Service	\$ 4,262	\$ -
Capital Projects	298	1,929
Nonmajor governmental	-	65
Enterprise - Airport	-	62
Component Unit - Authority	<u>2,056</u>	<u>4,560</u>
Total	<u>\$ 6,616</u>	<u>\$ 6,616</u>

Interfund transfers:

		Transfers In:				
Transfer out:	General	Debt Service	Capital Projects	Nonmajor Governmental	Enterprise - Public Transit	Total
General	\$ -	\$ 18,100	\$ 28,264	\$ 5,926		\$ 52,290
Debt Service	4,066	-	-	341	-	4,407
Capital Projects	300	15		8,544	18,952	27,811
Nonmajor governmental	2,920	51,088	1,103	-	-	55,111
Enterprise- Public Transit	-	-	861	-	-	861
Total	<u>\$ 7,286</u>	<u>\$ 69,203</u>	<u>\$ 30,228</u>	<u>\$ 14,811</u>	<u>\$ 18,952</u>	<u>\$ 140,480</u>

The transfers consist primarily of the following: (a) \$69,203 to Debt Service from General and nonmajor governmental to cover debt service costs, (b) \$18,952 to Enterprise - Public Transit from Capital Projects pursuant to an interlocal agreement for regional mass transit, (c) \$14,811 to nonmajor governmental from General, Debt Service and Capital Projects.

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**NOTES TO THE FINANCIAL STATEMENTS-(Continued)**  
**JUNE 30, 2014**  
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h. Payables

Payables at June 30, 2014 were as follows:

	Vendors	Salaries	Other	Total
<u>Governmental</u>				
General	\$ 20,455	\$ 2,983	\$ 4,300	\$ 27,738
Debt Service	1,593	-	-	1,593
Capital Projects	14,545	-	-	14,545
Nonmajor governmental	2,199	10	-	2,209
Total Governmental	38,792	2,993	4,300	46,085
<u>Proprietary</u>				
Water and Sewer	7,778	994	1,016	9,788
Storm Water	694	168	-	862
Airport	47,054	541	-	47,595
Public Transit	23,929	501	4,234	28,664
Internal Service	50,155	41	-	50,196
Total Business-type	129,610	2,245	5,250	137,105
Total	\$ 168,402	\$ 5,238	\$ 9,550	\$ 183,190

i. Deferred Outflows and Inflows of Resources and Unavailable Revenues

The amount of deferred outflows of resources in both the governmental and business-type activities is a charge on refunding of debt of \$7,593 and \$19,408, respectively, and the accumulated decrease in fair value of hedging derivatives of \$48,820 and \$67,064, respectively. See note 4.j.8 for additional information concerning derivative instruments. The amount of deferred inflows of resources in governmental activities is property taxes received before the period for which they were levied of \$82 and business privilege licenses received before the period for which they applied of \$2,622.

In addition, governmental funds report unavailable revenues in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. At the end of the current fiscal year, the governmental funds reported unavailable revenues as follows:

	General	Debt Service	Capital Projects	Nonmajor governmental	Total governmental
Property taxes receivable	\$ 12,414	\$ 1,554	\$ 1,112	\$ 128	\$ 15,208
Notes receivable	21	-	49,597	47,289	96,907
Accounts receivable	2,495	-	2,770	26	5,291
Due from other government	83	-	-	-	83
Due from component unit	-	3,140	298	-	3,438
	<u>\$ 15,013</u>	<u>\$ 4,694</u>	<u>\$ 53,777</u>	<u>\$ 47,443</u>	<u>\$ 120,927</u>

**CITY OF CHARLOTTE, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS-(Continued)**  
**JUNE 30, 2014**  
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j. Long-term Liabilities

A summary of changes in long-term liabilities for governmental activities for the year ended June 30, 2014 follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<u>Governmental Activities</u>					
General obligation bonds	\$ 522,023	\$ 239,543	\$ 111,643	\$ 649,923	\$ 33,087
Plus unamortized premiums	55,408	28,388	4,357	79,439	5,006
Total bonds payable	577,431	267,931	116,000	729,362	38,093
Special obligation bonds	9,220	-	950	8,270	1,000
Installment purchases	707,911	125,714	106,956	726,669	47,199
Plus unamortized premiums	20,819	3,156	2,667	21,308	2,722
Less unamortized discounts	(818)	-	(32)	(786)	(32)
Total installment purchases	727,912	128,870	109,591	747,191	49,889
Commercial paper notes payable	98,082	59,055	150,000	7,137	-
Derivative instrument liability	50,036	-	1,216	48,820	-
Swaption borrowing payable	9,081	-	600	8,481	584
Compensated absences	46,081	35,564	33,148	48,497	26,806
Section 108 loan guarantee	8,902	-	458	8,444	501
Private loan	35,331	-	-	35,331	-
Due to participants	9,460	2,182	-	11,642	-
Law enforcement officers' separation allowance	17,518	2,315	-	19,833	-
Unfunded OPEB liability	9,153	2,127	3,962	7,318	-
Total governmental activities	<u>\$1,598,207</u>	<u>\$498,044</u>	<u>\$415,925</u>	<u>\$1,680,326</u>	<u>\$116,873</u>

For governmental activities, compensated absences, law enforcement officers' separation allowance, and the unfunded OPEB liability are primarily liquidated by the General Fund. Payments due to participants are made by Internal Service Funds.

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A summary of changes in long-term liabilities for business-type activities for the year ended June 30, 2014 follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<u>Business-type Activities</u>					
Water and Sewer:					
General obligation bonds	\$ 205,901	\$ 30,045	\$ 58,202	\$ 177,744	\$ 25,428
Plus unamortized premiums	15,104	2,983	1,884	16,203	1,978
Revenue bonds	1,391,820	-	43,770	1,348,050	45,185
Plus unamortized premiums	51,645	-	2,993	48,652	2,820
Total bonds payable	1,664,470	33,028	106,849	1,590,649	75,411
Installment purchases	8,309	3,906	3,574	8,641	2,080
Plus unamortized premiums	631	440	259	812	232
Total installment purchases	8,940	4,346	3,833	9,453	2,312
Revenue bond anticipation notes	-	87,054	-	87,054	-
Other financing agreements -					
Municipal systems	4,610	-	835	3,775	825
Derivative instrument liability	69,624	-	2,560	67,064	-
Refundable construction deposits	5,061	1,142	349	5,854	121
Compensated absences	3,669	3,076	2,785	3,960	2,026
Total Water and Sewer	1,756,374	128,646	117,211	1,767,809	80,695
Storm Water:					
General obligation bonds	9,641	136	1,039	8,738	931
Plus unamortized premiums	621	-	65	556	64
Revenue bonds	105,985	-	3,700	102,285	3,845
Plus unamortized premiums	6,056	-	437	5,619	437
Total bonds payable	122,303	136	5,241	117,198	5,277
Federal revolving loan	1,242	-	66	1,176	66
Compensated absences	546	529	503	572	354
Total Storm Water	124,091	665	5,810	118,946	5,697
Airport:					
Revenue bonds	838,205	-	49,780	788,425	23,110
Plus unamortized premiums	10,807	-	795	10,012	794
Total bonds payable	849,012	-	50,575	798,437	23,904
Compensated absences	1,416	1,292	957	1,751	731
Total Airport	850,428	1,292	51,532	800,188	24,635
Public Transit:					
Installment purchases	268,545	-	6,375	262,170	4,340
Plus unamortized premiums	10,868	-	733	10,135	732
Total installment purchases	279,413	-	7,108	272,305	5,072
Compensated absences	3,152	1,523	1,491	3,184	998
Total Public Transit	282,565	1,523	8,599	275,489	6,070
Total business-type activities	<u>\$ 3,013,458</u>	<u>\$ 132,126</u>	<u>\$ 183,152</u>	<u>\$ 2,962,432</u>	<u>\$ 117,097</u>



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The government-wide statement of net position includes \$23,904 of long-term liabilities due within one year for business-type activities in the *liabilities payable from restricted assets*. The remaining amount of \$93,193 is displayed as *noncurrent liabilities, due within one year* on that same statement.

(1) General Obligation Bonds

The City issues general obligation bonds to finance acquisition or construction of major capital facilities and the purchase of other major capital items. Bonded indebtedness has also been issued to advance refund several general obligation bonds. The following table summarizes the City's general obligation bonds:

Purpose	Interest Rates	Date Issued	Final Maturity	Original Issue	Balance June 30, 2014
Governmental Activities:					
General Obligation Refunding Bonds, Series 2005	5.00%	03/03/2005	2017	\$ 8,569	\$ 2,143
General Obligation Refunding Bonds, Series 2005A	4.00% - 5.25%	05/01/2005	2025	53,890	43,130
General Obligation Refunding Bonds, Series 2005B	4.00% - 5.00%	06/01/2005	2023	35,373	21,452
General Obligation Refunding Bonds, Series 2008	3.50% - 5.00%	06/05/2008	2024	11,674	7,444
General Obligation Refunding Bonds, Series 2009B	3.00% - 5.00%	10/29/2009	2029	122,315	106,725
General Obligation Refunding Bonds, Series 2009C	3.00% - 5.00%	01/12/2010	2027	86,795	62,500
General Obligation Refunding Bonds, Series 2012A	1.25% - 5.00%	04/12/2012	2033	175,495	169,085
General Obligation Taxable Housing Bonds, Series 2013A	1.00% - 4.15%	09/05/2013	2030	34,370	34,370
General Obligation Refunding Bonds, Series 2013B	2.00% - 5.00%	09/05/2013	2030	74,068	71,969
General Obligation Refunding Bonds, Series 2014A	1.75% - 5.00%	05/01/2014	2035	131,105	131,105
Total Governmental Activities					<u>\$ 649,923</u>
Business-Type Activities:					
Water and Sewer:					
General Obligation Refunding Bonds, Series 2005	5.00%	03/03/2005	2017	36,426	9,111
General Obligation Refunding Bonds, Series 2005B	4.00% - 5.00%	06/01/2005	2023	56,150	34,052
General Obligation Refunding Bonds, Series 2008	3.50% - 5.00%	06/05/2008	2024	170,776	108,891
General Obligation Refunding Bonds, Series 2013B	2.00% - 5.00%	09/05/2013	2030	30,045	25,690
Total Water and Sewer					<u>177,744</u>
Storm Water:					
General Obligation Refunding Bonds, Series 2005B	4.00% - 5.00%	06/01/2005	2023	12,517	7,591
General Obligation Refunding Bonds, Series 2008	3.50% - 5.00%	06/05/2008	2024	1,585	1,011
General Obligation Refunding Bonds, Series 2013B	2.00% - 5.00%	09/05/2013	2030	137	136
Total Storm Water					<u>8,738</u>
Total Business-type activities					<u>\$ 186,482</u>

The principal and interest on the General Obligation Bonds allocated to Water and Sewer and Storm Water are wholly payable from net revenues of the Water and Sewer and Storm Water systems, respectively.

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Debt service requirements to maturity for general obligation bonds are as follows:

Governmental Activities

Year Ended

June 30	Principal	Interest
2015	\$ 33,087	\$ 28,275
2016	39,008	28,706
2017	40,546	26,873
2018	40,564	24,945
2019	40,747	22,968
2020-2024	208,011	85,566
2025-2029	177,575	37,021
2030-2034	63,830	7,392
2035	6,555	131
	<u>\$ 649,923</u>	<u>\$ 261,877</u>

Business-type Activities

Year Ended

June 30	Water and Sewer		Storm Water	
	Principal	Interest	Principal	Interest
2015	\$ 25,428	\$ 8,157	\$ 931	\$ 417
2016	26,403	6,924	969	371
2017	28,057	5,589	1,012	323
2018	26,477	4,180	1,063	272
2019	23,995	2,918	923	219
2020-2024	47,384	3,878	3,840	425
	<u>\$ 177,744</u>	<u>\$ 31,646</u>	<u>\$ 8,738</u>	<u>\$ 2,027</u>

**CITY OF CHARLOTTE, NORTH CAROLINA**  
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(2) Special Obligation Bonds

In November 2004, the City issued taxable variable rate special obligation bonds to acquire property for purposes of revitalizing the uptown area. Interest on the variable-rate bonds is determined by a remarketing agent based upon market conditions. These bonds are solely secured by and payable from a portion of the sales and use tax distributed revenues and are non-general obligation financings. These revenues are not pledged by the City, directly or indirectly, as collateral, and no lien or claim can be made against such revenues. In accordance with State statutes, no deficiency judgment may be rendered against the City for amounts owed and the taxing power of the City may not be pledged directly or indirectly to collateralize amounts due pursuant to these bonds.

Debt service requirements to maturity for special obligation bonds are as follows:

<u>Governmental Activities</u>		
Year Ended		
<u>June 30</u>	<u>Principal</u>	<u>Interest</u>
2015	\$ 1,000	\$ 9
2016	1,055	8
2017	1,115	7
2018	1,175	6
2019	1,240	4
2020-2021	2,685	4
	<u>\$ 8,270</u>	<u>\$ 38</u>

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**NOTES TO THE FINANCIAL STATEMENTS-(Continued)**  
**JUNE 30, 2014**  
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(3) Revenue Bonds

The following table summarizes the City's revenue bonds for Business-type activities:

Purpose	Interest Rates	Date Issued	Final Maturity	Original Issue	Balance June 30, 2014
Water and Sewer, Series 2002A	3.50% - 5.50%	02/15/2002	2016	\$ 61,035	\$ 13,620
Water and Sewer, Series 2002B	Variable	03/13/2002	2028	114,430	114,430
Water and Sewer, Series 2002C	Variable	08/08/2002	2025	108,390	100,440
Water and Sewer, Refunding Series 2005A	3.00% - 5.00%	03/03/2005	2022	33,115	19,455
Water and Sewer, Refunding Series 2005B	5.00%	03/03/2005	2015	35,675	7,385
Water and Sewer, Series 2006A	4.00% - 5.00%	07/26/2006	2037	100,290	87,245
Water and Sewer, Series 2006B	Variable	07/26/2006	2037	300,000	166,470
Water and Sewer, Series 2008	3.50% - 5.00%	09/10/2008	2039	342,715	316,900
Water and Sewer, Refunding Series 2009	3.00% - 5.25%	08/25/2009	2036	93,765	88,025
Water and Sewer, Series 2009B	3.50% - 5.00%	12/09/2009	2040	366,380	353,470
Water and Sewer, Refunding Series 2011	1.50% - 5.00%	08/03/2011	2025	93,390	80,610
Total Water and Sewer					1,348,050
Storm Water, Series 2004	3.00% - 5.00%	10/27/2004	2034	54,265	44,760
Storm Water, Series 2006	4.00% - 5.00%	10/25/2006	2036	43,675	38,310
Storm Water, Refunding Series 2012	2.00% - 5.00%	11/13/2012	2025	20,585	19,215
Total Storm Water					102,285
Airport, Series 2004A	4.75% - 5.25%	09/15/2004	2035	87,095	87,095
Airport, Series 2004B	4.75% - 5.25%	09/15/2004	2024	48,465	39,050
Airport, Refunding Series 2007A	4.00% - 5.00%	08/16/2007	2038	99,995	89,060
Airport, Series 2007B	Variable	08/16/2007	2038	47,570	21,045
Airport, Refunding Series 2008D	Variable	11/05/2008	2035	40,585	38,725
Airport, Refunding Series 2009B	2.50% - 5.00%	02/17/2009	2017	51,180	23,630
Airport, Series 2010A	2.00% - 5.50%	02/10/2010	2040	130,100	123,205
Airport, Refunding Series 2010B	1.25% - 5.50%	02/10/2010	2029	67,770	56,755
Airport, Series 2010C	Variable	02/10/2010	2040	31,145	8,875
Airport, Series 2011A	2.00% - 5.00%	11/09/2011	2042	76,100	73,865
Airport, Series 2011B	2.00% - 5.00%	11/09/2011	2042	34,250	33,255
Airport, Series 2011C	Variable	11/09/2011	2042	30,920	18,660
Airport Special Facility, Refunding Series 1998	5.60%	03/01/1998	2028	86,000	86,000
Airport Special Facility, Series 2000	7.75%	08/15/2000	2028	34,700	28,910
Airport Special Facility, Series 2011 CONRAC	2.48% - 6.06%	11/09/2011	2042	60,295	60,295
Total Airport					788,425
Total Business-type activities					\$ 2,238,760

Interest on the variable-rate bonds is determined by a remarketing agent based upon market conditions. The City entered into interest rate swap agreements for the variable rate Water and Sewer Revenue Bonds Series 2002B, 2002C, and 2006B. See note 4.i.7 for additional information concerning derivative instruments.

The principal and interest on the Airport Revenue bonds are payable from net revenues of the Airport. Pursuant to the Revenue Bond Order, the City has covenanted to charge rates which produce revenues sufficient to cover principal and interest payments.

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The Airport Special Facility Revenue Bonds are payable solely from and secured solely by a pledge of debt service rentals pursuant to a Special Facility Lease (Lease) agreement with US Airways Group, Inc.

The principal and interest on the Water and Sewer and Storm Water Revenue Bonds are payable from net revenues of the water and sewer and storm water systems, respectively. Pursuant to the general trust indentures, the City has covenanted to charge rates that produce net revenues which (1) including 50 percent of the surplus fund, after providing for a two-month operating reserve, are at least 120 percent of the principal and interest requirements plus 100 percent of non-revenue bond debt service requirements and (2) are at least 110 percent of the principal and interest requirements plus 100 percent of non-revenue bond debt service requirements. Based on the 2014 Water and Sewer Fund budgets, revenue bond debt service coverage was at least 145 percent. Based on the 2014 Storm Water Fund budgets, revenue bond debt service coverage was at least 500 percent.

The Revenue and Special Facility Revenue Bonds do not constitute a legal or equitable pledge, charge, lien or encumbrance upon any of the City's property or upon any of its income, receipts or revenues, except as provided in the Revenue Bond Orders or Lease. Neither the credit nor the taxing power of the City is pledged for the payment of the principal or interest, and no owner has the right to compel the exercise of the taxing power of the City or the forfeiture of any of its property in connection with any default under the Revenue Bond Orders or Lease.

The Revenue Bond Orders provide for the establishment of reserves for working capital and debt service. The reserves in the Airport Enterprise Fund at June 30, 2014 are \$23,521 for working capital and \$53,914 for debt service. The reserve requirements for the Water and Sewer Revenue Bonds, except for Series 2002A, were satisfied with the purchase of surety bonds or insurance policies. For the Water and Sewer Series 2002A Revenue Bonds, the reserve for debt service is \$3,143 at June 30, 2014

Revenue bond debt service requirements to maturity are as follows:

Business-type Activities

Year Ended June 30	Water and Sewer		Storm Water		Airport	
	Principal	Interest	Principal	Interest	Principal	Interest
2015	\$ 45,185	\$ 46,238	\$ 3,845	\$ 4,782	\$ 23,110	\$ 35,621
2016	47,290	44,326	4,000	4,628	24,085	34,720
2017	50,200	42,866	4,180	4,449	25,130	33,721
2018	51,830	41,529	4,365	4,258	17,605	32,857
2019	54,800	40,071	4,570	4,055	18,385	32,091
2020-2024	304,390	175,896	26,120	17,012	105,860	147,381
2025-2029	256,950	132,991	23,200	11,007	267,680	110,974
2030-2034	248,425	87,792	26,640	5,331	142,280	54,763
2035-2039	265,485	32,741	5,365	378	121,560	23,247
2040-2042	23,495	532	-	-	42,730	2,778
	<u>\$ 1,348,050</u>	<u>\$ 644,982</u>	<u>\$ 102,285</u>	<u>\$ 55,900</u>	<u>\$ 788,425</u>	<u>\$ 508,153</u>

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(4) Installment Purchases

The following table summarizes the City's installment purchases:

Purpose	Interest Rates	Date Issued	Final Maturity	Original Issue	Balance June 30, 2014
Governmental activities:					
Convention Center, Refunding Series 2003B	Variable	09/10/2003	2022	\$ 24,335	\$ 19,490
Convention Center, Refunding Series 2005C	3.00% - 5.00%	05/04/2005	2026	33,665	19,160
Convention Center, Refunding Series 2013H	1.51%	10/22/2013	2020	61,720	61,720
Convention Center, Series 2009B	2.00% - 5.00%	06/25/2009	2034	30,620	27,365
Convention Center, Series 2013I	2.94%	10/22/2013	2023	28,125	25,310
Tourism, Series 2003F	Variable	05/29/2003	2034	41,000	19,785
Tourism, Series 2003	2.00%	07/25/2003	2015	16,800	1,180
Tourism, Refunding Series 2013G	Variable	05/30/2013	2033	128,245	123,675
Hall of Fame, Series 2009C	5.00%	06/25/2009	2039	37,295	37,295
Hall of Fame, Series 2009D	Variable	07/30/2009	2035	100,000	91,215
Cultural Facilities, Series 2009E	3.00% - 5.00%	09/30/2009	2039	139,135	131,075
Public Safety, Series 2005A	Variable	04/06/2005	2025	15,725	9,950
Public Safety, Refunding Series 2005D	3.00% - 5.00%	05/04/2005	2025	16,805	13,150
Public Safety, Series 2009A	3.00% - 5.00%	06/25/2009	2029	28,470	23,570
Public Safety, Series 2010A	3.63% - 5.00%	05/27/2010	2024	13,685	10,520
Public Safety, Series 2012A	1.25% - 5.00%	01/04/2012	2032	23,195	20,875
Public Safety, Series 2013A	2.00% - 5.00%	04/04/2013	2033	16,700	16,165
Public Safety, Series 2014A	3.00% - 5.00%	03/27/2014	2034	16,225	16,225
Public Safety, Refunding Series 2012A	1.25% - 5.00%	01/04/2012	2021	1,990	1,610
Public Safety, Refunding Series 2013A	2.00% - 5.00%	04/04/2013	2016	2,225	1,505
Public Safety Equipment, Series 2009A	3.00% - 5.00%	06/25/2009	2019	13,205	7,365
Equipment, Series 2010A	4.00% - 5.00%	05/27/2010	2016	20,174	8,070
Equipment, Series 2012A	3.00% - 5.00%	01/04/2012	2017	9,960	5,976
Equipment, Series 2013A	2.00% - 5.00%	04/04/2013	2018	18,108	14,774
Equipment, Series 2014A	3.00% - 5.00%	03/27/2014	2034	19,644	19,644
Total Governmental activities					<u>\$ 726,669</u>
Business-type activities:					
Water and Sewer:					
Equipment, Series 2010A	4.00% - 5.00%	05/27/2010	2016	1,751	700
Equipment, Series 2012A	3.00% - 5.00%	01/04/2012	2017	1,365	819
Equipment, Series 2013A	2.00% - 5.00%	04/04/2013	2018	3,942	3,216
Equipment, Series 2014A	3.00% - 5.00%	03/27/2014	2034	3,906	3,906
Total Water and Sewer					<u>8,641</u>
Public Transit:					
Equipment and Facilities, Series 2005E	3.00% - 5.00%	08/31/2005	2035	74,400	61,150
Equipment and Facilities, Series 2008A	3.50% - 5.00%	06/04/2008	2035	34,965	30,405
Equipment and Facilities, Series 2013B	3.00%	05/07/2013	2022	123,140	123,140
Equipment and Facilities, Refunding Series 2013C	2.00% - 5.00%	05/07/2013	2033	47,845	47,325
Equipment and Facilities, Series 2013D	Variable	05/04/2013	2021	50	50
Equipment and Facilities, Series 2013E	Variable	05/04/2013	2021	50	50
Equipment and Facilities, Series 2013F	Variable	05/04/2013	2021	50	50
Total Public Transit					<u>262,170</u>
Total Business-type activities					<u>\$ 270,811</u>

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**(Dollar Amounts In Thousands)**

Interest on the variable-rate installment purchases is determined by a remarketing agent based upon market conditions. The City entered into an interest rate swap agreement for the variable rate Tourism Refunding Series 2013G. See note 4.i.7 for additional information concerning derivative instruments.

These installment purchase contracts are non-general obligation financings. In accordance with State statutes, no deficiency judgment may be rendered against the City for amounts owed and the taxing power of the City may not be pledged directly or indirectly to collateralize amounts due pursuant to these contracts.

The City enters into installment purchase contracts annually for the purchase of capital equipment. These financings are payable over five years.

Installment purchases debt service requirements to maturity are as follows:

Governmental Activities

Year Ended		
June 30	Principal	Interest
2015	\$ 47,199	\$ 18,939
2016	46,708	17,555
2017	43,192	16,244
2018	42,554	15,079
2019	40,604	13,996
2020-2024	170,022	57,382
2025-2029	132,765	40,048
2030-2034	123,385	26,671
2035-2039	80,240	12,153
	<u>\$ 726,669</u>	<u>\$ 218,067</u>

Business-type Activities

Year Ended	Water and Sewer		Public Transit	
June 30	Principal	Interest	Principal	Interest
2015	\$ 2,080	\$ 369	\$ 4,340	\$ 10,072
2016	2,149	271	4,520	9,890
2017	1,872	174	4,751	9,687
2018	1,681	85	4,931	9,516
2019	859	21	5,166	9,280
2020-2024	-	-	152,612	35,225
2025-2029	-	-	36,735	16,830
2030-2034	-	-	42,390	7,521
2035	-	-	6,725	328
	<u>\$ 8,641</u>	<u>\$ 920</u>	<u>\$ 262,170</u>	<u>\$ 108,349</u>

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(5) Commercial Paper

The City has available a general obligation commercial paper bond program to finance street improvements, neighborhood improvements, public improvements and housing projects. The City has authorized the issuance of bonds up to the amount of \$150,000 outstanding at any time. The bonds are general obligations of the City, and the City has pledged its faith and credit to the payment of principal of and interest on the bonds. In addition, the City has entered into a Standby Bond Purchase Agreement which will expire in May 2017. The bonds will mature no later than 270 days after the date of issuance or October 1, 2034. The bonds will be replaced by general obligation bonds. The City had general obligation commercial paper bonds payable of \$7,137 outstanding at June 30, 2014. Interest rates are based upon market conditions.

Commercial paper debt service requirements to maturity are as follows:

<u>Governmental Activities</u>		
<u>Year Ended</u>		
<u>June 30</u>	<u>Principal</u>	<u>Interest</u>
2015	\$ -	\$ 9
2016	-	9
2017	7,137	8
	<u>\$ 7,137</u>	<u>\$ 26</u>

(6) Revenue Bond Anticipation Note

The City has available a Water and Sewer revenue bond anticipation note program to finance the cost of water and sewer system improvements. The aggregate principal amount of the note outstanding at any one time shall not exceed \$180,000. The note is payable from net revenues of the water and sewer systems. The note does not constitute a legal or equitable pledge, charge, lien or encumbrance upon any of the City's property or upon any of its income, receipts or revenues, except as provided in the Revenue Bond Orders. Neither the credit nor the taxing power of the City is pledged for the payment of the principal or interest, and no owner has the right to compel the exercise of the taxing power of the City or the forfeiture of any of its property in connection with any default on the note. In addition, the City has entered into a Note Purchase and Advance Agreement. The note will be replaced by water and sewer revenue bonds. The note will mature no later than the third anniversary of the closing date or June 10, 2017. The City had revenue bond anticipation note payable of \$87,054 outstanding at June 30, 2014. Interest rates are based upon market conditions.



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Revenue bond anticipation note debt service requirements to maturity are as follows:

<u>Business-type Activities</u>		
Year Ended	Water and Sewer	
June 30	Principal	Interest
2015	\$ -	\$ 355
2016	-	355
2017	87,054	335
	<u>\$ 87,054</u>	<u>\$ 1,045</u>

(7) Other Long-term Liabilities

(a) Section 108 Loan Guarantee

The loan guarantee provision of the Community Development Block Grant (CDBG) program that provides communities with a source of financing for economic development, housing rehabilitation, public facilities, and large-scale physical development projects. Local governments borrowing funds guaranteed by Section 108 loans must pledge their current and future CDBG allocations to cover the loan amount as security for the loan. Debt service requirements to maturity are as follows:

<u>Governmental Activities</u>		
Year Ended		
June 30	Principal	Interest
2015	\$ 501	\$ 300
2016	405	289
2017	426	279
2018	447	267
2019	469	253
2020-2024	2,722	999
2025-2029	3,474	385
	<u>\$ 8,444</u>	<u>\$ 2,772</u>

(b) Private Loan

The City has entered into a private loan agreement for up to \$41,500 dollars to finance pre-opening expenses for the NASCAR Hall of Fame project, construction of additional parking and construction of the facility. The interest rate is 4.00 percent and will be due in June 2019. As of June 30, 2014, \$35,331 was outstanding under this agreement.

**CITY OF CHARLOTTE, NORTH CAROLINA**  
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Debt service requirements to maturity are as follows:

<u>Governmental Activities</u>		
Year Ended		
<u>June 30</u>	<u>Principal</u>	<u>Interest</u>
2015	\$ -	\$ 1,413
2016	-	1,413
2017	-	1,413
2018	-	1,413
2019	35,331	1,413
	<u>\$ 35,331</u>	<u>\$ 7,065</u>

(c) Municipal Systems

Pursuant to agreements, the City is leasing water and sewer facilities owned by municipalities within Mecklenburg County. These lease agreements continue until the outstanding bonds on these facilities have been retired, at which time title to the facilities will be conveyed to the City. Debt service requirements to maturity are as follows:

<u>Business-type Activities</u>		
Year Ended		
<u>June 30</u>	<u>Principal</u>	<u>Interest</u>
2015	\$ 825	\$ 175
2016	820	139
2017	810	103
2018	645	67
2019	425	35
2020	250	13
	<u>\$ 3,775</u>	<u>\$ 532</u>

Certain developers have contracted with the City for construction of water and sewer lines. Under terms of these contracts, the developers are required to deposit with the City an amount equal to the estimated cost of constructing the lines. The lines become the property of the City upon completion and acceptance. Refunds of deposits may be either wholly or partially refundable depending upon terms of the contracts. They will be paid over periods of five to twenty years. There are no stated interest requirements for these deposits.

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**NOTES TO THE FINANCIAL STATEMENTS-(Continued)**  
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(d) Federal Revolving Loan

Pursuant to the North Carolina Clean Water Revolving Loan & Grant Act of 1987 and the Federal Clean Water Act Amendments of 1987 and the American Recovery and Reinvestment Act of 2009, the City utilized loan proceeds to construct wastewater treatment works projects. The loans to be repaid are one-half of the total project costs reimbursed. Principal is forgiven for one-half of the total project costs reimbursed. Debt service requirements to maturity are as follows:

<u>Business-type Activities</u>	
<u>Year Ended</u>	
<u>June 30</u>	<u>Principal</u>
2015	\$ 66
2016	66
2017	66
2018	66
2019	66
2020-2024	331
2025-2029	331
2030-2032	184
	<u>\$ 1,176</u>

In accordance with Section 148 of the Internal Revenue Code of 1986, as amended, and Sections 1.103-13 to 1.103-15 of the related Treasury Regulations, the City must rebate to the federal government "arbitrage profits" earned on governmental bonds issued after August 31, 1986. Arbitrage profits are the excess of the amount earned on investments over the interest paid on the borrowings. At June 30, 2014, the City had no liability for estimated arbitrage profits payable.

(8) Derivative Instruments

The fair value balances and notional amounts of derivative instruments outstanding at June 30, 2014 classified by type, and the changes in fair value of such derivative instruments for the year then ended are as follows:

	<u>Changes in Fair Value</u>		<u>Fair Value at June 30</u>		
	<u>Classification</u>	<u>Amount</u>	<u>Classification</u>	<u>Amount</u>	<u>Notional</u>
Governmental activities					
Cash flow hedges:					
Pay-fixed interest rate swap	Deferred outflow	\$ 1,216	Debt	\$ (48,820)	\$ 214,890
Business-type activities					
Cash flow hedges:					
Pay-fixed interest rate swap	Deferred outflow	\$ 2,560	Debt	\$ (67,064)	\$ 381,340

**CITY OF CHARLOTTE, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS-(Continued)**  
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The following table displays the objective and terms of the City's hedging derivative instruments outstanding at June 30, along with the credit rating of the associated counterparty:

Type	Objective	Notional Amount	Effective Date	Maturity Date	Terms	Counterparty Credit Rating
Pay-fixed interest rate swap	Hedge of changes in cash flows on the 2002B Water and Sewer Revenue Bonds	\$ 114,430	3/13/2002	7/1/2027	Pay 4.03%; receive 67% of LIBOR	Baa2/A-
Pay-fixed interest rate swap	Hedge of changes in cash flows on the 2002C Water and Sewer Revenue Bonds	\$ 100,440	8/8/2002	6/1/2025	Pay 3.79%; receive lesser of the bond floating rate or 67% of LIBOR capped at 12%	Baa2/A-
Pay-fixed interest rate swap	Hedge of changes in cash flows on the 2006B Water and Sewer Revenue Bonds	\$ 166,470	8/1/2006	7/1/2036	Pay 4.04%; receive SIFMA swap index	Aa3/AA-
Pay-fixed interest rate swap	Hedge of changes in cash flows on the 2009D Hall of Fame Certificates of Participation	\$ 91,215	8/18/2009	6/1/2035	Pay 4.725%; receive LIBOR	Aa3/AA-
Pay-fixed interest rate swap	Hedge of changes in cash flows on the 2013G Tourism Certificates of Participation	\$ 123,675	6/1/2013	6/1/2033	Pay 5.10%; receive SIFMA swap index	Aa3/AA-

*Interest rate risk.* The City is exposed to interest rate risk on its interest rate swaps. On its pay-fixed, receive-variable interest rate swaps, as LIBOR, the bond floating rate swap index, or the SIFMA swap index decreases, the City's net payment on the swaps increases.

*Basis risk.* The City's hedging derivative instruments expose the City to basis risk since the variable payment received from the counterparty is determined on a basis different from that used to calculate the bond floating rate for the associated bonds. As of June 30 the rate received by the City for the 2002B and 2002C agreements was 67 percent of LIBOR or 0.10 percent, whereas the bond floating rates paid by the City were 0.04 percent for Series 2002B and 0.08 percent for Series 2002C. As of June 30 the rate received by the City for the 2006B agreement was 0.06 percent, whereas the bond floating rate paid by the City was 0.04 percent. As of June 30 the rate received by the City for the 2009D agreement was 0.15 percent, whereas the bond floating rate paid by the City was 0.11 percent. As of June 30 the rate received by the City for the 2013G agreement was 0.28 percent, whereas the bond floating rate paid by the City was 0.04 percent.

*Termination risk.* Either the City or its counterparties may terminate the hedging derivative instruments if the other party fails to perform under the terms of the contract. Termination could result in the City being required to make a termination payment.

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*Rollover risk.* The City is exposed to rollover risk on hedging derivative instruments that are hedges of debt that may be terminated prior to the maturity of the hedged debt. If the option to terminate the hedging derivative instrument is exercised, then the City will be re-exposed to the risks being hedged by the hedging derivative instrument.

*Hedging derivative instrument payments and hedged debt.* As of June 30, aggregate debt service requirements of the City's variable-rate debt and net receipts/payments on associated hedging derivative instruments are as follows. These amounts assume that current interest rates on variable-rate bonds and the current reference rates of hedging derivative instruments will remain the same for their term. As these rates vary, interest payments on variable-rate bonds and net receipts/payments on the hedging derivative instruments will vary.

Governmental Activities

Year Ended June 30	<u>Variable Rate Instruments</u>		Hedging	Total
	Principal	Interest	Derivatives, Net	
2015	\$ 7,305	\$ 150	\$ 10,466	\$ 17,921
2016	7,675	145	10,114	17,934
2017	8,085	140	9,722	17,947
2018	8,510	135	9,333	17,978
2019	8,935	130	8,915	17,980
2020-2024	52,375	555	37,526	90,456
2025-2029	67,920	366	23,233	91,519
2030-2034	50,935	141	7,185	58,261
2035	3,150	3	145	3,298
	<u>\$ 214,890</u>	<u>\$ 1,765</u>	<u>\$ 116,639</u>	<u>\$ 333,294</u>

Business-type Activities

Year Ended June 30	<u>Variable Rate Bonds</u>		Hedging	Total
	Principal	Interest	Derivatives, Net	
2015	\$ 5,145	\$ 205	\$ 14,874	\$ 20,224
2016	13,270	189	14,657	28,116
2017	21,335	178	13,870	35,383
2018	22,190	165	13,030	35,385
2019	23,075	153	12,155	35,383
2020-2024	130,145	552	46,363	177,060
2025-2029	85,640	231	22,767	108,638
2030-2034	40,535	122	12,163	52,820
2035-2037	40,005	27	2,733	42,765
Total	<u>\$ 381,340</u>	<u>\$ 1,822</u>	<u>\$ 152,612</u>	<u>\$ 535,774</u>

**CITY OF CHARLOTTE, NORTH CAROLINA**  
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*Commitments.* The City's derivative instruments include provisions that require the City to post collateral in the event its credit rating falls below A3 by Moody's and A- by S&P. The hedging derivative instruments will be collateralized at fair value with cash and/or U.S. government securities. Collateral will be posted with the City or its agent. At June 30, the aggregate fair value of all hedging derivative instruments with these collateral posting provisions is (\$115,884). If the collateral posting requirements were triggered at June 30, the City would not be required to post collateral to its counterparties because they had negative fair values. The City's credit rating is Aaa/AAA, therefore, no collateral has been posted at June 30.

(9) Refundings

In September 2013, the City issued \$104,250 in General Obligation Refunding Bonds, Series 2013B with interest rates ranging from 2.00 to 5.00 percent. The net proceeds of \$115,224 (after payment of \$564 in underwriting fees, insurance and other issue costs) were used to refund \$114,045 of outstanding fixed rate General Obligation Bonds, Series 2003A and General Obligation Refunding Bonds, Series 2003B and 2003C. The City completed the refunding to reduce its total debt service payments over a period of 17 years by \$12,668 and to obtain an economic gain (difference between the present values of the old and new debt service payments) of \$10,331.

In October 2013, the City issued \$61,719 in fixed rate Convention Center refunding installment purchase contracts, series 2013H. The net proceeds of \$61,570 (after payment of \$904 in underwriting fees, insurance and other issue costs) were used to refund \$60,960 of outstanding fixed rate Convention Center refunding installment purchase contracts, series 2003A. The refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$610. This difference, reported in the accompanying financial statements as a deduction from revenue bonds payable, is being charged to operations through the year 2020 using the effective-interest method. The City completed the refunding to reduce its total debt service payments over a period of 7 years by \$8,426 and to obtain an economic gain (difference between the present values of the old and new debt service payments) of \$8,046.

In May 2014, the City issued \$131,105 in fixed rate general obligation refunding bonds. The net proceeds of \$150,002 (after payment of \$732 in underwriting fees, insurance and other issue costs) were used to refund \$150,000 of outstanding commercial paper certificates of participation. The fixed rate general obligation bonds have interest rates ranging from 1.75 to 5.00 percent with a final maturity in 2035. See note 4.i.5 for additional information on the general obligation commercial paper bond program.

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(10)Other Debt Information

In prior years, the City defeased various general obligation bonds, revenue bonds and installment purchases by placing the proceeds of the new debt in an irrevocable trust to provide for all future debt service payments on the old debt. Accordingly, the trust account assets and the liability for the defeased debt are not included in the City's financial statements. At June 30, 2014, \$8,940 of general government debt outstanding is considered defeased.

As of June 30, 2014, the City has authorized but unissued bonds of \$260,773 consisting of \$229,543 for street improvements, \$3 for housing and \$31,227 for neighborhood improvements.

Pursuant to the North Carolina General Statutes, the City's outstanding general obligation debt is subject to a legal limitation based on 8 percent of the total assessed value of real and personal property. As of June 30, 2014, the City's legal debt limit was \$7,250,702. The outstanding debt subject to this limit was \$2,150,659, leaving a net legal debt margin of \$5,100,043.

(11)Early Extinguishment

On February 3, 2014, the City early extinguished \$3,370 of variable rate Airport Revenue Bonds, Series 2007B.

On February 3, 2014, the City early extinguished \$13,185 of variable rate Airport Revenue Bonds, Series 2010C.

On February 3, 2014, the City early extinguished \$11,355 of variable rate Airport Revenue Bonds, Series 2011C.

(12)Subsequent Events

On August 4, 2014, the City early extinguished \$86,000 of fixed rate Airport Special Facility Refunding Bonds, Series 1998.

On August 4, 2014, the City early extinguished \$28,910 of fixed rate Airport Special Facility Revenue Bonds, Series 2000.

On August 26, 2014, the City defeased \$405 of Section 108 loan guarantee.

On October 6, 2014, the City defeased \$873 of Section 108 loan guarantee.

**CITY OF CHARLOTTE, NORTH CAROLINA**  
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k. Fund Balance

The following schedule provides information on the portion of General fund balance that is available for appropriation:

Total fund balance - General Fund	\$ 170,517
Less:	
Inventories	1,208
Restricted by State statute	65,521
Committed for Capital projects	5,311
Committed for Component unit	2,146
Assigned for Capital projects	550
Assigned for Community planning and development	483
Fund balance policy	95,298
Remaining fund balance	<u>\$ -</u>

5. PENSION PLANS AND OTHER BENEFITS

*Primary Government:* The City participates in the North Carolina Local Governmental Employees' Retirement System (LGERS), administered by the State of North Carolina; the Charlotte Firefighters' Retirement System, administered through a board of trustees; and the Law Enforcement Officers' Separation Allowance (LEO Separation). The City also participates in a Supplemental Retirement Income Plan for Law Enforcement Officers.

**Component Unit:** The Authority participates in the North Carolina LGERS which is described in Note 5.a. The Authority's contribution to the LGERS for the year ended June 30, 2014 was \$855, which was 7.07 percent of annual covered payroll.

a. Local Governmental Employees' Retirement System (LGERS)

*Description:* The City of Charlotte contributes to the statewide LGERS, a cost-sharing multiple-employer defined benefit pension plan. All employees of the City, except members of the Charlotte Firefighters' Retirement System, participate in LGERS which provides retirement and disability benefits to plan members and beneficiaries. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The LGERS is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the North Carolina Office of the State Controller, Accounting and Financial Reporting Section, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410.



**CITY OF CHARLOTTE, NORTH CAROLINA**  
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*Funding Policy:* Plan members are required to contribute 6.0 percent of their annual covered salary. The City is required to contribute at an actuarially determined rate. For the City, the current rate for employees not engaged in law enforcement and for law enforcement officers is 7.07 percent and 7.28 percent, respectively, of annual covered payroll. The contribution requirements of members and of the City are established and may be amended by the North Carolina General Assembly. The City's contributions to LGERS for the years ended June 30, 2014, 2013, and 2012, were \$23.4 million, \$21.4 million, and \$21.4 million, respectively. The contributions made by the City equaled the required contributions for each year.

**b. Charlotte Firefighters' Retirement System**

*Description:* The Charlotte Firefighters' Retirement System administers the Charlotte Firefighters' Retirement System Plan (CFRSP), a single-employer defined benefit plan that provides retirement, disability and death benefits to civil service employees of the Charlotte Fire Department. The CFRSP issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Charlotte Firefighters' Retirement System, 428 East Fourth Street, Suite 205, Charlotte, North Carolina 28202.

*Basis of Accounting:* The financial statements of the CFRSP are presented on the accrual basis of accounting. Plan member and City contributions are recognized in the period in which the contributions are due. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. Interest and dividend income are reported as earned. The net appreciation (depreciation) in the fair value of investments includes realized gains and losses on investments that were both bought and sold during the year.

*Method Used to Value Investments:* The investments of the CFRSP are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Mortgages are valued on the basis of future principal and interest payments and are discounted at prevailing interest rates for similar instruments. The fair value of real estate investments is based on independent appraisals. Investments that do not have an established market are reported at estimated fair values.

*Contributions:* Pursuant to the North Carolina Act (Act) which established the CFRSP, the City is required to match the member's contribution. The Act establishes the contribution rate pursuant to the Board of Trustees' recommendation and approval by the City Council. The current rate is 12.65 percent. The Act was established and may be amended by the North Carolina General Assembly. The City's contributions to the CFRSP for the years ended June 30, 2014, 2013 and 2012 were \$8.3 million, \$8.1 million, and \$7.7 million, respectively.

**CITY OF CHARLOTTE, NORTH CAROLINA**  
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c. Law Enforcement Officers' Separation Allowance (LEO Separation)

*Description:* The City of Charlotte administers a public employee retirement system (LEO Separation), a single-employer defined benefit pension plan that provides retirement benefits to the City's qualified sworn law enforcement officers. The LEO Separation is equal to .85 percent of the annual equivalent of the base rate of compensation most recently applicable to the officer for each year of creditable service. The retirement benefits are not subject to any increases in salary or retirement allowances that may be authorized by the General Assembly. Article 12D of G.S. Chapter 143 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. A stand-alone financial report is not issued for the LEO Separation.

All full-time law enforcement officers of the City are covered by the LEO Separation. At December 31, 2013, the LEO Separation's membership consisted of:

Retirees receiving benefits	207
Active plan members	<u>1,829</u>
Total	<u>2,036</u>

*Basis of Accounting:* The City has chosen to fund the LEO Separation on a pay-as-you-go basis. Pension expenditures are made from the General Fund, which is maintained on the modified accrual basis of accounting.

*Method Used to Value Investments:* No funds are set aside to pay benefits and administration costs. These expenditures are paid as they become due.

*Contributions:* The City is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the benefit payments on a pay-as-you-go basis through appropriations made in the General Fund operating budget. The City's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. There were no contributions made by employees.

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*Annual Pension Cost and Net Pension Obligation:* The City's annual pension cost and net pension obligation to the LEO Separation for the current year were as follows:

Annual required contribution	\$ 6,881
Interest on net pension obligation	876
Adjustment to annual required contribution	<u>(1,427)</u>
Annual pension cost	6,330
Contributions made	<u>(4,015)</u>
Increase in net pension obligation	2,315
Net pension obligation, beginning of year	<u>17,518</u>
Net pension obligation, end of year	<u><u>\$ 19,833</u></u>

**Trend Information**

Year Ended June 30	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2012	\$ 5,506	64.96%	\$ 15,250
2013	5,984	62.10	17,518
2014	6,330	63.43	19,833

**Schedule of Funding Progress**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL)- Project Unit Credit (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
12/31/2008	\$ -	\$ 42,984	\$ 42,984	-	\$ 100,289	42.86%
12/31/2009	-	58,656	58,656	-	105,765	55.46
12/31/2010	-	54,478	54,478	-	106,419	51.19
12/31/2011	-	58,552	58,552	-	110,146	53.16
12/31/2012	-	63,562	63,562	-	116,466	54.58
12/31/2013	-	66,152	66,152	-	115,241	57.40

**CITY OF CHARLOTTE, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS-(Continued)**  
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Schedule of Employer Contributions

Year Ended <u>June 30</u>	Annual Required <u>Contribution</u>	Percentage <u>Contributed</u>
2009	\$ 4,079	74.28%
2010	4,538	72.27
2011	5,894	58.53
2012	5,635	63.48
2013	6,170	60.23
2014	6,881	58.35

The information presented in the previous schedules was determined as part of the actuarial valuation. Additional information follows:

Actuarial valuation date	12/31/2013
Actuarial cost method	Projected unit credit
Amortization method	Level dollar closed
Remaining amortization period	17 years
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return	5.00%
Projected salary increases	4.25 to 7.85%
Includes inflation at	3.00%
Cost of living adjustments	None

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d. Supplemental Retirement Income Plan for Law Enforcement Officers

*Description:* The City contributes to the Supplemental Retirement Income Plan (Plan), a defined contribution pension plan administered by the Department of State Treasurer and a Board of Trustees. The Plan provides retirement benefits to law enforcement officers employed by the City. Article 5 of G.S. Chapter 135 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.

*Funding Policy:* Article 12E of G.S. Chapter 143 requires the City to contribute each month an amount equal to 5.0 percent of each officer's salary, and all amounts contributed are vested immediately. Also, the law enforcement officers may make voluntary contributions to the plan. The City is currently making contributions for 1,779 law enforcement officers. Contributions for the year ended June 30, 2014 were \$9,185, which consisted of \$5,838 from the City and \$3,347 from the law enforcement officers.

e. Death Benefit Plan

The City provides death benefits to law enforcement officers through the Death Benefit Plan for members of the Local Governmental Employees' Retirement System (LGERS), a multiple-employer, State-administered, cost-sharing plan funded on a one-year term cost basis. The beneficiaries of those employees who die in active service after one year of contributing membership in the LGERS, or who die within 180 days after retirement or termination of service and have at least one year of contributing membership service in the System at the time of death are eligible for death benefits. Lump sum death benefit payments to beneficiaries are equal to the employee's 12 highest months' salary in a row during the 24 months prior to the employee's death, but the benefit may not exceed \$50 or be less than \$25. All death benefit payments are made from the Death Benefit Plan. The City has no liability beyond the payment of monthly contributions. Contributions are determined as a percentage of monthly payroll, based upon rates established annually by the State. Because the benefit payments are made by the Death Benefit Plan and not by the City, the City does not determine the number of eligible participants. For the fiscal year ended June 30, 2014, the City was not required and therefore, did not make any contributions to the State for death benefits. The City's contributions for employees engaged in law enforcement represented .14 percent of covered payroll.

**CITY OF CHARLOTTE, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS-(Continued)**  
**JUNE 30, 2014**  
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f. Other Postemployment Benefits

*Description:* The City of Charlotte Employee Benefit Trust Plan (EBTP) is a single-employer defined benefit healthcare plan administered by the City of Charlotte. The EBTP provides health and welfare benefit plans for the benefit of eligible retired employees of the City. Section 4.05 of the Charlotte City Code assigns the authority to establish benefit provisions for EBTP to the City Council. A stand-alone financial report is not issued.

Membership of the EBTP consisted of the following at July 1, 2013, the date of the latest actuarial valuation:

Retirees and beneficiaries receiving benefits	2,047
Active plan members	<u>4,707</u>
	<u>6,754</u>

*Funding Policy.* The contribution requirements of plan members and the City are established and may be amended by the City Council. The City Council set the employer contribution rate to contribute the projected pay-as-you-go-financing requirements, with additional amounts to prefund benefits as determined annually.

For the current year, the City contributed \$17,068 to the plan. Plan members receiving benefits contributed \$7,342 through their required contribution. The required contribution rates for plan members were dependent on the years of service and the coverage selected. Monthly rates ranged from \$429 to \$1,306 per retiree.

*Summary of Significant Accounting Policies.* The City's financial statements are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions to the plan are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. Short-term money market debt instruments, and deposits, are reported at cost or amortized cost, which approximates fair value. Certain longer term U.S. Government and U.S. Agency securities are valued at the last reported sales price. Administration costs of the plan are financed through contributions and investment earnings.

**CITY OF CHARLOTTE, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS-(Continued)**  
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*Annual OPEB Cost and Net OPEB Obligation:* The City's annual other postemployment benefit (OPEB) cost (expense) and net OPEB obligation for the current year were as follows:

Annual required contribution	\$ 16,096
Interest on net OPEB obligation	(1,453)
Adjustment to annual required contribution	<u>1,086</u>
Annual OPEB cost (expense)	15,729
Contributions made	<u>(17,068)</u>
Decrease in net OPEB obligation	(1,339)
Net OPEB obligation, beginning of year	<u>(18,750)</u>
Net OPEB obligation, end of year	<u><u>\$ (20,089)</u></u>

**Trend Information**

Year Ended June 30	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2012	\$ 16,488	93.25%	\$ (19,815)
2013	16,539	93.56	(18,750)
2014	15,729	108.51	(20,089)

*Funded Status and Funding Progress:* As of July 1, 2013, the most recent actuarial valuation date, the plan was 18.29 percent funded. The actuarial accrued liability for benefits was \$241,293. The actuarial value of assets was \$44,129, resulting in an unfunded actuarial accrued liability (UAAL) of \$197,164. The covered payroll (annual payroll of active employees covered by the plan) was \$276,853 and the ratio of the UAAL to the covered payroll was 71.22 percent.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

**CITY OF CHARLOTTE, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS-(Continued)**  
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The schedule of funding progress, presented below, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL)- Project Unit Credit (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
01/01/07	\$ -	\$ 229,764	\$ 229,764	-%	\$ 275,955	83.26%
07/01/09	33,006	207,301	174,295	15.92	322,162	54.10
07/01/11	40,742	224,184	183,442	18.17	294,793	62.23
07/01/13	44,129	241,293	197,164	18.29	276,853	71.22

Schedule of Employer Contributions

Year Ended June 30	Annual Required Contribution	Percentage Contributed
2008	\$ 17,041	166.49%
2009	14,405	195.06
2010	14,405	103.90
2011	14,405	80.94
2012	15,656	98.21
2013	15,656	98.84
2014	16,096	106.04

*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 types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.



**CITY OF CHARLOTTE, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS-(Continued)**  
**JUNE 30, 2014**  
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Additional information follows:

Actuarial valuation date	07/01/2013
Actuarial cost method	Projected unit credit
Amortization method	Level percent of projected payroll, Closed
Remaining amortization period	24 years
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return	7.75%
Projected salary increases	4.50%
Annual healthcare cost trend rate	7.00 to 5.00% (year of ultimate trend rate 2018)
Includes inflation at	4.50%
Cost of living adjustments	None

g. Deferred Compensation Plan

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, which is available to all City employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. The plan assets are placed in trust for the exclusive benefit of the participants and their beneficiaries and therefore are not included in the City's financial statements.

**CITY OF CHARLOTTE, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS-(Continued)**  
**JUNE 30, 2014**  
**(Dollar Amounts In Thousands)**

6. OTHER INFORMATION

a. Airport Leasing Arrangements with Tenants

A major portion of the Airport's assets are leased under operating agreements with airlines and other tenants. The total cost and accumulated depreciation of the assets at June 30, 2014 follows:

Land	\$ 302,868
Buildings	670,508
Runways	392,982
Improvements other than buildings	100,066
Intangibles	3,317
Machinery and equipment	<u>54,207</u>
Total	1,523,948
Less accumulated depreciation	<u>609,707</u>
Total	<u>\$ 914,241</u>

The following is a schedule of minimum future rental income on noncancelable operating leases subsequent to June 30, 2014:

2015	\$ 39,672
2016	34,081
2017	33,057
2018	33,201
2019	21,792
2020-2024	35,283
2025-2028	<u>140,728</u>
Total minimum future rental income	<u>\$ 337,814</u>

See Note 4.j.(12) for additional information related to the early extinguishment of Airport Special Facility bonds which will reduce the minimum future rental income amounts in subsequent years.

Of the \$337,814 minimum future rental income on noncancelable operating leases, \$273,180 relates to agreements with US Airways, Inc. See Note 6.h. for additional information related to US Airways, Inc.

Contingent rentals that may be received under certain leases based on the tenant's revenues, fuel flow or usage are not included above. Contingent rentals of approximately \$66,995 were received during the year ended June 30, 2014.

**CITY OF CHARLOTTE, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS-(Continued)**  
**JUNE 30, 2014**  
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b. Passenger Facility Charges

The Federal Aviation Administration (FAA) authorized the Airport to collect Passenger Facility Charges (PFC) of \$3 per qualifying enplaned passenger commencing November 1, 2004. The net receipts from PFC are accounted for on the accrual basis of accounting and are restricted to use on FAA approved projects. The Airport has been authorized to collect PFC in the aggregate amount of \$1,036,776. Collections during fiscal year 2014 were \$59,526 and aggregate collections from inception through June 30, 2014 were \$471,790.

c. Insurance

(1) Employee Health and Life

The City provides health and life benefits to employees and retirees. Private companies administer these benefits pursuant to administrative services agreements. The City maintains insurance coverage with private carriers for life claims, vision claims, and excess coverage for health claims in excess of \$425 per year per person. The City has an Employee Health and Life Insurance Fund (EHLIF), an internal service fund, to account for and finance its health and life insurance program.

All City funds participate in the program and make payments to the EHLIF for both an amount per employee and a proportionate share of the administrative cost. The amount per employee is based on actuarial estimates of amounts needed to pay prior and current year claims. The employees and retirees contribute a portion of the cost for health coverage. The City provides life insurance for employees in the amount of two times the employees' salary up to a maximum of \$200. Employees may purchase additional life insurance up to a maximum of four times their salary.

Liabilities include amounts for both reported and incurred but not reported claims. The changes in the fund's liabilities follow:

	Beginning <u>Of Year</u>	Claims and Changes in <u>Estimates</u>	Claims <u>Payments</u>	<u>End of Year</u>
2014	\$ 9,532	\$ 62,921	\$ (63,498)	\$ 8,955
2013	7,917	65,456	(63,841)	9,532

At June 30, 2014, the EHLIF held \$32,074 in cash and equivalents for payments of these claims.

**CITY OF CHARLOTTE, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS-(Continued)**  
**JUNE 30, 2014**  
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(2) Risk Management

The City is exposed to various risks of loss related to torts; thefts of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City has a Risk Management Fund (RMF), an internal service fund, to account for and finance its insured and uninsured risks of loss. Currently, insurance coverage is purchased for excess property damage for buildings, contents and City buses; excess workers' compensation; excess vehicle and general liability; police professional liability; police helicopter hull liability and airport liability, City bus liability, railroad protective liability, passenger railway liability for the light rail train operations and property insurance on the light rail vehicles. Insurance coverage includes vehicle and general liability claims in excess of \$2,000 but less than \$22,000 per occurrence, workers' compensation claims in excess of \$2,000, property damage claims in excess of \$100 and flood insurance \$100,000 in all flood zones, except \$10,000 in flood zone A in excess of federal flood program maximums. The finance officer is bonded for \$100. Employees who handle funds or have access to inventories are bonded under a blanket bond for \$250. Settled claims have not exceeded insurance coverage in the past three years. The actuarially determined losses for the remaining risks and deductible amounts are funded in the RMF. All funds of the City participate in the risk management program and make payments to the RMF based on historical cost information or actuarial estimates of the amounts needed to pay prior and current year claims and establish a reserve for catastrophic losses.

Pursuant to administrative agreements, the City provides risk management services to Mecklenburg County and the Charlotte-Mecklenburg Board of Education. There is no transfer or pooling of risks among entities. Amounts collected or due and amounts paid or to be paid to settle claims for Mecklenburg County and the Charlotte-Mecklenburg Board of Education are reported as a net liability on an accrual basis. At June 30, 2014, \$11,642 was held as deposits for these entities. This amount is reflected as a long-term liability, Due to Participants, in the RMF.

The claims liability of \$41,241 reported in the RMF at June 30, 2014, is based on GASB Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Claims liabilities are based on the estimated ultimate cost of settling the claims, which includes incremental claim adjustment expenditures/expenses (i.e., outside legal assistance) and estimated recoveries on unsettled claims as required by GASB Statement No. 30. The changes in the fund's liabilities follow:

	Beginning Of Year	Claims and Changes in Estimates	Claims Payments	End of Year
2014	\$ 40,949	\$ 9,224	\$ (8,932)	\$ 41,241
2013	37,220	17,648	(13,919)	40,949

At June 30, 2014, the RMF held \$79,733 in cash and cash equivalents for payments of these claims.

**CITY OF CHARLOTTE, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS-(Continued)**  
**JUNE 30, 2014**  
**(Dollar Amounts In Thousands)**

d. Commitments and Contingencies

Noise litigation suits have been filed against the City in connection with the operation of the Charlotte/Douglas International Airport. In the opinion of the City's attorney and management, the ultimate outcome of the suits is not expected to have a significant impact upon the financial position or results of operations of the Airport Fund.

The City is also party to a number of other civil injustice lawsuits and legal actions. In the opinion of the City's attorney and management, the ultimate outcome of these legal matters is not expected to have a significant impact upon the City's financial position.

The City is currently evaluating a number of environmental issues including two former landfill sites. Until site assessments and further studies are completed, the cleanup costs can only be estimated. During the current fiscal year a provision for cleanup costs of \$612 has been provided within the financial statements. In the opinion of City management, costs ultimately incurred are not expected to have a material effect on the City's financial position after giving effect to the provision for clean-up costs.

The City manages a Brownfield Assessment Grant Program which assists property and business owners and infill developers in overcoming barriers that contamination presents for the redevelopment of underutilized brownfield sites in distressed business districts and neighborhoods. The Program provides fifty percent matching funds, up to \$20 per site, to property owners for site assessment, design of remediation activities, and legal expenses for redevelopment sites suspected of contamination. When the City enters into the agreements, it legally obligates itself to participate in the cleanup activities of the remediation effort. The amount of the liability is derived from the grant agreements and assumes no unexpected change orders.

The City has received a number of federal and state grants for specific purposes that are subject to review by the grantor agencies. Such reviews could lead to requests for reimbursement to the grantor agencies for expenditures disallowed under terms of the grants. The City management believes that such disallowances, if any, would not be significant.

**CITY OF CHARLOTTE, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS-(Continued)**  
**JUNE 30, 2014**  
**(Dollar Amounts In Thousands)**

Authorized capital projects at June 30, 2014, are comprised of the following by fund:

	Project Authorization	Expended	Unexpended
<u>Governmental-</u>			
Capital Projects	\$ 1,840,335	\$ 1,373,927	\$ 466,408
<u>Enterprise-</u>			
Water and Sewer	2,379,727	1,659,500	720,227
Storm Water	497,031	379,168	117,863
Airport	1,073,831	920,283	153,548
Public Transit	1,653,895	1,024,914	628,981
Total Enterprise	5,604,484	3,983,865	1,620,619
Total	<u>\$ 7,444,819</u>	<u>\$ 5,357,792</u>	<u>\$ 2,087,027</u>

Financial resources are available to fund the total amount of unexpended authorizations.

Outstanding encumbrances are amounts needed to pay any commitments related to purchase orders and contracts that remain unperformed at year-end. For governmental funds, encumbrances are included within the restricted, committed, or assigned fund balances, as appropriate and are established in the funds as follows:

General	\$ 14,619
Capital Projects	140,620
Nonmajor governmental	<u>29,279</u>
Total	<u>\$ 184,518</u>

The City has construction and other contractual commitments at June 30, 2014, as follows by fund:

<u>Governmental-</u>	
General	\$ 5,537
Capital Projects	<u>5,412</u>
Total Governmental	<u>10,949</u>
<u>Enterprise-</u>	
Water and Sewer	104,100
Storm Water	75,248
Airport	120,536
Public Transit	<u>271,791</u>
Total Enterprise	<u>571,675</u>
Total	<u>\$ 582,624</u>

**CITY OF CHARLOTTE, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS-(Continued)**  
**JUNE 30, 2014**  
**(Dollar Amounts In Thousands)**

The City has operating lease commitments for land and office space with future rentals under these leases at June 30, 2014, as shown below:

<u>Year</u>	<u>Amount</u>
2015	\$ 3,274
2016	2,872
2017	2,429
2018	2,110
2019	962
2020-2034	3,508
	<u>\$ 15,155</u>

Related lease expense was approximately \$15,031 in 2014.

e. Arena

Time Warner Cable Arena was constructed and financed by the City of Charlotte and opened in October 2005. The primary tenant of the arena is the National Basketball Association's Charlotte Hornets (formerly Bobcats). Terms of a twenty-five year lease entitle the team to all operating revenues and the team is responsible for all operating expense, including non-basketball related events. The City and the team each contribute \$250 annually (escalating at five percent per year) to a capital reserve fund. Any capital expenses in excess of the reserve are the responsibility of the City. While the City of Charlotte retains ownership of the facility, the Charlotte Regional Visitors Authority provides operation support for the Arena. The \$200 million project was funded primarily through a combination of installment financing obligations supported by a portion of an occupancy tax and a dedicated rental car tax, private contributions and the sale of City assets. The City is entitled to damages based on the number of years remaining on the lease if the team violates the agreement. The City and the Hornets are currently in negotiation to fund upgrades to the arena that will align amenities and technology with other NBA facilities.

f. NASCAR Hall of Fame

NASCAR Hall of Fame was constructed and financed by the City of Charlotte and opened in May 2010. The \$140 million project was funded through a combination of installment financing obligations supported by a dedicated two percent occupancy tax and private loans repaid through land sales and private contributions. The City also receives a portion of sponsorship money and deferred NASCAR royalty payments to help service the debt. The City of Charlotte owns the facility and the Charlotte Regional Visitors Authority is fully responsible for Hall operations. However, the City can supplement capital maintenance and repair costs through the dedicated revenues if funds are available. The City is responsible for any capital costs for the facility.

**CITY OF CHARLOTTE, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS-(Continued)**  
**JUNE 30, 2014**  
**(Dollar Amounts In Thousands)**

g. Cultural Arts Facilities

The Cultural Arts Facilities consist of the Harvey B. Gantt Center for African-American Arts & Culture, the Bechtler Museum of Modern Art, the Mint Museum, and the Knight Theater, and are known collectively as the Levine Center for the Arts. All four facilities opened in fiscal year 2010 and are owned by the City, with Mecklenburg County entitled to a 30 percent share when the debt is retired. The \$120 million project is part of a \$600 million mixed-use development project, including the 50 story Duke Energy Center. The projects were funded through a combination of installment financing obligations supported by City revenues and ongoing City and County contributions derived from a synthetic tax increment finance payment of \$1,650 (divided proportionally between the City and County) annually through 2026. In addition, Wells Fargo Corporation is under contract to pay the difference between actual tax collections and \$1,650 annually. All four sites are leased by the City to non-profits, which are responsible for operating the facilities. The City and County (70/30 share) are responsible for capital repairs and major maintenance.

h. Bank of America Stadium

On April 22, 2013, the City Council approved business terms with the Carolina Panthers to fund improvements to Bank of America Stadium as part of a ten-year partnership and authorized the City Manager to develop an agreement with Panthers Stadium, LLC and Panthers Football, LLC consistent with the approved business terms. The agreement called for \$87.5 million in local funding for stadium improvements and City provided traffic control work. The first \$28 million for escalators, entry, and lightning improvements was issued by the City on October 22, 2013. \$1.25 million in operating funds will be appropriated annually for ten years to fund the traffic control situation. \$48 million in additional capital funding will come later in the ten year period. The Panthers have agreed to 6 years of injunctive relief with 4 additional years providing financial relief to the City were the team to move out of Charlotte. The funding for the stadium will come from the occupancy and prepared food tax revenues in the Convention Center Tax Special Revenue Fund. State statute deemed the stadium project an enhancement to Convention Center business therefore, allowing the use of these funds. Debt proceeds will be distributed by a trustee to the Panthers organization after City approval.

i. US Airways

US Airways, Inc. (US Airways), a wholly owned subsidiary of US Airways Group, Inc., is the major passenger airline serving Charlotte/Douglas International Airport (Airport). For the fiscal year ended June 30, 2014, US Airways and its affiliates provided 26.39 percent of the Airport's operating revenues



**CITY OF CHARLOTTE, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS-(Continued)**  
**JUNE 30, 2014**  
**(Dollar Amounts In Thousands)**

US Airways conducts its passenger air carrier operations at the Airport pursuant to several agreements, the most significant of which is the City of Charlotte's 1985 Airport Agreements and Lease (Airport Agreement), which has also been executed by American Airlines, Continental Airlines, Delta Air Lines, Northwest Airlines, and United Airline (collectively, the Signatory Airlines). Pursuant to the Airport agreement, the Signatory Airlines lease certain premises in the passenger terminal building (terminal) and are obligated to pay landing fees and terminal rentals which, in the aggregate, are sufficient to enable the City to pay the annual operating expenses of the airfield and terminal, and the annual debt service on General Airport Revenue Bonds (GARBS) issued by the City to fund airfield and terminal improvements.

As of June 30, 2014, the City had \$613,220 of GARBS outstanding, the proceeds of which were used for airfield and terminal improvements. The GARBS are not general obligations of the City and are payable solely from revenues generated by the City in the airfield terminal. The City has \$53,911 in reserve to pay principal and interest on GARBS.

In addition to GARBS, the City also issued Special Facility Revenue Bonds to finance the construction of crew training, airfield maintenance and other Airport facilities (Special Facilities) that are leased to US Airways by the City. As rental for the Special Facilities, US Airways is obligated to pay directly to the City a Ground Rental and an Airport Service Fee Rental. In addition, US Airways is obligated to pay directly to a Trustee for the benefit of bondholders a facility rental (Special Facilities Debt Service Rental) in an equal to the annual installments of principal and interest on the Special Facility Revenue Bonds. The Special Facilities Debt Service Rental is not a general obligation of the City. If US Airways fails to pay the Special Facilities Debt Service Rentals, the City is obligated to use reasonable efforts to re-let the Special Facilities to another tenant and apply the debt service rentals from such re-letting to the payment of the principal and interest on the Special Facility Revenue Bonds. The City is not obligated to make any payments relating to the Special Facilities or the Special Facility Revenue Bonds except for such debt service rentals as it receives from the tenant of the Special Facilities. As of June 30, 2014, there was \$175,205 of Special Facility Revenue Bonds outstanding. The Special Facility Revenue Bonds provide for the semi-annual payment of interest with a lump-sum payment of principal on the maturity date of the bonds. The Special Facility Revenue Bonds mature on July 1, 2027 and February 1, 2028.

j. Airport Commission

On July 26, 2013, Senate Bill 380 was enacted into law by the North Carolina General Assembly. The legislation would create the Charlotte Douglas International Airport Commission (the "*Airport Commission*"). The Airport Commission would be an agency of the City and composed of thirteen members that would be appointed as follows: three by the Mayor of the City, four by the City Council, and one by each of the Boards of Commissioners of Mecklenburg County, Cabarrus County, Gaston County, Iredell County, Lincoln County and Union County. The Airport Commission would be responsible for operating the Airport. The City would be responsible for the issuance of revenue or refunding revenue bonds with respect to the Airport.

**CITY OF CHARLOTTE, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS-(Continued)**  
**JUNE 30, 2014**  
**(Dollar Amounts In Thousands)**

The City challenged the legislation's validity under the State constitution and challenged the State's authority to create the Airport Commission. On August 1, 2013, a Superior Court judge granted an injunction blocking transfer of control of the Airport to the Airport Commission pending approval of or issuance of an operating certificate to the Airport Commission by the Federal Aviation Administration (the "FAA"). On September 26, 2013, the FAA issued a letter stating that prior to being able to make a final ruling on the approval of or issuance of an operating certificate to the Airport Commission, the Superior Court must further clarify whether the Airport Commission or the City would act as the sponsor of the operating certificate. On October 13, 2014, the judge ruled that the Airport needed to first secure a federal operating certificate before the Airport Commission could take over control of the Airport. The FAA is not analyzing whether a certificate could or should be transferred to the Airport Commission because the current operator, the City, has not requested such a review.

The City cannot predict the impact the legislation or the Airport Commission might have on the City or the Airport.

k. Restatement for Construction in Progress

During fiscal year 2014, the City identified capital projects that had previously been reported as construction in progress but had no expenditures in the current year. This construction in progress was either capitalized as an asset in the appropriate class or when the construction in progress did not result in a capital asset, was recognized as expense in a prior period. The governmental and the business type activities for Storm water have been restated to reflect these asset changes. The restatements were made as follows:

	Governmental activities	Business-type activities
Construction In Progress	\$ (18,384)	\$ (40,470)
Storm Water Systems	-	8,538
less Accumulated Depreciation	-	(213)
Change in Net Position	<u>\$ (18,384)</u>	<u>\$ (32,145)</u>



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**Financial Section—  
Combining and Individual Fund Statements and Schedules**

**NONMAJOR GOVERNMENTAL FUNDS**

**Special Revenue Funds**

Special Revenue Funds are used to account for the proceeds from specific revenue sources (other than funding for major capital projects) that are restricted to expenditures for specified purposes.

- ❖ Convention Center Tax Fund – Accounts for room occupancy and prepared food and beverage tax revenues to be used for convention and tourism purposes, including debt service, maintenance and operation of convention center facilities, and promotion of tourism.
- ❖ Tourism Fund – Accounts for room occupancy and other tax revenues to be used for tourism purposes.
- ❖ Hall of Fame Tax Fund – Accounts for room occupancy tax and private contribution revenues to be used for the NASCAR Hall of Fame.
- ❖ Municipal Services District Fund – Accounts for property tax on property within designated Municipal Services Districts to be used to enhance economic vitality and quality of life within the districts.
- ❖ Democratic National Convention (DNC) Fund – Accounts for the federal grant to be used for security activities related to the 2012 DNC.
- ❖ Public Safety and Other Grants Fund – Accounts for federal and state grants to be used for public safety, including police, fire and emergency management, and other governmental-type activities.
- ❖ Neighborhood Development Fund – Accounts for federal grants to be used for neighborhood activities which develop viable urban communities providing adequate housing and economic opportunities, principally for persons of low and moderate income.
- ❖ Employment and Training Fund – Accounts for federal grants to be used for activities providing comprehensive employment and training services to enable individuals to secure and retain employment at their maximum capacity.
- ❖ Stimulus Grants Fund – Accounts for American Recovery and Reinvestment Act (ARRA) grants to be used for governmental-type activities.
- ❖ State Street Aid Fund – Accounts for motor fuel taxes distributed by the State on the basis of local street mileage and population to be used for maintenance, repair and construction of streets and highways.
- ❖ Emergency Telephone System Fund – Accounts for revenues remitted by the NC 911 Board from service charges imposed on voice communications service connections to be used for the operation and enhancement of the 911 system.

**Permanent Fund**

A permanent fund is used to report resources that are legally restricted to the extent that only earnings, not principal, may be used.

Perpetual Care Fund – Accounts for monies held by the City for cemetery maintenance.

**CITY OF CHARLOTTE, NORTH CAROLINA**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**COMBINING BALANCE SHEET**  
**JUNE 30, 2014**  
**(In Thousands)**

	Convention Center Tax	Tourism	Hall of Fame Tax	Municipal Services District	Democratic National Convention	Public Safety and Other Grants
<b>ASSETS</b>						
Cash and cash equivalents	\$ 56,360	\$ 57,626	\$ 19,661	\$ 524	\$ 45	\$ 7,453
Receivables, net:						
Property taxes	-	-	-	128	-	-
Accounts	-	3	-	-	-	-
Other	-	37	-	19	-	-
Total receivables	-	40	-	147	-	-
Due from other governmental agencies	3,580	1,023	948	1	34	3,270
Notes receivable	-	-	-	-	-	-
Prepaid expenditures	-	-	-	-	-	-
Total assets	<u>\$ 59,940</u>	<u>\$ 58,689</u>	<u>\$ 20,609</u>	<u>\$ 672</u>	<u>\$ 79</u>	<u>\$ 10,723</u>
<b>LIABILITIES AND FUND BALANCES</b>						
Liabilities:						
Accounts payable	\$ -	\$ -	\$ -	\$ 200	\$ 79	\$ 303
Deposits and retainage payable	-	-	-	-	-	-
Due to other funds	-	-	-	-	-	-
Due to component unit	-	-	65	-	-	-
Unearned revenues	-	-	-	-	-	1,059
Total liabilities	<u>-</u>	<u>-</u>	<u>65</u>	<u>200</u>	<u>79</u>	<u>1,362</u>
Deferred inflows of resources:						
Unavailable revenues	-	3	-	147	-	-
Fund balances:						
Nonspendable:						
Perpetual care	-	-	-	-	-	-
Restricted:						
Public safety	-	-	-	-	-	7,145
Cultural and recreation	59,940	58,290	20,544	-	-	-
Community planning and development	-	-	-	325	-	1,063
Streets and highways	-	-	-	-	-	1,153
Committed:						
Cultural and recreation	-	396	-	-	-	-
Total fund balances	<u>59,940</u>	<u>58,686</u>	<u>20,544</u>	<u>325</u>	<u>-</u>	<u>9,361</u>
Total liabilities and fund balances	<u>\$ 59,940</u>	<u>\$ 58,689</u>	<u>\$ 20,609</u>	<u>\$ 672</u>	<u>\$ 79</u>	<u>\$ 10,723</u>

Special Revenue Funds						Permanent Fund	Total
Neighborhood Development	Employment and Training	Stimulus Grants	State Street Aid	Emergency Telephone System	Total	Perpetual Care	Nonmajor Governmental Funds
\$ 2,436	\$ -	\$ -	\$ 13,815	\$ 4,035	\$ 161,955	\$ 3,111	\$ 165,066
-	-	-	-	-	128	-	128
-	-	-	-	-	3	-	3
-	-	-	4	-	60	-	60
-	-	-	4	-	191	-	191
2,564	1,270	189	395	279	13,553	-	13,553
47,814	-	-	-	-	47,814	-	47,814
-	-	-	-	190	190	-	190
<u>\$ 52,814</u>	<u>\$ 1,270</u>	<u>\$ 189</u>	<u>\$ 14,214</u>	<u>\$ 4,504</u>	<u>\$ 223,703</u>	<u>\$ 3,111</u>	<u>\$ 226,814</u>
\$ 723	\$ 256	\$ 59	\$ 770	\$ (181)	\$ 2,209	\$ -	\$ 2,209
428	-	-	261	-	689	-	689
-	1,014	130	-	-	1,144	-	1,144
-	-	-	-	-	65	-	65
-	-	-	-	-	1,059	-	1,059
<u>1,151</u>	<u>1,270</u>	<u>189</u>	<u>1,031</u>	<u>(181)</u>	<u>5,166</u>	<u>-</u>	<u>5,166</u>
<u>47,289</u>	<u>-</u>	<u>-</u>	<u>4</u>	<u>-</u>	<u>47,443</u>	<u>-</u>	<u>47,443</u>
-	-	-	-	-	-	3,111	3,111
-	-	-	-	4,685	11,830	-	11,830
-	-	-	-	-	138,774	-	138,774
4,374	-	-	-	-	5,762	-	5,762
-	-	-	13,179	-	14,332	-	14,332
-	-	-	-	-	396	-	396
<u>4,374</u>	<u>-</u>	<u>-</u>	<u>13,179</u>	<u>4,685</u>	<u>171,094</u>	<u>3,111</u>	<u>174,205</u>
<u>\$ 52,814</u>	<u>\$ 1,270</u>	<u>\$ 189</u>	<u>\$ 14,214</u>	<u>\$ 4,504</u>	<u>\$ 223,703</u>	<u>\$ 3,111</u>	<u>\$ 226,814</u>

**CITY OF CHARLOTTE, NORTH CAROLINA**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**FOR THE YEAR ENDED JUNE 30, 2014**  
(In Thousands)

	Convention Center Tax	Tourism	Hall of Fame Tax	Municipal Services District	Democratic National Convention	Public Safety and Other Grants
REVENUES:						
Property taxes	\$ -	\$ -	\$ -	\$ 4,929	\$ -	\$ -
Other taxes	41,892	11,573	10,918	-	-	-
Intergovernmental	-	2,948	-	-	(79)	8,148
Licenses, fees and fines	-	-	-	-	-	-
Investment earnings	431	488	171	-	-	23
Miscellaneous	-	856	-	-	-	2,818
Total revenues	<u>42,323</u>	<u>15,865</u>	<u>11,089</u>	<u>4,929</u>	<u>(79)</u>	<u>10,989</u>
EXPENDITURES:						
Current-						
Public safety	-	-	-	-	(79)	7,912
Sanitation	-	-	-	-	-	-
General administration	-	-	-	-	-	-
Support services	-	-	-	-	-	-
Engineering and property management	-	-	-	-	-	-
Streets and highways	-	-	-	-	-	1,740
Culture and recreation	15,248	-	1,911	-	-	-
Community planning and development	-	-	-	4,798	-	315
Total expenditures	<u>15,248</u>	<u>-</u>	<u>1,911</u>	<u>4,798</u>	<u>(79)</u>	<u>9,967</u>
Excess (deficiency) of revenues over (under) expenditures	<u>27,075</u>	<u>15,865</u>	<u>9,178</u>	<u>131</u>	<u>-</u>	<u>1,022</u>
OTHER FINANCING SOURCES (USES):						
Sales of capital assets	-	-	-	-	-	-
Transfers in-						
General	-	1,269	-	-	-	396
Debt service	-	341	-	-	-	-
Capital projects	-	8,030	-	-	-	-
Total transfers in	<u>-</u>	<u>9,640</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>396</u>
Transfers out-						
General	(2,892)	-	-	-	-	(14)
Debt service	(17,861)	(22,170)	(9,447)	-	-	-
Capital projects	-	(1,103)	-	-	-	-
Total transfers out	<u>(20,753)</u>	<u>(23,273)</u>	<u>(9,447)</u>	<u>-</u>	<u>-</u>	<u>(14)</u>
Total other financing sources (uses)	<u>(20,753)</u>	<u>(13,633)</u>	<u>(9,447)</u>	<u>-</u>	<u>-</u>	<u>382</u>
Net change in fund balances	6,322	2,232	(269)	131	-	1,404
Fund balances - beginning	53,618	56,454	20,813	194	-	7,957
Fund balances - ending	<u>\$ 59,940</u>	<u>\$ 58,686</u>	<u>\$ 20,544</u>	<u>\$ 325</u>	<u>\$ -</u>	<u>\$ 9,361</u>



Special Revenue Funds						Permanent Fund	Total
Neighborhood Development	Employment and Training	Stimulus Grants	State Street Aid	Emergency Telephone System	Total	Perpetual Care	Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,929	\$ -	\$ 4,929
-	-	-	-	-	64,383	-	64,383
10,183	6,160	4,143	19,774	3,264	54,541	-	54,541
-	-	-	960	-	960	-	960
13	-	-	134	15	1,275	14	1,289
2,045	-	55	-	-	5,774	-	5,774
<u>12,241</u>	<u>6,160</u>	<u>4,198</u>	<u>20,868</u>	<u>3,279</u>	<u>131,862</u>	<u>14</u>	<u>131,876</u>
-	-	165	-	1,615	9,613	-	9,613
-	-	-	-	-	-	-	-
744	569	59	-	-	1,372	-	1,372
-	-	3,785	-	-	3,785	-	3,785
-	-	9	-	-	9	-	9
-	-	-	23,956	-	25,696	-	25,696
-	-	-	-	-	17,159	-	17,159
<u>11,888</u>	<u>5,591</u>	<u>222</u>	<u>-</u>	<u>-</u>	<u>22,814</u>	<u>-</u>	<u>22,814</u>
<u>12,632</u>	<u>6,160</u>	<u>4,240</u>	<u>23,956</u>	<u>1,615</u>	<u>80,448</u>	<u>-</u>	<u>80,448</u>
<u>(391)</u>	<u>-</u>	<u>(42)</u>	<u>(3,088)</u>	<u>1,664</u>	<u>51,414</u>	<u>14</u>	<u>51,428</u>
-	-	-	302	-	302	-	302
-	-	-	4,261	-	5,926	-	5,926
-	-	-	-	-	341	-	341
<u>514</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,544</u>	<u>-</u>	<u>8,544</u>
<u>514</u>	<u>-</u>	<u>-</u>	<u>4,261</u>	<u>-</u>	<u>14,811</u>	<u>-</u>	<u>14,811</u>
-	-	-	-	-	(2,906)	(14)	(2,920)
-	-	-	(1,610)	-	(51,088)	-	(51,088)
-	-	-	-	-	(1,103)	-	(1,103)
-	-	-	(1,610)	-	(55,097)	(14)	(55,111)
<u>514</u>	<u>-</u>	<u>-</u>	<u>2,953</u>	<u>-</u>	<u>(39,984)</u>	<u>(14)</u>	<u>(39,998)</u>
<u>123</u>	<u>-</u>	<u>(42)</u>	<u>(135)</u>	<u>1,664</u>	<u>11,430</u>	<u>-</u>	<u>11,430</u>
<u>4,251</u>	<u>-</u>	<u>42</u>	<u>13,314</u>	<u>3,021</u>	<u>159,664</u>	<u>3,111</u>	<u>162,775</u>
<u>\$ 4,374</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 13,179</u>	<u>\$ 4,685</u>	<u>\$ 171,094</u>	<u>\$ 3,111</u>	<u>\$ 174,205</u>

**CITY OF CHARLOTTE, NORTH CAROLINA**  
**SPECIAL REVENUE FUNDS**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES-**  
**BUDGET AND ACTUAL (NON-GAAP BASIS)**  
**FOR THE YEAR ENDED JUNE 30, 2014**  
**(In Thousands)**

	Convention Center Tax			Tourism		
	Budget	Actual	Variance- Positive (Negative)	Budget	Actual	Variance- Positive (Negative)
REVENUES:						
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other taxes	38,155	41,892	3,737	9,107	11,573	2,466
Intergovernmental	-	-	-	2,948	2,948	-
Licenses, fees and fines	-	-	-	-	-	-
Investment earnings	192	431	239	280	489	209
Miscellaneous	-	-	-	352	856	504
Total revenues	<u>38,347</u>	<u>42,323</u>	<u>3,976</u>	<u>12,687</u>	<u>15,866</u>	<u>3,179</u>
EXPENDITURES:						
Current-						
General administration	75	-	75	-	-	-
Streets and highways	-	-	-	-	-	-
Culture and recreation	15,248	15,248	-	-	-	-
Community planning and development	-	-	-	-	-	-
Total expenditures	<u>15,323</u>	<u>15,248</u>	<u>75</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>23,024</u>	<u>27,075</u>	<u>4,051</u>	<u>12,687</u>	<u>15,866</u>	<u>3,179</u>
OTHER FINANCING SOURCES (USES):						
Sales of capital assets	-	-	-	-	-	-
Transfers in	-	-	-	9,640	9,640	-
Transfers out	<u>(20,935)</u>	<u>(20,753)</u>	<u>182</u>	<u>(23,289)</u>	<u>(23,274)</u>	<u>15</u>
Total other financing sources (uses)	<u>(20,935)</u>	<u>(20,753)</u>	<u>182</u>	<u>(13,649)</u>	<u>(13,634)</u>	<u>15</u>
Revenues and other sources over (under) expenditures and other uses	<u>\$ 2,089</u>	<u>6,322</u>	<u>\$ 4,233</u>	<u>\$ (962)</u>	<u>2,232</u>	<u>\$ 3,194</u>
RECONCILIATION TO GAAP BASIS:						
Current year encumbrances		-			-	
Net change in fund balances		6,322			2,232	
Fund balances - beginning (annually budgeted funds)		<u>53,618</u>			<u>56,454</u>	
Fund balances - ending (annually budgeted funds)		<u>\$ 59,940</u>			<u>\$ 58,686</u>	
Project funds:						
Fund balances - beginning						
Net change in fund balances						
Fund balances - ending						
Fund balances - ending						

Hall of Fame Tax			Municipal Services District			State Street Aid		
Budget	Actual	Variance- Positive (Negative)	Budget	Actual	Variance- Positive (Negative)	Budget	Actual	Variance- Positive (Negative)
\$ -	\$ -	\$ -	\$ 4,673	\$ 4,929	\$ 256	\$ -	\$ -	\$ -
9,620	10,918	1,298	-	-	-	-	-	-
-	-	-	-	-	-	19,616	19,774	158
-	-	-	-	-	-	650	960	310
104	171	67	-	-	-	80	134	54
-	-	-	-	-	-	-	-	-
9,724	11,089	1,365	4,673	4,929	256	20,346	20,868	522
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	35,358	34,970	388
3,000	1,911	1,089	-	-	-	-	-	-
-	-	-	4,872	4,798	74	-	-	-
3,000	1,911	1,089	4,872	4,798	74	35,358	34,970	388
6,724	9,178	2,454	(199)	131	330	(15,012)	(14,102)	910
-	-	-	-	-	-	-	302	302
-	-	-	-	-	-	4,261	4,261	-
(9,568)	(9,447)	121	-	-	-	(1,610)	(1,610)	-
(9,568)	(9,447)	121	-	-	-	2,651	2,953	302
<u>\$ (2,844)</u>	<u>(269)</u>	<u>\$ 2,575</u>	<u>\$ (199)</u>	<u>131</u>	<u>\$ 330</u>	<u>\$ (12,361)</u>	<u>(11,149)</u>	<u>\$ 1,212</u>
-	-	-	-	-	-	-	11,014	-
(269)	(269)	-	-	131	-	-	(135)	-
20,813	20,813	-	-	194	-	-	13,314	-
<u>\$ 20,544</u>	<u>20,544</u>	<u>-</u>	<u>\$ 325</u>	<u>325</u>	<u>-</u>	<u>\$ 13,179</u>	<u>13,179</u>	<u>-</u>

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**CITY OF CHARLOTTE, NORTH CAROLINA**  
**SPECIAL REVENUE FUNDS**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES-**  
**BUDGET AND ACTUAL (NON-GAAP BASIS)-(Continued)**  
**FOR THE YEAR ENDED JUNE 30, 2014**  
**(In Thousands)**

	Total		Variance-
	Budget	Actual	Positive (Negative)
REVENUES:			
Property taxes	\$ 4,673	\$ 4,929	\$ 256
Other taxes	56,882	64,383	7,501
Intergovernmental	22,564	22,722	158
Licenses, fees and fines	650	960	310
Investment earnings	656	1,225	569
Miscellaneous	352	856	504
Total revenues	<u>85,777</u>	<u>95,075</u>	<u>9,298</u>
EXPENDITURES:			
Current-			
General administration	75	-	75
Streets and highways	35,358	34,970	388
Culture and recreation	18,248	17,159	1,089
Community planning and development	4,872	4,798	74
Total expenditures	<u>58,553</u>	<u>56,927</u>	<u>1,626</u>
Excess (deficiency) of revenues over (under) expenditures	<u>27,224</u>	<u>38,148</u>	<u>10,924</u>
OTHER FINANCING SOURCES (USES):			
Sales of capital assets	-	302	302
Transfers in	13,901	13,901	-
Transfers out	(55,402)	(55,084)	318
Total other financing sources (uses)	<u>(41,501)</u>	<u>(40,881)</u>	<u>620</u>
Revenues and other sources over (under) expenditures and other uses	<u>\$ (14,277)</u>	<u>(2,733)</u>	<u>\$ 11,544</u>
RECONCILIATION TO GAAP BASIS:			
Current year encumbrances		<u>11,014</u>	
Net change in fund balances		8,281	
Fund balances - beginning (annually budgeted funds)		<u>144,393</u>	
Fund balances - ending (annually budgeted funds)		<u>152,674</u>	
Project funds:			
Fund balances - beginning		15,271	
Net change in fund balances		<u>3,149</u>	
Fund balances - ending		<u>18,420</u>	
Fund balances - ending		<u>\$ 171,094</u>	

**CITY OF CHARLOTTE, NORTH CAROLINA**  
**DEMOCRATIC NATIONAL CONVENTION**  
**SCHEDULE OF EXPENDITURES COMPARED WITH AUTHORIZATIONS**  
**FOR THE YEAR ENDED JUNE 30, 2014**  
(In Thousands)

	<u>Authorizations</u>	<u>Expenditures</u>			<u>Unexpended Authorizations</u>
		<u>Current Year</u>	<u>Prior Year</u>	<u>Total</u>	
Federal: 2012 DNC Grant	<u>\$ 49,499</u>	<u>\$ (79)</u>	<u>\$ 49,578</u>	<u>\$ 49,499</u>	<u>\$ -</u>

**CITY OF CHARLOTTE, NORTH CAROLINA**  
**PUBLIC SAFETY AND OTHER GRANTS FUND**  
**SCHEDULE OF EXPENDITURES COMPARED WITH AUTHORIZATIONS**  
**FOR THE YEAR ENDED JUNE 30, 2014**  
**(In Thousands)**

	Authorizations	Expenditures			Unexpended Authorizations
		Current Year	Prior Years	Total	
Federal:					
High Intensity Drug Trafficking Areas	\$ 288	\$ 92	\$ 86	\$ 178	\$ 110
Assistance to Firefighters	6,770	91	6,679	6,770	-
Fair Housing Assistance	624	189	115	304	320
Part E - Promising New Programs	884	264	620	884	-
Public Safety Partnership and Community Policing	3,846	148	1,643	1,791	2,055
Forensic DNA Backlog Reduction	1,270	424	427	851	419
Federal pass through:					
Public Health and Social Services Emergency	635	-	613	613	22
State/Local Homeland Security Exercise Support	141	-	141	141	-
Metropolitan Medical Response System	258	-	258	258	-
Homeland Security	20,235	3,791	13,759	17,550	2,685
Buffer Zone Protection Plan	536	-	536	536	-
Emergency Management Performance	337	29	106	135	202
Crime Victim Assistance	132	-	132	132	-
Violence against Women	12	12	-	12	-
Project Safe Neighborhoods	168	1	167	168	-
Justice Assistance	2,846	416	1,798	2,214	632
Coverdell Forensic Science Improvement	67	60	7	67	-
National Institute of Justice	486	172	310	482	4
State and Local Law Enforcement Assistance	200	3	197	200	-
Highway Planning and Construction	6,151	1,740	3,366	5,106	1,045
Highway Safety	1,106	388	90	478	628
State:					
Juvenile Offender Program	151	81	69	150	1
State Medical Assistance	15	4	8	12	3
Gang of One	87	-	87	87	-
Asset forfeiture	4,241	1,391	892	2,283	1,958
Other public safety programs	4,255	545	3,225	3,770	485
Other community planning and development program	1,128	126	138	264	864
Total public safety grants	<u>\$ 56,869</u>	<u>\$ 9,967</u>	<u>\$ 35,469</u>	<u>\$ 45,436</u>	<u>\$ 11,433</u>

**CITY OF CHARLOTTE, NORTH CAROLINA**  
**NEIGHBORHOOD DEVELOPMENT FUND**  
**SCHEDULE OF EXPENDITURES COMPARED WITH AUTHORIZATIONS**  
**FOR THE YEAR ENDED JUNE 30, 2014**  
**(In Thousands)**

	Authorizations	Expenditures			Unexpended Authorizations
		Current Year	Prior Years	Total	
Federal:					
Community Development Block Grants	\$ 12,908	\$ 3,983	\$ 2,579	\$ 6,562	\$ 6,346
Emergency Shelter	1,029	505	502	1,007	22
HOME Investment Partnerships Program	11,756	2,696	3,925	6,621	5,135
Housing Opportunities For Persons With AIDS	2,518	912	671	1,583	935
Continuum of Care Program	47	-	-	-	47
Lead-Based Paint Hazard Control	2,479	479	264	743	1,736
State:					
One NC Grant	9,025	3,026	1,381	4,407	4,618
Local:					
Property Acquisitions for Housing	16	-	-	-	16
Other	5,639	1,031	3,045	4,076	1,563
Total neighborhood development	<u>\$ 45,417</u>	<u>\$ 12,632</u>	<u>\$ 12,367</u>	<u>\$ 24,999</u>	<u>\$ 20,418</u>

**CITY OF CHARLOTTE, NORTH CAROLINA**  
**EMPLOYMENT AND TRAINING FUND**  
**SCHEDULE OF EXPENDITURES COMPARED WITH AUTHORIZATIONS**  
**FOR THE YEAR ENDED JUNE 30, 2014**  
(In Thousands)

	<u>Authorizations</u>	<u>Expenditures</u>			<u>Unexpended Authorizations</u>
		<u>Current Year</u>	<u>Prior Year</u>	<u>Total</u>	
Workforce Investment Act	<u>\$ 15,842</u>	<u>\$ 6,160</u>	<u>\$ 6,268</u>	<u>\$ 12,428</u>	<u>\$ 3,414</u>



**CITY OF CHARLOTTE, NORTH CAROLINA**  
**STIMULUS GRANTS FUND**  
**SCHEDULE OF EXPENDITURES COMPARED WITH AUTHORIZATIONS**  
**FOR THE YEAR ENDED JUNE 30, 2014**  
**(In Thousands)**

		Expenditures			
	<u>Authorizations</u>	<u>Current Year</u>	<u>Prior Years</u>	<u>Total</u>	<u>Unexpended Authorizations</u>
Federal:					
Broadband Technology Opportunities (BTOP)	\$ 17,259	\$ 3,785	\$ 4,681	\$ 8,466	\$ 8,793
Energy Efficiency and Conservation Block Grant	6,724	163	6,561	6,724	-
Community Development Block Grant	1,183	-	1,183	1,183	-
Public Safety Partnership and Community Policing	7,963	-	7,963	7,963	-
Federal pass through:					
State Energy	418	10	408	418	-
Energy Efficiency and Conservation Block Grant	607	117	490	607	-
Justice Assistance	4,532	165	4,367	4,532	-
Total stimulus grants	<u>\$ 38,686</u>	<u>\$ 4,240</u>	<u>\$ 25,653</u>	<u>\$ 29,893</u>	<u>\$ 8,793</u>

**CITY OF CHARLOTTE, NORTH CAROLINA**  
**EMERGENCY TELEPHONE SYSTEM FUND**  
**SCHEDULE OF EXPENDITURES COMPARED WITH AUTHORIZATIONS**  
**FOR THE YEAR ENDED JUNE 30, 2014**  
**(In Thousands)**

	Authorizations	Expenditures			Unexpended Authorizations
		Current Year	Prior Year	Total	
Implemental functions	\$ 1,155	\$ 594	\$ 561	\$ 1,155	\$ -
Phone and furniture	5,675	1,155	1,340	2,495	3,180
Software	1,480	(59)	750	691	789
Hardware	119	-	64	64	55
Training	7	-	7	7	-
Total expenditures	<u>\$ 8,436</u>	<u>1,690</u>	<u>\$ 2,722</u>	<u>\$ 4,412</u>	<u>\$ 4,024</u>

Amounts reported on the Emergency Telephone System Fund Schedule of Expenditures Compared with Authorizations are different from the PSAP Revenue-Expenditure Report because:

Ineligible 911 expenditures reported in Emergency Telephone System Fund

(75)  
\$ 1,615

**DEBT SERVICE FUND**

The Debt Service fund is used to account for the accumulation of resources and the payment of principal, interest and related costs for all long-term debt other than debt issued for and serviced by business-type activities.

**CAPITAL PROJECTS FUND**

The Capital Projects fund accounts for financial resources, primarily bond proceeds and property taxes, used for the acquisition, construction or improvement of capital assets.

**CITY OF CHARLOTTE, NORTH CAROLINA**  
**DEBT SERVICE FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES-**  
**BUDGET AND ACTUAL (NON-GAAP BASIS)**  
**FOR THE YEAR ENDED JUNE 30, 2014**  
**(In Thousands)**

	<u>Budget</u>	<u>Actual</u>	<u>Variance- Positive (Negative)</u>
REVENUES:			
Property tax	\$ 85,645	\$ 87,223	\$ 1,578
Other taxes-			
Sales tax	13,821	14,702	881
Heavy equipment	-	95	95
Total other	<u>13,821</u>	<u>14,797</u>	<u>976</u>
Intergovernmental-			
Mecklenburg County:			
ABC Board contribution	770	876	106
Debt service contributions	<u>284</u>	<u>284</u>	<u>-</u>
Total intergovernmental	<u>1,054</u>	<u>1,160</u>	<u>106</u>
Licenses, fees and fines	55	52	(3)
Investment earnings	1,052	1,918	866
Private contributions	1,210	6,537	5,327
Miscellaneous	<u>227</u>	<u>160</u>	<u>(67)</u>
Total revenues	<u>103,064</u>	<u>111,847</u>	<u>8,783</u>
EXPENDITURES:			
Bonds-			
Principal retirement	30,529	30,192	337
Interest	26,570	24,918	1,652
Installment purchases-			
Principal retirement	46,947	46,947	-
Interest	33,696	31,500	2,196
Fiscal agents fees	7,686	4,578	3,108
Other	<u>226</u>	<u>57</u>	<u>169</u>
Total expenditures	<u>145,654</u>	<u>138,192</u>	<u>7,462</u>
Revenues (under) expenditures	<u>(42,590)</u>	<u>(26,345)</u>	<u>16,245</u>

**CITY OF CHARLOTTE, NORTH CAROLINA**  
**DEBT SERVICE FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES-**  
**BUDGET AND ACTUAL (NON-GAAP BASIS)-(Continued)**  
**FOR THE YEAR ENDED JUNE 30, 2014**  
**(In Thousands)**

	<u>Budget</u>	<u>Actual</u>	<u>Variance- Positive (Negative)</u>
OTHER FINANCING SOURCES (USES):			
Installment purchases issued	\$ 1,625	\$ 125	\$ (1,500)
Refunding debt issued	266,893	266,893	-
Premium on debt issuance	28,536	28,536	-
Payment to refunded bond escrow agent	(293,020)	(293,020)	-
Transfers in-			
General	18,084	18,100	16
Capital projects	15	15	-
Special revenue:			
Convention Center tax	17,861	17,861	-
Tourism	22,186	22,171	(15)
Hall of Fame	9,568	9,447	(121)
State street aid	1,609	1,609	-
Total transfers in	<u>69,323</u>	<u>69,203</u>	<u>(120)</u>
Transfers out-			
General	4,066	4,066	-
Special revenue - Tourism	341	341	-
Total transfers out	<u>4,407</u>	<u>4,407</u>	<u>-</u>
Total other financing sources (uses)	<u>68,950</u>	<u>67,330</u>	<u>(1,620)</u>
Net change in fund balance	<u>\$ 26,360</u>	<u>40,985</u>	<u>\$ 14,625</u>
Fund balance - beginning		<u>223,660</u>	
Fund balance - ending		<u>\$ 264,645</u>	

**CITY OF CHARLOTTE, NORTH CAROLINA**  
**CAPITAL PROJECTS FUND**  
**SCHEDULE OF EXPENDITURES AND ENCUMBRANCES COMPARED WITH AUTHORIZATIONS**  
**FOR THE YEAR ENDED JUNE 30, 2014**  
**(In Thousands)**

	Authorizations	Expenditures		
		Current Year	Prior Years	Total
Economic development	\$ 293,142	\$ 54,372	\$ 174,482	\$ 228,854
Streets and highways	612,552	49,786	355,176	404,962
Culture and recreation	260,747	2,930	253,276	256,206
General government	263,738	28,141	175,559	203,700
Public safety	140,144	19,642	72,938	92,580
Public housing	207,012	7,219	179,925	187,144
Services expansion	63,000	481	-	481
Total capital projects	<u>\$ 1,840,335</u>	<u>\$ 162,571</u>	<u>\$ 1,211,356</u>	<u>\$ 1,373,927</u>

Unexpended Authorizations	Encumbrances June 30, 2014	Unencumbered Authorizations June 30, 2014
\$ 64,288	\$ 23,166	\$ 41,122
207,590	77,930	129,660
4,541	392	4,149
60,038	17,802	42,236
47,564	12,653	34,911
19,868	2,318	17,550
62,519	6,359	56,160
<u>\$ 466,408</u>	<u>\$ 140,620</u>	<u>\$ 325,788</u>



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**ENTERPRISE FUNDS**

Enterprise funds are used to account for operations that charge a fee for service to customers similar to private business enterprises. The City has four enterprise operations.

- ❖ Water and Sewer Fund – Accounts for the operation of Charlotte-Mecklenburg Utilities, provider of water and wastewater services.
- ❖ Storm Water Fund – Accounts for the operation of Charlotte Storm Water Services, administrator of storm water programs and policies.
- ❖ Airport Fund – Accounts for the operation of the Charlotte Douglas International Airport.
- ❖ Public Transit Fund – Accounts for the operation of Charlotte Area Transit System, provider of community-wide public transportation services.



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**CITY OF CHARLOTTE, NORTH CAROLINA**  
**WATER AND SEWER OPERATING FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND TRANSFERS-**  
**BUDGET AND ACTUAL (NON-GAAP BASIS)**  
**FOR THE YEAR ENDED JUNE 30, 2014**  
**(In Thousands)**

	<u>Budget</u>	<u>Actual</u>	<u>Variance- Positive (Negative)</u>
REVENUES:			
Water sales	\$ 125,352	\$ 110,051	\$ (15,301)
Sewer services fees	179,705	161,387	(18,318)
Availability fees	-	30,857	30,857
Capacity fees	7,200	11,795	4,595
Other	5,514	7,946	2,432
Investment earnings	346	829	483
Total revenues	<u>318,117</u>	<u>322,865</u>	<u>4,748</u>
EXPENDITURES:			
Water supply and treatment	18,824	14,943	3,881
Sewer system and treatment	36,765	36,566	199
Administration and engineering	21,620	18,515	3,105
Field operations	31,689	31,689	-
Nondepartmental charges	10,133	10,133	-
Total expenditures	<u>119,031</u>	<u>111,846</u>	<u>7,185</u>
Revenues over expenditures	<u>199,086</u>	<u>211,019</u>	<u>11,933</u>
TRANSFERS IN:			
Water and Sewer Capital Projects	<u>20</u>	<u>20</u>	<u>-</u>
TRANSFERS OUT:			
Water and Sewer Debt Service	149,059	147,959	1,100
Water and Sewer Capital Projects	<u>89,855</u>	<u>89,855</u>	<u>-</u>
Total transfers out	<u>238,914</u>	<u>237,814</u>	<u>1,100</u>
Revenues and transfers (under) expenditures and transfers	<u>\$ (39,808)</u>	<u>\$ (26,775)</u>	<u>\$ 13,033</u>

**CITY OF CHARLOTTE, NORTH CAROLINA**  
**WATER AND SEWER DEBT SERVICE FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND TRANSFERS-**  
**BUDGET AND ACTUAL (NON-GAAP BASIS)**  
**FOR THE YEAR ENDED JUNE 30, 2014**  
**(In Thousands)**

	<u>Budget</u>	<u>Actual</u>	<u>Variance- Positive (Negative)</u>
REVENUES:			
Investment earnings	\$ 1	\$ 182	\$ 181
Installment purchases issued	-	-	-
Refunding bonds issued	30,045	30,045	-
Premium on debt issuance	3,024	3,024	-
Other	-	-	-
Total revenues	<u>33,070</u>	<u>33,251</u>	<u>181</u>
EXPENDITURES:			
Bonds-			
Principal retirement	69,857	69,532	325
Interest	72,611	71,292	1,319
Other financing agreements-			
Principal retirement	4,409	4,409	-
Interest	611	604	7
Payment to refunded bond escrow agent	32,440	32,440	-
Bond issue expense	-	-	-
Other	3,518	2,301	1,217
Total expenditures	<u>183,446</u>	<u>180,578</u>	<u>2,868</u>
Revenues (under) expenditures	<u>(150,376)</u>	<u>(147,327)</u>	<u>3,049</u>
TRANSFERS IN:			
Water and Sewer Operating	149,060	147,960	(1,100)
Water and Sewer Capital Projects	140	140	-
Total transfers in	<u>149,200</u>	<u>148,100</u>	<u>(1,100)</u>
Revenues and transfers over (under) expenditures	<u>\$ (1,176)</u>	<u>\$ 773</u>	<u>\$ 1,949</u>

**CITY OF CHARLOTTE, NORTH CAROLINA**  
**WATER AND SEWER FUND**  
**SCHEDULE OF RECONCILIATION OF BUDGETARY (NON-GAAP BASIS)**  
**TO FULL ACCRUAL BASIS**  
**FOR THE YEAR ENDED JUNE 30, 2014**  
**(In Thousands)**

Revenues and transfers over (under)	
expenditures and transfers:	
Operating Fund	\$ (26,775)
Debt Service Fund	773
Investment earnings in the	
Capital Projects Fund	164
Current year encumbrances	6,513
Bond proceeds	2,395
Debt principal retirement	74,290
Depreciation	(92,658)
Capital outlay	58
Capital contributions	24,806
Amortization of deferred charges	(2,359)
Premium on debt issuance	(3,024)
Amortization of premium	5,135
Capitalized interest	14,767
Other	(1,728)
Net transfers to (from) Water and Sewer	
Capital Projects Fund:	
Water and Sewer Operating	89,835
Water and Sewer Debt Service	(140)
Change in net position	<u>\$ 92,052</u>

Note: Pursuant to state law, budgets are adopted on an annual basis for Operating and Debt Service Funds. Budgets for Capital Projects Funds are adopted on a project basis.

**CITY OF CHARLOTTE, NORTH CAROLINA**  
**WATER AND SEWER CAPITAL PROJECTS FUND**  
**SCHEDULE OF EXPENDITURES AND ENCUMBRANCES COMPARED WITH AUTHORIZATIONS**  
**FOR THE YEAR ENDED JUNE 30, 2014**  
**(In Thousands)**

	<u>Authorizations</u>	<u>Expenditures</u>		
		<u>Current Year</u>	<u>Prior Years</u>	<u>Total</u>
Water projects	\$ 842,708	\$ 35,682	\$ 567,418	\$ 603,100
Sewer projects	<u>1,537,019</u>	<u>85,873</u>	<u>970,527</u>	<u>1,056,400</u>
Total water and sewer capital projects	<u>\$ 2,379,727</u>	<u>\$ 121,555</u>	<u>\$ 1,537,945</u>	<u>\$ 1,659,500</u>

<u>Unexpended Authorizations</u>	<u>Encumbrances June 30, 2014</u>	<u>Unencumbered Authorizations June 30, 2014</u>
\$ 239,608	\$ 33,560	\$ 206,048
<u>480,619</u>	<u>55,851</u>	<u>424,768</u>
<u>\$ 720,227</u>	<u>\$ 89,411</u>	<u>\$ 630,816</u>



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**CITY OF CHARLOTTE, NORTH CAROLINA**  
**STORM WATER OPERATING FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND TRANSFERS-**  
**BUDGET AND ACTUAL (NON-GAAP BASIS)**  
**FOR THE YEAR ENDED JUNE 30, 2014**  
**(In Thousands)**

	<u>Budget</u>	<u>Actual</u>	<u>Variance- Positive (Negative)</u>
REVENUES:			
Storm water fees	\$ 59,160	\$ 55,114	\$ (4,046)
Other	-	431	431
Investment earnings	-	224	224
Total revenues	<u>59,160</u>	<u>55,769</u>	<u>(3,391)</u>
EXPENDITURES:			
Storm water systems	12,967	10,914	2,053
Administration	<u>1,887</u>	<u>1,887</u>	-
Total expenditures	<u>14,854</u>	<u>12,801</u>	<u>2,053</u>
Revenues over expenditures	<u>44,306</u>	<u>42,968</u>	<u>(1,338)</u>
TRANSFERS OUT:			
Storm Water Capital Projects	36,000	36,000	-
Storm Water Debt Service	<u>10,083</u>	<u>9,988</u>	<u>95</u>
Total transfers out	<u>46,083</u>	<u>45,988</u>	<u>95</u>
Revenues (under) expenditures and transfers	<u>\$ (1,777)</u>	<u>\$ (3,020)</u>	<u>\$ (1,243)</u>

**CITY OF CHARLOTTE, NORTH CAROLINA**  
**STORM WATER DEBT SERVICE FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND TRANSFERS-**  
**BUDGET AND ACTUAL (NON-GAAP BASIS)**  
**FOR THE YEAR ENDED JUNE 30, 2014**  
**(In Thousands)**

	<u>Budget</u>	<u>Actual</u>	<u>Variance- Positive (Negative)</u>
REVENUES:			
Premium on debt issuance	\$ 21	\$ 21	\$ -
Refunding bonds issued	137	137	-
Total revenues	<u>158</u>	<u>158</u>	<u>-</u>
EXPENDITURES:			
Bonds-			
Principal retirement	4,660	4,585	75
Interest	5,393	5,376	17
Payment to refunded bond escrow agent	154	154	-
Bond issue expense	1	1	-
Other	29	14	15
Total expenditures	<u>10,237</u>	<u>10,130</u>	<u>107</u>
Revenues (under) expenditures	<u>(10,079)</u>	<u>(9,972)</u>	<u>107</u>
TRANSFERS IN:			
Storm Water Operating	10,083	9,988	(95)
Revenues over expenditures and transfers	<u>\$ 4</u>	<u>\$ 16</u>	<u>\$ 12</u>

**CITY OF CHARLOTTE, NORTH CAROLINA**  
**STORM WATER FUND**  
**SCHEDULE OF RECONCILIATION OF BUDGETARY (NON-GAAP BASIS)**  
**TO FULL ACCRUAL BASIS**  
**FOR THE YEAR ENDED JUNE 30, 2014**  
**(In Thousands)**

Revenues and transfers (under)	
expenditures and transfers:	
Operating Fund	\$ (3,020)
Debt Service Fund	16
Capital Projects Fund:	
Charges for services	1,771
Investment earnings	136
Current year encumbrances	1,148
Bond proceeds	18
Debt principal retirement	4,585
Depreciation	(3,409)
Capital contributions	3,875
Amortization of deferred charges	(179)
Amortization of premium	502
Capitalized interest	58
Other	1
Net transfers to Storm Water	
Capital Projects Fund:	<u>36,000</u>
Change in net position	<u>\$ 41,502</u>

Note: Pursuant to state law, budgets are adopted on an annual basis for Operating and Debt Service Funds. Budgets for Capital Projects Funds are adopted on a project basis.

**CITY OF CHARLOTTE, NORTH CAROLINA**  
**STORM WATER CAPITAL PROJECTS FUND**  
**SCHEDULE OF EXPENDITURES AND ENCUMBRANCES COMPARED WITH AUTHORIZATIONS**  
**FOR THE YEAR ENDED JUNE 30, 2014**  
(In Thousands)

	<u>Authorizations</u>	<u>Expenditures</u>		<u>Total</u>
		<u>Current Year</u>	<u>Prior Years</u>	
Flood control	\$ 211,395	\$ 18,553	\$ 144,502	\$ 163,055
Storm drain repair	110,794	12,938	81,306	94,244
Channel and other projects	<u>174,842</u>	<u>12,272</u>	<u>109,597</u>	<u>121,869</u>
Total storm water capital projects	<u>\$ 497,031</u>	<u>\$ 43,763</u>	<u>\$ 335,405</u>	<u>\$ 379,168</u>

<u>Unexpended Authorizations</u>	<u>Encumbrances June 30, 2014</u>	<u>Unencumbered Authorizations June 30, 2014</u>
\$ 48,340	\$ 43,491	\$ 4,849
16,550	10,276	6,274
<u>52,973</u>	<u>20,333</u>	<u>32,640</u>
 \$ 117,863	 \$ 74,100	 \$ 43,763



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**CITY OF CHARLOTTE, NORTH CAROLINA**  
**AIRPORT OPERATING FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND TRANSFERS-**  
**BUDGET AND ACTUAL (NON-GAAP BASIS)**  
**FOR THE YEAR ENDED JUNE 30, 2014**  
**(In Thousands)**

	<u>Budget</u>	<u>Actual</u>	<u>Variance- Positive (Negative)</u>
REVENUES:			
Terminal area	\$ 29,632	\$ 33,609	\$ 3,977
Airfield	17,534	22,644	5,110
Concessions	51,495	52,890	1,395
Parking	36,814	40,824	4,010
Passenger facility charges	29,893	59,526	29,633
Contract facility charges	3,819	10,009	6,190
Other	35,327	27,772	(7,555)
Investment earnings	3,025	4,841	1,816
Total revenues	<u>207,539</u>	<u>252,115</u>	<u>44,576</u>
EXPENDITURES:			
Operating	129,716	116,831	12,885
Nonoperating	15,239	14,777	462
Total expenditures	<u>144,955</u>	<u>131,608</u>	<u>13,347</u>
Revenues over expenditures	<u>62,584</u>	<u>120,507</u>	<u>57,923</u>
TRANSFERS IN:			
Airport Debt Service	24	24	-
Airport Capital Projects	762	762	-
Total transfers in	<u>786</u>	<u>786</u>	<u>-</u>
TRANSFERS OUT:			
Airport Debt Service	64,304	52,520	11,784
Airport Capital Projects	37,317	37,317	-
Total transfers out	<u>101,621</u>	<u>89,837</u>	<u>11,784</u>
Revenues and transfers over (under) expenditures and transfers	<u>\$ (38,251)</u>	<u>\$ 31,456</u>	<u>\$ 69,707</u>

**CITY OF CHARLOTTE, NORTH CAROLINA**  
**AIRPORT DEBT SERVICE FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND TRANSFERS-**  
**BUDGET AND ACTUAL (NON-GAAP BASIS)**  
**FOR THE YEAR ENDED JUNE 30, 2014**  
**(In Thousands)**

	<u>Budget</u>	<u>Actual</u>	Variance- Positive (Negative)
REVENUES:			
Maintenance facility	\$ 7,097	\$ 7,068	\$ (29)
Investment earnings	13	17	4
Premium on debt issuance	5,264	-	(5,264)
Total revenues	<u>12,374</u>	<u>7,085</u>	<u>(5,289)</u>
EXPENDITURES:			
Bonds-			
Principal retirement	50,962	49,780	1,182
Interest	47,245	36,124	11,121
Other	6,359	881	5,478
Total expenditures	<u>104,566</u>	<u>86,785</u>	<u>17,781</u>
Revenues (under) expenditures	<u>(92,192)</u>	<u>(79,700)</u>	<u>12,492</u>
TRANSFERS IN:			
Airport Operating	64,304	52,520	(11,784)
Airport Capital Projects	27,912	27,910	(2)
Total transfers in	<u>92,216</u>	<u>80,430</u>	<u>(11,786)</u>
TRANSFERS OUT:			
Airport Operating	<u>24</u>	<u>24</u>	<u>-</u>
Revenues and transfers over expenditures and transfers	<u>\$ -</u>	<u>\$ 706</u>	<u>\$ 706</u>



**CITY OF CHARLOTTE, NORTH CAROLINA**  
**AIRPORT FUND**  
**SCHEDULE OF RECONCILIATION OF BUDGETARY (NON-GAAP BASIS)**  
**TO FULL ACCRUAL BASIS**  
**FOR THE YEAR ENDED JUNE 30, 2014**  
**(In Thousands)**

Revenues and transfers over	
expenditures and transfers:	
Operating Fund	\$ 31,456
Debt Service Fund	706
Investment earnings in the	
Capital Projects Fund	580
Current year encumbrances	8,525
Debt principal retirement	49,780
Depreciation	(38,066)
Capital outlay	7,561
Capital contributions	40,246
Amortization of deferred charges	(268)
Amortization of premium	795
Capitalized interest	4,329
Other	(1,432)
Net transfers to (from) Airport	
Capital Projects Fund:	
Airport Operating	36,555
Airport Debt Service	(27,910)
Change in net position	<u>\$ 112,857</u>

Note: Pursuant to state law, budgets are adopted on an annual basis for Operating and Debt Service Funds. Budgets for Capital Projects Funds are adopted on a project basis.

**CITY OF CHARLOTTE, NORTH CAROLINA**  
**AIRPORT CAPITAL PROJECTS FUND**  
**SCHEDULE OF EXPENDITURES AND ENCUMBRANCES COMPARED WITH AUTHORIZATIONS**  
**FOR THE YEAR ENDED JUNE 30, 2014**  
(In Thousands)

	<u>Authorizations</u>	<u>Expenditures</u>		
		<u>Current Year</u>	<u>Prior Years</u>	<u>Total</u>
Capital improvements	\$ 297,090	\$ 24,415	\$ 240,214	\$ 264,629
Airport expansion	776,741	140,585	515,069	655,654
Total airport capital projects	<u>\$ 1,073,831</u>	<u>\$ 165,000</u>	<u>\$ 755,283</u>	<u>\$ 920,283</u>

<u>Unexpended Authorizations</u>	<u>Encumbrances June 30, 2014</u>	<u>Unencumbered Authorizations June 30, 2014</u>
\$ 32,461	\$ 17,338	\$ 15,123
121,087	64,607	56,480
<u>\$ 153,548</u>	<u>\$ 81,945</u>	<u>\$ 71,603</u>



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**CITY OF CHARLOTTE, NORTH CAROLINA**  
**PUBLIC TRANSIT OPERATING FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND TRANSFERS-**  
**BUDGET AND ACTUAL (NON-GAAP BASIS)**  
**FOR THE YEAR ENDED JUNE 30, 2014**  
**(In Thousands)**

	<u>Budget</u>	<u>Actual</u>	<u>Variance- Positive (Negative)</u>
REVENUES:			
Passenger fares	\$ 31,311	\$ 27,290	\$ (4,021)
Other operating	1,454	1,530	76
Sales tax	70,615	71,233	618
Intergovernmental	12,903	12,082	(821)
Other	2,497	1,874	(623)
Investment earnings	500	526	26
Total revenues	<u>119,280</u>	<u>114,535</u>	<u>(4,745)</u>
EXPENDITURES:			
Transit operations	89,552	86,626	2,926
Transit vehicle maintenance	13,993	13,154	839
Administration	11,579	11,579	-
Total expenditures	<u>115,124</u>	<u>111,359</u>	<u>3,765</u>
Revenues over expenditures	<u>4,156</u>	<u>3,176</u>	<u>(980)</u>
TRANSFERS IN:			
Public Transit Debt Service	12,067	12,067	-
Public Transit Capital Projects	2,323	2,323	-
Capital Projects	18,952	18,952	-
Total transfers in	<u>33,342</u>	<u>33,342</u>	<u>-</u>
TRANSFERS OUT:			
Public Transit Capital Projects	13,347	13,347	-
Public Transit Debt Service	22,911	22,911	-
Total transfers out	<u>36,258</u>	<u>36,258</u>	<u>-</u>
Revenues and transfers over expenditures and transfers	<u>\$ 1,240</u>	<u>\$ 260</u>	<u>\$ (980)</u>

**CITY OF CHARLOTTE, NORTH CAROLINA**  
**PUBLIC TRANSIT DEBT SERVICE FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND TRANSFERS-**  
**BUDGET AND ACTUAL (NON-GAAP BASIS)**  
**FOR THE YEAR ENDED JUNE 30, 2014**  
**(In Thousands)**

	<u>Budget</u>	<u>Actual</u>	<u>Variance- Positive (Negative)</u>
REVENUES:			
Grant contributions	\$ 5,495	\$ 4,810	\$ (685)
Investment earnings	-	42	42
Total revenues	<u>5,495</u>	<u>4,852</u>	<u>(643)</u>
EXPENDITURES:			
Installment purchases-			
Principal retirement	6,375	6,375	-
Interest	11,065	10,171	894
Other	<u>1,036</u>	<u>1,036</u>	<u>-</u>
Total expenditures	<u>18,476</u>	<u>17,582</u>	<u>894</u>
Revenues (under) expenditures	<u>(12,981)</u>	<u>(12,730)</u>	<u>251</u>
TRANSFERS IN:			
Public Transit Operating	22,911	22,911	-
Public Transit Capital Projects	<u>5,300</u>	<u>3,940</u>	<u>(1,360)</u>
Total transfers in	<u>28,211</u>	<u>26,851</u>	<u>(1,360)</u>
TRANSFERS OUT:			
Public Transit Operating	<u>12,067</u>	<u>12,067</u>	<u>-</u>
Revenues and transfers over expenditures and transfers	<u>\$ 3,163</u>	<u>\$ 2,054</u>	<u>\$ (1,109)</u>

**CITY OF CHARLOTTE, NORTH CAROLINA**  
**PUBLIC TRANSIT FUND**  
**SCHEDULE OF RECONCILIATION OF BUDGETARY (NON-GAAP BASIS)**  
**TO FULL ACCRUAL BASIS**  
**FOR THE YEAR ENDED JUNE 30, 2014**  
**(In Thousands)**

Revenues and transfers over	
expenditures and transfers:	
Operating Fund	\$ 260
Debt Service Fund	2,054
Investment earnings in the	
Capital Projects Fund	197
Current year encumbrances	1,930
Debt principal retirement	6,375
Depreciation	(38,154)
Capital contributions	79,929
Amortization of deferred charges	(29)
Amortization of premium	733
Capitalized interest	1,642
Other	(6,968)
Net transfers to (from) Public Transit	
Capital Projects Fund:	
Public Transit Operating	11,024
Public Transit Debt Service	(3,940)
Capital Projects	(861)
Change in net position	<u>\$ 54,192</u>

Note: Pursuant to state law, budgets are adopted on an annual basis for Operating and Debt Service Funds. Budgets for Capital Projects Funds are adopted on a project basis.

**CITY OF CHARLOTTE, NORTH CAROLINA**  
**PUBLIC TRANSIT CAPITAL PROJECTS FUND**  
**SCHEDULE OF EXPENDITURES AND ENCUMBRANCES COMPARED WITH AUTHORIZATIONS**  
**FOR THE YEAR ENDED JUNE 30, 2014**  
**(In Thousands)**

	Authorizations	Expenditures		
		Current Year	Prior Years	Total
Buses and vehicles	\$ 264,389	\$ 41,240	\$ 164,139	\$ 205,379
Planning and consulting	225,722	21,455	141,155	162,610
Facilities	304,102	6,586	185,036	191,622
Technology	7,993	1,340	3,825	5,165
Passenger amenities	4,486	445	3,036	3,481
Services expansion	<u>847,203</u>	<u>59,833</u>	<u>396,824</u>	<u>456,657</u>
Total public transit capital projects	<u>\$ 1,653,895</u>	<u>\$ 130,899</u>	<u>\$ 894,015</u>	<u>\$ 1,024,914</u>



<u>Unexpended Authorizations</u>	<u>Encumbrances June 30, 2014</u>	<u>Unencumbered Authorizations June 30, 2014</u>
\$ 59,010	\$ 24,049	\$ 34,961
63,112	28,300	34,812
112,480	16,861	95,619
2,828	790	2,038
1,005	307	698
<u>390,546</u>	<u>191,203</u>	<u>199,343</u>
 <u>\$ 628,981</u>	 <u>\$ 261,510</u>	 <u>\$ 367,471</u>



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**INTERNAL SERVICE FUNDS**

Internal service funds are used to account for centralized services provided to City departments and other governmental units and agencies on a cost-reimbursement basis.

- ❖ Risk Management Fund – Accounts for the general insurance program, claim and loss control services for the City as well as services provided, on a cost-reimbursement basis to other governmental units and agencies in Mecklenburg County.
- ❖ Employee Health and Life Fund – Accounts for funds contributed by the City and employees for health and life benefits.

**CITY OF CHARLOTTE, NORTH CAROLINA**  
**INTERNAL SERVICE FUNDS**  
**COMBINING STATEMENT OF NET POSITION**  
**JUNE 30, 2014**  
**(In Thousands)**

	Risk Management	Employee Health and Life	Total
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ 79,733	\$ 32,074	\$ 111,807
Receivables - other	232	57	289
Due from other funds	-	642	642
Prepaid insurance	-	728	728
Total current assets	<u>79,965</u>	<u>33,501</u>	<u>113,466</u>
Capital assets:			
Machinery and equipment	159	-	159
Less accumulated depreciation	<u>154</u>	<u>-</u>	<u>154</u>
Total capital assets, net	<u>5</u>	<u>-</u>	<u>5</u>
Total assets	<u>79,970</u>	<u>33,501</u>	<u>113,471</u>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	-	448	448
Claims payable	41,241	8,507	49,748
Noncurrent liabilities:			
Due to participants	11,642	-	11,642
Compensated absences payable	157	-	157
Net OPEB liability	<u>163</u>	<u>-</u>	<u>163</u>
Total noncurrent liabilities	<u>11,962</u>	<u>-</u>	<u>11,962</u>
Total liabilities	<u>53,203</u>	<u>8,955</u>	<u>62,158</u>
<b>NET POSITION</b>			
Net investment in capital assets	5	-	5
Unrestricted	<u>26,762</u>	<u>24,546</u>	<u>51,308</u>
Total net position	<u>\$ 26,767</u>	<u>\$ 24,546</u>	<u>\$ 51,313</u>

**CITY OF CHARLOTTE, NORTH CAROLINA**  
**INTERNAL SERVICE FUNDS**  
**COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION**  
**FOR THE YEAR ENDED JUNE 30, 2014**  
**(In Thousands)**

	<u>Risk Management</u>	<u>Employee Health and Life</u>	<u>Total</u>
OPERATING REVENUES:			
Charges for services-			
Risk management and safety fees	\$ 3,037	\$ 4,594	\$ 7,631
Claims:			
Employer	13,110	39,193	52,303
Employee	-	12,016	12,016
Other	143	280	423
Total claims	13,253	51,489	64,742
Premiums	5,343	15,804	21,147
Reimbursement from trust	-	17,682	17,682
Total operating revenues	<u>21,633</u>	<u>89,569</u>	<u>111,202</u>
OPERATING EXPENSES:			
Administration	3,034	4,594	7,628
Claims	8,932	63,498	72,430
Insurance premiums	4,952	15,804	20,756
Depreciation	2	-	2
Total operating expenses	<u>16,920</u>	<u>83,896</u>	<u>100,816</u>
Operating income	<u>4,713</u>	<u>5,673</u>	<u>10,386</u>
NONOPERATING REVENUES:			
Investment earnings	485	297	782
Change in net position	5,198	5,970	11,168
Total net position - beginning	<u>21,569</u>	<u>18,576</u>	<u>40,145</u>
Total net position - ending	<u>\$ 26,767</u>	<u>\$ 24,546</u>	<u>\$ 51,313</u>

**CITY OF CHARLOTTE, NORTH CAROLINA**  
**INTERNAL SERVICE FUNDS**  
**COMBINING STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED JUNE 30, 2014**  
**(In Thousands)**

	Risk Management	Employee Health and Life	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Receipts from participants	\$ 12,446	\$ 27,820	\$ 40,266
Payments to suppliers	(1,484)	(4,899)	(6,383)
Internal activity - receipts from other funds	20,164	43,671	63,835
Receipts from trust	-	17,682	17,682
Receipts from recovery of losses	181	-	181
Payments to employees	(1,548)	-	(1,548)
Payments for claims	(14,559)	(63,598)	(78,157)
Payments for premiums	(8,121)	(16,266)	(24,387)
Other receipts (payments)	-	280	280
Net cash provided by operating activities	<u>7,079</u>	<u>4,690</u>	<u>11,769</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Interest received	<u>590</u>	<u>281</u>	<u>871</u>
Net increase in cash and cash equivalents	7,669	4,971	12,640
Cash and cash equivalents - beginning of year	<u>72,064</u>	<u>27,103</u>	<u>99,167</u>
Cash and cash equivalents - end of year	<u>\$ 79,733</u>	<u>\$ 32,074</u>	<u>\$ 111,807</u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</b>			
Operating income	\$ 4,713	\$ 5,673	\$ 10,386
Adjustments to reconcile operating income to net cash provided by operating activities-			
Depreciation	2	-	2
Change in assets and liabilities:			
(Increase) in receivables	(38)	-	(38)
(Increase) in due from other funds	-	(116)	(116)
(Increase) in prepaid insurance	-	(290)	(290)
(Decrease) in accounts payable	-	(477)	(477)
Increase (decrease) in claims payable	292	(100)	192
Increase in due to participants	2,090	-	2,090
Increase in compensated absences payable	17	-	17
Increase in net OPEB liability	3	-	3
Total adjustments	<u>2,366</u>	<u>(983)</u>	<u>1,383</u>
Net cash provided by operating activities	<u>\$ 7,079</u>	<u>\$ 4,690</u>	<u>\$ 11,769</u>



**STATISTICAL SECTION**

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

	Page
Financial Trends – These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time. ....	169
Revenue Capacity – These schedules contain information to help the reader assess the government's most significant local revenue source, the property tax. ....	176
Debt Capacity – These schedules present information to help the reader assess the affordability of the government's current levels of outstanding debt and the government's ability to issue additional debt in the future. ....	182
Demographic and Economic Information – These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place. ....	190
Operating Information – These schedules contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government provides and the activities it performs. ....	192

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





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**CITY OF CHARLOTTE, NORTH CAROLINA**  
**NET POSITION BY COMPONENT**  
**LAST TEN FISCAL YEARS**  
(In Thousands)  
*(accrual basis of accounting)*

	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Governmental activities										
Net investment in capital assets <sup>1,2</sup>	\$ 3,489,949	\$ 3,587,908	\$ 3,776,380	\$ 3,899,402	\$ 4,344,428	\$ 4,455,284	\$ 4,535,870	\$ 4,655,357	\$ 4,666,993	\$ 4,668,843
Restricted	183,105	165,156	166,634	183,323	237,956	237,147	233,293	221,832	248,404	252,385
Unrestricted <sup>1</sup>	255,173	311,575	351,734	427,416	392,995	417,562	428,842	421,933	447,428	496,553
Total governmental activities net position	<u>3,928,227</u>	<u>4,064,639</u>	<u>4,294,748</u>	<u>4,510,141</u>	<u>4,975,379</u>	<u>5,109,993</u>	<u>5,198,005</u>	<u>5,299,122</u>	<u>5,362,825</u>	<u>5,417,781</u>
Business-type activities										
Net investment in capital assets <sup>1,3</sup>	1,563,145	1,755,959	2,023,852	2,100,976	2,368,112	2,467,268	2,455,159	2,543,085	2,794,170	3,077,745
Restricted	78,544	104,035	143,941	177,226	199,530	245,033	256,055	316,914	356,516	391,966
Unrestricted <sup>1</sup>	451,746	504,782	608,612	796,274	642,533	605,019	772,884	792,697	755,548	740,933
Total business-type activities net position	<u>2,093,435</u>	<u>2,364,776</u>	<u>2,776,405</u>	<u>3,074,476</u>	<u>3,210,175</u>	<u>3,317,320</u>	<u>3,484,098</u>	<u>3,652,696</u>	<u>3,906,234</u>	<u>4,210,644</u>
Primary government										
Net investment in capital assets	5,053,094	5,343,867	5,800,232	6,000,378	6,712,540	6,922,552	6,991,029	7,198,442	7,461,163	7,746,588
Restricted	261,649	269,191	310,575	360,549	437,486	482,180	489,348	538,746	604,920	644,351
Unrestricted	706,919	816,357	960,346	1,223,690	1,035,528	1,022,581	1,201,726	1,214,630	1,202,976	1,237,486
Total primary government net position	<u>\$ 6,021,662</u>	<u>\$ 6,429,415</u>	<u>\$ 7,071,153</u>	<u>\$ 7,584,617</u>	<u>\$ 8,185,554</u>	<u>\$ 8,427,313</u>	<u>\$ 8,682,103</u>	<u>\$ 8,951,818</u>	<u>\$ 9,269,059</u>	<u>\$ 9,628,425</u>

<sup>1</sup> 2005 through 2012 have been restated for the effects of GASB65.

<sup>2</sup> 2005 through 2013 have been restated for the effects of a prior period adjustment.

<sup>3</sup> 2010 through 2013 have been restated for the effects of a prior period adjustment.

**CITY OF CHARLOTTE, NORTH CAROLINA**  
**CHANGES IN NET POSITION**  
**LAST TEN FISCAL YEARS**  
(In Thousands)  
(accrual basis of accounting)

	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
<b>Expenses</b>										
Governmental activities:										
Public safety <sup>1</sup>	\$ 241,985	\$ 258,375	\$ 275,078	\$ 286,271	\$ 301,866	\$ 318,576	\$ 324,920	\$ 347,380	\$ 372,986	\$ 348,428
Sanitation	38,997	39,726	43,137	45,848	49,817	55,721	48,210	47,925	49,572	52,871
General administration	37,510	37,688	42,613	45,641	48,798	38,188	38,272	45,030	45,273	47,158
Support services	19,184	18,907	18,814	20,326	23,719	21,066	21,454	35,427	25,599	28,820
Engineering and property management	22,711	26,828	30,595	56,844	33,049	29,232	27,265	24,876	31,637	25,769
Streets and highways	81,157	86,217	91,636	94,888	103,289	116,141	119,024	114,400	122,168	125,518
Culture and recreation	7,670	8,336	8,208	9,146	13,914	17,834	10,085	17,856	28,744	32,826
Community planning and development	56,460	63,773	66,428	65,355	74,104	81,691	83,608	73,513	68,789	67,154
Interest and other charges <sup>2</sup>	43,427	48,042	47,214	47,605	46,334	62,585	57,059	56,080	56,373	54,329
Total governmental activities expenses	<u>549,101</u>	<u>587,892</u>	<u>623,723</u>	<u>671,924</u>	<u>694,890</u>	<u>741,034</u>	<u>729,897</u>	<u>762,487</u>	<u>801,141</u>	<u>782,873</u>
Business-type activities:										
Water	84,393	88,735	88,220	100,291	104,087	99,239	104,711	116,628	103,934	104,925
Sewer	95,567	114,073	141,094	141,762	161,607	158,744	141,380	132,824	144,972	149,865
Storm water <sup>7</sup>	19,399	19,536	22,617	22,566	21,605	53,449	20,186	20,766	22,117	19,934
Airport	111,540	128,155	133,425	150,094	158,136	138,372	159,443	170,298	172,091	185,178
Public transit	92,249	112,125	121,414	146,396	155,481	155,104	150,994	160,655	168,183	162,511
Total business-type activities expenses	<u>403,148</u>	<u>462,624</u>	<u>506,770</u>	<u>561,109</u>	<u>600,916</u>	<u>604,908</u>	<u>576,714</u>	<u>601,171</u>	<u>611,297</u>	<u>622,413</u>
Total primary government expenses	<u>\$ 952,249</u>	<u>\$ 1,050,516</u>	<u>\$ 1,130,493</u>	<u>\$ 1,233,033</u>	<u>\$ 1,295,806</u>	<u>\$ 1,345,942</u>	<u>\$ 1,306,611</u>	<u>\$ 1,363,658</u>	<u>\$ 1,412,438</u>	<u>\$ 1,405,286</u>
<b>Program Revenues</b>										
Governmental activities:										
Fees, fines, and charges for services:										
Public safety	\$ 23,931	\$ 26,480	\$ 23,689	\$ 24,197	\$ 24,692	\$ 23,719	\$ 24,959	\$ 23,761	\$ 28,281	\$ 28,452
Sanitation	9,897	10,680	10,865	11,277	11,503	11,895	12,148	12,336	12,341	13,084
General administration	11,589	10,856	11,694	12,805	15,930	14,853	16,980	16,851	15,779	17,418
Community planning and development	12,968	8,309	6,089	10,383	7,954	11,440	4,571	3,290	7,162	3,437
Other activities	20,158	22,983	25,120	26,844	29,196	26,478	28,610	37,684	34,446	33,829
Operating grants and contributions <sup>1</sup>	41,803	49,747	46,231	47,158	63,714	65,051	64,049	78,593	97,294	50,978
Capital grants and contributions <sup>3</sup>	286,685	138,597	190,815	177,722	450,950	165,500	102,965	121,645	14,469	22,629
Total governmental activities program revenues	<u>407,031</u>	<u>267,652</u>	<u>314,503</u>	<u>310,386</u>	<u>603,939</u>	<u>318,936</u>	<u>254,282</u>	<u>294,160</u>	<u>209,772</u>	<u>169,827</u>
Business-type activities:										
Fees, fines, and charges for services:										
Water	76,359	100,497	98,444	94,320	90,866	98,954	101,868	115,459	119,718	129,115
Sewer	98,298	118,737	127,870	137,617	144,033	151,653	163,622	177,377	184,630	189,744
Storm water	31,097	34,625	38,286	40,837	43,642	45,782	48,589	52,075	57,642	56,885
Airport <sup>4</sup>	120,372	161,302	185,079	201,259	190,052	188,935	212,935	219,990	243,874	254,331
Public transit	11,751	13,747	14,907	18,220	23,132	21,548	25,025	26,508	29,122	28,820
Operating grants and contributions	12,996	12,985	12,880	19,019	14,413	12,803	12,923	12,586	12,197	12,082
Capital grants and contributions	144,960	173,189	297,368	224,739	119,356	98,504	85,319	73,900	145,792	153,666
Total business-type activities program revenues	<u>495,833</u>	<u>615,082</u>	<u>774,834</u>	<u>736,011</u>	<u>625,494</u>	<u>618,179</u>	<u>650,281</u>	<u>677,895</u>	<u>792,975</u>	<u>824,643</u>
Total primary government program revenues	<u>\$ 902,864</u>	<u>\$ 882,734</u>	<u>\$ 1,089,337</u>	<u>\$ 1,046,397</u>	<u>\$ 1,229,433</u>	<u>\$ 937,115</u>	<u>\$ 904,563</u>	<u>\$ 972,055</u>	<u>\$ 1,002,747</u>	<u>\$ 994,470</u>

**Net (Expense)/Revenue**

Governmental activities	\$ (142,070)	\$ (320,240)	\$ (309,220)	\$ (361,538)	\$ (90,951)	\$ (422,098)	\$ (475,615)	\$ (468,327)	\$ (591,369)	\$ (613,046)
Business-type activities	92,685	152,458	268,064	174,902	24,578	13,271	73,567	76,724	181,678	202,230
Total primary governmental net expense	<u>\$ (49,385)</u>	<u>\$ (167,782)</u>	<u>\$ (41,156)</u>	<u>\$ (186,636)</u>	<u>\$ (66,373)</u>	<u>\$ (408,827)</u>	<u>\$ (402,048)</u>	<u>\$ (391,603)</u>	<u>\$ (409,691)</u>	<u>\$ (410,816)</u>

**General Revenues and Other Changes in Net Position**

## Governmental activities:

Taxes-										
Property	\$ 265,316	\$ 280,844	\$ 313,274	\$ 331,431	\$ 345,755	\$ 356,913	\$ 362,780	\$ 377,309	\$ 397,629	\$ 436,597
Sales <sup>2</sup>	69,658	75,938	80,059	87,035	74,434	72,715	73,340	82,730	84,890	92,853
Utility franchise <sup>2</sup>	28,372	29,737	31,486	34,278	35,158	36,911	36,804	36,442	38,069	38,915
Occupancy <sup>5</sup>	15,622	19,686	29,361	32,611	27,036	25,999	29,448	32,590	37,963	40,087
Prepared foods	15,595	17,491	19,087	20,172	19,226	19,598	20,378	22,523	24,643	25,514
Business privilege	9,503	15,501	15,894	20,703	16,390	16,250	15,430	16,375	17,721	9,188
Municipal vehicle	14,423	14,072	13,848	14,184	15,527	14,388	14,695	15,740	14,783	19,001
Grants and contributions not restricted to specific programs	11,674	12,896	17,400	20,362	16,756	13,508	16,979	18,513	19,067	20,546
Investment earnings <sup>2</sup>	11,955	10,334	26,124	23,056	15,218	7,212	5,369	(16,546)	35,063	3,842
Miscellaneous <sup>2</sup>	10,653	8,731	11,161	11,536	9,099	11,683	6,806	2,167	(1,001)	(450)
Special items <sup>6</sup>	13,444	(10,098)	-	-	-	-	-	-	-	-
Transfers	<u>(18,650)</u>	<u>(18,480)</u>	<u>(18,365)</u>	<u>(18,437)</u>	<u>(18,410)</u>	<u>(18,465)</u>	<u>(18,402)</u>	<u>(18,399)</u>	<u>(13,755)</u>	<u>(18,091)</u>
Total governmental activities	<u>447,565</u>	<u>456,652</u>	<u>539,329</u>	<u>576,931</u>	<u>556,189</u>	<u>556,712</u>	<u>563,627</u>	<u>569,444</u>	<u>655,072</u>	<u>668,002</u>
Business-type activities:										
Sales taxes levied for Public transit <sup>2</sup>	58,606	67,199	70,301	71,212	59,510	57,870	57,355	65,754	66,505	71,233
Investment earnings	16,716	31,710	50,207	51,241	29,516	13,181	8,842	6,461	(1,107)	7,738
Miscellaneous	(9,603)	1,494	4,692	(17,721)	3,685	4,358	8,612	1,260	(7,293)	5,118
Transfers	<u>18,650</u>	<u>18,480</u>	<u>18,365</u>	<u>18,437</u>	<u>18,410</u>	<u>18,465</u>	<u>18,402</u>	<u>18,399</u>	<u>13,755</u>	<u>18,091</u>
Total business-type activities	<u>84,369</u>	<u>118,883</u>	<u>143,565</u>	<u>123,169</u>	<u>111,121</u>	<u>93,874</u>	<u>93,211</u>	<u>91,874</u>	<u>71,860</u>	<u>102,180</u>
Total primary government	<u>\$ 531,934</u>	<u>\$ 575,535</u>	<u>\$ 682,894</u>	<u>\$ 700,100</u>	<u>\$ 667,310</u>	<u>\$ 650,586</u>	<u>\$ 656,838</u>	<u>\$ 661,318</u>	<u>\$ 726,932</u>	<u>\$ 770,182</u>

**Change in Net Position**

Governmental activities	\$ 305,495	\$ 136,412	\$ 230,109	\$ 215,393	\$ 465,238	\$ 134,614	\$ 88,012	\$ 101,117	\$ 63,703	\$ 54,956
Business-type activities	<u>177,054</u>	<u>271,341</u>	<u>411,629</u>	<u>298,071</u>	<u>135,699</u>	<u>107,145</u>	<u>166,778</u>	<u>168,598</u>	<u>253,538</u>	<u>304,410</u>
Total primary government	<u>\$ 482,549</u>	<u>\$ 407,753</u>	<u>\$ 641,738</u>	<u>\$ 513,464</u>	<u>\$ 600,937</u>	<u>\$ 241,759</u>	<u>\$ 254,790</u>	<u>\$ 269,715</u>	<u>\$ 317,241</u>	<u>\$ 359,366</u>

## Notes:

<sup>1</sup> In 2012, the City hosted the Democratic National Convention, funded by a Federal grant.

<sup>2</sup> 2005 through 2009 have been restated for the effects of a prior period adjustment.

<sup>3</sup> In 2006, fewer street miles were added. In 2009, more street miles were added due to annexation.

<sup>4</sup> In 2005, the Airport began collecting Passenger Facility Charges. In 2008, the Airport began collecting Contract Facility Charges.

<sup>5</sup> In 2007, an additional 2 percent occupancy tax was collected to be used for NASCAR Hall of Fame.

<sup>6</sup> In 2005, the City sold a civic center. In 2006, the City sold the Charlotte Coliseum.

<sup>7</sup> 2010, 2012, and 2013 have been restated for the effects of a prior period adjustment.

**CITY OF CHARLOTTE, NORTH CAROLINA**  
**FUND BALANCES, GOVERNMENTAL FUNDS, POST-GASB 54**  
**LAST FOUR FISCAL YEARS<sup>1</sup>**  
**(In Thousands)**  
*(modified accrual basis of accounting)*

	Fiscal Year			
	2011	2012	2013	2014
General fund				
Nonspendable - Inventories	\$ 951	\$ 1,004	\$ 985	\$ 1,208
Restricted - State statute	59,131	61,679	73,571	65,521
Committed:				
Capital projects	3,790	5,674	12,539	5,311
Component unit	848	1,100	1,738	2,146
Assigned:				
Capital Projects	-	395	550	550
Culture and recreation	94	-	-	-
Community planning and development	-	875	-	483
Unassigned	84,703	88,423	90,161	95,298
Total general fund	<u>\$ 149,517</u>	<u>\$ 159,150</u>	<u>\$ 179,544</u>	<u>\$ 170,517</u>
All other governmental funds				
Nonspendable - Perpetual care	\$ 3,120	\$ 3,121	\$ 3,111	\$ 3,111
Restricted:				
State statute	3,402	3,592	3,854	4,785
Special obligation debt service	10,970	10,120	9,220	8,270
Public safety	13,190	9,003	10,295	11,830
Streets and highways	10,878	8,359	13,373	14,332
Culture and recreation	121,702	120,924	129,869	138,774
Community planning and development	4,291	5,034	5,111	5,762
Committed:				
Capital projects	91,572	86,946	87,751	137,488
Culture and recreation	1,896	1,500	1,016	396
Assigned:				
Debt service	206,124	216,209	210,586	251,590
Public safety	1,927	-	-	-
Total all other governmental funds	<u>\$ 469,072</u>	<u>\$ 464,808</u>	<u>\$ 474,186</u>	<u>\$ 576,338</u>

<sup>1</sup> In 2011, the City of Charlotte began reporting fund balance classifications as outlined in GASB Statement 54.

**CITY OF CHARLOTTE, NORTH CAROLINA**  
**FUND BALANCES, GOVERNMENTAL FUNDS, PRE-GASB 54**  
**LAST SIX FISCAL YEARS<sup>1</sup>**  
**(In Thousands)**  
*(modified accrual basis of accounting)*

	Fiscal Year					
	2005	2006	2007	2008	2009	2010
General Fund						
Reserved	\$ 40,327	\$ 44,958	\$ 43,915	\$ 34,806	\$ 31,887	\$ 54,512
Unreserved <sup>2</sup>	80,978	101,340	117,699	128,793	119,197	100,740
Total general fund	<u>\$ 121,305</u>	<u>\$ 146,298</u>	<u>\$ 161,614</u>	<u>\$ 163,599</u>	<u>\$ 151,084</u>	<u>\$ 155,252</u>
All Other Governmental Funds						
Reserved	\$ 31,555	\$ 21,443	\$ 19,236	\$ 46,787	\$ 35,463	\$ 34,430
Unreserved, reported in:						
Debt service funds <sup>2</sup>	96,063	114,946	138,259	168,168	187,409	195,577
Capital projects funds <sup>2,3</sup>	79,328	57,755	46,641	58,322	110,301	128,574
Special revenue funds	78,443	95,443	114,513	123,126	142,212	122,833
Total all other governmental funds	<u>\$ 285,389</u>	<u>\$ 289,587</u>	<u>\$ 318,649</u>	<u>\$ 396,403</u>	<u>\$ 475,385</u>	<u>\$ 481,414</u>

<sup>1</sup> In 2011, the City of Charlotte began reporting fund balance classifications as outlined in GASB Statement 54. See preceding table.

<sup>2</sup> 2005 through 2009 have been restated for the effects of a prior period adjustment.

<sup>3</sup> In 2005, the City constructed a new uptown arena.

**CITY OF CHARLOTTE, NORTH CAROLINA**  
**CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS**  
**LAST TEN FISCAL YEARS**  
**(In Thousands)**  
*(modified accrual basis of accounting)*

	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
<b>REVENUES:</b>										
Property taxes	\$ 262,867	\$ 285,746	\$ 313,435	\$ 333,032	\$ 344,248	\$ 359,279	\$ 363,060	\$ 378,409	395,789	430,657
Other taxes <sup>1, 2</sup>	107,202	120,424	140,417	153,985	130,187	127,482	133,558	149,564	159,787	171,864
Intergovernmental <sup>2, 3</sup>	104,057	106,786	102,125	114,400	135,380	137,647	129,561	149,958	176,661	136,198
Licenses, fees and fines <sup>2</sup>	48,318	58,971	59,141	67,907	62,994	60,330	60,118	61,103	63,914	63,001
Investment earnings	10,625	12,720	23,159	25,030	18,662	10,588	4,677	3,544	(14)	4,739
Private contributions <sup>4</sup>	3,917	5,686	5,596	4,545	14,172	7,598	12,230	2,377	3,872	9,428
Administrative charges	19,909	20,175	21,685	22,420	25,721	25,446	28,513	29,406	24,636	25,227
Charges for current services	6,365	7,421	7,588	8,259	7,477	7,717	9,004	8,325	6,187	6,364
Miscellaneous	11,262	13,167	13,235	10,698	9,636	8,196	9,173	8,614	9,714	9,828
Total revenues	<u>574,522</u>	<u>631,096</u>	<u>686,381</u>	<u>740,276</u>	<u>748,477</u>	<u>744,283</u>	<u>749,894</u>	<u>791,300</u>	<u>840,546</u>	<u>857,306</u>
<b>EXPENDITURES:</b>										
Public safety <sup>3</sup>	230,386	248,382	265,133	274,361	286,542	305,527	317,255	340,387	366,574	335,977
Sanitation	36,742	37,764	41,439	43,776	45,736	46,200	45,930	45,694	46,680	49,278
General administration	36,253	36,001	41,402	43,213	46,183	37,295	36,649	41,979	43,596	45,295
Support services	16,650	17,336	16,971	19,011	20,069	18,523	19,895	30,848	22,563	25,956
Engineering and property management	20,185	22,345	23,684	26,233	23,793	21,808	21,164	22,717	22,056	22,479
Streets and highways	43,524	44,701	47,564	48,297	52,132	58,332	63,922	56,366	51,097	57,313
Culture and recreation	6,649	8,258	8,352	9,551	13,478	17,798	10,068	13,632	17,793	21,035
Community planning and development	37,747	42,771	44,207	41,281	55,330	54,381	52,248	51,215	46,683	51,947
Debt service-										
Principal <sup>5</sup>	47,552	46,205	44,049	55,079	74,356	68,766	64,029	72,849	68,812	77,139
Interest and other charges	43,476	43,171	48,366	47,629	49,710	70,900	60,296	58,606	59,210	61,053
Capital outlay	<u>203,074</u>	<u>145,252</u>	<u>135,814</u>	<u>170,154</u>	<u>280,708</u>	<u>252,408</u>	<u>126,119</u>	<u>137,506</u>	<u>170,522</u>	<u>162,571</u>
Total expenditures	<u>722,238</u>	<u>692,186</u>	<u>716,981</u>	<u>778,585</u>	<u>948,037</u>	<u>951,938</u>	<u>817,575</u>	<u>871,799</u>	<u>915,586</u>	<u>910,043</u>
(Deficiency) of revenues (under) expenditures	(147,716)	(61,090)	(30,600)	(38,309)	(199,560)	(207,655)	(67,681)	(80,499)	(75,040)	(52,737)

## OTHER FINANCING SOURCES (USES):

Sales of capital assets <sup>6</sup>	23,610	25,361	3,968	14,081	953	3,160	1,435	1,943	4,768	1,117
Bonds issued	-	-	-	-	-	20,000	-	-	-	34,370
Commercial paper issued	-	60,900	68,196	121,348	190,636	88,192	62,786	64,846	73,988	59,055
Installment purchases issued	33,137	14,662	18,694	-	87,491	88,595	-	33,155	34,808	63,994
Refunding debt issued	159,272	-	122,655	11,674	49,102	393,509	-	177,485	130,470	266,893
Premium on debt issuance	11,027	6,338	694	1,027	3,629	35,845	-	36,025	5,123	31,544
Private loan <sup>7</sup>	-	-	1,143	987	357	32,558	3,785	270	-	-
Payment to refunded bond escrow agent	(171,037)	-	(122,007)	(12,632)	(47,731)	(425,542)	-	(209,457)	(130,590)	(293,020)
Transfers in	43,784	59,322	64,365	137,353	82,201	96,718	126,518	111,204	126,402	121,528
Transfers out	(62,434)	(76,302)	(82,730)	(155,790)	(100,611)	(115,183)	(144,920)	(129,603)	(140,157)	(139,619)
Total other financing sources (uses)	<u>37,359</u>	<u>90,281</u>	<u>74,978</u>	<u>118,048</u>	<u>266,027</u>	<u>217,852</u>	<u>49,604</u>	<u>85,868</u>	<u>104,812</u>	<u>145,862</u>
Net change in fund balances	<u>\$ (110,357)</u>	<u>\$ 29,191</u>	<u>\$ 44,378</u>	<u>\$ 79,739</u>	<u>\$ 66,467</u>	<u>\$ 10,197</u>	<u>\$ (18,077)</u>	<u>\$ 5,369</u>	<u>\$ 29,772</u>	<u>\$ 93,125</u>

Debt service as a percentage of  
noncapital expenditures

16.5%	15.4%	15.6%	16.0%	18.3%	19.3%	17.7%	17.6%	17.0%	17.2%
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<sup>1</sup> In 2007, an additional 2 percent occupancy tax was collected to be used for NASCAR Hall of Fame.<sup>2</sup> 2005 through 2009 have been restated for the effects of a prior period adjustment related to the recognition of revenues.<sup>3</sup> The City hosted the Democratic National Convention in September 2012, funded by a Federal grant.<sup>4</sup> In 2011, private contributions were received to fund construction of the Mint Museum.<sup>5</sup> In 2009, the City early extinguished \$21,215 of installment purchases.<sup>6</sup> In 2005, the City sold a Civic Center. In 2006, the City sold the Charlotte Coliseum. In 2008, the City sold land adjacent to Time Warner Cable Arena.<sup>7</sup> In 2007, the City entered into a private loan agreement to finance pre-opening expenses for NASCAR Hall of Fame.



**CITY OF CHARLOTTE, NORTH CAROLINA**  
**ASSESSED AND ACTUAL VALUE OF TAXABLE PROPERTY**  
**LAST TEN FISCAL YEARS**  
**(In Thousands)**

Fiscal Year	Assessed Value				Less: Tax-Exempt Property	Total Taxable Assessed Value	Total Direct Tax Rate
	Real Property		Personal Property				
	Residential Property	Commercial Property	Motor Vehicles	Other			
2005	\$ 32,193,222	\$ 19,949,428	\$ 4,694,427	\$ 5,446,359	\$ 139,424	\$ 62,144,012	\$ 0.4200
2006	34,291,699	20,956,252	4,992,208	5,503,912	155,476	65,588,595	0.4200
2007	35,342,264	21,807,395	5,490,370	5,702,971	138,138	68,204,862	0.4586
2008	36,900,394	24,204,284	5,542,576	6,123,051	140,608	72,629,697	0.4586
2009	38,328,716	23,791,182	5,519,009	6,781,909	150,448	74,270,368	0.4586
2010	40,557,214	24,696,512	5,046,368	7,092,141	174,573	77,217,662	0.4586
2011	40,862,815	25,231,676	4,761,822	6,900,642	192,624	77,564,331	0.4586
2012	45,757,652	32,639,066	5,153,731	7,071,716	248,052	90,374,113	0.4370
2013	45,958,721	31,815,858	5,621,122	7,408,446	238,179	90,565,968	0.4370
2014	45,891,739	31,556,625	5,671,639	7,764,066	250,288	90,633,781	0.4687

Source: Assessed value data provided by Mecklenburg County. Assessed value is 100% of appraised market value as of the last revaluation date.

**CITY OF CHARLOTTE, NORTH CAROLINA**  
**DIRECT AND OVERLAPPING PROPERTY TAX RATES**  
**LAST TEN FISCAL YEARS**  
(rate per \$100 of assessed value)

Fiscal Year	City Direct Rates				Overlapping Rates					Mecklenburg County
	General	Debt Service	Capital Projects	Total Direct	Municipal Service Districts					
					District 1	District 2	District 3	District 4	District 5	
2005	\$.3550	\$.0470	\$.0180	\$.4200	\$.0174	\$.0124	\$.0271	\$.0668	\$.0300	\$.7567
2006	.3570	.0470	.0160	.4200	.0174	.0124	.0271	.0668	.0300	.8368
2007	.3698	.0737	.0151	.4586	.0174	.0124	.0271	.0668	.0300	.8189
2008	.3698	.0737	.0151	.4586	.0174	.0124	.0271	.0668	.0300	.8387
2009	.3698	.0737	.0151	.4586	.0174	.0239	.0386	.0668	.0300	.8387
2010	.3758	.0687	.0141	.4586	.0174	.0239	.0386	.0668	.0300	.8387
2011	.3773	.0687	.0126	.4586	.0174	.0239	.0386	.0668	.0300	.8387
2012	.3600	.0650	.0120	.4370	.0168	.0233	.0358	.0668	.0279	.8166
2013	.3600	.0650	.0120	.4370	.0168	.0233	.0358	.0668	.0279	.7922
2014	.3600	.0967	.0120	.4687	.0168	.0233	.0358	.0668	.0279	.8157

**CITY OF CHARLOTTE, NORTH CAROLINA**  
**PRINCIPAL PROPERTY TAX PAYERS**  
**CURRENT YEAR AND NINE YEARS AGO**  
**(Dollar Amounts In Thousands)**

Taxpayer	2014			2005		
	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value
Wells Fargo/Wachovia Corporation	\$ 2,156,194	1	2.38%	\$ 670,117	3	1.07%
Bank of America	1,493,709	2	1.65	1,066,373	1	1.71
Duke Energy Corporation	1,075,958	3	1.19	810,744	2	1.30
US Airways Group, Incorporated	691,280	4	0.76	-		-
Time Warner Entertainment	561,401	5	0.62	162,104	10	0.26
AT&T/BellSouth, Incorporated	402,486	6	0.44	414,346	4	0.66
Southpark Mall	330,815	7	0.37	179,927	9	0.29
TIAA-CREF, LLC	326,551	8	0.36	-		-
CK Southern/Childress Klein	306,967	9	0.34	226,710	6	0.36
Piedmont Natural Gas	239,270	10	0.26	219,390	7	0.35
Bissell Companies	-		-	405,134	5	0.65
Panthers Stadium, LLC	-		-	192,099	8	0.30
Total	<u>\$ 7,584,631</u>		<u>8.37%</u>	<u>\$ 4,346,944</u>		<u>6.95%</u>

Source: Mecklenburg County.

**CITY OF CHARLOTTE, NORTH CAROLINA**  
**PROPERTY TAX LEVIES AND COLLECTIONS**  
**LAST TEN FISCAL YEARS**  
**(Dollar Amounts In Thousands)**

Fiscal Year <sup>1</sup>	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years <sup>2</sup>	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2005	\$ 267,305	\$ 261,384	97.78%	\$ 5,946	\$ 267,330	99.58%
2006	289,079	284,975	98.58	2,515	287,490	99.45
2007	316,477	308,550	97.50	6,247	314,797	99.47
2008	340,293	332,150	97.61	5,478	337,628	99.22
2009	344,391	336,270	97.64	6,290	342,560	99.47
2010	357,494	350,248	97.97	5,373	355,621	99.48
2011	362,833	355,258	97.91	4,468	359,726	99.14
2012	395,901	387,890	97.98	(5,727)	382,163	96.53
2013	395,392	386,270	97.69	506	386,776	97.82
2014	415,447	408,956	98.44	-	408,956	98.44

Source: Mecklenburg County.

<sup>1</sup> Pursuant to the North Carolina General Statutes, property taxes levied on July 1, the beginning of the fiscal year, are due September 1; however, penalties do not accrue until January 6. For example, the taxes levied effective July 1, 2012, for the fiscal year 2013, were based on the assessed values listed as of January 1, 2012.

<sup>2</sup> In subsequent years, for the fiscal year 2012, refunds due to successful appeals of the most recent revaluation exceeded additional collections.

**CITY OF CHARLOTTE, NORTH CAROLINA**  
**ANALYSIS OF CURRENT TAX LEVY**  
**CITY-WIDE LEVY**  
**FOR THE YEAR ENDED JUNE 30, 2014**  
**(In Thousands)**

	City-Wide			Total Levy <sup>1</sup>	
	Property Valuation Adjusted	Rate	Total Levy <sup>1</sup>	Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
Original levy:					
Property taxed at current year's rate	\$ 83,320,548	\$ 0.469	\$ 390,523	\$ 390,523	\$ -
Registered motor vehicles at current year's rate	1,357,458	\$ 0.469	6,362	-	6,362
Registered motor vehicles at prior year's rate	<u>1,579,880</u>	\$ 0.437	<u>6,904</u>	<u>-</u>	<u>6,904</u>
Total	<u>86,257,886</u>		<u>403,790</u>	<u>390,523</u>	<u>13,266</u>
Discoveries:					
Prior year taxes	<u>1,490,816</u>	Various	<u>6,773</u>	<u>4,504</u>	<u>2,269</u>
Total property valuation	<u>\$ 87,748,702</u>				
Net levy			<u>\$ 410,563</u>	<u>\$ 395,027</u>	<u>\$ 15,535</u>
Current year's taxes collected			<u>\$ 405,520</u>	<u>\$ 391,435</u>	<u>\$ 14,085</u>
Current levy collection percentage			98.77%	99.09%	90.66%

<sup>1</sup> Total levy includes only those taxes levied on a unit-wide basis and therefore, does not include the Municipal Services District.



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**CITY OF CHARLOTTE, NORTH CAROLINA**  
**RATIOS OF OUTSTANDING DEBT BY TYPE**  
**LAST TEN FISCAL YEARS**  
**(Dollar Amounts in Thousands, except Per Capita)**

Fiscal Year	General Bonded Debt				Other Governmental Activities Debt				
	Governmental Activities General Obligation Bonds <sup>3</sup>	Business-Type Activities General Obligation Bonds <sup>3</sup>	Percentage of		Special Obligation Bonds	Installment Purchases <sup>3,4</sup>	Commercial Paper Notes	Private Loan	
			Actual	Per Capita <sup>2</sup>					
			Taxable Value of Property <sup>1</sup>						
2005	\$ 390,320	\$ 434,519	1.54%	\$ 1,343	\$ 10,970	\$ 477,867	\$ -	\$ -	
2006	365,886	405,753	1.18	1,191	10,970	469,631	60,900	-	
2007	441,330	376,845	1.20	1,232	10,970	468,920	29,559	729	
2008	412,969	355,755	1.06	1,104	10,970	441,000	150,907	1,982	
2009	385,286	336,796	0.97	1,007	10,970	531,662	293,812	2,322	
2010	515,359	311,791	1.07	1,093	10,970	777,594	46,462	35,045	
2011	485,333	286,002	0.99	1,055	10,970	739,441	109,248	38,830	
2012	606,204	258,998	0.96	1,120	10,120	730,252	24,094	39,100	
2013	577,431	231,267	0.89	1,015	9,220	727,912	98,082	35,331	
2014	729,362	203,241	1.03	1,170	8,270	747,191	7,137	35,331	

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

<sup>1</sup> See Schedule of Assessed Value and Actual Value of Taxable Property for value data.

<sup>2</sup> See Schedule of Demographic and Economic Statistics for population and personal income data.

<sup>3</sup> 2005 through 2012 have been restated for the implementation of GASB 65.

<sup>4</sup> 2006 through 2012 have been restated for a prior period adjustment.

Other Business-Type Activities Debt

Fiscal Year	Revenue Bonds <sup>3</sup>	Installment Purchases <sup>3</sup>	Commercial Paper Notes	Revenue Bond Anticipation Notes	Other Financing Agreements	Federal Revolving Loan	Total Primary Government	Percentage of Personal Income <sup>2</sup>	Per Capita <sup>2</sup>
2005	\$ 1,173,015	\$ 127,036	\$ -	\$ -	\$ 11,515	\$ -	\$ 2,625,242	14.73%	\$ 4,273
2006	1,138,281	325,252	370,990	-	10,610	-	3,158,273	16.07	4,873
2007	1,550,823	303,671	142,605	-	9,715	-	3,335,167	16.21	5,020
2008	1,653,023	286,071	279,209	-	8,840	-	3,600,726	17.17	5,173
2009	1,943,826	207,374	55,612	-	7,975	-	3,775,635	16.88	5,267
2010	2,419,218	191,552	-	-	7,120	-	4,315,111	18.72	5,701
2011	2,355,194	176,999	-	-	6,275	-	4,208,292	18.21	5,754
2012	2,473,421	167,135	-	-	5,440	133	4,314,897	19.09	5,585
2013	2,404,518	288,353	-	-	4,610	1,242	4,377,966	19.66	5,494
2014	2,303,043	281,758	-	87,054	3,775	1,176	4,407,338	18.59	5,530



**CITY OF CHARLOTTE, NORTH CAROLINA**  
**DIRECT AND OVERLAPPING BONDED DEBT**  
**JUNE 30, 2014**  
**(Dollar Amounts in Thousands)**

	Net General Obligation Bonded Debt Outstanding	Percentage Applicable to City <sup>1</sup>	Amount Applicable to City
<u>Jurisdiction</u>			
Direct:			
City of Charlotte	\$ 729,362	100%	\$ 729,362
Overlapping:			
Mecklenburg County	<u>1,348,240</u>	80	<u>1,078,592</u>
Total	<u>\$ 2,077,602</u>		<u>\$ 1,807,954</u>

<sup>1</sup> Percentage of direct and overlapping debt is based on June 30, 2014 assessed valuation of the City of Charlotte (\$90,633,781) as compared to the June 30, 2014 assessed valuation of Mecklenburg County (\$112,939,799).

**CITY OF CHARLOTTE, NORTH CAROLINA**  
**LEGAL DEBT MARGIN INFORMATION**  
**LAST TEN FISCAL YEARS**  
**(Dollar Amounts in Thousands)**

Fiscal Year	Debt Limit	Net Debt		Ratio of Net Debt Outstanding to Debt Limit
		Outstanding <sup>1,2</sup>	Legal Debt Margin	
2005	\$ 4,971,521	\$ 1,558,739	\$ 3,412,782	31.35%
2006	5,247,088	1,713,159	3,533,929	32.65
2007	5,456,389	1,769,091	3,687,298	32.42
2008	5,810,376	1,686,824	4,123,552	29.03
2009	5,941,629	1,885,169	4,056,460	31.73
2010	6,177,413	2,040,250	4,137,163	33.03
2011	6,205,146	2,081,725	4,123,421	33.55
2012	7,229,929	2,101,356	5,128,573	29.06
2013	7,240,375	2,095,463	5,144,912	28.94
2014	7,250,702	2,150,659	5,100,043	29.66

<sup>1</sup> Excludes debt not applicable to the limit.

<sup>2</sup> 2005 through 2012 have been restated for the implementation of GASB 65.

Legal Debt Margin Calculation for Fiscal Year 2014:

Assessed value		\$ 90,633,781
Debt limit (8% of assessed value)		\$ 7,250,702
Total outstanding general obligation bonded debt	\$ 932,603	
Amounts due under installment purchases primarily for Convention Center, tourism, capital improvements and equipment	1,028,949	
Bonds authorized but unissued	260,773	
	2,222,325	
Less- Water general obligation bonds	71,666	
Outstanding debt, net		2,150,659
Legal debt margin		\$ 5,100,043

**CITY OF CHARLOTTE, NORTH CAROLINA**  
**SPECIAL OBLIGATION BOND COVERAGE**  
**LAST TEN FISCAL YEARS**  
**(Dollar Amounts in Thousands)**

<u>Fiscal Year</u>	<u>Allowable Revenues <sup>1</sup></u>	<u>Debt Service Requirement</u>	<u>Revenue Bond Coverage</u>
2005	\$ 9,153	\$ 1,425	6.4
2006	10,781	1,454	7.4
2007	11,866	1,454	8.2
2008	13,012	1,415	9.2
2009	11,956	1,390	8.6
2010	16,250	1,385	11.7
2011	17,638	1,382	12.8
2012	20,033	1,383	14.5
2013	20,648	1,383	14.9
2014	22,796	1,382	16.5

<sup>1</sup> Allowable revenues as defined by the Revenue Bond Order.

**CITY OF CHARLOTTE, NORTH CAROLINA**  
**WATER AND SEWER REVENUE BOND COVERAGE**  
**LAST TEN FISCAL YEARS**  
**(Dollar Amounts in Thousands)**

Fiscal Year	Allowable Revenues <sup>1</sup>	Current Expenses <sup>1</sup>	Net Revenues		Debt Service Requirement	Revenue Bond Coverage
			Available for Debt Service			
2005	\$ 200,368	\$ 82,575	\$ 117,793		\$ 34,492	3.4
2006	257,075	90,693	166,382		43,478	3.8
2007	276,399	93,119	183,280		51,141	3.6
2008	279,870	102,522	177,348		67,871	2.6
2009	284,083	101,583	182,500		78,258	2.3
2010	300,153	99,989	200,164		88,524	2.3
2011	323,930	99,389	224,541		102,720	2.2
2012	360,485	102,492	257,993		98,227	2.6
2013	352,258	101,383	250,875		103,571	2.4
2014	369,905	107,211	262,694		106,066	2.5

<sup>1</sup> Allowable revenues and current expenses as defined by the Revenue Bond Order.

**CITY OF CHARLOTTE, NORTH CAROLINA**  
**STORM WATER REVENUE BOND COVERAGE**  
**LAST TEN FISCAL YEARS**  
**(Dollar Amounts in Thousands)**

Fiscal Year	Allowable		Current		Net Revenues		Revenue Bond Coverage
	Revenues <sup>1</sup>		Expenses <sup>1</sup>		Available for Debt Service		
					Debt Service Requirement		
2005	\$	36,400	\$	12,750	\$	23,650	\$ 6,198 3.8
2006		41,946		12,198		29,748	7,187 4.1
2007		48,490		13,021		35,469	9,476 3.7
2008		51,606		12,699		38,907	10,247 3.8
2009		53,542		11,604		41,938	10,954 3.8
2010		54,370		11,884		42,486	11,022 3.9
2011		56,656		11,328		45,328	10,547 4.3
2012		59,125		12,080		47,045	10,544 4.5
2013		64,318		13,266		51,052	8,841 5.8
2014		64,134		11,653		52,481	9,961 5.3

<sup>1</sup> Allowable revenues and current expenses as defined by the Revenue Bond Order.

**CITY OF CHARLOTTE, NORTH CAROLINA**  
**AIRPORT REVENUE BOND COVERAGE**  
**LAST TEN FISCAL YEARS**  
**(Dollar Amounts in Thousands)**

Fiscal Year	Gross Revenues <sup>1</sup>	Application of Revenues <sup>1</sup>	Net Revenues Available for Debt Service	Debt Service Requirement <sup>2</sup>	Revenue Bond Coverage <sup>3</sup>
2005	\$ 94,456	\$ 40,580	\$ 53,876	\$ 23,235	2.3
2006	104,196	43,761	60,435	18,203	3.3
2007	117,180	45,432	71,748	18,285	3.9
2008	129,034	52,849	76,185	21,049	3.6
2009	123,920	52,835	71,085	18,273	3.9
2010	122,024	52,435	69,589	20,957	3.3
2011	131,566	57,291	74,275	21,049	3.5
2012	139,958	61,711	78,247	24,289	3.2
2013	156,794	71,736	85,058	26,071	3.3
2014	164,907	73,161	91,746	26,072	3.5

<sup>1</sup> Gross revenues and application of revenues as defined by the Revenue Bond Order.

<sup>2</sup> Net of capitalized interest.

<sup>3</sup> Revenue bond coverage as defined by the Revenue Bond Order.

**CITY OF CHARLOTTE, NORTH CAROLINA**  
**DEMOGRAPHIC AND ECONOMIC STATISTICS**  
**LAST TEN CALENDAR YEARS**

Year	Population	Personal Income (thousands of dollars)	Per Capita Personal Income	Median Age	Unemployment Rate
2005	632,760	\$ 18,860,073	\$ 24,251	34.7	5.1%
2006	648,139	19,655,613	24,623	34.5	4.4
2007	664,342	20,570,513	24,853	35.1	4.5
2008	695,995	20,970,350	24,281	35.1	5.6
2009	716,874	22,365,015	24,815	35.1	10.2
2010	756,912	23,046,008	24,782	35.2	9.5
2011	731,424	23,109,445	24,267	35.2	10.0
2012	772,627	22,605,735	23,667	33.9	8.8
2013	796,921	22,270,608	22,874	33.9	8.4
2014	796,921	23,708,978	23,946	N/A	6.0

Source: Data provided by Charlotte Chamber of Commerce. Personal income and median age data are for the County.

N/A: Information not available.

**CITY OF CHARLOTTE, NORTH CAROLINA**  
**PRINCIPAL EMPLOYERS**  
**CURRENT YEAR AND NINE YEARS AGO**

<u>Employer</u>	<u>2014</u>			<u>2005</u>		
	<u>Employees</u>	<u>Rank</u>	<u>Percentage to Total City Employment</u>	<u>Employees</u>	<u>Rank</u>	<u>Percentage to Total City Employment</u>
Carolinas Healthcare System	35,000	1	7.39%	15,257	2	3.74%
Wells Fargo/Wachovia Corporation	22,000	2	4.64	18,967	1	4.65
Charlotte-Mecklenburg Schools	18,143	3	3.83	14,600	3	3.58
Wal-Mart Stores, Incorporated	16,100	4	3.40	-		-
Bank of America	15,000	5	3.17	13,000	4	3.19
Lowe's Companies, Inc.	12,960	6	2.74	-		-
Novant Health	11,000	7	2.32	-		-
American Airlines	10,600	8	2.24	-		-
Harris Teeter Supermarkets	8,239	9	1.74	-		-
Duke Energy Corporation	7,800	10	1.65	5,400	8	1.32
State of North Carolina	-		-	6,348	5	1.56
City of Charlotte	-		-	5,838	6	1.43
US Airways	-		-	5,749	7	1.41
Mecklenburg County	-		-	5,373	9	1.32
Presbyterian Healthcare	-		-	5,166	10	1.27
<b>Total</b>	<u>156,842</u>		<u>33.12%</u>	<u>95,698</u>		<u>23.47%</u>

Sources: Number of employees provided by Charlotte Chamber of Commerce. Total city employment provided by NC Employment Security Commission.



**CITY OF CHARLOTTE, NORTH CAROLINA**  
**FULL-TIME EQUIVALENT EMPLOYEES BY FUNCTION/PROGRAM**  
**LAST TEN FISCAL YEARS**

Function/Program	Full-time Equivalent Employees as of June 30									
	2005	2006	2007	2008	2009	2010	2011 <sup>1</sup>	2012	2013	2014
Public safety <sup>2, 5</sup>	3,058.50	3,094.50	3,179.50	3,191.50	3,223.50	3,392.50	3,388.50	3,408.50	3,472.50	3,472.50
Sanitation	247.00	239.00	276.00	290.00	289.00	296.00	283.00	289.00	289.00	289.00
General administration	272.00	295.50	297.50	349.00	350.25	367.25	371.25	373.25	370.50	370.50
Shared services	186.50	187.50	191.50	197.50	235.00	223.00	246.00	254.50	257.00	257.00
Engineering and property management	299.00	301.00	306.00	314.00	330.00	329.00	330.00	330.00	322.00	322.00
Streets and highways	447.25	437.25	437.25	428.50	429.50	434.50	432.50	431.50	431.50	431.50
Community planning and development	212.00	225.00	227.00	226.00	226.00	233.00	229.00	220.00	220.00	225.00
Water and Sewer <sup>3</sup>	802.50	802.50	818.50	813.50	812.50	802.50	791.50	746.25	746.50	761.50
Storm water	84.00	92.00	85.00	80.00	86.00	83.00	84.00	84.00	95.00	100.00
Airport <sup>4, 5</sup>	268.00	268.00	268.00	268.00	268.00	268.00	266.00	283.00	251.00	262.00
Public transit	242.25	289.75	380.75	392.75	392.75	392.75	360.75	361.75	361.75	361.75
Risk management	25.00	25.00	25.00	26.00	27.00	27.00	27.00	27.00	27.00	27.00
Total	<u>6,144.00</u>	<u>6,257.00</u>	<u>6,492.00</u>	<u>6,576.75</u>	<u>6,669.50</u>	<u>6,848.50</u>	<u>6,809.50</u>	<u>6,808.75</u>	<u>6,843.75</u>	<u>6,879.75</u>

Source: Actual position allocations per Budget and Evaluation Department.

<sup>1</sup> In 2011, vacant positions were eliminated.

<sup>2</sup> In 2009, positions were added due to annexation. In 2010, positions were added due to receipt of an American Recovery and Reinvestment Act grant.

<sup>3</sup> In 2012, vacant positions were eliminated as part of the financial stability plan. In 2014, positions were added to offset reductions in contractual services.

<sup>4</sup> In 2012, positions were added for public safety at the airport. In 2014, positions were added to meet customer and service delivery needs.

<sup>5</sup> In 2013, positions were transferred from public safety at the airport to public safety.

**CITY OF CHARLOTTE, NORTH CAROLINA**  
**OPERATING INDICATORS BY FUNCTION/PROGRAM**  
**LAST TEN FISCAL YEARS**

Function/Program	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Public safety										
Police physical arrests	26,163	28,015	27,005	28,875	29,703	28,326	27,800	25,389	22,839	23,018
911 call volume	1,066,176	1,081,065	1,093,542	1,069,433	1,008,457	967,020	1,002,790	1,093,772	1,015,825	1,061,018
Fire calls answered	78,656	84,348	88,024	90,743	91,309	93,139	98,569	95,922	97,361	103,474
Sanitation <sup>1</sup>										
Refuse collected (in tons)	178,342	188,742	176,169	170,569	179,814	178,752	221,868	218,792	212,296	211,407
Refuse collected by City Contractors (in tons)	111,392	104,832	96,363	99,363	100,585	100,285	74,646	77,195	62,153	63,971
Recyclables and Organics collected (in tons) <sup>2</sup>	65,505	65,912	66,306	62,444	68,509	67,317	53,264	54,587	54,557	58,173
Recyclables and Organics collected by City Contractors (in tons)	12,471	13,103	13,389	13,140	13,482	14,843	45,206	46,599	47,666	49,183
Support services										
Fleet maintained	2,968	3,091	3,137	3,251	3,367	3,470	3,465	3,577	3,331	3,280
Streets and highways										
Miles resurfaced	283	195	194	306	319	246	325	222	149	211
Potholes repaired	376	378	375	288	576	895	790	768	856	1205
Community planning and development										
Housing inspections conducted	2,970	2,993	3,689	3,565	3,749	3,142	3,196	3,070	2,498	2,670
Affordable housing production	1,319	1,187	1,640	1,204	1,093	1,172	1,310	1,614	1,368	1,083
Water										
Number of service connections		232,545	237,930	241,637	242,631	245,854	248,257	253,557	257,683	262,607
Average daily consumption (in millions of gallons)	100	111	114	106	99	108	110	101	99	101
Sewer										
Number of service connections	196,906	205,569	219,268	222,887	223,855	226,978	229,002	235,157	238,854	242,959
Average daily treatment (in millions of gallons)	84	80	86	78	81	83	76	78	79	83
Storm water										
Requests for services completed	1,863	1,842	1,627	1,885	2,021	2,266	1,890	2,862	1,809	1,886
Airport										
Number of airline arrivals and departures per day	1,142	1,204	1,228	1,350	1,289	1,281	1,359	1,371	1,415	1,401
Passengers boarding (in thousands)	13,539	14,246	15,712	17,023	17,305	17,725	19,614	20,010	21,108	21,977
Public transit <sup>3</sup>										
Revenue miles operated (in thousands)	14,541	15,769	15,365	16,304	17,280	15,617	15,598	15,925	16,226	16,195
Passengers (in thousands)	17,705	19,157	19,758	23,101	26,034	24,355	24,901	26,500	26,110	25,572

<sup>1</sup> Operating indicators for Sanitation have been restated to break out between City services and contractor provided services for fiscal years 2004 through 2012.

<sup>2</sup> The City began collecting recyclables for all four zones in 2011. Prior years only collected three zones.

<sup>3</sup> Light rail service began operations in 2008.

**CITY OF CHARLOTTE, NORTH CAROLINA**  
**CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM**  
**LAST TEN FISCAL YEARS**

Function/Program	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Public safety										
Police stations	12	12	13	13	13	13	13	13	13	13
Patrol units	984	990	1,072	1,087	1,169	1,251	1,267	1,352	1,386	1,391
Fire stations	36	37	38	38	39	40	41	42	42	42
Sanitation										
Collection trucks	170	171	182	194	198	200	178	171	180	177
Streets and highways										
Miles of street	2,181	2,197	2,244	2,280	2,368	2,398	2,415	2,434	2,434	2,450
Number of street lights	60,737	63,258	64,644	66,204	67,345	70,000	69,695	70,862	71,851	72,316
Water										
Treatment plants	3	3	3	3	3	3	3	3	3	3
Miles of water mains	3,450	3,528	3,850	3,929	4,025	4,064	4,094	4,206	4,198	4,209
Fire hydrants <sup>1</sup>	20,000	20,000	20,000	22,000	12,425	12,541	12,568	16,756	16,889	16,631
Sewer										
Treatment plants	5	5	5	5	5	5	5	5	5	5
Miles of sanitary sewer lines	3,369	3,433	3,865	3,942	4,028	4,047	4,073	4,180	4,170	4,320
Airport										
Feet of runway <sup>2</sup>	26,345	26,345	26,345	26,345	26,345	35,175	35,175	35,175	35,175	35,175
Public transit										
Motor buses	321	326	324	342	342	324	324	323	322	322
Light rail vehicles	4	4	9	16	16	20	20	20	20	20

<sup>1</sup> Beginning 2009, data represents only assets owned and maintained by the City.

<sup>2</sup> In 2010, the Airport opened its third parallel runway.



**Report of Independent Auditor on Internal Control Over Financial Reporting  
and on Compliance and Other Matters Based on an Audit of Financial Statements  
Performed in Accordance with *Government Auditing Standards***

To the Honorable Mayor and  
Members of the City Council  
City of Charlotte, North Carolina

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Charlotte, North Carolina (the "City"), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprises the City's basic financial statements, and have issued our report thereon dated October 31, 2014. Our report includes a reference to other auditors who audited the financial statements of the Charlotte Regional Visitors Authority (the "CRVA"), as described in our report on the City's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported separately by those auditors.

**Internal Control Over Financial Reporting**

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned costs to be a material weakness (14-001).

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of findings and questioned costs to be a significant deficiency (14-002).

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Responses to Findings**

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

**Purpose of this Report**

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

Handwritten signature of Cherry Roubert LLP in cursive script.

Raleigh, North Carolina  
October 31, 2014

**Report of Independent Auditor on Compliance for each Major Federal Program  
and on Internal Control Over Compliance in Accordance With OMB Circular A-133  
and the State Single Audit Implementation Act**

To the Honorable Mayor and  
Members of the City Council  
City of Charlotte, North Carolina

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

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

**Management's Responsibility**

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

**Auditor's Responsibility**

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

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

**Opinion on Each Major Federal Program**

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

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

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

Handwritten signature of Cherry R. Smith, LLP. The signature is written in cursive and includes the letters "LLP" at the end.

Raleigh, North Carolina  
October 31, 2014



**Report of Independent Auditor on Compliance for each Major State Program  
and on Internal Control Over Compliance in Accordance With OMB Circular A-133  
and the State Single Audit Implementation Act**

To the Honorable Mayor and  
Members of the City Council  
City of Charlotte, North Carolina

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

We have audited City of Charlotte, North Carolina (the "City"), compliance with the types of compliance requirements described in the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of the City's major State programs for the year ended June 30, 2014. The City's major State programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

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

**Auditor's Responsibility**

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

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

**Opinion on Each Major State Program**

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

## **Report On Internal Control Over Compliance**

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

Handwritten signature of Cherry R. Smith, LLP. The signature is written in cursive and includes the letters "LLP" at the end.

Raleigh, North Carolina  
October 31, 2014

# CITY OF CHARLOTTE, NORTH CAROLINA

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED JUNE 30, 2014

### Section I – Summary of Auditor’s Results

#### Financial Statements

Type of auditor’s report issued: *Unmodified*

Internal control over financial reporting:

- Material weakness(es) identified?   X   yes        no
- Significant deficiency(ies) identified that are not considered to be material weaknesses?   X   yes        none reported
- Noncompliance material to financial statements noted?        yes   X   no

#### Federal Awards

Internal control over major federal programs:

- Material weakness(es) identified?        yes   X   no
- Significant deficiency(ies) identified that are not considered to be material weaknesses?        yes   X   none reported
- Noncompliance material to federal awards?        yes   X   no

Type of auditor’s report issued on compliance for major federal programs: *Unmodified*

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133?        yes   X   no

Identification of major federal programs:

#### CFDA Numbers

14.218

20.500

20.507

#### Names of Federal Program or Cluster

Community Development Block  
Grants/Entitlement Grants

Federal Transit Cluster  
Capital Investment Grants  
Formula Grants

Dollar threshold used to distinguish between Type A and Type B Programs:

\$ 3,000,000

Auditee qualified as low-risk auditee?   X   yes        no

# CITY OF CHARLOTTE, NORTH CAROLINA

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED JUNE 30, 2014

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### I – Summary of Auditor’s Results (continued)

#### State Awards

Internal control over major state programs:

- Material weakness(es) identified? \_\_\_\_\_ yes      X   no
- Significant deficiency(ies) identified that are not considered to be material weaknesses? \_\_\_\_\_ yes      X   none reported

Noncompliance material to state awards? \_\_\_\_\_ yes      X   no

Type of auditor’s report issued on compliance for major state programs: *Unmodified*

Any audit findings disclosed that are required to be reported in accordance with the *Audit Manual for Governmental Auditors in North Carolina*? \_\_\_\_\_ yes      X   no

Identification of major state programs:

#### Names of State Program or Cluster

Public Transportation Section 5309 Capital Programs

Technology Program

State Maintenance Assistance Program for Urban and Small Urban Program

### Section II – Financial Statement Findings

#### Material Weakness

##### Finding 14-001

*Criteria:* The City is responsible for recording capital assets in accordance with accounting principles generally accepted in the United States of America.

*Condition:* During our audit for June 30, 2014 it was noted that the City had overstated construction in progress in prior years by approximately \$50.5 million. Approximately \$18.4 million applied to governmental activities while \$32.1 million applied to business-type activities. In addition the City identified approximately \$21 million of current year expenses that had originally been expensed that should have been capitalized as construction in progress.

*Effect:* The financial statements as originally reported were overstated by \$50.5 million and there was a risk that expenses could have been overstated by \$21 million in the current year.

*Cause:* There appears to be a lack of communication between the various departments and the finance department over construction in progress activities. In addition it does not appear that the departments have a clear understanding on when a project should be closed out.

*Recommendation:* The City needs to review its existing policies and procedures over construction in progress activities. This may require that the City educate the various departments on a continuing basis to ensure that employees are aware of what should be capitalized and what should be expensed throughout the year. The City should also emphasize to the departments of the importance of closing out and capitalizing construction projects in a timely manner.

*Views of responsible officials:* The City agrees with this finding.

# **CITY OF CHARLOTTE, NORTH CAROLINA**

## **SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

*FOR THE YEAR ENDED JUNE 30, 2014*

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### **Significant Deficiency Finding 14-002**

*Criteria:* The City is responsible for recording payables in accordance with accounting principles generally accepted in the United States of America.

*Condition:* The City did not properly accrue for project/grant related payable activity in the public transit fund which caused expenses to be under-stated in that fund. The net effect on fund net position was an overstatement of \$3.5 million.

*Effect:* The financial statements were misstated as of June 30, 2014. The City subsequently corrected the misstatements.

*Cause:* Lack of internal controls established over year-end accruals.

*Recommendation:* We recommend that the City establish more effective internal controls over the year-end accrual process, including improved communication between City Finance and other City departments.

*Views of responsible officials:* The City agrees with this finding.

### **Section III – Federal Award Findings and Questioned Costs**

None noted.

### **Section IV – State Award Findings and Questioned Costs**

None noted.

# **CITY OF CHARLOTTE, NORTH CAROLINA**

## **SCHEDULE OF CORRECTIVE ACTION PLAN**

*FOR THE YEAR ENDED JUNE 30, 2014*

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### **Section II – Financial Statement Findings**

Finding 14-001  
Material Weakness

*Name of contact person:* Teresa Smith, Financial Reporting Manager

*Corrective Action:* The City's Finance department will work with other City departments to educate staff on when capital asset criteria have been met, when construction in progress is appropriate, and when projects should be expensed. Finance will also review and discuss annual departmental responses in order to ensure that projects are correctly classified. Finance, Storm Water and Utilities are currently discussing ways that the departments can work together to ensure that projects are accounted for correctly in future years.

*Proposed completion date:* Fiscal year 2015

Finding 14-002  
Significant Deficiency

*Name of contact person:* Teresa Smith, Financial Reporting Manager

*Corrective Action:* The City's Finance department will utilize functionality available in the new ERP system that will help identify payments applicable for accrual at year-end. Finance will also work with departments to ensure that payments related to the reporting fiscal year are accounted for in the correct accounting period.

*Proposed completion date:* Fiscal year 2015

### **Section III – Federal Award Findings and Questioned Costs**

None noted.

### **Section IV – State Award Findings and Questioned Costs**

None noted.

# CITY OF CHARLOTTE, NORTH CAROLINA

## SCHEDULE OF PRIOR YEAR AUDIT FINDINGS

*FOR THE YEAR ENDED JUNE 30, 2014*

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### **Section V – Schedule of Prior Year Audit Findings**

**Finding 13-01** – The City developed a Capital Asset policy that addressed donations of capital assets and the communication required to the Finance Department. The Finance Department discussed the new policy with the Business Managers of City departments in order to educate them on the new procedures. This finding has been corrected.

**Finding 13-02** – The City implemented additional review procedures over the reporting of long-term liabilities. This finding has been corrected.

**Finding 13-03** – The City implemented additional procedures related to the reporting and reconciling of amounts collected to outstanding receivables. The City is still considering implementing a policy or procedures which specifies the formal collection agreements between third party vendors and the Finance Department. This finding has been corrected.

**Finding 13-04** – The Finance Department worked with the City's Internal Audit Department to periodically monitor cash collection sites throughout the City. This finding has been corrected.

**Finding 13-05** – The City submitted the monthly milestone and project progress reports by the 10<sup>th</sup> of the following month and improved the process and procedures over compiling financial information in a timely manner. This finding has been corrected.

**CITY OF CHARLOTTE, NORTH CAROLINA  
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
FOR THE YEAR ENDED JUNE 30, 2014**

Grantor/Pass-Through Grantor/Program Title	Federal Catalog Number	Grant Award Number	Total Grant	Current Year Expenditures	Cumulative Expenditures
<b>FEDERAL AWARDS:</b>					
<u>Executive Office of the President</u>					
Direct Programs:					
High Intensity Drug Trafficking Areas	95.001	G11GA0006A	\$ 28,216	\$ 276	\$ 28,216
High Intensity Drug Trafficking Areas	95.001	G12GA0007A	86,500	28,350	86,500
High Intensity Drug Trafficking Areas	95.001	G13GA0007A	86,500	63,367	63,367
High Intensity Drug Trafficking Areas	95.001	G14GA0007A	86,500	-	-
Total Executive Office of the President			287,716	91,993	178,083
<u>U.S. Department of Commerce</u>					
Direct Programs:					
ARRA - Broadband Technology Opportunities (BTOP)□	11.557	NT10BIX5570088	16,702,490	3,730,549	7,910,170
<u>U.S. Department of Energy</u>					
Direct Programs:					
ARRA - Energy Efficiency and Conservation Block Grant	81.128	DE-EE0000765	6,724,434	163,518	6,724,434
Pass-Through Southeast Energy Efficiency Alliance:					
ARRA - Energy Efficiency and Conservation Block Grant	81.128	2011-SEEA-010	607,005	116,982	607,005
Total U.S. Department of Energy			7,331,439	280,500	7,331,439
<u>U.S. Department of Health and Human Services</u>					
Pass-Through N.C. Department of Health and Human Services:					
Public Health and Social Services Emergency	93.003	BT-07-1106	370,000	-	366,958
<u>U.S. Department of Homeland Security</u>					
Direct Programs:					
Assistance to Firefighters	97.044	EMW-2009-FO-05755	1,180,073	(3,123)	1,180,073
Assistance to Firefighters	97.044	EMW-2011-FO-09500	77,406	74,576	77,406
Assistance to Firefighters	97.044	EMW-2010-FR-00382	1,680,000	489	1,680,000
Rail and Transit Security	97.075	2009-RA-T9-0082	364,373	-	336,893
Rail and Transit Security	97.075	2010-RA-T0-0038	287,760	-	230,544
Rail and Transit Security	97.075	EMW-2011-RA-00078-S01	130,128	43,113	46,616
Rail and Transit Security	97.075	EMW-2012-RA-00008-S01	116,072	-	-
ARRA - TSA Airport Checked Baggage Inspection System	97.117	HSTS04-10-H-REC109	45,431,845	23,056,782	26,616,215
Total Direct Programs			49,267,657	23,171,837	30,167,747

Continued on next page



**CITY OF CHARLOTTE, NORTH CAROLINA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2014**

Grantor/Pass-Through Grantor/Program Title	Federal Catalog Number	Grant Award Number	Total Grant	Current Year Expenditures	Cumulative Expenditures
Pass-Through N.C. Department of Crime Control and Public Safety:					
State and Local Homeland Security Exercise Support	97.006	SRT / USAR 0607-001	\$ 141,000	\$ 100	\$ 141,000
Pre-Disaster Mitigation	97.047	PDM-PL-04-2012-001B	52,500	-	-
Homeland Security	97.067	2008-GE-T8-0033	24,280	(268)	24,280
Homeland Security	97.067	2008-GE-T8-0033	205,714	2,956	205,714
Homeland Security	97.067	2008-GE-T8-0033	4,176,370	31,686	4,176,370
Homeland Security	97.067	2009-SS-T9-0046	135,714	21,478	135,714
Homeland Security	97.067	2009-SS-T9-0046	4,442,600	39,063	4,442,600
Homeland Security	97.067	2010-SS-T0-0075	55,000	2,834	55,000
Homeland Security	97.067	2010-SS-T0-0075	62,000	21,604	62,000
Homeland Security	97.067	2010-SS-T0-0075	4,016,970	742,731	4,016,970
Homeland Security	97.067	2010-SS-T0-0075	301,548	47,683	282,014
Homeland Security	97.067	2011-SS-00119 / 2003	267,608	267,608	267,608
Homeland Security	97.067	2011-SS-00119 / 4001	2,132,180	1,172,359	2,001,739
Homeland Security	97.067	2011-SS-00119-S01 / 1057	25,000	-	-
Homeland Security	97.067	EMW-2012-SS-00100-S01 / 1223	78,312	78,312	78,312
Homeland Security	97.067	EMW-2012-SS-00100-S01 / 1225	132,768	132,768	132,768
Homeland Security	97.067	EMW-2012-SS-00100-S01 / 1230	1,195,801	1,056,226	1,056,315
Homeland Security	97.067	EMW-2013-SS-00033-S01 / 4001	2,400,000	97,976	97,976
Homeland Security	97.067	EMW-2013-SS-00033-S01 / 1304	73,437	73,437	73,437
Homeland Security	97.067	EMW-2013-SS-00033-S01 / 1307	16,000	-	-
Metropolitan Medical Response System	97.071	2007-GE-T7-0048	258,145	163	258,145
State Homeland Security	97.073	2007-GE-T7-0048	170,000	486	170,000
State Homeland Security	97.073	2007-GE-T7-0048-8017	65,000	1,791	65,000
Rail and Transit Security	97.075	2007-RL-T7-0004	548,766	-	543,000
Rail and Transit Security	97.075	2008-RL-T8-0002	78,593	-	78,052
Rail and Transit Security	97.075	2008-RL-T8-0002	250,741	-	240,990
Rail and Transit Security	97.075	2008-RL-T8-0002	253,462	-	209,475
Buffer Zone Protection	97.078	2007-BZ-T7-0034	363,508	-	363,508
Buffer Zone Protection	97.078	2009-BF-T9-0028 / 9004	172,844	-	172,844
Total Pass-Through N.C. Department of Crime Control and Public Safety			<u>22,095,861</u>	<u>3,790,993</u>	<u>19,350,831</u>
Pass-Through Mecklenburg County:					
Emergency Management Performance	97.042	EMPG-2010-37119	106,419	205	106,419
Emergency Management Performance	97.042	EMPG-2011-37119	77,135	28,828	28,828
Emergency Management Performance	97.042	EMPG-2012-37119	77,379	-	-
Emergency Management Performance	97.042	EMPG-2013-37119	76,455	-	-
Total Pass-Through Mecklenburg County			<u>337,388</u>	<u>29,033</u>	<u>135,247</u>
Total U.S. Department of Homeland Security			<u>71,700,906</u>	<u>26,991,863</u>	<u>49,653,825</u>

Continued on next page

**CITY OF CHARLOTTE, NORTH CAROLINA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2014**

Grantor/Pass-Through Grantor/Program Title	Federal Catalog Number	Grant Award Number	Total Grant	Current Year Expenditures	Cumulative Expenditures
<u>U.S. Department of Housing and Urban Development</u>					
Direct Programs:					
CDBG - Entitlement Grants Cluster:					
Community Development Block Grants/Entitlement Grants	14.218	B-11-MC-37-0003	\$ 4,358,311	\$ 1,598,882	\$ 4,358,311
Community Development Block Grants/Entitlement Grants	14.218	B-12-MC-37-0003	4,416,652	1,991,060	1,991,060
Community Development Block Grants/Entitlement Grants	14.218	B-13-MC-37-0003	4,865,370	-	-
ARRA - Community Development Block Grants/Entitlement Grants	14.253	B-09-MY-37-0003	1,182,743	-	1,182,743
Total CDBG - Entitlement Grants Cluster			<u>14,823,076</u>	<u>3,589,942</u>	<u>7,532,114</u>
Emergency Shelter	14.231	E-12-MC-37-0002	377,418	204,668	377,418
Emergency Shelter	14.231	E-13-MC-37-0002	322,208	300,336	300,336
HOME Investment Partnerships	14.239	M10DC370212	2,819,428	134,773	2,819,428
HOME Investment Partnerships	14.239	M11-DC370212	2,475,006	1,535,482	1,535,482
HOME Investment Partnerships	14.239	M12-DC370212	2,031,879	-	-
HOME Investment Partnerships	14.239	M13-DC370212	2,055,268	-	-
Housing Opportunities For Persons With AIDS	14.241	NCH11-F001	813,905	142,790	813,905
Housing Opportunities For Persons With AIDS	14.241	NCH012-FF001	830,903	769,643	769,643
Housing Opportunities For Persons With AIDS	14.241	NCH13-F001	873,634	-	-
Continuum of Care Program	14.267	NC0284L4F051200	47,388	-	-
Fair Housing Assistance	14.401	FF204K114008	228,919	122,373	228,919
Fair Housing Assistance	14.401	FF204K124008	112,815	66,576	66,576
Fair Housing Assistance	14.401	FF204K134008	273,517	-	-
Lead-Based Paint Hazard Control in Privately-Owned Housing	14.907	NCLHB0539-12	2,479,414	478,502	742,742
Total Direct Programs			<u>30,564,778</u>	<u>7,345,085</u>	<u>15,186,563</u>
Pass-Through Mecklenburg County:					
Community Development Block Grants/Entitlement Grants	14.218	110560	339,000	-	268,468
Community Development Block Grants/Entitlement Grants	14.218	120405	204,666	-	194,290
Total CDBG - Entitlement Grants			<u>543,666</u>	<u>-</u>	<u>462,758</u>
Total U.S. Department of Housing and Urban Development			<u>31,108,444</u>	<u>7,345,085</u>	<u>15,649,321</u>

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**CITY OF CHARLOTTE, NORTH CAROLINA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2014**

Grantor/Pass-Through Grantor/Program Title	Federal Catalog Number	Grant Award Number	Total Grant	Current Year Expenditures	Cumulative Expenditures
<u>U.S. Department of Justice</u>					
Direct Programs:					
Public Safety Partnership and Community Policing	16.710	2007CKWX0044	\$ 2,884,170	\$ 111,048	\$ 1,343,247
ARRA - Public Safety Partnership and Community Policing	16.710	2009RJWX0062	7,962,535	-	7,962,535
Forensic DNA Backlog Reduction	16.741	2010-DN-BX-K165	346,389	82,024	346,389
Forensic DNA Backlog Reduction	16.741	2011-DN-BX-K507	365,666	215,634	365,666
Forensic DNA Backlog Reduction	16.741	2012-DN-BX-0008	268,405	107,314	120,092
Forensic DNA Backlog Reduction	16.741	2013-DN-BX-0040	289,371	19,157	19,157
Total Direct Programs			<u>12,116,536</u>	<u>535,177</u>	<u>10,157,086</u>
Pass-Through N.C. Department of Crime Control and Public Safety:					
Crime Victim Assistance	16.575	060-1-10-055-AV-169	132,351	-	132,351
Violence Against Women Formula Grants	16.588	2011-WF-AX-0050	12,111	12,111	12,111
Project Safe Neighborhoods	16.609	PROJ008261	20,521	1,169	20,521
Justice Assistance	16.738	060-1-10-006-BH-352	182,740	-	182,740
Coverdell Forensic Sciences Improvement	16.742	PROJ008881/2011-CD-BX-0047	67,288	59,981	67,288
Total Pass-Through N.C. Department of Crime Control and Public Safety			<u>415,011</u>	<u>73,261</u>	<u>415,011</u>
Pass-Through Maryland State Police:					
Project Safe Neighborhoods	16.609	Letter	147,878	-	147,878
Pass-Through Mecklenburg County:					
Part E - Developing, Testing and Demonstrating Promising New Programs	16.541	2009-JL-FX-0285	884,240	264,438	884,240
National Institute of Justice Research, Evaluation, and Development Project Grants	16.560	2011-DN-BX-K525	485,777	172,035	482,177
Congressionally Recommended	16.753	2010-DD-BX-0466	200,000	2,739	200,000
JAG Program Cluster:					
Justice Assistance	16.738	2010-DJ-BX-0286	940,519	85,695	940,519
Justice Assistance	16.738	2011-DJ-BX-2961	714,123	39,565	631,555
Justice Assistance	16.738	2012-DJ-BX-1060	529,135	202,933	370,642
Justice Assistance	16.738	2013-DJ-BX-1202	460,447	78,810	78,810
ARRA - Justice Assistance	16.804	2009-SB-B9-1703	4,453,144	122,391	4,453,144
ARRA - Justice Assistance	16.804	260681	272,345	-	272,345
Total JAG Program Cluster			<u>7,369,713</u>	<u>529,394</u>	<u>6,747,015</u>
Total Pass-Through Mecklenburg County			<u>8,939,730</u>	<u>968,606</u>	<u>8,313,432</u>
Total U.S. Department of Justice			<u>21,619,155</u>	<u>1,577,044</u>	<u>19,033,407</u>

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**CITY OF CHARLOTTE, NORTH CAROLINA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2014**

Grantor/Pass-Through Grantor/Program Title	Federal Catalog Number	Grant Award Number	Total Grant	Current Year Expenditures	Cumulative Expenditures
<u>U.S. Department of Labor</u>					
Pass-Through N.C. Department of Commerce:					
Workforce Investment Act	17.267	10-2050	\$ 477,984	\$ -	\$ 474,308
Workforce Investment Act	17.267	11-2031	607,806	167,657	607,806
Workforce Investment Act	17.267	12-2010	590,786	143,640	590,786
Workforce Investment Act	17.267	12-2011	30,266	9,770	30,266
Workforce Investment Act	17.267	12-2020	1,744,460	1,258,738	1,744,460
Workforce Investment Act	17.267	12-2030	1,654,643	698,115	1,654,643
Workforce Investment Act	17.267	12-2031	64,975	60,403	64,614
Workforce Investment Act	17.267	12-2040	1,917,975	495,747	1,917,975
Workforce Investment Act	17.267	13-2010	654,202	415,698	415,698
Workforce Investment Act	17.267	13-2020	1,534,653	495,176	495,176
Workforce Investment Act	17.267	13-2030	2,158,220	1,410,362	1,410,362
Workforce Investment Act	17.267	13-2031	339,870	75,358	75,358
Workforce Investment Act	17.267	13-2040	2,194,939	929,434	929,434
Total U.S. Department of Labor			<u>13,970,779</u>	<u>6,160,098</u>	<u>10,410,886</u>
<u>U.S. Department of Transportation</u>					
Direct Programs:					
Federal Aviation Administration:					
Airport Improvement Program	20.106	3-37-0012-39	5,000,000	-	1,891,682
Airport Improvement Program	20.106	3-37-0012-67-2012	5,235,053	4,270,309	5,017,203
Airport Improvement Program	20.106	3-37-0012-70-2013	11,357,060	11,357,060	11,357,060
Total Federal Aviation Administration			<u>21,592,113</u>	<u>15,627,369</u>	<u>18,265,945</u>

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**CITY OF CHARLOTTE, NORTH CAROLINA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2014**

Grantor/Pass-Through Grantor/Program Title	Federal Catalog Number	Grant Award Number	Total Grant	Current Year Expenditures	Cumulative Expenditures
Federal Transit Administration:					
Federal Transit Cluster:					
Federal Transit - Capital Investment Grants	20.500	NC-03-0056	\$ 851,654	\$ -	\$ 851,654
Federal Transit - Capital Investment Grants	20.500	NC-03-0082-00	203,112,660	31,128,896	63,858,479
Federal Transit - Capital Investment Grants	20.500	NC-03-0084-00	24,990,000	2,740,991	8,094,147
Federal Transit - Capital Investment Grants	20.500	NC-03-0085-00	500,000	227,819	227,819
Federal Transit - Capital Investment Grants	20.500	NC-04-0006-00	11,326,917	(12,000)	4,257,194
Federal Transit - Capital Investment Grants	20.500	NC-04-0018-00	10,557,344	18,913	919,801
Federal Transit - Capital Investment Grants	20.500	NC-04-0045-00	400,000	114,659	141,959
Federal Transit - Capital Investment Grants	20.500	NC-04-0046-00	1,549,600	10,583	151,245
Federal Transit - Capital Investment Grants	20.500	NC-04-0068-00	4,000,000	3,866,118	4,000,000
Federal Transit - Capital Investment Grants	20.500	NC-05-0043-00	448,425	233,787	448,425
Federal Transit - Formula Grants	20.507	NC-90-X403-00	2,147,545	(2,167)	921,022
Federal Transit - Formula Grants	20.507	NC-90-X431-00	30,569,205	322,082	30,517,631
Federal Transit - Formula Grants	20.507	NC-90-X472-00	15,892,453	57,626	15,272,139
Federal Transit - Formula Grants	20.507	NC-90-X499	17,161,094	119,780	16,790,436
Federal Transit - Formula Grants	20.507	NC-90-X531-00	16,521,120	2,425,767	14,243,394
Federal Transit - Formula Grants	20.507	NC-90-X541-00	17,193,080	10,343,822	10,343,822
Federal Transit - Formula Grants	20.507	NC-95-X042-01	1,000,000	-	800,000
Federal Transit - Formula Grants	20.507	NC-95-X050-00	1,500,000	40,297	1,194,272
Federal Transit - Formula Grants	20.507	NC-95-X052-00	1,261,250	-	1,058,250
Federal Transit - Formula Grants	20.507	NC-95-X055-00	2,130,000	395,518	1,946,192
Federal Transit - Formula Grants	20.507	NC-95-X058-00	876,000	589,508	589,508
Federal Transit - Formula Grants	20.507	NC-95-X060-00	3,192,000	3,074,938	3,074,938
ARRA - Federal Transit - Formula Grants	20.507	NC-96-X006-00	20,766,306	1,272,713	20,659,439
Total Federal Transit Cluster			<u>387,946,653</u>	<u>56,969,650</u>	<u>200,361,766</u>
Transit Services Programs Cluster:					
Job Access - Reverse Commute	20.516	NC-37-X016-01	2,026,773	242,633	1,621,202
New Freedom Program	20.521	NC-57-X005-01	1,164,674	77,546	854,919
Total Transit Services Programs Cluster			<u>3,191,447</u>	<u>320,179</u>	<u>2,476,121</u>
Capital Assistance for Reducing Energy Consumption	20.523	NC-88-0003-00	969,875	23,814	969,875
National Infrastructure Investments	20.933	NC-79-0002-00	18,000,000	1,486,829	1,844,982
Total Federal Transit Administration			<u>410,107,975</u>	<u>58,800,472</u>	<u>205,652,744</u>
Total Direct Programs			<u>431,700,088</u>	<u>74,427,841</u>	<u>223,918,689</u>
Pass-Through City of Concord, North Carolina:					
Federal Highway Administration:					
Highway Planning and Construction	20.205	45200.1	98,710	8,384	98,710
Highway Planning and Construction	20.205	49004.1	12,593	2,113	2,113
Total Pass-Through City of Concord, North Carolina			<u>111,303</u>	<u>10,497</u>	<u>100,823</u>

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**CITY OF CHARLOTTE, NORTH CAROLINA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2014**

Grantor/Pass-Through Grantor/Program Title	Federal Catalog Number	Grant Award Number	Total Grant	Current Year Expenditures	Cumulative Expenditures
Pass-Through City of Gastonia, North Carolina:					
Federal Highway Administration:					
Highway Planning and Construction	20.205	45200.1	\$ 62,816	\$ 8,541	\$ 60,603
Highway Planning and Construction	20.205	49004.1	10,680	-	-
Total Pass-Through City of Gastonia, North Carolina			73,496	8,541	60,603
Pass-Through City of Rock Hill, South Carolina:					
Federal Highway Administration:					
Highway Planning and Construction	20.205	45200.1	45,125	6,544	43,944
Highway Planning and Construction	20.205	49004.1	9,968	1,637	1,637
Total Pass-Through City of Rock Hill, South Carolina			55,093	8,181	45,581
Pass-Through N.C. Department of Transportation:					
Federal Highway Administration:					
Highway Planning and Construction Cluster:					
Highway Planning and Construction	20.205	42844.1.1 / BRZ-1003	162,758	93,847	93,847
Highway Planning and Construction	20.205	45443.3.1 / CMS-1003(105)	400,000	-	228,556
Highway Planning and Construction	20.205	45444.1.1 / 45444.2.1 / 45444.3.1 / CMS-1003(106)	1,587,200	13,287	37,527
Highway Planning and Construction	20.205	45452.3.1 / CMS-1003(111)	187,500	58,106	187,500
Highway Planning and Construction	20.205	46093.1.1 / BRSTP-1003(97)	247,268	81,012	81,012
Highway Planning and Construction	20.205	46285.1 / SPR-OSPR (49)	1,029,140	145,384	1,009,937
Highway Planning and Construction	20.205	49004.1	400,000	-	-
Highway Planning and Construction	20.205	BRZ-NBIS (18)	345,467	-	-
Highway Planning and Construction	20.205	CMS-1003(121) / C-5533 / 45506.1.1 / 45506.2.1 / 45506.3.1 CMS-1003(124) / C-5542 /	1,125,000	-	-
Highway Planning and Construction	20.205	51012.1.1 / 51012.2.1 / 51012.3.1 CMS-1003(125) / C-5540 /	1,075,000	-	78,569
Highway Planning and Construction	20.205	51010.1.1 / 51010.2.1 / 51010.3.1	994,000	-	-
Highway Planning and Construction	20.205	CMS-1003(132) / C-5541 /	750,000	-	-
Highway Planning and Construction	20.205	CMS-1003(133) / C-5543 /			
Highway Planning and Construction	20.205	51013.1.F1/2.F1/3.F1	1,386,000	-	-
Highway Planning and Construction	20.205	Section 104f	981,287	(151,548)	981,287
Highway Planning and Construction	20.205	Section 104f / 39225.1.14(PL) /			
Highway Planning and Construction	20.205	39225.1.19(STP-DA)	1,816,448	1,233,685	1,233,685
Highway Planning and Construction	20.205	STPDA-1003(112) / U-5507 A /			
Highway Planning and Construction	20.205	45477.2.1 / 45477.3.1	2,100,000	8,037	8,037
Highway Planning and Construction	20.205	STPDA-1003(130) / U-5507 B /			
Highway Planning and Construction	20.205	45477.2.2 / 45477.3.2	2,700,000	19,318	19,318
Highway Planning and Construction	20.205	Y-4810 G	975,000	628,701	702,747
Total Federal Highway Administration			18,262,068	2,129,829	4,662,022

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**CITY OF CHARLOTTE, NORTH CAROLINA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2014**

Grantor/Pass-Through Grantor/Program Title	Federal Catalog Number	Grant Award Number	Total Grant	Current Year Expenditures	Cumulative Expenditures
Federal Transit Administration:					
Federal Transit - Metropolitan Planning Grants	20.505	36230.5.12.6 / 13-08-102	\$ 335,584	\$ 184,810	\$ 335,584
Federal Transit - Metropolitan Planning Grants	20.505	36230.5.13.6 / 14-08-108	324,024	58,220	58,220
ARRA - Federal Transit - Tigger Hybrid Bus Procurement	20.505	36232.1.10.3 / 11-77-001	357,287	357,286	357,286
Capital Assistance Program for Elderly Persons and Persons with Disabilities	20.513	51001.25.1.2-3 / 11-ED-083	533,140	-	256,765
Total Federal Transit Administration			1,550,035	600,316	1,007,855
Continued on next page					
National Highway Traffic Safety Administration:					
Highway Safety Cluster:					
State and Community Highway Safety	20.600	PT-12-03-03-23	64,562	-	64,562
State and Community Highway Safety	20.600	PT-13-03-03-08	16,971	13,145	16,971
State and Community Highway Safety	20.600	GHSP 2014	982,717	363,026	363,026
State and Community Highway Safety	20.600	GHSP 2014	20,000	11,878	11,878
Total National Highway Traffic Safety Administration			1,084,250	388,049	456,437
Total Pass-Through N.C. Department of Transportation			20,896,353	3,118,194	6,126,314
Pass-Through S.C. Department of Transportation:					
Federal Highway Administration:					
Highway Planning and Construction	20.205	45200.1	57,431	7,998	55,597
Highway Planning and Construction	20.205	49004.1	10,000	-	-
Total Pass-Through S.C. Department of Transportation			67,431	7,998	55,597
Pass-Through NC State University					
Federal Highway Administration:					
Highway Planning and Construction	20.205	2010-0499-07	168,400	-	-
Total U.S. Department of Transportation			453,072,164	77,581,252	230,307,607
<u>U.S. Environmental Protection Agency</u>					
Pass-Through N.C. Department of Environment and Natural Resources:					
ARRA - State Clean Diesel	66.040	2D-95421809-0	80,000	-	73,840
Total U.S. Environmental Protection Agency			80,000	-	73,840
TOTAL FEDERAL AWARDS			616,243,093	123,758,384	340,915,536

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**CITY OF CHARLOTTE, NORTH CAROLINA  
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
FOR THE YEAR ENDED JUNE 30, 2014**

Grantor/Pass-Through Grantor/Program Title	Federal Catalog Number	Grant Award Number	Total Grant	Current Year Expenditures	Cumulative Expenditures
STATE AWARDS:					
<u>N.C. Clean Water Management Trust Fund</u>					
Stormwater Infrastructure		2011-703	\$ 400,000	\$ 138,568	\$ 400,000
Stormwater Infrastructure		2012-721	200,000	200,000	200,000
Stormwater Infrastructure		2012-722	200,000	100,000	100,000
Total N.C. Clean Water Management Trust Fund			800,000	438,568	700,000
<u>N.C. Department of Commerce</u>					
One NC Fund		O-2009-5422	1,000,000	-	-
One NC Fund		O-2009-5644	1,000,000	466,667	714,286
One NC Fund		O-2009-5986	1,200,000	66,912	1,141,686
One NC Fund		O-2010-6112	55,000	-	-
One NC Fund		O-2010-6659	350,000	97,000	155,000
One NC Fund		O-2010-6865	325,000	-	-
One NC Fund		O-2010-6867	60,000	-	-
One NC Fund		2011-7692	2,503,114	1,021,275	1,021,275
One NC Fund		2011-7898	50,000	50,000	50,000
One NC Fund		2012-8501	2,481,644	1,324,474	1,324,474
Total N.C. Department of Commerce			9,024,758	3,026,328	4,406,721
<u>N.C. Department of Public Safety</u>					
Pass-Through Mecklenburg County:					
Juvenile Offender Diversion Program		Letter	75,198	5,753	75,198
Juvenile Offender Diversion Program		Letter	76,053	74,902	74,902
Total N.C. Department of Public Safety			151,251	80,655	150,100
<u>N.C. Department of Transportation</u>					
State Maintenance Assistance FY2014		Letter	11,743,797	11,743,797	11,743,797
State Street Aid-Powell Bill		32570	N/A	25,566,306	N/A
Traffic - Construction by Others Agreement		34811.3.FD5 / U-2507A	396,000	-	-
Traffic - Construction by Others Agreement		34749.1.1 / 34749.3.GV3 / U-0209B	472,000	56,751	56,751
Apprenticeship/Intern Program Non Capital		36223.5.16.1 / 13-DG-024	29,188	-	25,121
Apprenticeship/Intern Program Non Capital		36223.5.17.1 / 14-DG-024	29,188	12,370	12,370
Apprenticeship/Intern Program Non Capital		36223.5.17.2 / 14-DG-024A	29,188	16,396	16,396
Apprenticeship/Intern Program Non Capital		36223.5.17.3 / 14-DG-024B	29,188	2,495	2,495

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**CITY OF CHARLOTTE, NORTH CAROLINA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2014**

Grantor/Pass-Through Grantor/Program Title	Federal Catalog Number	Grant Award Number	Total Grant	Current Year Expenditures	Cumulative Expenditures
State Full Funding Grant Agreement		36224.22.2.3 / 05-NS-002	\$ 111,539,444	\$ (9,128)	\$ 109,244,875
Public Transportation Section 5309 Capital Program		36224.26.1.1 / 09-NS-082	106,395,587	26,012,960	70,146,495
Public Transportation Rideshare Program		36225.1.11.1 / 13-RS-009	103,417	(1,588)	101,827
Public Transportation Rideshare Program		36225.1.12.1 / 14-RS-009	103,417	103,120	103,120
Metropolitan Planning Program		36230.5.12.6 / 13-08-102	41,948	18,520	37,367
Metropolitan Planning Program		36230.5.13.6 / 14-08-108	40,503	22,216	22,216
Public Transportation Section 5307 Capital Program		36231.14.2.6 / 36231.14.2.7	2,558,336	41,659	2,557,341
Congestion Mitigation and Air Quality		36231.14.3.3 / 08-09-403	175,000	371	54,636
Public Transportation Section 5307 Capital Program		36231.14.7.3 / 11-95-042-01	125,000	-	100,000
Public Transportation Section 5307 Capital Program		36231.14.8.3 / 13-95-055	185,000	185,000	185,000
Bus Discretionary		36232.1.7.8 / 09-04-006	1,356,774	(1,500)	473,059
Public Transportation Section 5309 Capital Program		36232.1.11.3 / 11-03-018	1,319,668	2,364	114,975
Public Transportation Section 5309 Capital Program		36232.1.11.5 / 12-04-045	50,000	14,330	17,742
Public Transportation Section 5309 Capital Program		36232.1.12.3 / 14-04-068	483,264	483,264	483,264
Technology Program		36235.2.7.8 / 11-AT-007	923,175	(269)	922,221
Technology Program		36235.2.8.8 / 12-AT-102	297,000	292,296	292,296
Technology Program		36235.2.9.3 / 13-AT-102B	166,500	44,851	44,851
Technology Program		36235.2.9.4 / 13-AT-102C	145,800	66,919	66,919
Technology Program		36235.2.9.5 / 13-AT-102D	158,634	156,963	156,963
Technology Program		36235.2.9.8 / 13-AT-102A	525,855	62,091	62,091
State Aid to Airports Program		36244.17.12.1	450,000	450,000	450,000
State Aid to Airports Program		36244.17.13.1	500,000	500,000	500,000
Traffic - Construction by Others Agreement		39929.3.1 / R-4902	111,000	-	-
Traffic - Construction by Others Agreement		43310.3.1	125,500	-	-
Locally Administered Project		43431	150,000	55,820	150,000
Traffic - Construction by Others Agreement		43708.3.1 / SS-4910BI	121,000	-	-
Locally Administered Project		43931.3.1 / SS-4910BL	400,000	-	-
Locally Administered Project		45200.1	257,285	36,346	255,474
Traffic - Construction by Others Agreement		50000.3.STR08T4F / P-5208H	123,500	-	-
Capital Assistance Program for Elderly Persons and Persons with Disabilities		51001.25.1.2-3 / 11-ED-083	26,168	-	13,084
Transit Development		9.9051996	4,100,000	-	4,095,529
Municipal Agreement		U-4911	978,064	-	978,064
Total N.C. Department of Transportation			<u>246,765,388</u>	<u>65,934,720</u>	<u>203,486,339</u>

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**CITY OF CHARLOTTE, NORTH CAROLINA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2014**

Grantor/Pass-Through Grantor/Program Title	Federal Catalog Number	Grant Award Number	Total Grant	Current Year Expenditures	Cumulative Expenditures
<u>N.C. Office of Emergency Medical Services</u>					
Pass-Through Metrolina Trauma Advisory Committee:					
SMAT III		Letter	\$ 7,300	\$ 3,557	\$ 4,133
<u>S.C. Department of Transportation</u>					
Locally Administered Project		45200.1	14,358	1,999	13,899
TOTAL STATE AWARDS			256,763,055	69,485,827	208,761,192
TOTAL FEDERAL AND STATE AWARDS			\$ 873,006,148	\$ 193,244,211	\$ 549,676,728

**CITY OF CHARLOTTE, NORTH CAROLINA**  
**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**  
**JUNE 30, 2014**

1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal and state awards includes the federal and state grant activity of the City of Charlotte and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations and the State Single Audit Implementation Act*.

2. SUBRECIPIENTS

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

Program Title	Federal CFDA Number	Amount Provided to Subrecipients
U.S. Department of Energy- ARRA - Energy Efficiency and Conservation Block Grant	81.128	\$ 7,500
U.S. Department of Housing and Urban Development- Community Development Block Grants/Entitlement Grants	14.218	2,864,682
Emergency Shelter	14.231	472,362
HOME Investment Partnerships	14.239	1,066,283
Housing Opportunities For Persons With AIDS	14.241	323,464
U.S. Department of Justice- Justice Assistance	16.738	9,567
U.S. Department of Labor- Workforce Investment Act	17.267	6,160,098
U.S. Department of Transportation- Job Access - Reverse Commute	20.516	4,578
New Freedom Program	20.521	62,344



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**CHARLOTTE**

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**Charlotte-Mecklenburg Government Center**  
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