







Mirza Rustemov, City of Charlotte employee  
Photo 10

# City of Charlotte, North Carolina Comprehensive Annual Financial Report For the Fiscal Year Ended June 30, 2017

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Mayor: Jennifer W. Roberts

Mayor Pro Tem: Vi Lyles

## City Council:

Dimple Ajmera  
Al Austin  
Ed Driggs  
Julie Eiselt  
Claire Fallon

Patsy Kinsey  
LaWana Mayfield  
James Mitchell Jr.  
Greg Phipps  
Kenny Smith

City Manager: Marcus D. Jones

Prepared by the City of Charlotte  
Management & Financial Services, Finance Office

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

Robert D. Campbell, Finance Director  
Teresa T. Smith, Deputy Finance Director

Betty J. Mattos, Chief Accountant





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# INTRODUCTORY SECTION



PHOTO: ALAN GOODWIN, CITY OF CHARLOTTE EMPLOYEE









**OCTOBER 31, 2017**  
**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, 2017.

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, 2017 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, 2017, 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 Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards 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.

## AWARDS AND ACKNOWLEDGMENTS

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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, 2016. This was the 32<sup>nd</sup> 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 GFOA also presented a Distinguished Budget Presentation Award to the City of Charlotte, North Carolina for its annual budget for the fiscal year beginning July 1, 2016. In order to receive this award, a governmental unit must publish a budget document that meets program criteria as a policy document, as an operations guide, as a financial plan, and as a communications device. The award is valid for a period of one year only. We believe our current budget continues to conform to program requirements, and we are submitting it to GFOA to determine its eligibility for another award.

The National Institute of Governmental Purchasing's (NIGP) Outstanding Agency Accreditation Award (OA4) was awarded to the City of Charlotte. This OA4 accreditation formally recognizes excellence in public procurement through the establishment of a body of standards that evidence sound procurement practice. The City of Charlotte joins an elite group of procurement organizations as one of only 143 government agencies that have attained this distinction nationwide, out of more than 2,000 applicants over the past ten years.

Additionally, the City was awarded the Sustained Professional Purchasing Award for the 16<sup>th</sup> consecutive year. This award is presented annually by the Carolinas Association of Governmental Purchasing (CAGP) and recognizes agencies in North and South Carolina that have demonstrated sustained excellence in purchasing standards during the calendar year.

The cooperation of each City department is appreciated as we continue to provide a high level of public services 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,



Marcus D. Jones  
City Manager



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



## 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 by car. 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 308 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 856,062, Charlotte is the core of the Charlotte-Concord-Gastonia Metropolitan Statistical Area, an area of more than 2.5 million people that includes ten counties. The Charlotte-Concord-Gastonia region added nearly 50,000 people between July 1, 2015 and July 1, 2016. The City is focused on becoming the winning city of tomorrow. The guiding principle for this will be building and maintaining a "well-managed government," which means ensuring city programs and services are efficient, effective, accountable, responsive, inclusive, and customer focused.

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 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 Mayor and City Council are responsible for appointing the City Manager, City Attorney, City Clerk and members of various boards and commissions. The City Council reviews the annual budget, sets the tax rate; approves the financing of all City operations and capital investments; and authorizes 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** documents the City's priorities and allocation of resources to fund the City's operations and capital programs. The City develops a biennial budget (with annual appropriations for each fiscal year) 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 establishes the City Council budget process and provides guidance on budget development issues to the full Council and City Manager.

Budget requests are submitted to the City Manager in the winter, followed by a series of Council budget workshops, beginning in February. These workshops are 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 Required Supplementary Information, 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.a. 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 and is comprised of companies that range from multinational to micro-business startups. There are 7.4 million people living within a 100-mile radius, and more than 50% of the total U.S. population lives within a 650-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 third 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. A branch of the Federal Reserve as well as many of the nation's top banks have operations in Charlotte.

Charlotte's financial services sector spreads well beyond the banking industry. In recent years MetLife and TIAA-Cref have both developed significant workforces in Charlotte. Babson Capital, an institutional asset manager for a wide range of clients including pensions, endowments, foundations, sovereign wealth funds, and private wealth advisory clients, will serve as the anchor tenant for Charlotte's first uptown office tower since

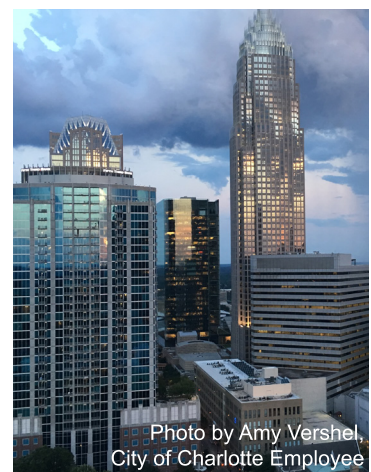


Photo by Amy Vershel,  
City of Charlotte Employee

the recession. The 25-story tower welcomed its first tenant in August and is scheduled to open a 217-room hotel with rooftop bar by the end of the year.

Charlotte is seeing growth in its FinTech industry, which focuses on-line technology and financial management systems. Charlotte is home to nearly 40 FinTech firms, including homegrown Lending Tree and AvidXchange. Research firm CBRE named Charlotte as the top tech momentum market in 2016.

## **TRANSPORTATION AND DISTRIBUTION HUB**

The City plays a major role in the transportation and distribution of goods throughout the nation. The Charlotte region is also expanding its role with foreign trade. In 2016 the Charlotte metro was the 24<sup>th</sup> largest metropolitan exporter, with merchandise shipments totaling \$14 billion. This represents an increase of 238% from 2009.

Charlotte Douglas International Airport (CLT) is considered the “gateway to the world,” averaging 744 daily flights with non-stop service to 166 different destinations, including 33 international destinations. With customs services available and a foreign trade zone designation, Charlotte is a port of entry and export. CLT has five concourses with 97 airline

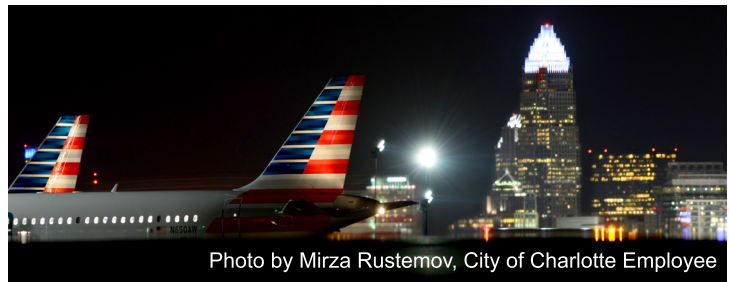


Photo by Mirza Rustemov, City of Charlotte Employee

gates and served more than 44.4 million passengers in 2016. The Airport currently ranks sixth nationwide in operations, 11<sup>th</sup> in passengers, and 32<sup>nd</sup> in cargo. Seven major domestic commercial airlines, 13 regional carriers, and two foreign flag carriers offer service to and from CLT. In order to keep up with the high level of demand, the airport is undergoing a large capital improvement plan that will guide expansion through 2035. The development plan is highlighted by expanding Concourse A to add nine additional gates and expanding the Federal Trade Zone to include Airport property. The total economic impact and contributions of the Airport to the 16-county greater Charlotte region was \$16.2 billion in 2015.

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 because more than 50% of the nation's population is within a 12-hour drive from the city. There are more than 700 trucks and transportation arrangement firms operating in the Charlotte area, including most of the nation's top trucking companies. Construction began in November of 2015 to widen I-77 between Charlotte and Davidson, and the express lanes are expected to be available for use in 2018. In addition NCDOT widened approximately seven miles of I-85 from four to eight lanes in Cabarrus County. Interstate 485 (I-485) is the 67-mile Outer Belt highway serving Mecklenburg County and metropolitan Charlotte and serves as a connector between I-77 and I-85.

Charlotte is also the center of the country's largest consolidated rail system. Two major rail systems, Norfolk Southern Railway and CSX Transportation, operate approximately 43,000 miles of track and link Charlotte to 23 states, Washington, D.C. and Canada. To better integrate air, rail, and communications, Norfolk Southern Railway constructed a state-of-the-art intermodal facility at Charlotte Douglas International Airport. CSX launched the first regular direct freight rail service from Port of Wilmington. The “Queen City Express” aims to reduce trucks on the road and help provide a more cost effective way to move goods.



## 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-business. The Charlotte Metropolitan Statistical Area currently has 14 Fortune 1000 company headquarters, with six Fortune 500 firms' headquarters. Charlotte is also home to operations of more than 250 companies that are listed on the Fortune 500. There are more than 1,000 foreign-owned firms in the region, representing 45 countries, which have spawned the creation of several international and cultural organizations. Charlotte is also a major

manufacturing force and has successfully transitioned from being a leader in textiles to being a home to numerous firms that specialize in sophisticated and intelligent manufacturing with precision metrology, optoelectronics, and biomedical technology. Charlotte was named number two for growth in the number of small businesses in 2016, and number three for the best place to start a business by Wallethub in 2017.

### TOP FIVE INDUSTRIES

(by number of employees)

SERVICE-PROVIDING

PROFESSIONAL & BUSINESS SERVICES

TRADE, TRANSPORTATION & UTILITIES

EDUCATION & HEALTH SERVICES

LEISURE & HOSPITALITY

## GROWTH OUTLOOK

Charlotte continued to see economic recovery following the great recession of 2007. In 2016, Charlotte added 4,705 jobs and \$355.3 million in investment through expansions and relocations.

Charlotte's Uptown is in a vibrant resurgence of economic development. The Uptown district currently has a variety of development projects being planned and under development. The Uptown area has become an attractive destination for millennials. Charlotte ranked higher than any other city in the nation in attracting millennials. Charlotte saw a net migration of more than 10,000 millennials in 2015.

In September 2017, Mecklenburg County agreed to terms with BK Partners to redevelop 17 acres in the City's Second Ward on Stonewall Street. The development will be known as Brooklyn Village. A large mixed-use development is planned with retail, apartments, offices, open space and two hotels. Brooklyn Village was one of the City's oldest historically black neighborhoods that was razed in the 1960s as a part of the nationwide "urban renewal" movement. The plans call for more than 1,000 residential units, 250,000 square feet of retail space, 680,000 square feet of office space, two hotels that will have nearly 300 rooms combined, and 4,000 square feet of cultural space.

The Stonewall Street corridor in Uptown continues to see significant redevelopment activity. In addition to the Brooklyn Village development being planned, the corridor recently saw an 18-story office building open in May 2017 with Regions Bank as the anchor tenant. The corridor has five projects under development that will add additional apartments and retail to the area, including a Whole Foods store.

Romare Bearden Park is a 5.2 acre park located in the Third Ward. The park is named after the artist who once 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 park has served as a central meeting place for community celebrations. The main pathway of the park links Church Street to the Charlotte Knight's BB&T Ballpark. In 2014, the Charlotte Knights AAA baseball team, returned baseball to uptown nearly 25 years since the team last played in Charlotte. The Knights received strong attendance each year. During the 2017 season the Knights



welcomed more than 625,000 fans and averaged more than 9,100 fans per game in their first three years.

The First Ward Urban Village and Parks project, a public-private partnership, opened in December 2015. The park is the first step in a \$700 million plan to develop 24 acres surrounding the park. Future plans include a parking deck, apartments, a dual branded hotel, office and retail space. Development around the park continues, including a mixed-use project that will have two residential buildings, one of which will be a 30-story high-rise.

The River District is a large master planned community that will be a joint development by two of Charlotte's largest developers. The River District development will be built on the west side of Charlotte on an undeveloped stretch of land from the Charlotte Douglas International Airport to the Catawba River. The development will be 1,380 acres and will be developed in three phases over 30 years. The development will include 8 million square feet of office space, 500,000 square feet of retail, 1,000 hotel rooms, 2,300 single family homes, and 2,550 multifamily units. The development will also preserve approximately 550 acres of green space. The development is projected to generate more than 51,000 direct jobs, and have an economic impact of more than \$5 billion annually.

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 the Town of Pineville. In October 2012, Charlotte Area Transit System (CATS) was awarded a Federal Full Funding Grant Agreement for the LYNX Blue Line Extension project. This project will extend the current system 9.3 miles, connecting Center City Charlotte with UNC Charlotte's main campus, just south of the City of Concord. Testing of the Blue Line Extension began in June 2017, with revenue service expected to start in March 2018. In addition, the City's LYNX Gold Line Phase I began service in July 2015, and provides a 1.5 mile streetcar segment in uptown. CATS projected an average of 1,100 weekday riders in the first year of service, and the LYNX Gold Line averaged 1,600 weekday riders. Phase II construction is currently underway with service expected to begin in 2020.



## **RECREATIONAL, VISITOR AND CULTURAL EVENTS**

The City's 8% hotel/motel and 1% prepared food and beverage taxes have provided a dedicated resource for the purpose of promoting Charlotte as a destination for convention, business and leisure travel. Visitor spending in Mecklenburg County and the Charlotte region hit a record high in 2016, with Mecklenburg leading all 100 North Carolina counties in domestic traveler's spending. Mecklenburg County had \$5.2 billion in domestic traveler spending, and the region had \$6.7 billion in domestic traveler spending, in 2016.

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 operates the NASCAR Hall of Fame complex. The Hall of Fame is supported by a 2% county-wide occupancy tax, which is a component of the 8% hotel/motel tax. The tax funds construction, repair, maintenance and financing of the Hall of Fame. The Hall of Fame opened in 2010 and includes a 150,000 square foot museum, a 102,000 square foot expansion to the Convention Center, which includes a 40,000

Photo by Justin Lee,  
City of Charlotte Employee



square foot ballroom, and NASCAR Plaza, a 19-story, 393,000 square foot Class A office tower.

The City is home to two high-profile 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 Spectrum Center. The Queen City is also home to the Charlotte Knights, a AAA affiliate of the Chicago White Sox, the Charlotte Checkers of the American Hockey League affiliate of the National Hockey League (NHL),

Carolina Hurricanes, Charlotte Hounds of Major League Lacrosse, and the Charlotte Independence of the United Soccer League. Charlotte also recently added an eSports (Electronic Sports) League team EnVyUs, who plan to move their headquarters and build the world's largest eSports training facility in Charlotte. eSports is the fastest growing spectator sport in the world, with 1 billion viewers at the end of 2016.

Charlotte Motor Speedway, located adjacent in Concord, NC, is the largest sports facility in the southeast. The 1.5 mile superspeedway, annually hosts multiple racing events, including the Monster Energy NASCAR Cup Series, Monster Energy All-Star Race, Coca-Cola 600, and the Bank of America 500; the Xfinity Series Hisense 4K TV 300 and Drive for the Cure 300; and the Camping World Truck Series North Carolina Education Lottery 200. The speedway hosts 89,000 permanent seats. 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 Atlantic Coast Conference (ACC) Football Championship Game or the annual Belk Bowl at the Bank of America Stadium. The Belk Bowl matches an ACC team against a Southeastern Conference (SEC) team. Last year's game between Virginia Tech and Arkansas saw more than 46,000 fans in attendance. College fans can also attend the Central Intercollegiate Athletic Association (CIAA) Basketball Tournament, which is held in the Spectrum Center and Bojangles' Coliseum and is the City's largest annual sporting event.

Golf lovers can attend one of the top events on the Professional Golfers' Association of America (PGA) tour, the Wells Fargo Championship. Charlotte hosted the 99<sup>th</sup> annual PGA Championship, which is the final major tournament of the year, in 2017.

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 Center offers a wide range of outdoor activities across its 1,300 acres, including whitewater rafting and kayaking, flat water kayaking, mountain biking, eco trekking, rock climbing, high ropes course, a 57-foot climbing tower, zip line, a canopy tour, and team building. With more than 24 activities, a restaurant, live music shows and events, this is the perfect playground for both children and adults. The Center is also the first permanent Deep Water Solo Climbing complex in the world, featuring climbing routes from 25 to 45 feet tall.



Photo by Justin Lee,  
City of Charlotte Employee



Carowinds, a 398-acre amusement park that straddles the North Carolina and South Carolina borders, opened the tallest and fastest giga coaster, called Fury 325, in 2015. The coaster treats riders to a 190-foot drop and reaches speeds of up to 95 miles per hour. Carowinds will add six new attractions in the spring of 2018, when it debuts Camp Snoopy in the kids section of the park.

Charlotte offers diverse facilities for culture, the arts, nature and science. The Bechtler Museum of Modern Art has featured collections of work by the most important and influential artists 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 for 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, hosted more than 180,000 students during the 2015-2016 school years, and more than 828,000 total visitors. 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.



The Foundations for the Carolina’s is performing a total renovation to reopen the Charlotte’s historic Carolina Theater, which closed in 1978. In addition to the theater renovation, a 20-story, 250 room InterContinental hotel is being built directly above the theater.

Charlotte was honored as a Playful City USA Community in 2017. The national recognition program honors cities and towns across the country for their efforts to make their communities more playable, particularly for kids from low-income families.

## 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 147,000 students in 176 schools. The City has no direct financial responsibility for CMS operations or capital projects. CMS has a diverse mix of students, representing 183 different countries, and speaking 197 native languages. CMS offers magnet programs in 47 of its schools that develop the talents of students who have interests and talents in specific areas. CMS had nine schools receive the top honor of being recognized with the Magnet School of Excellence Award, and an additional eight schools received the Magnet School of Distinction award in 2017 by the national Magnet Schools of America.

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 and seventeen schools offering graduate opportunities.

- UNC Charlotte is the fourth largest of the sixteen universities comprising the University of North Carolina system, with total enrollment of over 29,000. UNC Charlotte offers 139 programs leading to bachelor degrees, 63 programs leading to master’s degrees and 23 programs leading doctoral 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.
- Johnson C. Smith University (JCSU), founded in 1867, is celebrating its 150 years of undeniable progress. JCSU is an independent urban university in Charlotte that continues to gain a national reputation for developing tomorrow's diverse entrepreneurial citizens and leaders. JCSU offers 25 fields of study and has more than 1,400 students. JCSU is one of 104 historically black college and universities.
- Queens University located in the historic Myers Park neighborhood and guided by the motto "Not to be served, but to serve", offers 43 majors and 66 minors and 12 graduate degree programs.
- Johnson & Wales University's Charlotte Campus enrolls over 2,100 full-time students in one of four programs of study: Business, Culinary Arts, Arts & Sciences and Hospitality.
- Davidson College offers 26 majors along with 17 interdisciplinary minors of studies and has a student body of 1,950. Davidson College was ranked by U.S. News and World Report as tied for tenth on its list of the best liberal arts colleges in 2017.
- Pfeiffer University at Charlotte has an urban campus and offers dynamic, career-enhancing degree completion and graduate programs designed with working adults in mind.
- Wake Forest University continues to have a strong graduate school presence in Charlotte with a highly rated MBA program. The Masters of Business Administration (MBA) program offers classes during the evening and on Saturdays, which helps to attract talented professionals and fosters an "urban campus" in the heart of the City's business district.
- The University of South Carolina's Darla Moore School of Business offers a Professional MBA program located in Uptown Charlotte. The Charlotte campus is a distance-based learning experience that allows students who attend classes one night a week to learn asynchronously with the USC Columbia campus through video conferencing.
- Northeastern University's Charlotte campus offers academic programs ranging from bachelors to Doctorate in business, education, government and civic engagement, healthcare, leadership and management, and science, technology and engineering.

## 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 the nation's leading public hospital systems in the country and is the most prominent health care system in the Carolinas. Carolinas HealthCare System operates approximately 900 other care locations ranging from hospitals and freestanding emergency departments to healthcare pavilions and rehabilitation centers. The system employs more than 60,000 people and accounts for nearly 12 million patient interactions each year. Charlotte's largest hospital, Carolinas Medical Center (CMC), is a state-designated Academic Medical Center Teaching Hospital and for the 16<sup>th</sup> 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 more than 175 heart specialists throughout the Carolinas. The CMC campus also includes the 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 more than 30 specialties and sub-specialties.

The Levine Children's Hospital was recognized as the best Children's Hospital in six specialties by U.S. News and World report.

In August 2017, Carolina's HealthCare System and UNC Health Care announced that they plan to merge and will form one of the largest hospital systems in the United States. The new company will have 52 hospitals and approximately 95,000 employees. Officials say the partnership will not technically be a merger because they do not intend to pool their assets. These kinds of mergers have been called "virtual-mergers" since the primary goal is a shared pool of knowledge, not finances or profit.

Novant Health is a not-for-profit integrated system that serves more than four million patients annually. The Novant Health network consists of 14 medical centers, more than 1,380 physicians in 530 clinics and outpatient facilities. Novant Health operates in North Carolina, South Carolina, Virginia, and Georgia and employees approximately 24,000.

Novant Health was recognized in 2017 with the Health Information and Management System Society (HIMSS) Enterprise Davies Award. The Enterprise Davies Award recognizes organizations that have utilized health information technology to improve patient outcomes and value. Novant Health adopted an enterprise Electronic Health Record to provide improved communication and lead to improved discharge rates for patients.

## LONG TERM FINANCIAL PLANNING

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As an innovative, data-driven organization, strategic planning is an integral component to the City of Charlotte's overall management philosophy. The City's strategic planning process begins each year with an examination of community priorities. The City Council considers several foundational elements for prioritizing community resources, including:

- Operationalizing the objectives and strategies set forth in the City Council's five Focus Areas, adopted by City Council on December 12, 2016
- Implementation of the recommendations outlined in City Council's Letter to the Community, including the promotion of safety, trust, and, accountability; the availability of good paying jobs; and access to high-quality affordable housing
- Becoming the winning City of the future through prioritizing projects and programs that emphasize the Ten Traits of Winning Cities (The Ten Defining Traits of Winning Cities of Tomorrow were developed by the Southeastern Institute of Research):
  1. Positive Buzz – Inspiring and Scaling Positive Word of Mouth
  2. Shared Story – Advancing a Seamless Narrative; Why We're Unique
  3. 15-Minute Livable Communities – Investing in Diverse Neighborhoods
  4. Affordable Spaces – Meeting the Rising Demand for Affordable Housing
  5. Workforce Dynamics – Advancing Large-Scale Training and Re-Skilling
  6. Millennial Magnet – Being a Hot Spot for Young Professionals
  7. Beyond Borders – Advancing Collaboration Across and Outside the Region
  8. Open Minds – Being Creative, Innovative, and Accepting of New Ideas
  9. Open Book – Being Hyper-Transparent and a Proactive Communicator
  10. Big Tent – Being a Welcoming and Inclusive Community

The first foundational element – the City Council's Focus Areas – is directed toward short and medium term goals. The Focus Areas establish initiatives and objectives to help carry out the strategies.



## COMMUNITY SAFETY



Charlotte will be one of America's safest communities. Community Safety objectives include minimizing the loss of life, property damage, and injury; improving the perception of safety and level of trust in Community Safety; developing an inclusive, representative, and highly-trained workforce; enhancing emergency preparedness; and fostering economic success for everyone in the community. Strategies include implementing recommendations from the President's Task Force on 21<sup>st</sup> Century Policing and Police Foundation Independent Assessment; enhancing efforts to attract and develop a public service workforce that is more representative of the community it serves; and collaborating between agencies to engage and strengthen relations in vulnerable areas of the community.

## HOUSING & NEIGHBORHOOD DEVELOPMENT

Charlotte will sustain and create distinct and diverse neighborhoods for all of its residents. Housing and Neighborhood Development objectives include preserving and creating neighborhoods that offer affordable housing options; preserving and creating neighborhoods that are attractive and environmentally sustainable; preserving and creating neighborhoods that are connected and vibrant; preserving and creating neighborhoods that are engaged and welcoming; and fostering economic success for everyone in the community. Strategies include expanding the supply of newly constructed affordable and workforce housing geographically dispersed throughout the City; preserving existing affordable housing options by using current and new housing strategies in all areas of the City; exploring additional housing programs and strategies to increase the supply of affordable housing; improving access to healthy foods throughout the City; and connecting children to high-quality out of school time programs.



## ENVIRONMENT



Charlotte will become a global leader in environmental sustainability, balancing economic growth with preserving our natural resources. Environment objectives include practicing environmental stewardship in City operations and facilities; protecting water quality as a resource to the community; protecting air quality; reducing, reusing, and recycling waste; maintaining/protecting urban forest as a community resource; improving sustainability through the use of data and technology; and foster economic success for everyone in the community. Strategies include increasing the use of alternative fuel vehicles in the City's fleet; rehabilitating streams to improve water quality; and planting more trees.

## ECONOMIC DEVELOPMENT

Charlotte will thrive with diverse businesses and economic opportunity for all. Economic Development objectives include providing access to job training and employment opportunities for youth and adults; promoting the holistic development of targeted business districts and neighborhoods; and fostering economic success for everyone in the community. Strategies include implementing a Workforce Development project serving individuals with multiple barriers to employment; increasing amateur sports-related tourism through enhancing and expanding amateur sports facilities; and providing and connecting small business to networking and learning opportunities in order to grow and operate more effectively.



## TRANSPORTATION & PLANNING



Charlotte will be a vibrant, livable city where residents of all income levels have convenient transportation access to employment, services, and housing choices. Transportation and Planning objectives include accommodating and supporting growth; supporting a vibrant and growing economy; maintain and supporting Charlotte's transportation assets; and fostering economic success for everyone in the community. Strategies include preparing and adopting Charlotte Place Type Policies which further define the Centers, Corridors, and Wedges growth framework and a Unified Development Ordinance, a tool to implement the City's land use, urban design, and transportation policies; continuing to position Charlotte as a global freight and logistics hub by investing in appropriate rail and roadway projects; and implementing projects and programs to enhance safety, livability, transportation choices, and job growth.

Another foundational element – the Letter to the Community – outlines City Council's top priorities. The General Community Investment Plan includes six primary goals focused on investing in projects that generate the most community benefit, improve overall quality of life in Charlotte and support the Letter to the Community. The priorities include creating jobs and growing the tax base (good paying jobs); enhancing public safety, enhancing transportation choices and mobility (safety, trust and accountability); and ensuring housing diversity and providing integrated neighborhood improvements (access to safe, quality and affordable housing).

The Ten Traits of Winning Cities foundational element will serve to guide long-term planning goals of the City. One example is the development of a community-wide brand. Together with community partners, a community-wide brand will help establish a shared narrative and positive buzz about the city. Developing this brand, in collaboration with our partners, will allow all of us to move to the next level in marketing and economic development recruitment efforts. A branded house is a critical component of several traits of winning cities. It's the shared story of advancing a seamless narrative. It helps create positive buzz by inspiring positive word of mouth. It encourages open borders by fostering collaboration and creating proactive communication.

These strategic foundational elements work together in concert to create a framework that ensures the City is addressing the need to promote economic opportunity for all residents and poise the community to accommodate future growth. City Council's priorities serve as a critical tool for developing and vetting budget considerations.

## 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 FY2018-FY2022 Community Investment Plan (Plan) totals \$4.1 billion and includes investments in neighborhoods, housing, storm water projects, roads, transit, sidewalks and bikeways, water and sewer projects, the airport, and public safety and maintenance facilities.

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**

This program includes funding for maintenance and expansions to the airfield, terminal, cargo, and parking areas. Aviation totals \$1.5 billion, a 5% decrease from the prior year's five-year program, and is funded by \$369.3 million in revenue bonds, \$841.3 million in federal grants and passenger facility charges, and \$324.0 million in cash. The Aviation capital program includes concourse expansion, adding a fourth parallel runway and terminal lobby expansion.

## **WATER AND SEWER**

This program includes funding for maintenance and expansion of the existing system of water and sewer mains and treatment plants. Water and Sewer totals \$944.0 million, a 44.1% increase, due to the expansion of the system, which includes the future Long Creek Treatment Plant, and is funded by \$535.5 million in revenue bonds and \$408.5 million in cash. The Water and Sewer capital programs include supporting growth and development and maintaining and extending existing infrastructure.

## **CHARLOTTE AREA TRANSIT SYSTEM (CATS)**

This program includes funding for maintenance and expansion of the existing bus, special transportation, circulator, community, and regional transportation systems. The program also includes planning, design, and construction of rapid transit. Charlotte Area Transit System totals \$464.4 million, a 18.4% decrease from the prior year's five-year program, and is funded by federal and state grants and the one half-cent sales tax for transit. The Transit capital program is primarily comprised of funding for the LYNX Blue Line Extension and bus and special transportation vehicle replacements and maintenance.

## **STORM WATER**

This program funds repairs to private properties with flooding problems and improvements in the public right-of-way drainage system. Storm Water totals \$350.5 million, a 1.2% decrease from the prior five-year program, and is funded by \$185.5 million in cash and \$165.0 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 flood control and storm water repairs to existing drains and stream restoration/mitigation.

## **GENERAL GOVERNMENT**

The General Community Investment Plan totals \$751.8 million and includes \$290.8 million in General Obligation bonds and \$203.3 million in Pay-As-You-Go for Streets, Neighborhoods, and Housing; \$152.0 million for Transportation Investment; and \$105.7 million in Certificates of Participation (COPs) for Facility Investments, including additional public safety and maintenance facilities.



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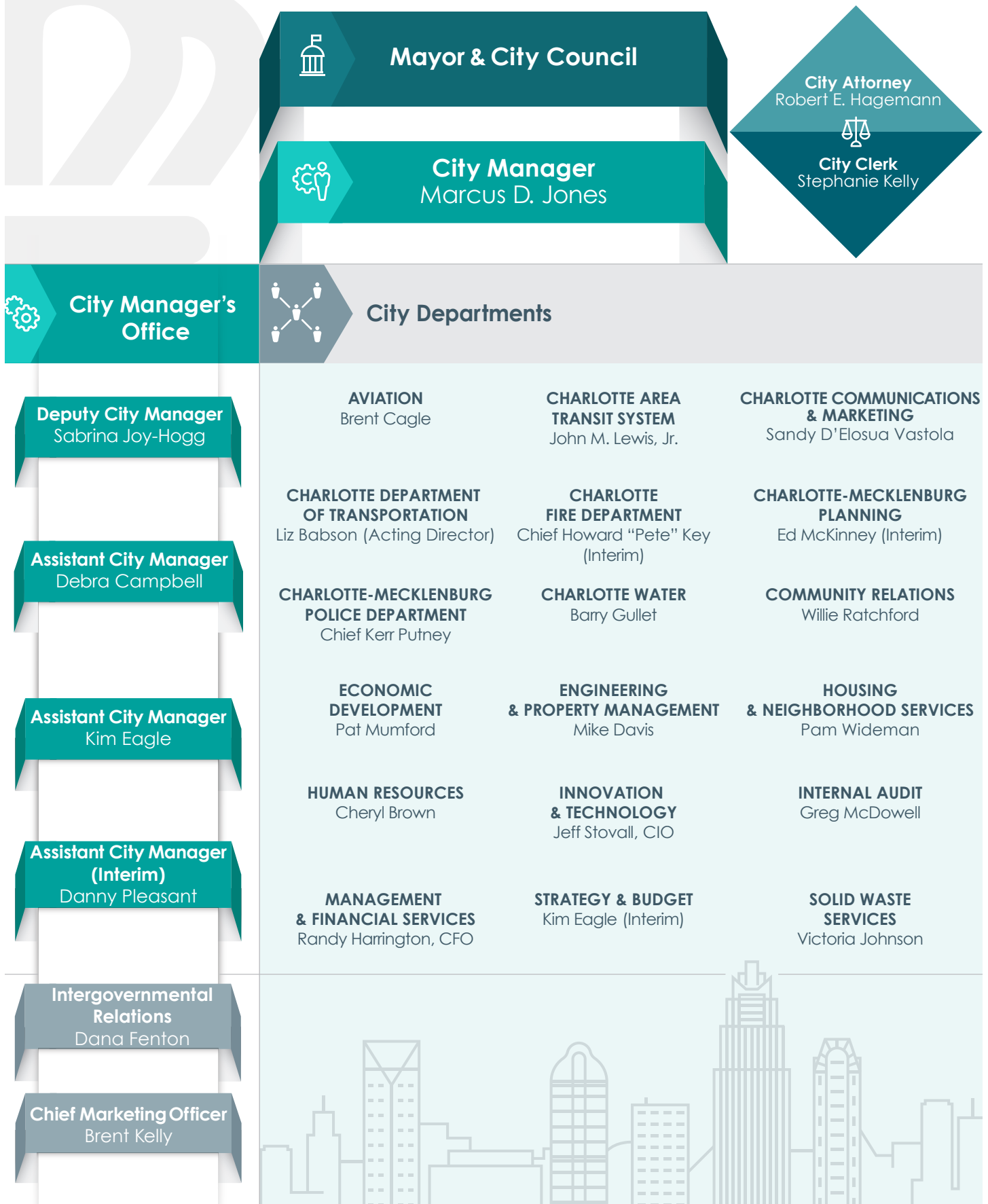
**City of Charlotte  
North Carolina**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2016**

Executive Director/CEO

# CITY OF CHARLOTTE ORGANIZATION





FINANCIAL SECTION

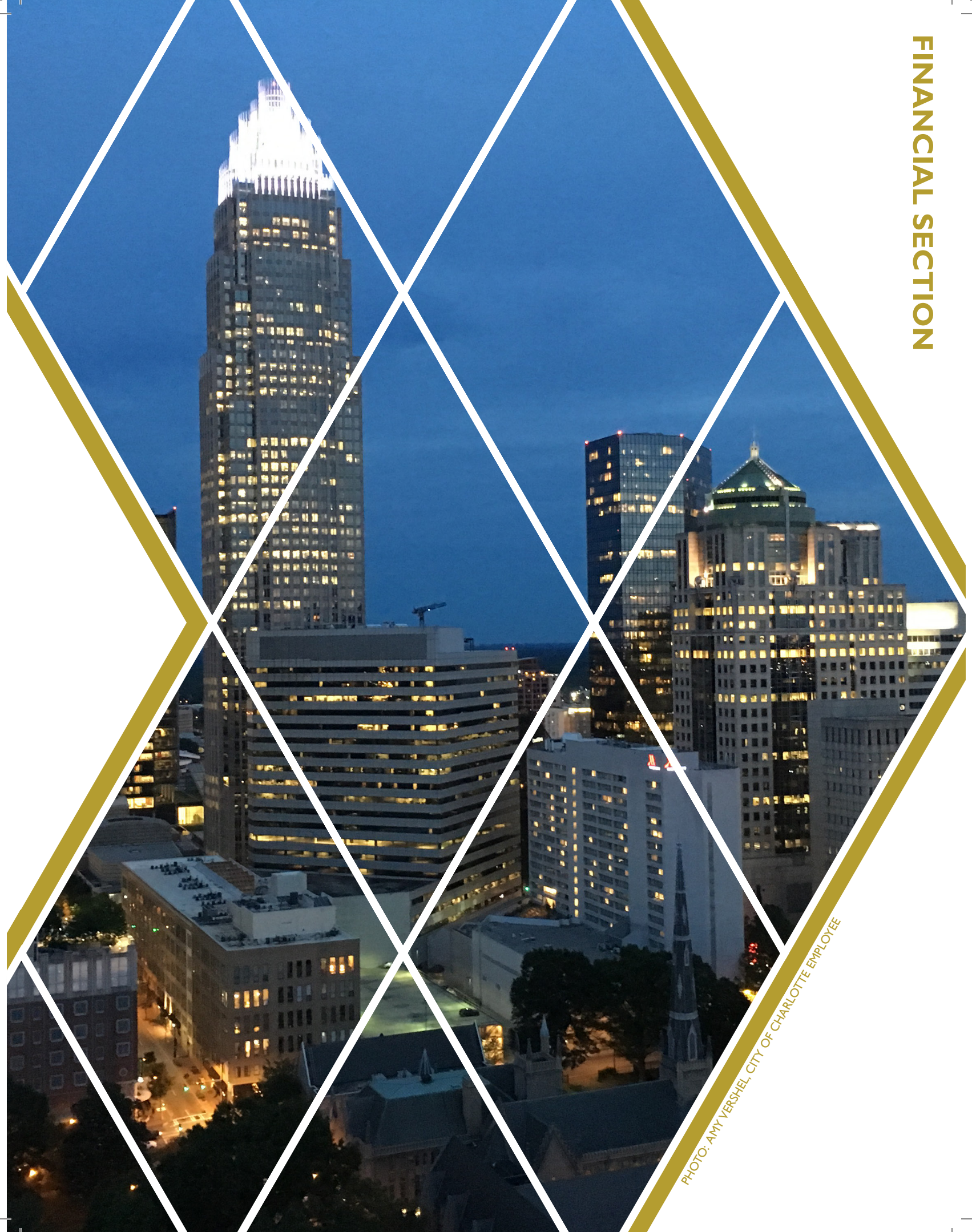


PHOTO: AMY VERSHEL CITY OF CHARLOTTE EMPLOYEE





## **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, 2017, 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, 2017, 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.

## **Emphasis of Matter**

As discussed in Note 9 to the financial statements, effective July 1, 2016, the City adopted the provisions of Governmental Accounting Standards Board Statements ("GASBS") No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. In addition as discussed in 6k to the financial statements, the City adopted Governmental Accounting Standards Board ("GASB") Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets that are not within the Scope of GASB Statement 68*. Our opinions are not modified with respect to these matters.

## **Other Matters**

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

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the other required supplementary information as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to this 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.

### ***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 Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and 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 relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, 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, 2017 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.

Handwritten signature of Cherry Roubert LLP in cursive script.

Charlotte, North Carolina  
October 31, 2017



## MANAGEMENT'S DISCUSSION AND ANALYSIS

(Dollar Amounts in Millions)

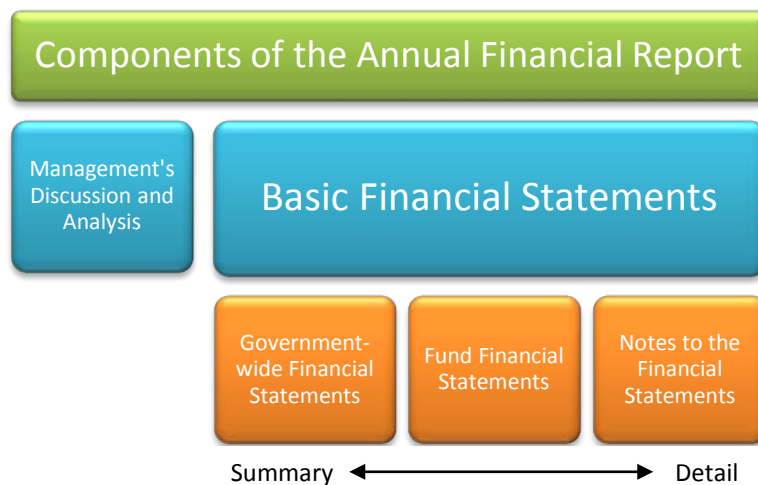
This section of the City of Charlotte's (City) annual financial report presents a narrative overview and analysis of the City's financial performance for the fiscal year ended June 30, 2017. Please read it in conjunction with the transmittal letter at the front of this report and the City's financial 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 \$11,019.2, (net position). Of this amount, \$1,734.2 (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 2017 as evidenced by an increase in total net position of \$671.0. This increase was from both governmental activities (\$89.5) and business-type activities (\$581.5).
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$958.8, a decrease of \$36.0 in comparison with the prior year. This decrease resulted from increased public safety expenditures due to the addition of 106 new public safety positions in 2017.
- Unassigned fund balance in the General fund was \$107.0 at June 30, 2017 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 2018. The amount exceeding the City Council's goal of 16 percent, \$2.8, 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 17-19) 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 20-37) 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 38-111). A section is also included with required supplementary information and 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 112-165) 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* is the difference between the City's total assets and deferred outflows of resources and total liabilities and deferred inflows of resources. 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 \$11,019.2 at the close of the most recent fiscal year. A summary of the City's net position at June 30, 2017 and 2016 is presented below.

Net Position						
	Governmental Activities		Business-type Activities		Total Primary Government	
	Restated				Restated	
	2017	2016	2017	2016	2017	2016
Current and other assets	\$ 1,165.1	\$ 1,199.2	\$ 2,115.3	\$ 1,751.1	\$ 3,280.4	\$ 2,950.3
Capital assets	6,078.1	5,985.3	6,862.1	6,423.7	12,940.2	12,409.0
<b>Total assets</b>	<b>7,243.2</b>	<b>7,184.5</b>	<b>8,977.4</b>	<b>8,174.8</b>	<b>16,220.6</b>	<b>15,359.3</b>
<b>Deferred outflows of resources</b>	<b>351.5</b>	<b>101.2</b>	<b>79.0</b>	<b>75.0</b>	<b>430.5</b>	<b>176.2</b>
Current and other liabilities	131.4	132.3	207.3	227.6	338.7	359.9
Noncurrent liabilities	2,095.3	1,779.5	3,188.7	2,941.8	5,284.0	4,721.3
<b>Total liabilities</b>	<b>2,226.7</b>	<b>1,911.8</b>	<b>3,396.0</b>	<b>3,169.4</b>	<b>5,622.7</b>	<b>5,081.2</b>
<b>Deferred inflows of resources</b>	<b>8.0</b>	<b>24.0</b>	<b>1.2</b>	<b>2.7</b>	<b>9.2</b>	<b>26.7</b>
Net position:						
Net investment in capital assets	4,690.8	4,563.9	3,924.6	3,676.6	8,615.4	8,240.5
Restricted	324.1	354.5	345.5	443.4	669.6	797.9
Unrestricted	345.1	431.5	1,389.1	957.7	1,734.2	1,389.2
<b>Total net position</b>	<b>\$ 5,360.0</b>	<b>\$ 5,349.9</b>	<b>\$ 5,659.2</b>	<b>\$ 5,077.7</b>	<b>\$11,019.2</b>	<b>\$10,427.6</b>

By far the largest portion of the City's net position (78 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 (6 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position (\$1,734.2) 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 \$591.6 during the current fiscal year from an increase both business-type activities and governmental 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, 2017 and 2016:

<b>Change in Net Position</b>						
	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total Primary Government</b>	
	<b>Restated</b>				<b>Restated</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
<b>Revenues</b>						
Program revenues:						
Fees, fines and charges for services	\$ 117.5	\$ 115.1	\$ 794.1	\$ 757.5	\$ 911.6	\$ 872.6
Operating grants and contributions	50.3	51.2	12.1	10.9	62.4	62.1
Capital grants and contributions	19.3	20.8	381.7	242.0	401.0	262.8
General revenues:						
Property taxes	454.9	452.2	-	-	454.9	452.2
Other taxes	272.8	264.2	92.6	89.6	365.4	353.8
Grants and contributions not restricted to specific programs	25.0	23.4	-	-	25.0	23.4
Other	5.6	11.7	12.6	-	18.2	11.7
Total revenues	<b>945.4</b>	<b>938.6</b>	<b>1,293.1</b>	<b>1,100.0</b>	<b>2,238.5</b>	<b>2,038.6</b>
<b>Program expenses</b>						
Public safety	432.4	374.3	-	-	432.4	374.3
Sanitation	59.0	55.7	-	-	59.0	55.7
General administration	45.0	58.3	-	-	45.0	58.3
Support services	36.9	31.2	-	-	36.9	31.2
Engineering and property management	38.8	52.0	-	-	38.8	52.0
Streets and highways	48.6	174.9	-	-	48.6	174.9
Culture and recreation	44.8	45.2	-	-	44.8	45.2
Community planning and development	71.8	75.9	-	-	71.8	75.9
Interest and other charges	53.2	57.5	-	-	53.2	57.5
Water	-	-	142.7	144.0	142.7	144.0
Sewer	-	-	165.0	163.6	165.0	163.6
Stormwater	-	-	17.5	16.6	17.5	16.6
Airport	-	-	234.5	205.9	234.5	205.9
Public transit	-	-	177.3	173.2	177.3	173.2
Total expenses	<b>830.5</b>	<b>925.0</b>	<b>737.0</b>	<b>703.3</b>	<b>1,567.5</b>	<b>1,628.3</b>
Excess before transfers	114.9	13.6	556.1	396.7	671.0	410.3
Transfers	(25.4)	(21.6)	25.4	21.6	-	-
<b>Increase (decrease) in net position</b>	<b>89.5</b>	<b>(8.0)</b>	<b>581.5</b>	<b>418.3</b>	<b>671.0</b>	<b>410.3</b>
Net position - beginning	5,349.9	5,357.0	5,077.7	4,659.4	10,427.6	10,016.4
Prior period adjustment	(79.4)	0.9	-	-	(79.4)	0.9
Net position - beginning, restated	<u>5,270.5</u>	<u>5,357.9</u>	<u>5,077.7</u>	<u>4,659.4</u>	<u>10,348.2</u>	<u>10,017.3</u>
Net position - ending	<u>\$ 5,360.0</u>	<u>\$ 5,349.9</u>	<u>\$ 5,659.2</u>	<u>\$ 5,077.7</u>	<u>\$11,019.2</u>	<u>\$10,427.6</u>

Total government-wide revenues of \$2,238.5 were derived primarily from property and other taxes (37 percent) and grants and contributions (21 percent). These sources of revenues increased 14 percent from the prior year, primarily due to capital grants related to the Blue Line Extension.

The total expenses of all programs were \$1,567.5. The expenses cover a range of services with the two largest being transportation (streets and highways, airport and public transit) for 29 percent and public safety (fire and police) for 28 percent. Transportation expenses decreased over the prior year in

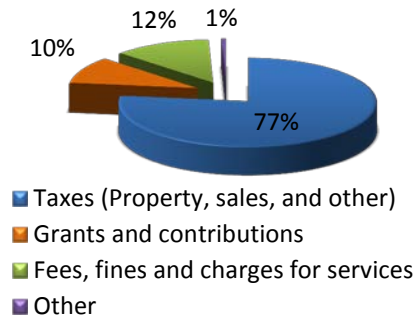
part due to increased capitalization of streets and right-of-way maintained by the City in the current year.

### Governmental Activities

As shown in the chart, property, sales and other taxes (77 percent) and fees, fines and charges for services (12 percent) were the major sources of revenues for governmental activities.

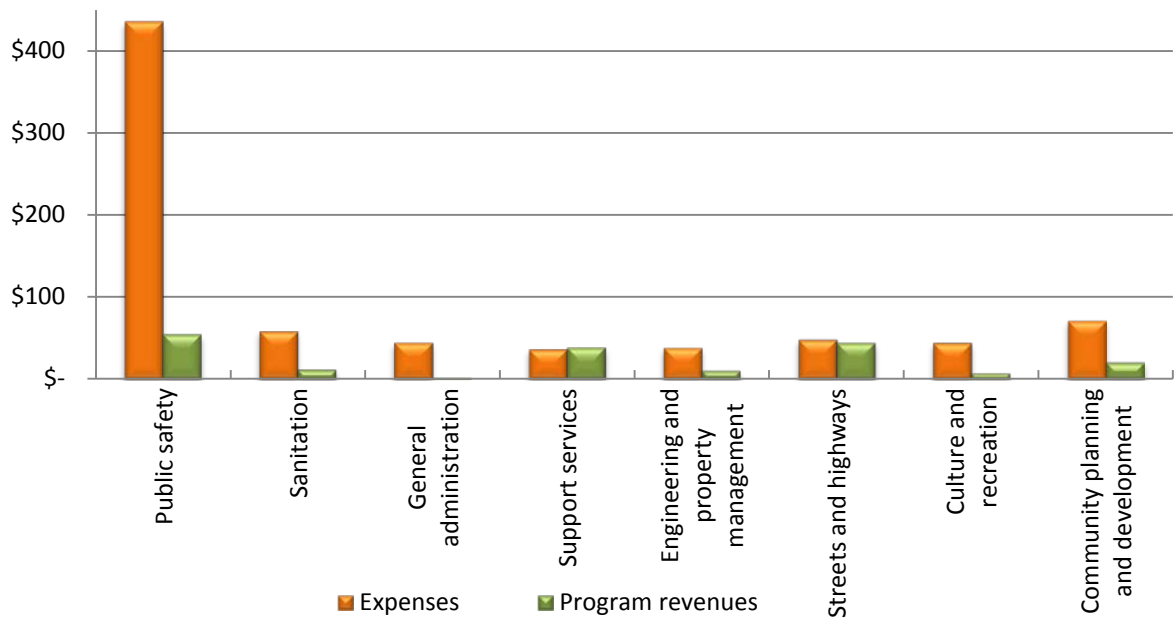
Governmental expenses decreased from \$925.0 to \$830.5 during this fiscal year. This decrease results in part from decreased expenditures for street construction as a result of increased capitalization of streets and right-of-way maintained by the City. As in prior years, public safety continues to be the largest expense with 52 percent in the current and 41 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**



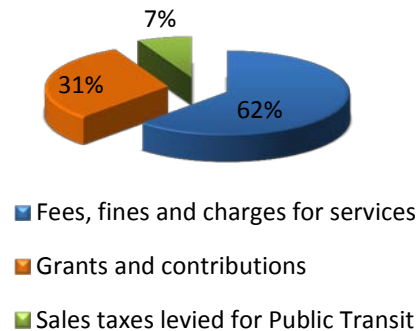
In addition to property and other taxes, the total cost of services of \$833.5 was supported by \$69.6 provided by other governments and organizations for specific programs and \$117.5 provided by fees, fines and charges from those who directly benefited from the programs.

### Business-type Activities

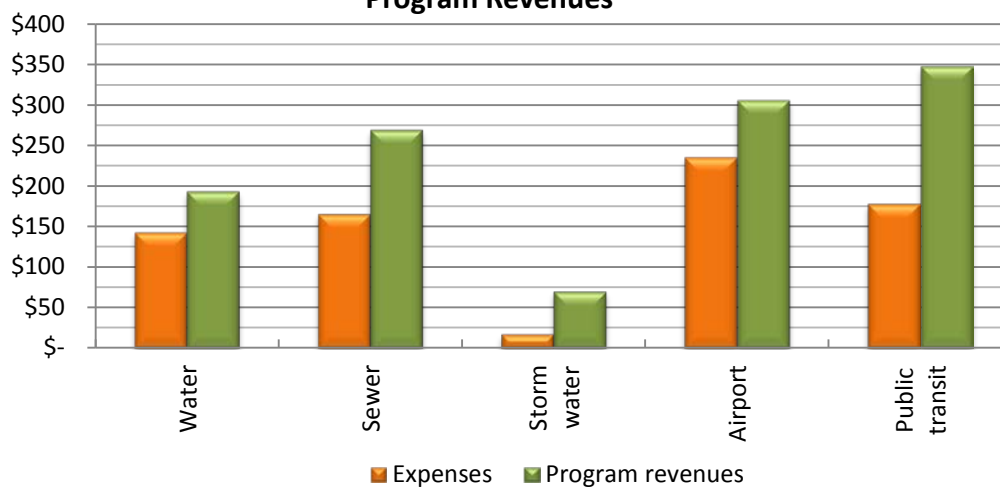
Revenues for the business-type activities were \$1,293.1, an increase of 17.6 percent from the prior year. This increase is due in part to increased capital contributions for the Blue Line Extension.

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 \$28.6 or 13.9 percent from the prior year due in part to increased costs of services and expenses related to terminal improvements, including the baggage system, building maintenance, and technology expenses.

## 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, 2017, the governmental funds reported a combined fund balance of \$958.8, a decrease of \$36.0 or 3.6 percent from last year. This amount consists of the following:

- (a) \$4.6 non-spendable for inventories, perpetual care, prepaid expenses, and long-term notes receivable,
- (b) \$321.0 restricted for State Statutes, special obligation debt service and specific programs,
- (c) \$307.1 committed primarily for capital projects,
- (d) \$219.1 assigned for debt service and specific programs, and
- (e) \$107.0 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 \$107.0, while total fund balance reached \$180.4. 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. At June 20, 2017 \$2.8 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 \$274.5, all of which will be used for either the payment of debt service or is restricted by State Statutes. Debt service fund balance decreased \$11.6 from the prior year due primarily to transfers to the capital projects fund to fund equipment purchases. The capital projects fund has a total fund balance of \$256.0, all of which is committed for future capital projects. Capital project fund balance decreased \$32.3 from the prior year due to construction of public 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 \$363.3 in the Water and Sewer fund, \$98.2 in the Storm Water fund, \$510.6 in the Airport fund and \$410.1 in the Public Transit fund. The change in net position for the funds was \$166.6, \$53.2, \$74.7 and \$286.2 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 \$5.8 above the final budgeted amount. Sales tax revenues were \$2.8 greater than expected as well as Other licenses, fees and fines revenues which were \$2.1 greater than expected. Both of these increases are due to a robust local economy where development activity was greater than projected.

The fiscal 2017 budget increased 5.7 percent over the fiscal 2016 budget to address the Mayor and Council's priorities and accommodate the resource needs of a dynamic, growing City. The most significant expenditure increases were \$3.5 to add sixty-three additional sworn police resources and \$1.2 to add Ladder Company 28 to help response time issues in the area surrounding Northlake Mall. Actual expenditures were \$11.2 below final budget amounts for fiscal year 2017.

## CAPITAL ASSET AND DEBT ADMINISTRATION

**Capital Assets.** At June 30, 2017, the City had \$12,940.2 (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 \$531.2, or 4.3 percent over last year. The following is a summary of capital assets at June 30, 2017 and 2016:

<b>Capital Assets</b> (Net of Depreciation)						
	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total Primary Government</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
Land	\$ 3,303.5	\$ 3,240.2	\$ 415.6	\$ 406.6	\$ 3,719.1	\$ 3,646.8
Buildings	791.2	800.0	510.5	540.4	1,301.7	1,340.4
Improvements other than buildings	-	-	4,018.7	3,646.9	4,018.7	3,646.9
Infrastructure	1,626.7	1,629.0	-	-	1,626.7	1,629.0
Intangibles	12.4	8.8	6.1	5.8	18.5	14.6
Machinery and equipment	54.6	49.8	260.8	196.6	315.4	246.4
Construction in progress	289.7	257.5	1,650.4	1,627.4	1,940.1	1,884.9
Totals	<u>\$ 6,078.1</u>	<u>\$ 5,985.3</u>	<u>\$ 6,862.1</u>	<u>\$ 6,423.7</u>	<u>\$ 12,940.2</u>	<u>\$ 12,409.0</u>

This year's major capital asset additions included:

- Briar Creek Relief Sewer - \$147.5
- Raw water reservoir upgrade - \$38.6
- McAlpine Creek WWTP filters - \$31.9
- Light-rail vehicles -\$64.7

At June 30, 2017, authorized and unexpended capital projects totaled \$2,603.3 as follows: governmental (\$846.1), water and sewer (\$709.2), airport (\$625.6), storm water (\$121.4), and public transit (\$301.0). 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, 2017, the City had \$4,693.9 of debt outstanding in bonds, installment purchases, commercial paper notes, derivative instrument liability, and other financing agreements. This was an increase of \$120.9 or 2.6 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	
	2017	2016	2017	2016	2017	2016
General obligation bonds (backed by the City's taxing authority)	\$ 737.2	\$ 647.5	\$ 114.4	\$ 145.4	\$ 851.6	\$ 792.9
Revenue bonds (backed by specific fee revenues)	-	-	2,416.3	2,296.9	2,416.3	2,296.9
Special obligation bonds	5.1	6.2	-	-	5.1	6.2
Installment purchases	708.2	767.9	380.7	275.2	1,088.9	1,043.1
General obligation bond anticipation notes	34.5	-	-	-	34.5	-
Commercial paper notes	-	133.3	-	-	-	133.3
Revenue bond anticipation notes	-	-	67.9	83.7	67.9	83.7
Derivative instrument liability	45.5	67.2	34.5	50.8	80.0	118.0
Swaption borrowing payable	6.8	7.3	-	-	6.8	7.3
TIFIA loan agreement	-	-	137.7	88.4	137.7	88.4
Other financial agreements	-	-	5.1	3.2	5.1	3.2
Totals	<u>\$ 1,537.3</u>	<u>\$ 1,629.4</u>	<u>\$ 3,156.6</u>	<u>\$ 2,943.6</u>	<u>\$ 4,693.9</u>	<u>\$ 4,573.0</u>

New debt for 2017 resulted from issuing Airport revenue bonds (\$302.8) for refunding debt and airport improvements; issuing general obligation bonds for refunding debt and capital improvements (\$150.7); issuing revenue bond anticipation notes (\$81.7); installment purchases for construction of light rail (\$115.0); and TIFIA loan proceeds for construction of light rail (\$49.3).

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 \$4,693.9 arises from both governmental and business-type activities. The largest portion of debt is revenue bonds (51.5 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, 2017, was \$5.1 billion. The City had \$462.9 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 2017, 18,944 building permits were issued with a value of over \$4.7 billion compared to 17,784 permits for 2016.
- Retail sales during 2016 were \$20.5 billion compared to \$18.8 billion for 2015.
- The June 2016 unemployment rate was 4.1 percent compared to 4.2 percent for the State and 4.5 percent for the nation.
- Assessed property valuations are expected to exceed \$96.6 billion for 2018 compared to \$93.8 billion for 2017, or an increase of 3.0 percent.

The fiscal 2018 operating budget is \$1.374.2, an increase of 6.4 percent over fiscal year 2017, which ensures residents will continue to receive good value for the level and quality of all services provided through residential fees and an unchanged property tax rate.

The 2018 General fund budget is \$668.5 and reflects a 5.3 percent increase over fiscal year 2017. The two largest revenue sources in the General fund are Property Tax and Sales Tax which comprise 70.0 percent of total revenue. The total General fund revenue growth is budgeted at \$33.6 which is an increase of 5.3 percent above 2017.

The following are highlights for the 2018 budgets for the business-type activities:

- The Charlotte Water budget is \$147.8, an 3.1 percent increase over 2017. Availability fees increase from \$9.84 to \$10.67 to recover 31.0 percent of debt service.
- The Storm Water budget is \$15.5, a 6.9 percent increase over 2017. The increase will be used for increase National Pollutant Discharge Elimination System (NPDES) permit costs and five new full-time equivalents to help address service needs.
- The Airport budget is \$154.7, a 3.3 percent increase over 2017, and includes an additional 39 positions in a variety of capacities, including operations, development, facilities, and business revenue and administration.
- The Public transit budget is \$148.2, a 18.2 percent increase over 2017. The Blue Line Extension is scheduled to implement revenue operations in 2018, including 9.3 miles of service from Center City to the campus of the University of North Carolina at Charlotte.

## **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 Department of Management & Financial Services, Finance Office, 600 East Fourth Street, Charlotte, NC 28202-2848.





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**FINANCIAL SECTION**  
BASIC FINANCIAL STATEMENTS



PHOTO: ALAN GOODWIN, CITY OF CHARLOTTE EMPLOYEE





**CITY OF CHARLOTTE, NORTH CAROLINA**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2017**  
**(In Thousands)**

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Charlotte Regional Visitors Authority
<b>ASSETS</b>				
Cash, cash equivalents and investments	\$ 881,614	\$ 1,320,251	\$ 2,201,865	\$ 24,872
Receivables, net	16,837	79,855	96,692	2,073
Due from other governmental agencies	78,407	265,725	344,132	801
Due from component unit	2,958	-	2,958	-
Due from primary government	-	-	-	2,168
Internal balances	(6,902)	6,902	-	-
Inventories	1,348	13,395	14,743	460
Prepaid items	119	-	119	-
Other	-	-	-	1,294
Restricted assets:				
Temporarily restricted-				
Cash and cash equivalents	2,070	300,151	302,221	-
Investments	95,599	103,800	199,399	-
Permanently restricted-				
Cash, cash equivalents and investments	3,111	-	3,111	-
Notes receivable	89,887	-	89,887	-
Other postemployment benefit assets (Note 5.f.)	-	25,200	25,200	-
Capital assets (Note 4.f.)				
Land	3,303,516	415,573	3,719,089	-
Buildings, improvements, infrastructure, intangibles, and machinery and equipment, net	2,484,887	4,796,185	7,281,072	-
Construction in progress	289,708	1,650,401	1,940,109	-
Total assets	7,243,159	8,977,438	16,220,597	31,668
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Pension deferrals (Note 5)	267,725	21,565	289,290	3,387
Contributions to pension plan in current fiscal year (Note 5)	33,222	7,493	40,715	1,094
Accumulated decrease in fair value of hedging derivatives	45,492	34,512	80,004	-
Unamortized bond refunding charges	5,016	15,457	20,473	-
Total deferred outflows of resources	351,455	79,027	430,482	4,481
<b>LIABILITIES</b>				
Accounts payable/claims payable	89,874	98,521	188,395	5,838
Deposits and retainage payable	10,527	21,843	32,370	5,286
Accrued interest payable	14,170	34,354	48,524	-
Due to component unit	2,095	73	2,168	-
Due to primary government	-	-	-	2,958
Unearned revenues	706	-	706	17
Liabilities payable from restricted assets	14,048	52,516	66,564	-
Noncurrent liabilities (Note 4.j.):				
Net pension liability (Note 5)	465,248	33,617	498,865	5,114
Due within one year	141,868	109,000	250,868	-
Due after one year	1,488,204	3,046,115	4,534,319	8,033
Total liabilities	2,226,740	3,396,039	5,622,779	27,246
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Prepaid taxes	486	-	486	-
Pension deferrals (Note 5)	7,494	1,197	8,691	179
Total deferred inflows of resources	7,980	1,197	9,177	179
<b>NET POSITION</b>				
Net investment in capital assets	4,690,751	3,924,620	8,615,371	-
Restricted for:				
State statute	71,275	-	71,275	-
Debt service	5,100	70,452	75,552	-
Perpetual care - Nonexpendable	3,111	-	3,111	-
Other purposes (Note 1.d.(8))	244,584	-	244,584	-
Passenger facility charges	-	202,556	202,556	-
Contract facility charges	-	32,557	32,557	-
Airport working capital	-	39,934	39,934	-
Unrestricted	345,073	1,389,110	1,734,183	8,724
Total net position	\$ 5,359,894	\$ 5,659,229	\$ 11,019,123	\$ 8,724

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, 2017**  
**(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	\$ 432,355	\$ 40,271	\$ 9,966	\$ 3,161
Sanitation	59,011	11,156	416	253
General administration	44,998	2,033	-	29
Support services	36,894	37,656	10	-
Engineering and property management	38,831	10,566	-	-
Streets and highways	48,548	8,384	21,788	13,062
Culture and recreation	44,830	3,610	4,006	-
Community planning and development	71,844	3,767	14,109	2,799
Interest and other charges	53,220	-	-	-
Total governmental	<u>830,531</u>	<u>117,443</u>	<u>50,295</u>	<u>19,304</u>
Business-type-				
Water	142,697	171,798	-	21,725
Sewer	165,039	230,511	-	39,004
Storm water	17,517	70,496	-	-
Airport	234,432	289,450	-	16,874
Public transit	177,312	31,823	12,053	304,121
Total business-type	<u>736,997</u>	<u>794,078</u>	<u>12,053</u>	<u>381,724</u>
Total primary government	<u>\$ 1,567,528</u>	<u>\$ 911,521</u>	<u>\$ 62,348</u>	<u>\$ 401,028</u>
Component Unit:				
Charlotte Regional				
Visitors Authority	<u>\$ 64,579</u>	<u>\$ 38,469</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.j.)
Net position - beginning
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
\$ (378,957)	\$ -	\$ (378,957)	\$ -
(47,186)	-	(47,186)	-
(42,936)	-	(42,936)	-
772	-	772	-
(28,265)	-	(28,265)	-
(5,314)	-	(5,314)	-
(37,214)	-	(37,214)	-
(51,169)	-	(51,169)	-
(53,220)	-	(53,220)	-
(643,489)	-	(643,489)	-
-	50,826	50,826	-
-	104,476	104,476	-
-	52,979	52,979	-
-	71,892	71,892	-
-	170,685	170,685	-
-	450,858	450,858	-
(643,489)	450,858	(192,631)	-
-	-	-	(26,110)
454,908	-	454,908	-
118,385	-	118,385	-
-	92,601	92,601	-
52,627	-	52,627	-
51,917	-	51,917	-
31,509	-	31,509	-
29	-	29	-
18,280	-	18,280	-
-	-	-	29,990
24,952	-	24,952	-
5,150	7,830	12,980	118
475	4,841	5,316	160
(25,402)	25,402	-	-
732,830	130,674	863,504	30,268
89,341	581,532	670,873	4,158
5,349,033	5,077,697	10,426,730	4,566
(78,480)	-	(78,480)	-
5,270,553	5,077,697	10,348,250	4,566
<u>\$ 5,359,894</u>	<u>\$ 5,659,229</u>	<u>\$ 11,019,123</u>	<u>\$ 8,724</u>

**CITY OF CHARLOTTE, NORTH CAROLINA**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**JUNE 30, 2017**  
**(In Thousands)**

	General	Debt Service	Capital Projects	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>					
Cash, cash equivalents and investments	\$ 170,258	\$ 268,738	\$ 112,920	\$ 202,127	\$ 754,043
Receivables, net:					
Property taxes	8,285	1,847	278	121	10,531
Accounts	3,399	-	78	93	3,570
Other	-	-	-	445	445
Total receivables	11,684	1,847	356	659	14,546
Due from other governmental agencies	47,292	5,776	6,711	18,621	78,400
Due from other funds	1,185	-	-	1,600	2,785
Due from component unit	-	2,820	298	-	3,118
Inventories	1,218	-	130	-	1,348
Prepaid expenditures	-	-	-	119	119
Restricted assets:					
Cash and cash equivalents	-	30	2,040	-	2,070
Investments	-	13	95,586	-	95,599
Total restricted assets	-	43	97,626	-	97,669
Notes receivable	28	-	56,219	33,640	89,887
Total assets	<u>\$ 231,665</u>	<u>\$ 279,224</u>	<u>\$ 274,260</u>	<u>\$ 256,766</u>	<u>\$ 1,041,915</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>					
Liabilities:					
Accounts payable	\$ 28,410	\$ 25	\$ -	\$ 6,241	\$ 34,676
Deposits and retainage payable	10,124	-	-	403	10,527
Due to other funds	620	-	1,600	1,185	3,405
Due to component unit	-	-	1,930	165	2,095
Unearned revenues	-	-	-	706	706
Liabilities payable from restricted assets	-	-	14,048	-	14,048
Total liabilities	<u>39,154</u>	<u>25</u>	<u>17,578</u>	<u>8,700</u>	<u>65,457</u>
Deferred inflows of resources:					
Prepaid taxes	486	-	-	-	486
Unavailable revenues	11,611	4,667	654	252	17,184
Total deferred inflows of resources	<u>12,097</u>	<u>4,667</u>	<u>654</u>	<u>252</u>	<u>17,670</u>
Fund balances:					
Nonspendable:					
Inventories	1,218	-	130	-	1,348
Perpetual care	-	-	-	3,111	3,111
Prepaid expenses	-	-	-	119	119
Long-term notes receivable	28	-	-	-	28
Restricted:					
State statute	65,499	5,776	-	-	71,275
Special obligation debt service	-	5,100	-	-	5,100
Other purposes (Note 1.d.(8))	-	-	-	244,584	244,584
Committed:					
Capital projects	2,751	-	255,898	-	258,649
Other purposes (Note 1.d.(8))	3,441	45,016	-	-	48,457
Assigned:					
Debt service	-	218,640	-	-	218,640
Other purposes (Note 1.d.(8))	463	-	-	-	463
Unassigned (Note 1.d.(8))	107,014	-	-	-	107,014
Total fund balances	<u>180,414</u>	<u>274,532</u>	<u>256,028</u>	<u>247,814</u>	<u>958,788</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 231,665</u>	<u>\$ 279,224</u>	<u>\$ 274,260</u>	<u>\$ 256,766</u>	<u>\$ 1,041,915</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, 2017**  
**(In Thousands)**

Total fund balances for governmental funds	\$	958,788
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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.	6,078,093
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Contributions to pension plans in the current fiscal year are deferred outflows of resources.	33,087
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Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	69,418
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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.	56,545
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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.)	(1,631,259)
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Net pension liability	(464,643)
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Pension related deferrals	<u>259,865</u>
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Total net position of governmental activities	\$	<u>5,359,894</u>
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*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, 2017**  
**(In Thousands)**

	General	Debt Service	Capital Projects	Other Governmental Funds	Total Governmental Funds
<b>REVENUES:</b>					
Property taxes	\$ 353,050	\$ 87,107	\$ 11,281	\$ 4,738	\$ 456,176
Other taxes	105,496	19,263	11,413	81,547	217,719
Intergovernmental	99,445	1,335	11,383	51,548	163,711
Licenses, fees and fines	30,179	62	15,294	752	46,287
Investment earnings	707	1,269	882	957	3,815
Private contributions	-	-	1,671	-	1,671
Administrative charges	37,031	-	-	-	37,031
Charges for current services	8,670	-	-	-	8,670
Miscellaneous	2,450	-	673	7,335	10,458
Total revenues	<u>637,028</u>	<u>109,036</u>	<u>52,597</u>	<u>146,877</u>	<u>945,538</u>
<b>EXPENDITURES:</b>					
Current-					
Public safety	369,136	-	-	13,291	382,427
Sanitation	55,610	-	-	-	55,610
General administration	40,146	-	-	1,932	42,078
Support services	31,823	-	-	-	31,823
Engineering and property management	22,095	-	-	-	22,095
Streets and highways	34,295	-	-	30,807	65,102
Culture and recreation	5,278	-	-	24,557	29,835
Community planning and development	26,853	-	(6,178)	25,444	46,119
Debt service-					
Principal	-	97,190	-	-	97,190
Interest and other charges	-	60,790	-	-	60,790
Capital outlay	-	-	166,087	-	166,087
Total expenditures	<u>585,236</u>	<u>157,980</u>	<u>159,909</u>	<u>96,031</u>	<u>999,156</u>
Excess (deficiency) of revenues over (under) expenditures	<u>51,792</u>	<u>(48,944)</u>	<u>(107,312)</u>	<u>50,846</u>	<u>(53,618)</u>
<b>OTHER FINANCING SOURCES (USES):</b>					
Sales of capital assets	1,130	-	4,962	146	6,238
General obligation bonds issued	-	103	34,400	-	34,503
Commercial paper issued	-	-	1,677	-	1,677
Refunding debt issued	-	116,230	-	-	116,230
Premium on debt issuance	-	19,377	-	-	19,377
Payment to refunded bond escrow agent	-	(135,000)	-	-	(135,000)
Transfers in	5,309	79,379	69,698	37,059	191,445
Transfers out	(68,823)	(42,751)	(35,699)	(69,574)	(216,847)
Total other financing sources (uses)	<u>(62,384)</u>	<u>37,338</u>	<u>75,038</u>	<u>(32,369)</u>	<u>17,623</u>
Net change in fund balances	<u>(10,592)</u>	<u>(11,606)</u>	<u>(32,274)</u>	<u>18,477</u>	<u>(35,995)</u>
Fund balances - beginning	191,006	286,138	288,302	229,337	994,783
Fund balances - ending	<u>\$ 180,414</u>	<u>\$ 274,532</u>	<u>\$ 256,028</u>	<u>\$ 247,814</u>	<u>\$ 958,788</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, 2017**  
**(In Thousands)**

Net change in fund balances - total governmental funds \$ (35,995)

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.) 3,821

Contributions to the pension plan in the current fiscal year are not included on the statement of activities. 33,087

The net effect of various miscellaneous transactions involving capital assets (i.e., sales and donations) is to decrease net position. (Note 2.b.) 89,039

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. (1,184)

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 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.) 60,956

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.) (64,559)

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. 4,176

Change in net position of governmental activities \$ 89,341

*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, 2017**  
(In Thousands)

	Budgeted Amounts		Actual	Variance with
	Original	Final	(Budgetary Basis)	Final Budget Positive (Negative)
<b>REVENUES:</b>				
Property taxes	\$ 351,235	\$ 351,235	\$ 353,050	\$ 1,815
Sales tax	96,462	96,462	99,299	2,837
Other taxes	5,643	5,643	6,197	554
Utilities sales tax	53,096	53,096	52,628	(468)
CATV franchises	7,960	7,960	7,763	(197)
Other intergovernmental	38,766	39,648	39,054	(594)
Refuse fees	10,953	10,953	11,019	66
Other licenses, fees and fines	17,046	17,046	19,160	2,114
Investment earnings	637	637	707	70
Administrative charges	36,646	36,646	37,031	385
Charges for current services	8,608	8,608	8,670	62
Miscellaneous	2,775	2,932	2,450	(482)
Sales of capital assets	1,430	1,430	1,130	(300)
Transfers in-				
Debt Service	112	1,215	1,215	-
Capital projects	-	379	379	-
Special Revenue - Convention Center Tax	3,475	3,697	3,697	-
Cemetery Trust	96	96	18	(78)
Total transfers in	3,683	5,387	5,309	(78)
Resources available for appropriation	634,940	637,683	643,467	\$ 5,784
Fund balance appropriated (contributed)	-	44,537	27,513	
Total amounts available for appropriation	\$ 634,940	\$ 682,220	\$ 670,980	
<b>EXPENDITURES:</b>				
Public safety	\$ 365,368	\$ 372,811	\$ 372,793	\$ 18
Sanitation	57,233	61,013	58,984	2,029
General administration	41,593	42,739	42,292	447
Support services	34,864	38,765	35,971	2,794
Engineering and property management	24,134	25,048	23,808	1,240
Streets and highways	36,407	37,757	35,646	2,111
Culture and recreation	5,243	5,278	5,278	-
Community planning and development	28,721	29,986	27,385	2,601
Transfers out-				
Debt Service	17,256	17,567	17,567	-
Capital Projects	18,224	44,852	44,852	-
Special Revenue:				
State Street Aid	4,261	4,261	4,261	-
Tourism	1,291	1,291	1,291	-
Public Safety and Other Grants	345	852	852	-
Total transfers out	41,377	68,823	68,823	-
Total charges to appropriations	\$ 634,940	\$ 682,220	\$ 670,980	\$ 11,240

*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, 2017**  
**(In Thousands)**

Sources (inflows) of resources:

Actual amounts (budgetary basis) "available for appropriation" from the statement of budgetary comparison	\$ 670,980
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.	(27,513)
Transfers from other funds are inflows of budgetary resources but are not revenues for financial reporting purposes.	(5,309)
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>(1,130)</u>
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds	<u>\$ 637,028</u>

Uses (outflows) of resources:

Actual amounts (budgetary basis) "total charges to appropriations" from the statement of budgetary comparison	\$ 670,980
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.	(16,921)
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes.	<u>(68,823)</u>
Total expenditures as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds	<u>\$ 585,236</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, 2017**  
**(In Thousands)**

	Business-type Activities -		
	Water and Sewer	Storm Water	Airport
<b>ASSETS</b>			
Current assets:			
Cash, cash equivalents and investments	\$ 345,715	\$ 95,919	\$ 659,148
Receivables, net-			
Accounts	46,175	10,471	18,203
Other	787	248	2,398
Total receivables	46,962	10,719	20,601
Due from other governmental agencies	3,338	385	27,653
Due from other funds	-	-	-
Inventories	1,781	-	-
Restricted assets-			
Cash and cash equivalents	4	7	300,137
Investments	1,505	107	100,152
Total restricted assets	1,509	114	400,289
Total current assets	399,305	107,137	1,107,691
Long term assets:			
Other postemployment benefit assets	17,258	1,135	6,790
Capital assets-			
Land	49,635	100	308,974
Buildings	29,867	-	911,624
Improvements other than buildings:			
Water and sewer systems	4,588,961	-	-
Storm water systems	-	528,893	-
Runways	-	-	419,271
Transit corridors	-	-	-
Other	-	-	163,293
Total improvements other than buildings	4,588,961	528,893	582,564
Intangibles	19,780	3,619	4,641
Machinery and equipment	42,160	36	121,842
Construction in progress	247,207	176,259	241,625
Total capital assets	4,977,610	708,907	2,171,270
Less accumulated depreciation	1,614,043	69,908	752,579
Total capital assets, net	3,363,567	638,999	1,418,691
Total long term assets	3,380,825	640,134	1,425,481
Total assets	3,780,130	747,271	2,533,172
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Pension deferrals	9,598	1,601	5,411
Contributions to pension plan in current fiscal year	3,335	556	1,880
Accumulated decreases in fair value of hedging derivatives	34,512	-	-
Unamortized bond refunding charges	13,298	1,227	858
Total deferred outflows of resources	60,743	3,384	8,149

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

Enterprise Funds		Governmental Activities -
Public Transit	Total	Internal Service Funds
\$ 219,469	\$ 1,320,251	\$ 130,682
1,217	76,066	-
356	3,789	405
1,573	79,855	405
234,349	265,725	7
-	-	620
11,614	13,395	-
3	300,151	-
2,036	103,800	-
2,039	403,951	-
469,044	2,083,177	131,714
17	25,200	-
56,864	415,573	-
121,602	1,063,093	-
-	4,588,961	-
-	528,893	-
-	419,271	-
337,014	337,014	-
36,584	199,877	-
373,598	6,074,016	-
8,605	36,645	-
292,882	456,920	181
985,310	1,650,401	-
1,838,861	9,696,648	181
397,959	2,834,489	163
1,440,902	6,862,159	18
1,440,919	6,887,359	18
1,909,963	8,970,536	131,732
4,955	21,565	388
1,722	7,493	135
-	34,512	-
74	15,457	-
6,751	79,027	523

*Continued on next page*

**CITY OF CHARLOTTE, NORTH CAROLINA**  
**STATEMENT OF NET POSITION-(Continued)**  
**PROPRIETARY FUNDS**  
**JUNE 30, 2017**  
**(In Thousands)**

	Business-type Activities -		
	Water and Sewer	Storm Water	Airport
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	\$ 18,368	\$ 6,989	\$ 37,241
Claims payable	-	-	-
Deposits and retainage payable	4,263	2,467	2,466
Accrued interest payable	32,599	538	-
Due to component unit	-	-	73
Current maturities of long-term liabilities	92,713	8,031	1,304
Current liabilities payable from restricted assets-			
Accounts payable	-	107	16,946
Deposits and retainage payable	-	-	6,226
Accrued interest payable	-	-	10,941
Revenue bonds payable	-	-	16,257
Total current liabilities payable from restricted assets	-	107	50,370
Total current liabilities	147,943	18,132	91,454
Noncurrent liabilities:			
General obligation bonds payable - net of unamortized premium	80,148	5,063	-
Revenue bonds payable - net of unamortized premium	1,400,289	157,378	778,557
Revenue bond anticipation notes payable	64,919	-	2,976
Other financing agreements - net of unamortized premium	6,277	-	-
TIFIA loan agreement	-	-	-
Derivative instrument liability	34,512	-	-
Federal revolving loan payable	-	911	-
State revolving loan payable	2,615	-	-
Refundable water and sewer construction deposits	1,782	-	-
Due to participants	-	-	-
Compensated absences payable	2,612	259	1,762
Net pension liability	14,961	2,496	8,435
Net OPEB liability	-	-	-
Total noncurrent liabilities	1,608,115	166,107	791,730
Total liabilities	1,756,058	184,239	883,184
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Pension deferrals	533	89	300
<b>NET POSITION</b>			
Net investment in capital assets	1,720,933	468,172	801,702
Restricted for:			
Debt service	-	-	70,452
Passenger facility charges	-	-	202,556
Contract facility charges	-	-	32,557
Working capital	-	-	39,934
Unrestricted	363,349	98,155	510,636
Total net position	\$ 2,084,282	\$ 566,327	\$ 1,657,837
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 -
Public Transit	Total	Internal Service Funds
\$ 35,923	\$ 98,521	\$ 842
-	-	54,356
12,647	21,843	-
1,217	34,354	-
-	73	-
6,952	109,000	101
2,039	19,092	-
-	6,226	-
-	10,941	-
-	16,257	-
2,039	52,516	-
58,778	316,307	55,299
-	85,211	-
-	2,336,224	-
-	67,895	-
365,718	371,995	-
137,685	137,685	-
-	34,512	-
-	911	-
-	2,615	-
-	1,782	-
-	-	12,615
2,652	7,285	76
7,725	33,617	605
-	-	191
513,780	3,079,732	13,487
572,558	3,396,039	68,786
275	1,197	22
933,813	3,924,620	18
-	70,452	-
-	202,556	-
-	32,557	-
-	39,934	-
410,068	1,382,208	63,429
\$ 1,343,881	5,652,327	\$ 63,447
	6,902	
	<u>\$ 5,659,229</u>	

**CITY OF CHARLOTTE, NORTH CAROLINA**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2017**  
**(In Thousands)**

	Business-type Activities -		
	Water and Sewer	Storm Water	Airport
OPERATING REVENUES:			
Charges for services	\$ 324,311	\$ 70,496	\$ 209,101
Availability fees	44,913	-	-
Capacity fees	24,290	-	-
Miscellaneous	8,795	-	8,596
Total operating revenues	<u>402,309</u>	<u>70,496</u>	<u>217,697</u>
OPERATING EXPENSES:			
Administration	39,864	2,298	32,311
Operations and maintenance	104,917	7,966	85,400
Claims and insurance premiums	-	-	-
Other	2,183	-	13,302
Depreciation	111,963	8,319	56,063
Total operating expenses	<u>258,927</u>	<u>18,583</u>	<u>187,076</u>
Operating income (loss)	<u>143,382</u>	<u>51,913</u>	<u>30,621</u>
NONOPERATING REVENUES (EXPENSES):			
Sales tax	-	-	-
Grant contributions	-	-	-
Passenger facility charges	-	-	58,855
Contract facility charges	-	-	12,898
Investment earnings	1,600	629	5,233
Interest expense and other charges	(49,192)	983	(21,813)
Non-airline terminal revenue distribution	-	-	(25,880)
Miscellaneous	6,653	(301)	(1,857)
Total nonoperating revenues (expenses)	<u>(40,939)</u>	<u>1,311</u>	<u>27,436</u>
Income (loss) before contributions and transfers	102,443	53,224	58,057
CAPITAL CONTRIBUTIONS	60,729	-	16,874
TRANSFERS IN	3,381	-	-
TRANSFERS OUT	-	-	(222)
Change in net position	166,553	53,224	74,709
Total net position - beginning	<u>1,917,729</u>	<u>513,103</u>	<u>1,583,128</u>
Total net position - ending	<u>\$ 2,084,282</u>	<u>\$ 566,327</u>	<u>\$ 1,657,837</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
\$ 31,823	\$ 635,731	\$ 133,555
-	44,913	-
-	24,290	-
-	17,391	-
<u>31,823</u>	<u>722,325</u>	<u>133,555</u>
10,608	85,081	12,024
119,996	318,279	-
-	-	117,178
-	15,485	-
<u>36,721</u>	<u>213,066</u>	<u>-</u>
<u>167,325</u>	<u>631,911</u>	<u>129,202</u>
<u>(135,502)</u>	<u>90,414</u>	<u>4,353</u>
92,601	92,601	-
12,053	12,053	-
-	58,855	-
-	12,898	-
368	7,830	643
(10,004)	(80,026)	-
-	(25,880)	-
<u>346</u>	<u>4,841</u>	<u>-</u>
<u>95,364</u>	<u>83,172</u>	<u>643</u>
(40,138)	173,586	4,996
304,121	381,724	-
22,243	25,624	-
-	(222)	-
<u>286,226</u>	<u>580,712</u>	<u>4,996</u>
<u>1,057,655</u>		<u>58,451</u>
<u>\$ 1,343,881</u>		<u>\$ 63,447</u>
	820	
	<u>\$ 581,532</u>	

**CITY OF CHARLOTTE, NORTH CAROLINA**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2017**  
**(In Thousands)**

	Business-type Activities -		
	Water and Sewer	Storm Water	Airport
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Receipts from customers	\$ 403,325	\$ 70,629	\$ 231,989
Receipts from participants	-	-	-
Payments to suppliers	(75,586)	(262)	(77,536)
Internal activity - (payments to) receipts from other funds	(25,156)	(1,315)	(24,003)
Receipts from trust	-	-	-
Receipts from recovery of losses	-	-	-
Payments to employees	(45,329)	(8,456)	(28,607)
Payments to airlines for non-airline terminal revenue distribution	-	-	(17,776)
Payments for claims	-	-	-
Payments for premiums	-	-	-
Other receipts (payments)	21,139	20	(105,707)
Net cash provided (used) by operating activities	<u>278,393</u>	<u>60,616</u>	<u>(21,640)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>			
Operating grants	-	-	-
Sales tax	-	-	-
Transfers	-	-	(222)
Net cash provided (used) by noncapital financing activities	<u>-</u>	<u>-</u>	<u>(222)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>			
Proceeds from capital debt	49,554	-	247,037
Passenger facility charges	-	-	59,015
Contract facility charges	-	-	12,820
Acquisition and construction of capital assets	(153,382)	(48,922)	(145,861)
Principal paid on capital debt	(83,247)	(6,082)	(46,218)
Interest and other charges paid on capital debt	(71,952)	(6,528)	(9,683)
Capital contributions	4,644	-	11,131
Net cash provided (used) by capital and related financing activities	<u>(254,383)</u>	<u>(61,532)</u>	<u>128,241</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Purchase of investments	(1,500)	(36)	(255,281)
Proceeds from sale and maturities of investments	-	13,958	187,678
Interest received	1,312	462	4,321
Net cash provided (used) by investing activities	<u>(188)</u>	<u>14,384</u>	<u>(63,282)</u>
Net increase in cash, cash equivalents and investments	23,822	13,468	43,097
Cash, cash equivalents and investments - beginning of year	321,897	82,458	916,188
Cash, cash equivalents and investments - end of year	<u>\$ 345,719</u>	<u>\$ 95,926</u>	<u>\$ 959,285</u>

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

Enterprise Funds		Governmental
Public		Activities -
Transit	Total	Internal Service
		Funds
\$ 31,909	\$ 737,852	\$ -
-	-	42,264
(53,041)	(206,425)	(10,563)
(11,430)	(61,904)	74,171
-	-	24,838
-	-	180
(70,239)	(152,631)	(1,624)
-	(17,776)	-
-	-	(92,957)
-	-	(28,811)
367	(84,181)	934
(102,434)	214,935	8,432
12,053	12,053	-
94,373	94,373	-
22,243	22,021	-
128,669	128,447	-
-	296,591	-
-	59,015	-
-	12,820	-
(241,897)	(590,062)	-
159,527	23,980	-
(13,802)	(101,965)	-
199,887	215,662	-
103,715	(83,959)	-
(35)	(256,852)	-
11,256	212,892	-
274	6,369	687
11,495	(37,591)	687
141,445	221,832	9,119
78,027	1,398,570	121,563
<u>\$ 219,472</u>	<u>\$ 1,620,402</u>	<u>\$ 130,682</u>

*Continued on next page*



**CITY OF CHARLOTTE, NORTH CAROLINA**  
**STATEMENT OF CASH FLOWS-(Continued)**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2017**  
**(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)	\$ 143,382	\$ 51,913	\$ 30,621
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities-			
Depreciation	111,963	8,319	56,063
Other receipts (payments)	21,139	20	(105,707)
Non-airline terminal revenue distribution	-	-	(17,776)
Change in assets and liabilities:			
Decrease in receivables	850	133	14,292
(Increase) decrease in due from other governmental agencies	-	14	(99)
Increase in due from other funds	-	-	-
(Increase) in inventories	(225)	-	-
(Increase) in deferred outflows of resources for pensions	(10,150)	(1,679)	(5,779)
Decrease in other postemployment benefit assets	220	55	102
(Decrease) in accounts payable	(283)	(64)	(165)
Increase in claims payable	-	-	-
Increase in due to participants	-	-	-
Increase (decrease) in deposits and retainage payable	108	-	(50)
Increase in due to component unit	-	-	13
Increase in net pension liability	11,772	1,924	6,491
(Decrease) in deferred inflows of resources for pension	(853)	(103)	(47)
Increase in compensated absences payable	470	84	401
Increase in net OPEB liability	-	-	-
Total adjustments	<u>135,011</u>	<u>8,703</u>	<u>(52,261)</u>
Net cash provided (used) by operating activities	<u>\$ 278,393</u>	<u>\$ 60,616</u>	<u>\$ (21,640)</u>
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:			
Donated assets	<u>\$ 59,466</u>	<u>\$ -</u>	<u>\$ -</u>
Proceeds from refunding bonds	-	-	243,934
Payment to refunded bond escrow agent	-	-	(243,934)
Net noncash investing, capital and financing activities	<u>\$ 59,466</u>	<u>\$ -</u>	<u>\$ -</u>

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

Enterprise Funds		Governmental
Public		Activities -
Transit	Total	Internal Service
		Funds
\$ (135,502)	\$ 90,414	\$ 4,353
36,721	213,066	-
367	(84,181)	-
-	(17,776)	-
86	15,361	3
416	331	1
-	-	(620)
(4,501)	(4,726)	-
(5,273)	(22,881)	(407)
556	933	-
(1,240)	(1,752)	(144)
-	-	3,927
-	-	853
-	58	-
-	13	-
6,139	26,326	473
(469)	(1,472)	(38)
266	1,221	22
-	-	9
33,068	124,521	4,079
\$ (102,434)	\$ 214,935	\$ 8,432
\$ -	\$ 59,466	\$ -
-	243,934	-
-	(243,934)	-
\$ -	\$ 59,466	\$ -

**CITY OF CHARLOTTE, NORTH CAROLINA**  
**STATEMENT OF FIDUCIARY NET POSITION**  
**FIDUCIARY FUNDS**  
**JUNE 30, 2017**  
**(In Thousands)**

	Firefighters' Retirement Pension Trust	Employee Benefit - Other Employee Benefit Trust	Total
<b>ASSETS</b>			
Cash, cash equivalents and investments	\$ 4,633	\$ 20,325	\$ 24,958
Receivables:			
Employer contributions	171	-	171
Member contributions	171	-	171
Interest and dividends	530	68	598
Total receivables	872	68	940
Investments:			
Equity securities - stocks	136,440	-	136,440
Fixed income securities - bonds	100,176	-	100,176
Mutual funds	278,023	60,439	338,462
Total investments	514,639	60,439	575,078
Capital assets, at cost, net of accumulated depreciation of \$422	145	-	145
Total assets	520,289	80,832	601,121
<b>LIABILITIES</b>			
Accounts payable	525	167	692
<b>NET POSITION</b>			
Restricted for pensions	\$ 519,764		519,764
Held in trust for other postemployment benefits		\$ 80,665	80,665
			<u>\$ 600,429</u>

*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, 2017**  
**(In Thousands)**

	Firefighters' Retirement Pension Trust	Employee Benefit - Other Employee Benefit Trust	Total
ADDITIONS:			
Contributions-			
Member	\$ 9,636	\$ -	\$ 9,636
Employer	9,106	16,361	25,467
Other	-	208	208
Total contributions	<u>18,742</u>	<u>16,569</u>	<u>35,311</u>
Investment income -			
Net appreciation (depreciation) in fair value of investments	54,521	5,837	60,358
Interest	2,133	1,695	3,828
Dividends	<u>3,762</u>	<u>-</u>	<u>3,762</u>
	60,416	7,532	67,948
Investment expense	<u>2,735</u>	<u>232</u>	<u>2,967</u>
Net investment income	<u>57,681</u>	<u>7,300</u>	<u>64,981</u>
Total additions	<u>76,423</u>	<u>23,869</u>	<u>100,292</u>
DEDUCTIONS:			
Benefits	31,075	6,207	37,282
Refunds	70	-	70
Insurance premiums	-	7,510	7,510
Administration	621	1,130	1,751
Depreciation	<u>13</u>	<u>-</u>	<u>13</u>
Total deductions	<u>31,779</u>	<u>14,847</u>	<u>46,626</u>
Change in net position	44,644	9,022	53,666
Net position - beginning	<u>475,120</u>	<u>71,643</u>	<u>546,763</u>
Net position - ending	<u>\$ 519,764</u>	<u>\$ 80,665</u>	<u>\$ 600,429</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, 2017**

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**CITY OF CHARLOTTE, NORTH CAROLINA**  
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**JUNE 30, 2017**

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**CITY OF CHARLOTTE, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2017**  
**(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 a Fiduciary Fund 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.	Fiduciary Fund	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

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.

**CITY OF CHARLOTTE, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS-(Continued)**  
**JUNE 30, 2017**  
**(Dollar Amounts In Thousands)**

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.

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.

**CITY OF CHARLOTTE, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS-(Continued)**  
**JUNE 30, 2017**  
**(Dollar Amounts In Thousands)**

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 Water, 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.

*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.

**CITY OF CHARLOTTE, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS-(Continued)**  
**JUNE 30, 2017**  
**(Dollar Amounts In Thousands)**

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 funds 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. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

The City considers all revenues available if they are collected within 90 days after yearend, except for property taxes. Ad valorem taxes receivable are not accrued as revenue because the amount is not susceptible to accrual. At June 30, taxes receivable for property other than motor vehicles are materially past due and are not considered to be an available resource to finance the operations of the current year. Also, as of September 1, 2013, State law altered the procedures for the assessment and collection of property taxes on registered motor vehicles in North Carolina. Effective with this change in the law, the State of North Carolina is responsible for billing and collecting the property taxes on registered motor vehicles on behalf of all municipalities and special tax districts. Property taxes are due when vehicles are registered. The billed taxes are applicable to the fiscal year in which they are received. Uncollected taxes that were billed in periods prior to September 1, 2013 are shown as a receivable in these financial statements and are offset by deferred inflows of resources.

Sales taxes and certain intergovernmental revenues, such as the beer and wine tax, collected and held by the State at year-end on behalf of the City are recognized as revenue. Sales taxes are considered a shared revenue for the City because the tax is levied by Mecklenburg County and then remitted to and distributed by the State. Most intergovernmental revenues and sales and services are not susceptible to accrual because generally they are not measurable until received in cash. All taxes, including those dedicated for specific purposes are reported as general revenues rather than program revenues. 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

**CITY OF CHARLOTTE, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS-(Continued)**  
**JUNE 30, 2017**  
**(Dollar Amounts In Thousands)**

the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then 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.

Investments of the Charlotte Firefighters' Retirement System 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.

**CITY OF CHARLOTTE, NORTH CAROLINA**  
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**Component Unit:** The Authority considers investments with an original maturity of three months or less to be cash equivalents.

(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

Donated capital assets received prior to June 15, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 15, 2015 are recorded at acquisition value. All other purchased or constructed capital assets are reported at cost or estimated historical cost. 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 \$5 or more, 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 - 30 years



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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 \$16,300, \$6,522, \$5,775 and \$2,963, respectively, for the year ended June 30, 2017.

**(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 four items that meet this criterion, pension deferrals, contributions made to the pension plan in the current fiscal year, the accumulated decrease in the fair value of hedging derivatives and the unamortized bond refunding charges. The Component Unit also has pension deferrals that meet this criterion.

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 deferrals of pension expense that result from the implementation of GASB Statement 68 and 73 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.

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(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. Effective 1/1/2016, vacation in excess of the maximum accumulation is transferred into the employee's sick leave balance. Unused vacation days are payable upon termination, resignation, retirement or death.

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, unless the employees effective date of retirement is within 365 days of the termination or resignation. However, employees may be paid twenty percent of outstanding sick leave, with a maximum of 43.5 days, upon retirement. Twenty percent of outstanding sick leave, up to a maximum of 43.5 days is payable upon the death of an employee.

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

*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 in governmental activities is restricted for other purposes as follows:

Public safety	\$ 13,989
Culture and recreation	183,899
Community planning and development	38,773
Streets and highways	<u>7,923</u>
Total	<u>\$ 244,584</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.

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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* – \$1,348 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.

*Prepaid expenses* – \$119 of fund balance that is not an available resource because it represents the amount of prepaid expenses.

*Long-term notes receivable* – \$28 of fund balance that is not an available resource because it represents the long-term amount of loans and notes receivables.

*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* – \$71,275 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* – \$5,100 of fund balance that is legally restricted through financing agreements for future payment of debt service requirements.

*Restricted for other purposes:*

*Public safety* – \$13,989 of fund balance that is restricted by revenue source for public safety and 911 system expenditures.

*Cultural and recreation* – \$183,899 of fund balance that is restricted by revenue source for convention and tourism expenditures.

*Community planning and development* – \$38,773 of fund balance that is restricted by revenue source for neighborhood expenditures.

*Streets and highways* – \$7,923 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.

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*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* – \$258,649 of fund balance committed by the City Council for capital projects.

*Committed for other purposes:*

*Component unit* – \$3,441 of fund balance committed by the City Council for the Charlotte Regional Visitors Authority.

*Debt service* – \$45,016 of fund balance committed by the City Council for Advance Planning for Bond Referenda and loans to other funds for the purchase of capital equipment.

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

*Assigned for Debt service* – \$218,640 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 Other purposes: Public safety* – \$463 of fund balance in the General fund that is not nonspendable, restricted, nor committed that will be used for public safety. 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 \$107,014 in the General fund 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.

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(9) Pensions

For purposes of measuring the net pension liabilities, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Local Governmental Employees' Retirement System (LGERS), the Charlotte Firefighters' Retirement System (System) and the Law Enforcement Officer's Separation Allowance (LEO Separation) and additions to/deductions from LGERS', System, and LEO fiduciary net position have been determined on the same basis as they are reported by LGERS, System and LEO. For this purpose, plan member contributions are recognized in the period in which the contributions are due. The City of Charlotte's and the component unit's employer contributions are recognized when due and there is a legal requirement to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of LGERS, System, LEO. Investments are reported at fair value.

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	\$ 1,336,724
Net of premiums and discounts	113,802
General obligation bond anticipation notes	34,503
Derivative instrument liability	45,492
Swaption borrowing payable	6,775
Compensated absences	56,113
Section 108 loan guarantee	5,780
Unfunded OPEB liability	17,900
Accrued interest payable	<u>14,170</u>
Net adjustment to reduce <i>fund balance - total governmental funds</i> to arrive at <i>net position - governmental activities</i>	<u>\$ 1,631,259</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.

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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	\$ 121,147
Depreciation expense	<u>(117,326)</u>
Net adjustment to increase <i>net changes in fund balances</i> - total governmental <i>funds</i> to arrive at <i>changes in net position</i> of governmental activities	<u>\$ 3,821</u>

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.

Donation of capital assets	\$ 95,101
Sales of capital assets	(6,062)
Net adjustment to decrease change in net position differs from the change in fund balance by the cost of the capital assets sold	<u>\$ 89,039</u>

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 bond anticipation notes	\$ (34,503)
Issuance of commercial paper notes	(1,677)
Plus premium on debt issuance	(19,377)
Swaption borrowing	553
Principal repayments:	
General obligation debt	58,616
Installment purchases	<u>57,344</u>
Net adjustment to decrease <i>net changes in fund</i> <i>balances</i> - <i>total governmental funds</i> to arrive at <i>changes in net position of governmental activities</i>	<u>\$ 60,956</u>



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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	\$ (1,580)
Amortization on deferred amount on refunding	(813)
Amortization of debt premiums	9,442
Amortization of discounts	(32)
Compensated absences	(4,304)
Unfunded OPEB liability	(2,810)
Pension expense	<u>(64,462)</u>
Net adjustment to increase <i>net changes in fund</i> <i>balances - total governmental funds</i> to arrive at <i>changes in net position of governmental activities</i>	<u>\$ (64,559)</u>

### 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, Public Safety and Other Grants, Neighborhood Development, Employment and Training, 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, 2017.

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 re-appropriated 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, 2017, 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	\$ 171,235	\$ 113,460
City - Fiduciary Funds	264	24,958
Component unit - Authority	15,215	14,878

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. The City and the Authority have petty cash of \$135 and \$235.

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, \$1,089 was covered at the federal depository insurance coverage level and \$170,410 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, \$2,598 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 - Governmental and Business-type Activities** – The investments and maturities at June 30, 2017, were as follows:

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure fair value of the assets. Level 1 inputs are quoted prices in an active market for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs.

Investment type	Fair Value	Investment Maturities (in Years)		
		Less than 1	1-3	More than 3
U.S. Agencies	\$2,015,359	\$ 1,635,863	\$ 379,496	\$ -
Commercial paper	59,857	59,857	-	-
Mutual funds	82,734	N/A	N/A	N/A
NCCMT Government Portfolio	363,686	N/A	N/A	N/A
NCCMT Term Portfolio*	71,365	71,365	-	-
Total	<u>\$2,593,001</u>	<u>\$ 1,767,085</u>	<u>\$ 379,496</u>	<u>\$ -</u>

\* Because the NCCMT Term Portfolio had a weighted average maturity of 0.09 years, it was presented as an investment with a maturity of 6-12 months.

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The following is a summary of the fair value hierarchy of the fair value of investments as of June 30, 2017:

	6/30/2017	Fair Value Measurements Using Quoted Prices in Active Markets for Identical Assets (Level 1)	Fair Value Measurements Using Quoted Prices in Active Markets for Similar Assets (Level 2)
Investments by fair value level			
Debt securities			
U.S. Agencies securities	\$ 2,015,359	\$ -	\$ 2,015,359
Commercial paper	59,857	59,857	-
Mutual funds	82,734	82,734	-
NCCMT Term Portfolio	71,365	71,365	-
Total investments by fair value level	2,229,315	\$ 213,956	\$ 2,015,359
Investments measured at the net asset value (NAV)			
NCCMT Government Portfolio	363,686		
Total investments measured a fair value	\$ 2,593,001		

Investments classified in Level 1 of the fair value hierarchy, valued at \$213,956, are valued using quoted prices in active markets. Level 2 debt securities are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities benchmark quoted prices.

*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, 2017, 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 Government Portfolio carried a credit rating of AAA by S&P as of June 30, 2017. 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, 2017, 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

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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 – Fiduciary Fund: Charlotte Firefighters' Retirement System** – The investments and maturities at June 30, 2017 were as follows:

Investment type	Fair Value	Investment Maturities (in Years)			
		Less than 1	1 - 5	6 - 10	More than 10
U.S. Treasuries	\$ 15,172	\$ -	\$ 6,607	\$ 2,705	\$ 5,860
U.S. Agencies	20,485	-	-	931	19,554
Corporate bonds	40,283	1,054	14,486	11,250	13,493
Common stocks	136,440	N/A	N/A	N/A	N/A
Mutual funds	302,259	N/A	N/A	N/A	N/A
Total	<u>\$ 514,639</u>	<u>\$ 1,054</u>	<u>\$ 21,093</u>	<u>\$ 14,886</u>	<u>\$ 38,907</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, 2017 are as follows:

Quality Rating	Fair Value	Percentage of Portfolio
AAA	\$ 5,437	7.16%
Baa > AA	28,652	37.73%
Total credit risk debt securities	34,089	44.89%
US Government fixed income securities:		
Government National Mortgage Association	4,667	6.15%
U.S. Treasury	15,172	19.98%
Not rated	22,012	28.98%
Total fixed income securities	<u>\$ 75,940</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.

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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 \$821 of these securities.

	6/30/2017	Fair Value Measurements Using Quoted Prices in Active Markets for Identical Assets (Level 1)	Fair Value Measurements Using Quoted Prices in Active Markets for Similar Assets (Level 2)	Fair Value Measurements Using Unobservable Inputs (Level 3)
Investment by fair value level				
U.S. Treasuries	\$ 15,172	\$ 15,172	\$ -	\$ -
U.S. Agencies	20,485	-	20,485	-
Corporate bonds	40,283	-	34,089	6,194
Common stocks	136,440	136,440	-	-
Mutual funds	302,259	-	18,440	283,819
Total investments by fair value level	<u>\$ 514,639</u>	<u>\$ 151,612</u>	<u>\$ 73,014</u>	<u>\$ 290,013</u>

Investments classified in Level 1 of the fair value hierarchy are valued using quoted prices in active markets. Level 2 debt securities are valued using a matrix pricing technique and Level 3 are valued using net asset values. Matrix pricing is used to value securities based on the securities benchmark quoted prices.

**City – Fiduciary Fund: Employee Benefit Trust Plan (EBTP)** – At June 30, 2017, the EBTP had investments of \$20,325 in NCCMT Government Portfolio and \$60,439 in mutual funds. The mutual funds investment classified at Level 1 of the fair value hierarchy is valued using quoted prices in active markets.

**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, 2017, the Authority had investments of \$9,759 in the NCCMT's Cash Portfolio, which carried a credit rating of AAAM by Standard and Poor's.



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**JUNE 30, 2017**  
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c. Receivables

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

<u>Governmental</u>	
General	\$ 9,466
Debt Service	646
Capital Projects	3,456
Nonmajor	14
Total Governmental	<u>13,582</u>
<u>Proprietary</u>	
Water and Sewer	9,733
Storm Water	1,621
Airport	862
Public Transit	14
Total Proprietary	<u>12,230</u>
Total	<u><u>\$ 25,812</u></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, 2017 the balance of the loan outstanding was \$2,958.

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, 2016, were based on the assessed values listed as of January 1, 2016, 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 2017 (tax rate per \$100 valuation) to its funds is shown below:

General	\$ 0.3741
Debt Service	0.0926
Capital Projects	<u>0.0120</u>
Total	<u><u>\$ 0.4787</u></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 2017 for Districts 1, 2, 3, 4 and 5 were \$0.0168, \$0.0233, \$0.0358, \$0.0668 and \$0.0279, respectively.

**CITY OF CHARLOTTE, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS-(Continued)**  
**JUNE 30, 2017**  
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e. Restricted Assets

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

<u>Governmental-</u>	
Debt Service	\$ 43
Capital Projects	<u>97,626</u>
Total Governmental	<u>97,669</u>
<u>Enterprise-</u>	
Water and Sewer	1,509
Storm Water	114
Airport	400,289
Public Transit	<u>2,039</u>
Total Enterprise	<u>403,951</u>
Total	<u><u>\$ 501,620</u></u>

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

**CITY OF CHARLOTTE, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS-(Continued)**  
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f. Capital Assets

Capital asset activity for governmental activities for the year ended June 30, 2017 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<u>Governmental activities-</u>				
Capital asset, not being depreciated:				
Land	\$ 3,240,220	\$ 69,231	\$ 5,935	\$ 3,303,516
Construction in progress	<u>257,521</u>	<u>146,368</u>	<u>114,181</u>	<u>289,708</u>
Total capital assets, not being depreciated	<u>3,497,741</u>	<u>215,599</u>	<u>120,116</u>	<u>3,593,224</u>
Capital assets, being depreciated:				
Buildings	1,169,786	20,324	-	1,190,110
Infrastructure	2,636,779	64,326	-	2,701,105
Intangibles	25,008	6,584	-	31,592
Machinery and equipment	<u>206,234</u>	<u>23,596</u>	<u>11,122</u>	<u>218,708</u>
Total capital assets being depreciated	<u>4,037,807</u>	<u>114,830</u>	<u>11,122</u>	<u>4,141,515</u>
Less accumulated depreciation for:				
Buildings	369,844	29,039	-	398,883
Infrastructure	1,007,763	66,640	-	1,074,403
Intangibles	16,237	3,004	-	19,241
Machinery and equipment	<u>156,453</u>	<u>18,643</u>	<u>10,995</u>	<u>164,101</u>
Total accumulated depreciation	<u>1,550,297</u>	<u>117,326</u>	<u>10,995</u>	<u>1,656,628</u>
Total capital assets, being depreciated, net	<u>2,487,510</u>	<u>(2,496)</u>	<u>127</u>	<u>2,484,887</u>
Governmental activities capital assets, net	<u>\$ 5,985,251</u>	<u>\$ 213,103</u>	<u>\$ 120,243</u>	<u>\$ 6,078,111</u>

Depreciation expense was charged to activities as follows:

Governmental activities:	
Public safety	\$ 16,550
Sanitation	3,982
General administration	2,170
Support services	2,518
Engineering and property management	5,053
Streets and highways	62,224
Community planning and development	5,520
Culture and recreation	17,705
Economic Development	<u>1,604</u>
Total depreciation expense - governmental activities	<u>\$ 117,326</u>

**CITY OF CHARLOTTE, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS-(Continued)**  
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Capital asset activity for business-type activities for the year ended June 30, 2017 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<u>Business-type activities-</u>				
Water and Sewer:				
Capital assets, not being depreciated:				
Land	\$ 43,600	\$ 6,035	\$ -	\$ 49,635
Construction in progress	491,342	153,055	397,190	247,207
Total capital assets, not being depreciated	534,942	159,090	397,190	296,842
Capital assets, being depreciated:				
Buildings	27,770	2,097	-	29,867
Water and sewer systems	4,149,870	439,091	-	4,588,961
Intangibles	18,610	1,170	-	19,780
Machinery and equipment	39,143	5,197	2,180	42,160
Total capital assets being depreciated	4,235,393	447,555	2,180	4,680,768
Less accumulated depreciation for:				
Buildings	9,440	710	-	10,150
Water and sewer systems	1,452,455	106,702	-	1,559,157
Intangibles	14,996	1,191	-	16,187
Machinery and equipment	27,331	3,360	2,142	28,549
Total accumulated depreciation	1,504,222	111,963	2,142	1,614,043
Total capital assets, being depreciated, net	2,731,171	335,592	38	3,066,725
Water and Sewer capital assets, net	3,266,113	494,682	397,228	3,363,567
Storm Water:				
Capital assets, not being depreciated:				
Land	-	100	-	100
Construction in progress	191,540	53,605	68,886	176,259
Total capital assets, not being depreciated	191,540	53,705	68,886	176,359
Capital assets, being depreciated:				
Storm water systems	460,735	68,158	-	528,893
Intangibles	3,359	260	-	3,619
Machinery and equipment	69	-	33	36
Total capital assets being depreciated	464,163	68,418	33	532,548
Less accumulated depreciation for:				
Storm water systems	58,194	8,293	-	66,487
Intangibles	3,359	26	-	3,385
Machinery and equipment	69	-	33	36
Total accumulated depreciation	61,622	8,319	33	69,908
Total capital assets, being depreciated, net	402,541	60,099	-	462,640
Storm Water capital assets, net	594,081	113,804	68,886	638,999

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	Beginning Balance	Increases	Decreases	Ending Balance
<b>Airport:</b>				
Capital assets, not being depreciated:				
Land	\$ 306,101	\$ 2,873	\$ -	\$ 308,974
Construction in progress	104,147	171,174	33,696	241,625
Total capital assets, not being depreciated	410,248	174,047	33,696	550,599
Capital assets, being depreciated:				
Buildings	910,665	959	-	911,624
Runways	415,382	3,889	-	419,271
Other	148,865	14,428	-	163,293
Intangibles	3,317	1,324	-	4,641
Machinery and equipment	114,134	11,153	3,445	121,842
Total capital assets being depreciated	1,592,363	31,753	3,445	1,620,671
Less accumulated depreciation for:				
Buildings	459,804	26,523	-	486,327
Runways	157,858	11,892	-	169,750
Other	46,311	5,642	-	51,953
Intangibles	1,992	796	-	2,788
Machinery and equipment	33,781	11,210	3,230	41,761
Total accumulated depreciation	699,746	56,063	3,230	752,579
Total capital assets, being depreciated, net	892,617	(24,310)	215	868,092
Airport capital assets, net	1,302,865	149,737	33,911	1,418,691
<b>Public Transit:</b>				
Capital assets, not being depreciated:				
Land	56,864	-	-	56,864
Construction in progress	840,360	216,964	72,014	985,310
Total capital assets, not being depreciated	897,224	216,964	72,014	1,042,174
Capital assets, being depreciated:				
Buildings	121,602	-	-	121,602
Transit corridors	337,014	-	-	337,014
Other	36,584	-	-	36,584
Intangibles	8,605	-	-	8,605
Machinery and equipment	221,678	72,014	810	292,882
Total capital assets being depreciated	725,483	72,014	810	796,687
Less accumulated depreciation for:				
Buildings	50,382	5,697	-	56,079
Transit corridors	160,312	19,103	-	179,415
Other	26,404	2,133	-	28,537
Intangibles	7,695	437	-	8,132
Machinery and equipment	117,236	9,351	791	125,796
Total accumulated depreciation	362,029	36,721	791	397,959
Total capital assets, being depreciated, net	363,454	35,293	19	398,728
Public Transit capital assets, net	1,260,678	252,257	72,033	1,440,902
Business-type capital assets, net	\$ 6,423,737	\$ 1,010,480	\$ 572,058	\$ 6,862,159

**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, 2017, by fund:

	Interfund Receivables	Interfund Payables
Due to/from other funds:		
General	\$ 1,185	\$ 620
Capital Projects	-	1,600
Nonmajor Governmental	1,600	1,185
Internal Service - Employee Health and Life	620	-
Total	<u>\$ 3,405</u>	<u>\$ 3,405</u>

The balances between General and Nonmajor governmental are for reimbursable expenditures and will be paid within 30 days. The balances between Capital Projects and Nonmajor governmental 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	\$ 2,660	\$ -
Capital Projects	298	1,930
Nonmajor governmental	-	165
Enterprise - Airport	-	73
Component Unit - Authority	<u>2,168</u>	<u>2,958</u>
Total	<u>\$ 5,126</u>	<u>\$ 5,126</u>

Interfund transfers:

	Transfers In:						
Transfer out:	General	Debt Service	Capital Projects	Nonmajor Governmental	Enterprise - Water & Sewer	Public Transit	Total
General	\$ -	\$ 17,567	\$ 44,852	\$ 6,404	\$ -	\$ -	\$ 68,823
Debt Service	1,215	-	20,577	20,959	-	-	42,751
Capital Projects	379	-	-	9,696	3,381	22,243	35,699
Nonmajor governmental	3,715	61,812	4,047	-	-	-	69,574
Enterprise - Airport	-	-	222	-	-	-	222
Total	<u>\$ 5,309</u>	<u>\$ 79,379</u>	<u>\$ 69,698</u>	<u>\$ 37,059</u>	<u>\$ 3,381</u>	<u>\$ 22,243</u>	<u>\$ 217,069</u>

The transfers consist primarily of the following: (a) \$79,379 to Debt Service from nonmajor governmental and General to cover debt service costs, (b) \$69,698 to Capital Projects mainly from General and Debt Service to cover Capital Projects, (c) \$37,059 to nonmajor governmental from Debt Service, General and Capital Projects.

**CITY OF CHARLOTTE, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS-(Continued)**  
**JUNE 30, 2017**  
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h. Payables

Payables at June 30, 2017, including amounts payable from restricted assets, were as follows:

	<u>Vendors</u>	<u>Salaries</u>	<u>Other</u>	<u>Total</u>
<u>Governmental</u>				
General	\$ 21,471	\$ 6,914	\$ 25	\$ 28,410
Debt Service	25	-	-	25
Capital Projects	14,010	-	38	14,048
Nonmajor governmental	6,227	4	10	6,241
Total Governmental	<u>41,733</u>	<u>6,918</u>	<u>73</u>	<u>48,724</u>
<u>Proprietary</u>				
Water and Sewer	15,834	1,613	921	18,368
Storm Water	6,814	282	-	7,096
Airport	51,941	1,019	1,227	54,187
Public Transit	32,909	896	4,157	37,962
Internal Service	55,143	55	-	55,198
Total Business-type	<u>162,641</u>	<u>3,865</u>	<u>6,305</u>	<u>172,811</u>
Total	<u>\$ 204,374</u>	<u>\$ 10,783</u>	<u>\$ 6,378</u>	<u>\$ 221,535</u>

i. Deferred Outflows and Inflows of Resources and Unavailable Revenues

The City has several deferred outflows of resources. Deferred outflows of resources is comprised of the following:

	<u>City</u>	<u>Component Unit</u>
Contributions to the pension plan in current fiscal year	\$ 40,715	\$ 1,094
Pension deferrals	289,290	3,387
Accumulated decrease in fair value of hedging derivatives	80,004	-
Unamortized bond refunding charges	20,473	-
	<u>\$ 430,482</u>	<u>\$ 4,481</u>

Deferred inflows of resources at year-end is comprised of the following:

	<u>City</u>	<u>Component Unit</u>
Prepaid taxes	\$ 486	\$ -
Pension deferrals	8,691	179
	<u>\$ 9,177</u>	<u>\$ 179</u>



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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	\$ 8,285	\$ 1,847	\$ 278	\$ 121	\$ 10,531
Notes receivable	28	-	-	-	28
Accounts receivable	3,298	-	78	131	3,507
Due from component unit	-	2,820	298	-	3,118
	<u>\$ 11,611</u>	<u>\$ 4,667</u>	<u>\$ 654</u>	<u>\$ 252</u>	<u>\$ 17,184</u>

j. Long-term Liabilities

A summary of changes in long-term liabilities for governmental activities for the year ended June 30, 2017 follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b><u>Governmental Activities</u></b>					
General obligation bonds	\$ 570,993	\$ 116,230	\$ 39,846	\$ 647,377	\$ 45,631
Plus unamortized premiums	<u>76,456</u>	<u>19,377</u>	<u>5,990</u>	<u>89,843</u>	<u>6,441</u>
Total bonds payable	647,449	135,607	45,836	737,220	52,072
Special obligation bonds	6,215	-	1,115	5,100	1,175
Installment purchases	740,476	-	56,229	684,247	58,929
Plus unamortized premiums	28,100	-	3,452	24,648	3,147
Less unamortized discounts	<u>(721)</u>	<u>-</u>	<u>(32)</u>	<u>(689)</u>	<u>(32)</u>
Total installment purchases	767,855	-	59,649	708,206	62,044
General obligation bond anticipation notes	-	34,503	-	34,503	-
Commercial paper notes payable	133,323	1,677	135,000	-	-
Derivative instrument liability	67,220	-	21,728	45,492	-
Swaption borrowing payable	7,328	-	553	6,775	538
Compensated absences	51,964	37,214	32,888	56,290	26,039
Section 108 loan guarantee	5,780	-	-	5,780	-
Due to participants	11,596	1,019	-	12,615	-
Net pension liability (LGERS)	19,164	75,597	-	94,761	-
Total pension liability (LEO)	108,318	-	534	107,784	-
Unfunded OPEB liability	<u>15,272</u>	<u>2,819</u>	<u>-</u>	<u>18,091</u>	<u>-</u>
Total governmental activities	<u>\$ 1,841,484</u>	<u>\$ 288,436</u>	<u>\$ 297,303</u>	<u>\$ 1,832,617</u>	<u>\$ 141,868</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, 2017 follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b><u>Business-type Activities</u></b>					
<b>Water and Sewer:</b>					
General obligation bonds	\$ 122,851	\$ -	\$ 27,693	\$ 95,158	\$ 26,084
Plus unamortized premiums	15,266	-	2,191	13,075	2,001
Revenue bonds	1,403,080	-	48,795	1,354,285	52,520
Plus unamortized premiums	<u>108,230</u>	<u>-</u>	<u>4,853</u>	<u>103,377</u>	<u>4,853</u>
Total bonds payable	1,649,427	-	83,532	1,565,895	85,458
Installment purchases	12,482	-	3,590	8,892	3,448
Plus unamortized premiums	<u>628</u>	<u>-</u>	<u>264</u>	<u>364</u>	<u>206</u>
Total installment purchases	13,110	-	3,854	9,256	3,654
Revenue bond anticipation notes	18,118	46,801	-	64,919	-
Other financing agreements -					
Municipal systems	2,130	-	810	1,320	645
Derivative instrument liability	50,781	-	16,269	34,512	-
Refundable construction deposits	5,474	2,270	5,495	2,249	467
State revolving loan	-	2,753	-	2,753	138
Compensated absences	4,493	3,740	3,270	4,963	2,351
Net pension liability (LGERS)	<u>3,189</u>	<u>11,772</u>	<u>-</u>	<u>14,961</u>	<u>-</u>
Total Water and Sewer	<u>1,746,722</u>	<u>67,336</u>	<u>113,230</u>	<u>1,700,828</u>	<u>92,713</u>
<b>Storm Water:</b>					
General obligation bonds	6,156	-	931	5,225	975
Plus unamortized premiums	1,100	-	143	957	144
Revenue bonds	148,045	-	5,085	142,960	5,280
Plus unamortized premiums	<u>21,850</u>	<u>-</u>	<u>1,028</u>	<u>20,822</u>	<u>1,124</u>
Total bonds payable	177,151	-	7,187	169,964	7,523
Federal revolving loan	1,043	-	66	977	66
Compensated absences	617	684	600	701	442
Net pension liability (LGERS)	<u>572</u>	<u>1,924</u>	<u>-</u>	<u>2,496</u>	<u>-</u>
Total Storm Water	<u>179,383</u>	<u>2,608</u>	<u>7,853</u>	<u>174,138</u>	<u>8,031</u>
<b>Airport:</b>					
Revenue bonds	590,985	302,780	170,465	723,300	13,135
Plus unamortized premiums	<u>24,686</u>	<u>49,226</u>	<u>2,398</u>	<u>71,514</u>	<u>3,122</u>
Total bonds payable	615,671	352,006	172,863	794,814	16,257
Revenue bond anticipation notes	65,621	34,901	97,546	2,976	-
Compensated absences	2,665	2,137	1,736	3,066	1,304
Net pension liability (LGERS)	<u>1,944</u>	<u>6,491</u>	<u>-</u>	<u>8,435</u>	<u>-</u>
Total Airport	<u>685,901</u>	<u>395,535</u>	<u>272,145</u>	<u>809,291</u>	<u>17,561</u>
<b>Public Transit:</b>					
Installment purchases	250,375	114,950	4,755	360,570	4,825
Plus unamortized premiums	<u>11,773</u>	<u>-</u>	<u>900</u>	<u>10,873</u>	<u>900</u>
Total installment purchases	262,148	114,950	5,655	371,443	5,725
TIFIA loan agreement	88,353	49,332	-	137,685	-
Compensated absences	3,613	2,093	1,827	3,879	1,227
Net pension liability (LGERS)	<u>1,586</u>	<u>6,139</u>	<u>-</u>	<u>7,725</u>	<u>-</u>
Total Public Transit	<u>355,700</u>	<u>172,514</u>	<u>7,482</u>	<u>520,732</u>	<u>6,952</u>
Total business-type activities	<u>\$2,967,706</u>	<u>\$ 637,993</u>	<u>\$ 400,710</u>	<u>\$3,204,989</u>	<u>\$125,257</u>

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The government-wide statement of net position includes \$16,257 of long-term liabilities due within one year for business-type activities in the *liabilities payable from restricted assets*. The remaining amount of \$109,000 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, 2017
Governmental Activities:					
General Obligation Refunding Bonds, Series 2008	3.50% - 5.00%	06/05/2008	2024	\$ 11,674	\$ 4,266
General Obligation Refunding Bonds, Series 2009B	3.00% - 5.00%	10/29/2009	2029	122,315	85,380
General Obligation Refunding Bonds, Series 2009C	3.00% - 5.00%	01/12/2010	2027	86,795	48,160
General Obligation Refunding Bonds, Series 2012A	1.25% - 5.00%	04/12/2012	2033	175,495	145,410
General Obligation Taxable Housing Bonds, Series 2013A	1.00% - 4.15%	09/05/2013	2030	34,370	27,920
General Obligation Refunding Bonds, Series 2013B	2.00% - 5.00%	09/05/2013	2030	74,068	60,033
General Obligation Refunding Bonds, Series 2014A	1.75% - 5.00%	05/01/2014	2035	131,105	117,990
General Obligation Refunding Bonds, Series 2015	4.00% - 5.00%	06/01/2015	2025	51,895	41,988
General Obligation Refunding Bonds, Series 2016A	5.00%	11/01/2016	2037	116,230	116,230
Total Governmental Activities					<u>\$ 647,377</u>
Business-Type Activities:					
Water and Sewer:					
General Obligation Refunding Bonds, Series 2008	3.50% - 5.00%	06/05/2008	2024	170,776	\$ 62,405
General Obligation Refunding Bonds, Series 2013B	2.00% - 5.00%	09/05/2013	2020	30,045	12,485
General Obligation Refunding Bonds, Series 2015	4.00% - 5.00%	06/01/2015	2023	27,144	20,268
Total Water and Sewer					<u>95,158</u>
Storm Water:					
General Obligation Refunding Bonds, Series 2008	3.50% - 5.00%	06/05/2008	2024	1,585	579
General Obligation Refunding Bonds, Series 2013B	2.00% - 5.00%	09/05/2013	2020	137	127
General Obligation Refunding Bonds, Series 2015	4.00% - 5.00%	06/01/2015	2023	6,051	4,519
Total Storm Water					<u>5,225</u>
Total Business-type activities					<u>\$ 100,383</u>

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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.

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

Governmental Activities

Year Ended		
June 30	Principal	Interest
2018	\$ 45,631	\$ 29,505
2019	45,765	27,398
2020	45,980	25,345
2021	46,737	23,159
2022	46,704	20,870
2023-2027	226,400	71,410
2028-2032	135,040	24,828
2033-2037	55,120	4,245
	<u>\$ 647,377</u>	<u>\$ 226,760</u>

Business-type Activities

Year Ended	Water and Sewer		Storm Water	
June 30	Principal	Interest	Principal	Interest
2018	\$ 26,084	\$ 4,018	\$ 975	\$ 236
2019	23,563	2,794	827	191
2020	17,641	1,781	804	151
2021	14,244	983	839	109
2022	5,652	497	924	66
2023-2024	7,974	269	856	22
	<u>\$ 95,158</u>	<u>\$ 10,342</u>	<u>\$ 5,225</u>	<u>\$ 775</u>

(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.

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

<u>Governmental Activities</u>		
Year Ended		
June 30	Principal	Interest
2018	\$ 1,175	\$ 58
2019	1,240	45
2020	1,305	31
2021	1,380	16
	<u>\$ 5,100</u>	<u>\$ 150</u>

(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, 2017
Water and Sewer, Series 2006B	Variable	07/26/2006	2037	\$300,000	\$ 152,830
Water and Sewer, Series 2008	3.50% - 5.00%	09/10/2008	2039	342,715	295,330
Water and Sewer, Refunding Series 2009	3.00% - 5.25%	08/25/2009	2036	93,765	81,220
Water and Sewer, Series 2009B	3.50% - 5.00%	12/09/2009	2040	366,380	331,570
Water and Sewer, Refunding Series 2011	1.50% - 5.00%	08/03/2011	2025	93,390	62,385
Water and Sewer, Refunding Series 2015	1.00% - 5.00%	08/27/2015	2046	459,585	430,950
Total Water and Sewer					<u>1,354,285</u>
Storm Water, Refunding Series 2012	2.00% - 5.00%	11/13/2012	2025	20,585	14,845
Storm Water, Refunding Series 2014	3.50% - 5.00%	11/04/2014	2044	101,815	96,905
Storm Water, Refunding Series 2016	1.50% - 5.00%	06/09/2016	2036	32,355	31,210
Total Storm Water					<u>142,960</u>
Airport, Series 2010A	2.00% - 5.50%	02/10/2010	2040	130,100	115,490
Airport, Refunding Series 2010B	1.25% - 5.50%	02/10/2010	2029	67,770	47,685
Airport, Series 2011A	2.00% - 5.00%	11/09/2011	2042	76,100	69,500
Airport, Series 2011B	2.00% - 5.00%	11/09/2011	2042	34,250	31,305
Airport Special Facility, Series 2011 CONRAC	2.48% - 6.06%	11/09/2011	2042	60,295	57,110
Airport, Refunding Series 2014A	5.00%	11/06/2014	2035	74,290	74,290
Airport, Refunding Series 2014B	2.00% - 5.00%	11/06/2014	2024	31,100	25,140
Airport, Series 2017A	5.00%	06/01/2017	2048	167,385	167,385
Airport, Series 2017B	5.00%	06/01/2017	2048	16,345	16,345
Airport, Refunding Series 2017C	3.25% - 5.00%	06/01/2017	2042	119,050	119,050
Total Airport					<u>723,300</u>
Total Business-type activities					<u>\$2,220,545</u>

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Interest on the variable-rate bonds is determined by a remarketing agent based upon market conditions. The City entered into an interest rate swap agreement for the variable rate Water and Sewer Revenue Bonds Series 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.

An amended and restated Revenue Bond Order for General Airport Revenue Bonds was adopted by City Council on April 24, 2017 and subsequently ratified by existing bond holders. The revised bond order eliminated extraneous references; modernized provisions to reflect current market standards for airport revenue bonds; revised covenants and other provisions to conform to current operations of the Airport; simplified reporting and administrative responsibilities; and provided for operational and financial flexibility for future performance of the Airport.

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 2017 Water and Sewer Fund budgets, revenue bond debt service coverage was at least 154 percent. Based on the 2017 Storm Water Fund budgets, revenue bond debt service coverage was at least 441 percent.

The 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.

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Revenue bond debt service requirements to maturity are as follows:

Business-type Activities

Year Ended	Water and Sewer		Storm Water		Airport	
June 30	Principal	Interest	Principal	Interest	Principal	Interest
2018	\$ 52,520	\$ 58,183	\$ 5,280	\$ 6,044	\$ 13,135	\$ 29,194
2019	56,650	55,872	5,520	5,805	14,780	34,620
2020	58,690	53,281	5,780	5,540	19,975	33,870
2021	61,470	50,579	6,060	5,263	20,845	32,977
2022	64,410	47,718	6,345	4,976	21,930	31,952
2023-2027	303,970	195,430	31,725	20,434	140,100	141,122
2028-2032	259,530	134,974	31,970	13,494	158,185	101,964
2033-2037	313,915	75,398	26,850	7,506	154,325	63,647
2038-2042	146,540	18,818	16,010	3,285	118,040	29,434
2043-2047	36,590	3,001	7,420	300	50,355	9,447
2048	-	-	-	-	11,630	291
	<u>\$1,354,285</u>	<u>\$ 693,254</u>	<u>\$142,960</u>	<u>\$ 72,647</u>	<u>\$723,300</u>	<u>\$508,518</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, 2017
Governmental activities:					
Convention Center, Refunding Series 2013H	1.51%	10/22/2013	2020	\$ 61,720	\$ 31,285
Convention Center, Refunding Series 2016A	5.00%	06/01/2016	2026	33,010	33,010
Convention Center, Series 2009B	2.00% - 5.00%	06/25/2009	2034	30,620	24,580
Convention Center, Series 2013I	2.94%	10/22/2013	2023	28,125	16,865
Convention Center, Series 2015A	.86% - 2.97%	05/14/2015	2023	39,335	30,020
Convention Center, Series 2016B	.97% - 2.45%	06/01/2016	2023	23,685	20,460
Tourism, Series 2003F	Variable	05/29/2003	2034	41,000	19,785
Tourism, Refunding Series 2013G	Variable	05/30/2013	2033	128,245	108,555
Tourism, Series 2015C	4.00% - 5.00%	06/25/2015	2020	13,871	8,685
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	83,270
Cultural Facilities, Series 2009E	3.00% - 5.00%	09/30/2009	2039	139,135	121,975
Public Safety, Series 2005A	Variable	04/06/2005	2025	15,725	7,595
Public Safety, Series 2009A	3.00% - 5.00%	06/25/2009	2029	28,470	20,040
Public Safety, Series 2010A	3.63% - 5.00%	05/27/2010	2024	13,685	7,355
Public Safety, Series 2012A	1.25% - 5.00%	01/04/2012	2032	23,195	17,395
Public Safety, Series 2013A	2.00% - 5.00%	04/04/2013	2033	16,700	14,435
Public Safety, Series 2014A	3.00% - 5.00%	03/27/2014	2034	16,225	13,780
Public Safety, Series 2015C	3.13% - 5.00%	06/25/2015	2035	45,820	41,235
Public Safety, Refunding Series 2012A	1.25% - 5.00%	01/04/2012	2021	1,990	975
Public Safety, Refunding Series 2015C	4.00% - 5.00%	06/25/2015	2025	10,860	9,065
Public Safety Equipment, Series 2009A	3.00% - 5.00%	06/25/2009	2019	13,205	3,145
Equipment, Series 2013A	2.00% - 5.00%	04/04/2013	2018	18,108	3,971
Equipment, Series 2014A	3.00% - 5.00%	03/27/2014	2019	19,644	8,429
Equipment, Series 2015C	4.00% - 5.00%	06/25/2015	2020	1,665	1,042
Total Governmental activities					<u>\$ 684,247</u>

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Purpose	Interest Rates	Date Issued	Final Maturity	Original Issue	Balance June 30, 2017
Business-type activities:					
Water and Sewer:					
Equipment, Series 2013A	2.00% - 5.00%	04/04/2013	2018	3,942	\$ 865
Equipment, Series 2014A	3.00% - 5.00%	03/27/2014	2019	3,906	1,676
Equipment, Series 2015C	4.00% - 5.00%	06/25/2015	2020	4,254	2,663
Equipment, Series 2016	1.32%	06/07/2016	2021	4,600	3,688
Total Water and Sewer					<u>8,892</u>
Public Transit:					
Equipment and Facilities, Series 2008A	3.50% - 5.00%	06/04/2008	2035	34,965	27,690
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	42,160
Equipment and Facilities, Series 2013F	Variable	05/04/2013	2021	50	50
Equipment and Facilities, Series 2013F	Variable	06/12/2017	2021	114,950	114,950
Equipment and Facilities, Refunding Series 2015B	2.00% - 5.00%	06/18/2015	2035	56,470	52,580
Total Public Transit					<u>360,570</u>
Total Business-type activities					<u>\$ 369,462</u>

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 Hall of Fame 2009D and Tourism Refunding Series 2013G. See note 4.j.8 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.

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Installment purchases debt service requirements to maturity are as follows:

Governmental Activities

Year Ended

June 30	Principal	Interest
2018	\$ 58,929	\$ 20,938
2019	57,068	19,228
2020	54,055	17,593
2021	41,420	16,171
2022	42,605	14,856
2023-2027	155,115	57,935
2028-2032	130,995	38,040
2033-2037	109,645	19,629
2038-2039	34,415	2,559
	<u>\$ 684,247</u>	<u>\$ 206,949</u>

Business-type Activities

Year Ended

June 30	Water and Sewer		Public Transit	
	Principal	Interest	Principal	Interest
2018	\$ 3,448	\$ 240	\$ 4,825	\$ 11,265
2019	2,682	121	5,065	11,086
2020	1,882	42	5,300	10,853
2021	880	6	120,555	10,594
2022	-	-	128,930	8,082
2023-2027	-	-	33,380	17,499
2028-2032	-	-	41,045	9,843
2033-2035	-	-	21,470	1,742
	<u>\$ 8,892</u>	<u>\$ 409</u>	<u>\$ 360,570</u>	<u>\$ 80,964</u>

(5) General Obligation Bond Anticipation Note

The City has available a general obligation bond anticipation note program to finance street improvements, neighborhood improvements, public improvements and housing projects. The aggregate principal amount of the note outstanding at any one time shall not exceed \$150,000. The note is a general obligation of the City, and the City has pledged its faith and credit to the payment of the principal of and interest on the note. In addition, the City has entered into a Note Purchase and Advance Agreement. The note will be replaced by general obligation bonds. The note will mature no later than the third anniversary of the closing date or November 1, 2019. The City had general obligation bond anticipation notes payable of \$34,503 outstanding at June 30, 2017. Interest rates are based upon market conditions.

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General obligation bond note debt service requirements to maturity are as follows:

<u>Governmental Activities</u>		
Year Ended		
<u>June 30</u>	<u>Principal</u>	<u>Interest</u>
2018	\$ -	\$ 366
2019	-	365
2020	34,503	124
	<u>\$ 34,503</u>	<u>\$ 855</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 September 16, 2018. The City had Water and Sewer revenue bond anticipation notes payable of \$64,919 outstanding at June 30, 2017. Interest rates are based upon market conditions.

The City has available an Airport revenue bond anticipation note program to finance the cost of Airport improvements. The aggregate principal amount of the note outstanding at any one time shall not exceed \$175,000. The note is payable from net revenues of the Airport. 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 general Airport revenue bonds. The note will mature no later than the third anniversary of the closing date or August 1, 2020. The City had Airport revenue bond anticipation notes payable of \$2,976 outstanding at June 30, 2017. 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		Airport	
June 30	Principal	Interest	Principal	Interest
2018	\$ -	\$ 672	\$ -	\$ 37
2019	64,919	144	-	37
2020	-	-	-	36
2021	-	-	2,976	3
	<u>\$ 64,919</u>	<u>\$ 816</u>	<u>\$ 2,976</u>	<u>\$ 113</u>

(7) Other Long-term Liabilities

(a) Section 108 Loan Guarantee

The loan guarantee is a 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
2018	\$ -	\$ 242
2019	-	242
2020	77	241
2021	517	228
2022	543	206
2023-2027	3,151	655
2028-2029	1,492	63
	<u>\$ 5,780</u>	<u>\$ 1,877</u>

(b) Transportation Infrastructure Finance and Innovation Act (TIFIA) Loan

On September 17, 2015 the City entered into a \$180,000 Transportation Infrastructure Finance and Innovation Act (TIFIA) loan from the U.S. Department of Transportation to fund the local portion of the Transit Blue Line Extension. As of June 30, 2017 \$137,685 was outstanding under this agreement. The maturity date is June 1, 2048.

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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>
2018	\$ -	\$ 4,227
2019	2,861	4,183
2020	2,944	4,094
2021	3,045	4,002
2022	3,133	3,907
2023-2027	17,169	18,010
2028-2032	19,967	16,524
2033-2037	23,234	10,495
2038-2042	27,022	8,005
2043-2047	31,433	3,526
2048	6,877	105
	<u>\$ 137,685</u>	<u>\$ 77,078</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>
2018	\$ 645	\$ 67
2019	425	35
2020	250	13
	<u>\$ 1,320</u>	<u>\$ 115</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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(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>	
Year Ended	
<u>June 30</u>	<u>Principal</u>
2018	\$ 66
2019	66
2020	66
2021	66
2022	66
2023-2027	331
2028-2032	316
	<u>\$ 977</u>

(e) State Revolving Loan

Pursuant to the North Carolina Clean Water Revolving Loan & Grant Act of 1987, the City was awarded a state revolving loan through the North Carolina Department of Environment and Natural Resources. The City utilized loan proceeds to construct wastewater treatment works projects. The maximum loan term is twenty years with zero percent interest. Debt service requirements to maturity are as follows:

<u>Business-type Activities</u>	
Year Ended	
<u>June 30</u>	<u>Principal</u>
2018	\$ 138
2019	138
2020	138
2021	138
2022	137
2023-2027	688
2028-2032	688
2033-2037	688
	<u>\$ 2,753</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, 2017, the City had no liability for estimated arbitrage profits payable.

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(8) Derivative Instruments

The fair value balances and notional amounts of derivative instruments outstanding at June 30, 2017 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		\$21,728	Debt	\$(45,492)	\$191,825
Business-type activities						
Cash flow hedges:						
Pay-fixed interest rate swap	Deferred outflow		\$16,269	Debt	\$(34,512)	\$152,830

The mid-market values of the interest rate swaps were estimated using the income approach. This method calculates the future net settlement payments required by the swap, assuming that the current forward rates implied by the yield curve correctly anticipate future spot interest rates. These payments are then discounted to a single net present value amount. The interest rate swaps are classified in Level 3 as the valuation relies primarily on unobservable inputs.

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:

<u>Type</u>	<u>Objective</u>	<u>Notional Amount</u>	<u>Effective Date</u>	<u>Maturity Date</u>	<u>Terms</u>	<u>Counterparty Credit Rating</u>
Pay-fixed interest rate swap	Hedge of changes in cash flows on the 2006B Water and Sewer Revenue Bonds	\$152,830	8/1/2006	7/1/2036	Pay 4.04%; receive SIFMA swap index	Aa2/AA-
Pay-fixed interest rate swap	Hedge of changes in cash flows on the 2009D Hall of Fame Certificates of Participation	\$ 83,270	8/18/2009	6/1/2035	Pay 4.725%; receive LIBOR	Aa2/AA-
Pay-fixed interest rate swap	Hedge of changes in cash flows on the 2013G Tourism Certificates of Participation	\$108,555	6/1/2013	6/1/2033	Pay 5.10%; receive SIFMA swap index	Aa2/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.



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*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 2006B agreement was 0.76 percent, whereas the bond floating rate paid by the City was 0.88 percent. As of June 30 the rate received by the City for the 2009D agreement was 1.14 percent, whereas the bond floating rate paid by the City was 1.12 percent. As of June 30 the rate received by the City for the 2013G agreement was 1.13 percent, whereas the bond floating rate paid by the City was 0.89 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.

*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.

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<u>Governmental Activities</u>				
Year Ended	<u>Variable Rate Instruments</u>		Hedging	
June 30	Principal	Interest	Derivatives, Net	Total
2018	\$ 8,510	\$ 1,900	\$ 7,549	\$ 17,959
2019	8,935	1,816	7,229	17,980
2020	9,400	1,731	6,877	18,008
2021	9,920	1,637	6,491	18,048
2022	10,450	1,542	6,100	18,092
2023-2027	61,245	6,076	23,772	91,093
2028-2032	63,305	2,837	10,503	76,645
2033-2035	20,060	367	1,222	21,649
	<u>\$ 191,825</u>	<u>\$ 17,906</u>	<u>\$ 69,743</u>	<u>\$ 279,474</u>

<u>Business-type Activities</u>				
Year Ended	<u>Variable Rate Bonds</u>		Hedging	
June 30	Principal	Interest	Derivatives, Net	Total
2018	\$ 4,895	\$ 1,199	\$ 4,838	\$ 10,932
2019	5,070	1,279	4,594	10,943
2020	5,265	1,234	4,431	10,930
2021	5,470	1,187	4,261	10,918
2022	5,660	1,138	4,085	10,883
2023-2027	31,605	4,888	17,553	54,046
2028-2032	37,785	3,365	12,083	53,233
2033-2037	57,080	1,456	5,230	63,766
	<u>\$ 152,830</u>	<u>\$ 15,746</u>	<u>\$ 57,075</u>	<u>\$ 225,651</u>

*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 (\$80,004). 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 November 2016, the City issued \$116,230 in fixed rate general obligation refunding bonds. The net proceeds of \$135,002 (after payment of \$605 in underwriting fees, insurance and other issue costs) were used to refund \$135,000 of outstanding commercial paper certificates of participation. The fixed rate general obligation bonds have interest rates ranging from 1.50 to 5.00 percent with a final maturity in 2037.

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In June 2017, the City issued \$119,050 in Airport Revenue Refunding Bonds, Series 2017C with interest rates ranging from 3.25 to 5.00 percent. The net proceeds of \$138,850 (after payment of \$1,044 in underwriting fees, insurance and other issue costs); \$1,934, \$3,137, \$5,409, and \$1,860 in debt service reserve funds of the 2007A, 2008D, 2009B and 2011C bonds, respectively; and \$2,700 and \$1,662 of construction funds on hand of the 2007A and 2011C bonds, respectively were used to refund \$80,030 of outstanding fixed rate Airport Revenue Bonds, series 2007A; \$18,770 of outstanding variable rate Airport Revenue Bonds, series 2007B; \$36,830 of outstanding variable rate Airport Revenue Refunding Bonds, series 2008D; and \$6,765 of outstanding variable rate Airport Revenue Bonds, series 2011C and fund the debt service reserve fund for the 2017C bonds. The refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$179. This difference, reported in the accompanying financial statements as a deduction from revenue bonds payable, is being charged to operations through the year 2030 using the effective interest method. The City completed the refunding to reduce the total debt service payments over a period of 21 years by \$24,586 and to obtain an economic gain (difference between the present values of the old and new debt service payments) of \$19,436 for the 2007A series refunding and to reduce the total debt service payments over a period of 25 years by \$9,962 and to obtain an economic gain (difference between the present values of the old and new debt service payments) of \$7,298 for the 2007B, 2008D and 2011C series refundings.

(10) Other Debt Information

As of June 30, 2017, the City has authorized but unissued bonds of \$462,915 consisting of \$355,709 for street improvements, \$30,004 for housing and \$77,202 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, 2017, the City's legal debt limit was \$7,472,667. The outstanding debt subject to this limit was \$2,365,043, leaving a net legal debt margin of \$5,107,624.

(11) Subsequent Event

On August 14, 2017, the City defeased \$1,412 of the Section 108 loan guarantee.

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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	\$ 180,414
Less:	
Inventories	1,218
Long-term notes receivable	28
Stabilization by State Statute	65,499
Committed for Component unit	3,441
Assigned for Public Safety	463
Fund balance policy	107,014
Remaining Fund Balance-Committed for Capital Projects	<u>\$ 2,751</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 (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.

The Statement of Net Position consolidates the deferred outflows of resources, net pension liability and deferred inflows of resources related to pensions for both the LGERS, System and LEO as follows:

	LGERS	System	LEO	Total
Deferred Outflows of Resources - City contributions subsequent to the measurement date	\$ 28,613	\$ 9,106	\$ 2,996	\$ 40,715
Other Deferred Outflows	82,349	206,941	-	289,290
Net Pension Liability	128,378	262,703	107,784	498,865
Deferred Inflows of Resources - Pension deferrals	4,569	2,194	1,928	8,691

Detailed information for all plans follows.

a. Local Governmental Employees' Retirement System (LGERS)

*Plan Description.* The City of Charlotte and the Charlotte Regional Visitors Authority (Authority), a component unit of the City, are participating employers in the statewide Local Governmental Employees' Retirement System (LGERS), a cost-sharing multiple-employer defined benefit pension plan administered

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by the State of North Carolina. LGERS membership is comprised of general employees and local law enforcement officers (LEOs) of participating local governmental entities. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. Management of the plan is vested in the LGERS Board of Trustees, which consists of 13 members – nine appointed by the Governor, one appointed by the State Senate, one appointed by the State House of Representatives, and the State Treasurer and State Superintendent, who serve as ex-officio members. The Local Governmental Employees' Retirement System 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 Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, by calling (919) 981-5454, or at [www.osc.nc.gov](http://www.osc.nc.gov).

*Benefits Provided.* LGERS provides retirement and survivor benefits. Retirement benefits are determined as 1.85% of the member's average final compensation times the member's years of creditable service. A member's average final compensation is calculated as the average of a member's four highest consecutive years of compensation. Plan members are eligible to retire with full retirement benefits at age 65 with five years of creditable service, at age 60 with 25 years of creditable service, or at any age with 30 years of creditable service. Plan members are eligible to retire with partial retirement benefits at age 50 with 20 years of creditable service or at age 60 with five years of creditable service (age 55 for firefighters). Survivor benefits are available to eligible beneficiaries of members who die while in active service or within 180 days of their last day of service and who have either completed 20 years of creditable service regardless of age (15 years of creditable service for firefighters and rescue squad members who are killed in the line of duty) or have completed five years of service and have reached age 60. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions. The plan does not provide for automatic post-retirement benefit increases. Increases are contingent upon actuarial gains of the plan.

LGERS plan members who are LEOs are eligible to retire with full retirement benefits at age 55 with five years of creditable service as an officer, or at any age with 30 years of creditable service. LEO plan members are eligible to retire with partial retirement benefits at age 50 with 15 years of creditable service as an officer. Survivor benefits are available to eligible beneficiaries of LEO members who die while in active service or within 180 days of their last day of service and who also have either completed 20 years of creditable service regardless of age, or have completed 15 years of service as a LEO and have reached age 50, or have completed five years of creditable service as a LEO and have reached age 55, or have completed 15 years of creditable service as a LEO if killed in the line of duty. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions.

*Contributions.* Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. City of Charlotte and Authority employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. Contractually required contribution rates for the year ended June 30,

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2017, were 8.00% of compensation for law enforcement officers for the City and 7.25% for general employees for the City and the Authority, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the City of Charlotte and the Authority, respectively, were \$28,613 and \$1,094 for the year ended June 30, 2017.

*Refunds of Contributions.* City and Authority employees who have terminated service as a contributing member of LGERS, may file an application for a refund of their contributions. By state law, refunds to members with at least five years of service include 4% interest. State law requires a 60 day waiting period after service termination before the refund may be paid. The acceptance of a refund payment cancels the individual's right to employer contributions or any other benefit provided by LGERS.

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

City of Charlotte – At June 30, 2017, the City reported a liability of \$128,378 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2015. The total pension liability was then rolled forward to the measurement date of June 30, 2016 utilizing update procedures incorporating the actuarial assumptions. The City's proportion of the net pension liability was based on a projection of the City's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2016, the City's proportion was 6.0489%, which was an increase of 0.1543% from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the City recognized pension expense of \$34,575. At June 30, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 2,412	\$ 4,499
Changes of assumptions	8,793	-
Net difference between projected and actual earnings on pension plan investments	70,977	-
Changes in proportion and differences between City contributions and proportionate share of contributions	167	70
City contributions subsequent to the measurement date	28,613	-
Total	<u>\$ 110,962</u>	<u>\$ 4,569</u>

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\$28,613 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as an increase of the net pension asset in the year ended June 30, 2018. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:		
2018	\$	11,834
2019		11,843
2020		33,726
2021		20,377
2022		-
Thereafter		-
	\$	<u>77,780</u>

Component Unit – At June 30, 2017, the Authority reported a liability of \$5,114 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2015. The total pension liability was then rolled forward to the measurement date of June 30, 2016 utilizing update procedures incorporating the actuarial assumptions. The Authority's proportion of the net pension liability was based on a projection of the Authority's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2016, the Authority's proportion was 0.219%, which was an increase of 0.0042% from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the Authority recognized pension expense of \$1,404. At June 30, 2017, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 96	\$ 179
Changes of assumptions	350	-
Net difference between projected and actual earnings on pension plan investments	2,828	-
Changes in proportion and differences between Authority contributions and proportionate share of contributions	113	-
Authority contributions subsequent to the measurement date	1,094	-
Total	<u>\$ 4,481</u>	<u>\$ 179</u>

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\$1,094 reported as deferred outflows of resources related to pensions resulting from Authority contributions subsequent to the measurement date will be recognized as an increase of the net pension asset in the year ended June 30, 2017. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:		
2018	\$	506
2019		506
2020		1,368
2021		828
2022		-
Thereafter		-
	\$	<u>3,208</u>

*Actuarial Assumptions.* The total pension liability in the December 31, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.00%
Salary increases	3.50 to 7.75%, including inflation and productivity factor
Investment rate of return	7.25%, net of pension plan investment expense, including inflation

The plan currently uses mortality tables that vary by age, gender, employee group (i.e. general, law enforcement officer) and health status (i.e. disabled and healthy). The current mortality rates are based on published tables and based on studies that cover significant portions of the U.S. population. The healthy mortality rates also contain a provision to reflect future mortality improvements.

The actuarial assumptions used in the December 31, 2015 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

Future ad hoc COLA amounts are not considered to be substantively automatic and are therefore not included in the measurement.

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.



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The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2016 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Fixed Income	29.0%	1.4%
Global Equity	42.0%	5.3%
Real Estate	8.0%	4.3%
Alternatives	8.0%	8.9%
Credit	7.0%	6.0%
Inflation Protection	6.0%	4.0%
Total	100.0%	

The information above is based on 30 year expectations developed with the consulting actuary for the 2016 asset liability and investment policy study for the North Carolina Retirement Systems. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.00%. All rates of return and inflation are annualized.

*Discount rate.* The discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

*Sensitivity of the proportionate share of the net pension asset to changes in the discount rate.* The following presents the City and the Authority's proportionate share of the net pension asset calculated using the discount rate of 7.25 percent, as well as what the City and the Authority's proportionate share of the net pension asset or net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.25 percent) or one percentage point higher (8.25 percent) than the current rate:

*Pension plan fiduciary net position.* Detailed information about the pension plan's fiduciary net position is available in the separately issued Comprehensive Annual Financial Report (CAFR) for the State of North Carolina.

	1% Decrease (6.25%)	Discount Rate (7.25%)	1% Increase (8.25%)
City's proportionate share of the net pension liability (asset)	\$ 304,701	\$ 128,378	\$ (18,900)
Authority	12,137	5,114	(753)

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b. Charlotte Firefighters' Retirement System (System)

*Plan Description.* The Charlotte Firefighters' Retirement System (System) administers the Charlotte Firefighter's Retirement System Plan, a single-employer defined benefit pension plan. System membership is comprised of civil service employees of the Charlotte Fire Department. Section 12 of G.S. Chapter 926 of the 1947 Session Laws, as amended, officially known as the Charlotte Firefighters' Retirement System Act (Act), assigns the authority to establish and amend benefit provisions to the System. Management of the plan is vested in the System's Board of Trustees, which consists of 11 members – four appointed by the Resident Judge of the Superior Court of Mecklenburg County, three who serve by virtue of their positions with the City of Charlotte, three elected by the members and one elected by the retirees. The System 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, or by calling (704) 336-4431.

*Plan Membership.* At June 30, 2016, the Measurement Date, System membership consisted of the following:

Retired participants and beneficiaries currently receiving benefits	647
Terminated participants and beneficiaries entitled to benefits but not yet receiving benefits	14
Active participants	1,030
Total	<u>1,691</u>

*Basis of Accounting.* For purposes of measuring the net pension liability, deferred outflows of resources related to pensions, and pension expense, information about the fiduciary net position of the System and additions to/deductions from fiduciary net position have been determined on the same basis as they are reported by the System. Contributions are recognized in the period in which contributions are due. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. Interest and dividend income is reported as earned. The net appreciation in the fair value of investments includes realized gains and losses on investments that were both bought and sold during the year.

*Benefits Provided.* The System provides retirement and permanent and total disability benefits to the uniformed employees of the Fire Department of the City of Charlotte. Retirement benefits are determined as 2.6% of the member's average final salary multiplied by the years of credited service. A member's average final salary is calculated as the monthly average received by the member during any 2 consecutive years of membership which produces the highest average and is contained within the last 5 years of membership. Plan members are eligible to retire with full retirement benefits at age 60 with five years of creditable service, at age 50 with 25 years of creditable service, or at any age with 30 years of creditable service. Plan members are eligible to retire with partial retirement benefits with 25 years of creditable service. Early retirement benefits are reduced by 3 percent for each year the early retirement

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date precedes age 50. Survivor benefits are available to eligible beneficiaries of members who die while in active service. Eligible beneficiaries may elect to receive a lump sum equal to the return of the member's accumulated contributions, plus those contributions made by the City on his behalf, plus interest of 4% per year. In lieu of the lump sum, the beneficiary may elect an annuity which is the actuarial equivalent of the lump sum. The plan does not provide for automatic post-retirement benefit increases.

*Contributions.* Benefit and contribution provisions are established by State law and may be amended only by the North Carolina legislature. Charlotte Firefighters' Retirement System employees and the City are each required to contribute 12.65%. Contributions to the pension plan from the City were \$9,106 for the year ended June 30, 2017.

*Refunds of Contributions.* If an employee ceases employment with less than 5 years of service credit, accumulated employee contributions are refunded to the employee or designated beneficiary. After 5 or more years of service, the employee may elect to receive a refund of the employee's accumulated contributions with interest compounded annually at 4% or receive an accrued benefit at age 60.

*Method Used to Value Investments.* The investments of the System are reported at fair value. Securities and mutual funds 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 value.

*Investment Policy.* The North Carolina Act (Act) which established the System requires the Board of Trustees to act with the same care, skill, prudence and diligence under the circumstances then prevailing, that a prudent person acting in a similar capacity and familiar with those matters would use in the conduct of a similar enterprise with similar aims. The Act requires the Trustees to design an investment plan to further the purpose of the System by giving consideration to the following: (a) diversification of investments, (b) liquidity and return relative to cash flow needs and (c) projected return. In accordance with the Act, the Board of Trustees has developed and periodically revises a policy statement of investment goals, objectives, and guidelines, which specifically define vehicles that may be used for the investment of System funds. The System invests in United States government securities, corporate bonds, common stocks and mutual funds.

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*Concentrations.* The System had individual fixed income or equity investments at June 30 managed by the following organizations that represented 5 percent or more of the System's net position:

State Street Global Advisors	21%
Barrow, Hanley, MeWhinney & Strauss	15
Morgan Stanley Dean Witter	14
Winslow Capital Management	8
Aronson + Johnson + Ortiz	7
UBS Trumbull Property Fund	6
Colchester	5
T Rowe Price International	5

*Rate of Return.* For the year ended June 30, 2016, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was .78 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

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

At June 30, 2016 the System (FFR) reported a liability of \$262,703. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2016.

*Actuarial Assumptions.* The total pension liability in the July 1, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.00%
Salary increases	3.75 to 9.00%, including inflation
Investment rate of return	7.50%, net of pension plan investment expense, including inflation

The plan currently uses mortality rates based on the RP-2000 Combined Mortality Table projected generationally with Scale AA for the period after service retirement. The RP-2000 Combined Mortality Table set forward one year for males and set forward two years for females and projected generationally with Scale AA is used for dependent beneficiaries. The RP-2000 Employee Mortality Table set back two years for males and projected generationally with Scale AA is used for deaths in active service. The RP-2000 Disabled Mortality Table set back six years for males and set forward one year for females is used for the period after disability retirement.

The actuarial assumptions used in the July 1, 2016 valuation were based on the results of an actuarial experience study for the period July 1, 2009 through June 30, 2014.

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Future ad hoc COLA amounts are not considered to be substantively automatic and are therefore not included in the measurement.

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

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Broad Domestic Equity	36.0%	7.6%
International Equity	26.0%	7.5%
Domestic Fixed Income	23.0%	3.0%
Non US Fixed Income	5.0%	2.3%
Real Estate	10.0%	6.2%
Total	<u>100.0%</u>	

*Discount rate.* The discount rate used to measure the total pension liability was 5.22 percent. The projection of cash flows used to determine the discount rate assumed that plan member contributions and employer contributions will be made at the current contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members until the plan year ending June 30, 2051. Therefore, the long-term expected rate of return on pension plan investments of 7.50% was applied to all periods of projected benefit payments through June 30, 2051 and the applicable municipal bond index rate of 3.01%, based on the Bond Buyer General Obligation 20- year Municipal Bond Index published monthly by the Board of Governors of the Federal Reserve System as of June 30, 2016, was applied to all periods of projected benefit payments after June 30, 2051. The Single Equivalent Interest Rate (SEIR) of 5.22% that discounts the entire projected benefit stream to the same amount as the sum of the present values of the two separate benefit payments streams was used to determine the total pension liability as of June 30, 2016.

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Changes in the Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balances at June 30, 2015	\$ 504,487	\$ 484,575	\$ 19,912
Service cost	15,387	-	15,387
Interest	37,984	-	37,984
Difference between expected and actual experience	(2,503)	-	(2,503)
Changes of Assumptions or other inputs	211,217	-	211,217
Contributions - employer	-	8,694	(8,694)
Contributions - employee	-	8,991	(8,991)
Net investment income	-	2,266	(2,266)
Benefit payments, including refunds of employee contributions	(28,749)	(28,749)	-
Administrative expense	-	(657)	657
Net change	233,336	(9,455)	242,791
Balances at June 30, 2016	\$ 737,823	\$ 475,120	\$ 262,703

*Sensitivity of the proportionate share of the net pension asset to changes in the discount rate.* The following presents the System's net pension liability calculated using the discount rate of 5.22 percent, as well as what the net pension asset or net pension liability would be if it were calculated using a discount rate that is one percentage point lower (4.22 percent) or one percentage point higher (6.22 percent) than the current rate:

	1% Decrease (4.22%)	Discount Rate (5.22%)	1% Increase (6.22%)
CFRSP's net pension liability (asset)	\$ 365,398	\$ 262,703	\$ 177,843

For the year ended June 30, 2017, the System recognized pension expense of \$35,612. At June 30, 2017, the System reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,258	\$ 2,194
Changes of assumptions	185,141	-
Net difference between projected and actual earnings on pension plan investments	20,542	-
City contributions subsequent to the measurement date	9,106	-
Total	\$ 216,047	\$ 2,194

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\$9,106 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as an increase of the net pension asset in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:		
2018	\$	27,676
2019		27,678
2020		36,131
2021		32,937
2022		25,970
Thereafter		54,355
	\$	<u>204,747</u>

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 under the age of 62 who have completed at least 30 years of credible service or have attained 55 years of age and have completed 5 or more years of credible service. 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, 2016, the LEO Separation's membership consisted of:

Retirees receiving benefits	265
Active plan members	<u>1,788</u>
Total	<u>2,053</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. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

The LEO Separation has no assets accumulated in a trust that meets the following criteria in GASB Statement 73.

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*Actuarial Assumptions:* The entry age actuarial cost method was used in the December 31, 2015 valuation. The total pension liability in the December 31, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.00%
Salary increases	3.50 to 7.35%, including inflation and productivity factor
Discount rate	3.86%

*The discount rate* is based on the weekly average of the Bond Buyer General Obligation 20 year Municipal Bond Index determined at the end of each month.

Mortality rates are based on the following:

*Deaths after Retirement (Healthy):* RP-2014 Healthy Annuitant base rates projected to the valuation date using MP-2015, projected forward generationally from the valuation date using MP-2015. Rate are adjusted by 104% for males and 100% for females.

*Deaths before Retirement:* RP-2014 Employee base rates projected to the valuation date using MP-2015, projected forward generationally from the valuation date using MP-2015.

*Deaths after Retirement (Beneficiary):* RP-2014 Healthy Annuitant base rates projected to the valuation date using MP-2015, projected forward generationally from the valuation date using MP-2015. Rates are adjusted by 123% for males and females.

*Deaths after Retirement (Disabled):* RP-2014 Disabled Retiree base rates projected to the valuation date using MP-2015, projected forward generationally from the valuation date using MP-2015. Rates are adjusted by 103% for males and 99% for females.

December 31, 2015 is the actuarial valuation date upon which the TPL is based. The result was rolled forward using standard actuarial techniques to the Measurement Date. The roll forward calculation adds the annual normal cost (also called the service cost), subtracts the actual benefit payments for the plan year and then applies interest for the year. The procedure used to determine the TPL as of December 31, 2016 is shown in the following table:

	(1)	(2)
	Development of TPL for Year	Development of TPL for Year
	Ending 2016 Prior to	Ending 2016 After
	Assumption Change	Assumption Change
TPL Roll Forward		
Interest Rate	3.57%	3.86%
Valuation Date for Measurement	December 31, 2015	December 31, 2015
TPL as of December 31, 2015	\$ 108,318	\$ 105,950
Entry Age Normal Cost for the period		
January 1, 2016 - December 31, 2016 at the	3,555	3,359
End of the Year		
Actual Benefit Payments for the Period	5,509	5,509
January 1, 2016 - December 31, 2016		
TPL as of December 31, 2016	\$ 110,132	\$ 107,784
Discount Rate Change (Gain)/Loss:		\$ (2,348)



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CMC assumed no significant changes, other than the change in the Municipal Bond Index Rate, have occurred between the Valuation Date and the Measurement Date. However, each employer may have unique circumstances that will impact the employer's total pension liability. If a significant change, other than the change in the Municipal Bond Index Rate, has occurred between the Valuation Date and the Measurement Date, the employer should disclose the amount of the expected resultant change in the employer's total pension liability, if known.

*Contributions:* The City is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund amounts necessary to cover the benefits earned 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. Administration costs of the LEO Separation are financed through investment earnings. The City paid \$5,509 as benefits came due for the reporting period.

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

At June 30, 2017, the LEO reported a total pension liability of \$107,784. The total pension liability was measured as of December 31, 2016 based on a December 31, 2015 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2016 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2017, the City recognized pension expense of \$6,910.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions	\$ -	\$ 1,928
City benefit payments and plan administrative expense made subsequent to the measurement date	2,996	-
Total	<u>\$ 2,996</u>	<u>\$ 1,928</u>

\$2,996 reported as deferred outflows of resources related to pensions resulting from benefit payments made and administrative expenses incurred subsequent to the measurement date will be recognized as a decrease of the total pension liability in the year ended June 30, 2018. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

2018	\$ 420
2019	420
2020	420
2021	420
2022	248
Thereafter	-
	<u>\$ 1,928</u>

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*Sensitivity of the City's total pension liability to changes in the discount rate:* The following presents the City's total pension liability calculated using the discount rate of 3.86 percent, as well as what the City's total pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.86 percent) or 1-percentage-point higher (4.86 percent) than the current rate:

	1% Decrease (2.86%)	Discount Rate (3.86%)	1% Increase (4.86%)
Total pension liability	\$ 116,121	\$ 107,784	\$ 100,111

Schedule of Changes in Total Pension Liability  
Law Enforcement Officers' Special Separation Allowance

	2017
Beginning balance	\$ 108,318
Service Cost	3,555
Interest on the total pension liability	3,768
Changes of assumptions or other inputs	(2,348)
Benefit payments	(5,509)
Ending balance of the total pension liability	<u>\$ 107,784</u>

The plan currently uses mortality tables that vary by age, and health status (i.e. disabled and healthy). The current mortality rates are based on published tables and based on studies that cover significant portions of the U.S. population. The healthy mortality rates also contain a provision to reflect future mortality improvements.

The actuarial assumptions used in the December 31, 2015 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

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. The Supplemental Retirement Income Plan for Law Enforcement Officers is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes the pension trust fund financial statements for the Internal Revenue Code Section 401(k) plan that includes the Supplemental Retirement Income Plan for Law Enforcement Officers. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

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*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 1,748 law enforcement officers. Contributions for the year ended June 30, 2017 were \$11,511, which consisted of \$6,255 from the City and \$5,256 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, 2017, the City made contributions to the State for death benefits. The City's contributions for employees engaged in law enforcement represented .14 percent of covered payroll.

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, 2017, the date of the latest actuarial valuation:

Retirees and beneficiaries receiving benefits	2,283
Active plan members	<u>3,703</u>
	<u>5,986</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

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projected pay-as-you-go-financing requirements, with additional amounts to prefund benefits as determined annually.

For the current year, the City contributed \$16,361 to the plan. The required contribution rates for plan members were dependent on the years of service and the coverage selected. Monthly rates ranged from \$221 to \$2,085 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.

*Annual OPEB Cost and Net OPEB Obligation:* The City's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City's net OPEB obligation for the healthcare benefits:

Annual required contribution	\$ 20,212
Interest on net OPEB obligation	(842)
Adjustment to annual required contribution	<u>743</u>
Annual OPEB cost (expense)	20,113
Contributions made	<u>(16,361)</u>
Increase in net OPEB obligation	3,752
Net OPEB obligation, beginning of year	<u>(10,861)</u>
Net OPEB obligation, end of year	<u>\$ (7,109)</u>

The balance of the net OPEB obligation is comprised of:

Governmental Activities Noncurrent liability	\$ 18,091
Business-type Activities OPEB asset	<u>(25,200)</u>
	<u>\$ (7,109)</u>

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The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2015 thru 2017 were as follows:

Trend Information

Year Ended June 30	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2015	\$ 15,831	86.68%	\$ (17,980)
2016	19,925	64.27	(10,861)
2017	20,113	81.35	(7,109)

*Funded Status and Funding Progress:* As of July 1, 2017, the most recent actuarial valuation date, the plan was 17.95 percent funded. The actuarial accrued liability for benefits was \$336,781. The actuarial value of assets was \$60,439, resulting in an unfunded actuarial accrued liability (UAAL) of \$276,342. The covered payroll (annual payroll of active employees covered by the plan) was \$402,489 and the ratio of the UAAL to the covered payroll was 68.66 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.

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, 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.

*Net OPEB Liability.* The Net OPEB Liability is equal to the Total OPEB Liability less the Fiduciary Net Position. The result as the June 30, 2017 measurement date is presented in the table below:

Measurement Date of June 30, 2017

Total OPEB Liability	\$ 598,721
Fiduciary Net Position	<u>60,439</u>
Net OPEB Liability	<u>\$ 538,282</u>
Ratio Of Fiduciary Net Position to Total OPEB Liability	10.09%

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*Actuarial Assumptions.* The Total OPEB Liability was determined by an actuarial valuation as of June 30, 2017, using the following key actuarial assumptions and other inputs:

Inflation	3.00%
Salary increases, including wage inflation	4.50%
Long-term Investment Rate of Return, net of OPEB plan investment expense, including price inflation	7.75%
Municipal Bond Index Rate	3.96%
Year Fiduciary Net Position to be depleted	2021
Single Equivalent Interest Rate, net of OPEB plan investment expense, including price inflation	4.02%
Health Care Cost Trends	6.00 to 5.00%

The mortality assumption has been updated from RP-2014 Mortality Full Generational using Projection Scale MP-2014 to RP-2014 Mortality Full Generational using Projection Scale MP-2015.

As of the most recent adoption of the current long-term rate of return by the EBTP, the target asset allocation for each major asset class, as provided by the EBTP, are summarized in the following table:

Asset Class	Target Allocation
Domestic equity	50%
International equity	18%
Global fixed income	20%
Domestic fixed income	12%
Total	100%

*Discount Rate (SEIR).* The discount rate used to measure the TOL as of the Measurement Date was 4.02%. The projection of cash flows used to determine the discount rate was performed in accordance with GASB 74. The projection's basis was an actuarial valuation performed as of June 30, 2017. In addition to the actuarial methods and assumptions of the June 30, 2017 actuarial valuation, the following actuarial methods and assumptions were used in the projection of cash flows:

Active Employee contributions are based on plan option and tier levels chosen.

Inactive employee contributions are based on years of service.

In all years, the employer pays benefits from the trust.

Projected assets include employer contributions of \$0 each year until plan assets are exhausted.

Based on these assumptions the EBTP's fiduciary net position was projected to be depleted in 2021 and, as a result, the Municipal Bond Index Rate was used in the determination of the SEIR. Here, the long-term expected rate of return of 7.75% on EBTP investments was applied to periods through 2021 and the Municipal Bond Index Rate at the Measurement Date (4.02%).

The fiduciary net position projections are based upon the EBTP's financial status on the Valuation Date, the indicated set of methods and assumptions, and the requirements of GASB 74. As such, the fiduciary

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net position projections are not reflective of the cash flows and asset accumulations that would occur on an ongoing plan basis, reflecting the impact of future members. Therefore, the results of this test do not necessarily indicate whether or not the fund will actually run out of money, the financial condition of the EBTP, or the EBTP's ability to make benefit payments in future years.

*Sensitivity of the Net OPEB Liability to Changes in Health Care Cost Trends.* The following exhibit presents the Net OPEB Liability (NOL) of the EBTP, calculated using the health care cost trend rates, as well as what the EBTP's NOL would be if it were calculated using a health care cost trend rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate.

	Health Care Cost Trend Rates		
	1%	Current	1%
	Decrease 4%	5%	Increase 6%
Net OPEB Liability	\$ 444,983	\$ 538,282	\$ 659,059

*Sensitivity of the Net OPEB Liability to Changes in the Discount Rate.* The following exhibit presents the Net OPEB Liability (NOL) of the EBTP, calculated using the discount rate of 4.02%, as well as what the EBTP's NOL would be if it were calculated using a Discount Rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	Changes in the Discount Rate		
	1%	Current	1%
	Decrease 3.02%	Discount Rate 4.02%	Increase 5.02%
Net OPEB Liability	\$ 653,572	\$ 538,282	\$ 449,415

*Total OPEB Liability Calculation and Roll-Forward.* The total OPEB Liability (TOL) is based upon an actuarial valuation performed as of the Valuation Date, June 30, 2016. An expected TOL is determined as of June 30, 2017 using standard roll forward techniques. The roll forward calculation begins with the TOL, as of June 30, 2016, subtracts the actual benefit payments and refunds for the year, applies interest at the discount rate for the year, and then adds the annual normal cost (also called the Service Cost).

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The procedure used to determine the TOL, as of June 30, 2017, is shown in the following table:

Total OPEB Liability Roll-Forward	
Total OPEB Liability as of June 30, 2016	\$ 583,220
Actual Benefit Payments and Refunds for the Year July 1, 2016 - June 30, 2017	(14,639)
Interest on Total OPEB Liability	23,432
Service Cost for the Year July 1, 2016 - June 30, 2017 at the End of the Year	7,002
Differences Between Expected and Actual Experience at the End of the Year	(294)
Total OPEB Liability Rolled Forward to June 30, 2017	<u>\$ 598,721</u>

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.

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, 2017 follows:

Land	\$ 308,974
Buildings	911,624
Runways	419,271
Improvements other than buildings	163,293
Intangibles	4,641
Machinery and equipment	<u>121,842</u>
Total	1,929,645
Less accumulated depreciation	<u>752,579</u>
Total	<u>\$ 1,177,066</u>



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The following is a schedule of minimum future rental income on noncancelable operating leases subsequent to June 30, 2017:

2018	\$ 62,562
2019	62,997
2020	63,437
2021	57,780
2022	58,229
Total minimum future rental income	<u>\$ 305,005</u>

Of the \$305,005 minimum future rental income on noncancelable operating leases, \$82,667 relates to agreements with American Airlines. See Note 6.i. for additional information related to American Airlines. 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 \$65,780 were received during the year ended June 30, 2017.

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 \$1,626,829. Collections during fiscal year 2017 were \$58,855 and aggregate collections from inception through June 30, 2017 were \$650,054.

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 \$451 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.

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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>
2017 \$	10,421	\$ 76,566	\$ (76,321)	\$ 10,666
2016	10,306	77,972	(77,857)	10,421

At June 30, 2017, the EHLIF held \$41,267 in cash and equivalents for payments of these claims.

(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, City vehicles while parked and light rail trains; excess workers' compensation; excess vehicle and general liability; network security liability; police professional liability; police helicopter hull liability; drone liability; airport liability; City bus liability and passenger railway liability for the light rail train operations. 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. Network security coverage in the amount of \$10,000. Drone liability in the amount of \$2,000. 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, 2017, \$12,615 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 \$43,690 reported in the RMF at June 30, 2017, 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

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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 <u>Of Year</u>	Claims and Changes in <u>Estimates</u>	Claims <u>Payments</u>	<u>End of Year</u>
2017	\$ 40,008	\$ 18,956	\$ (15,274)	\$ 43,690
2016	37,752	10,685	(8,429)	40,008

At June 30, 2017, the RMF held \$89,415 in cash and cash equivalents for payments of these claims.

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 \$635 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, 2017**  
**(Dollar Amounts In Thousands)**

Authorized capital projects at June 30, 2017, are comprised of the following by fund:

	Project <u>Authorization</u>	<u>Expended</u>	<u>Unexpended</u>
<u>Governmental-</u>			
Capital Projects	\$ 2,452,337	\$ 1,606,277	\$ 846,060
<u>Enterprise-</u>			
Water and Sewer	2,706,737	1,997,513	709,224
Storm Water	621,978	500,532	121,446
Airport	1,611,754	986,181	625,573
Public Transit	2,088,524	1,787,546	300,978
Total Enterprise	<u>7,028,993</u>	<u>5,271,772</u>	<u>1,757,221</u>
Total	<u>\$ 9,481,330</u>	<u>\$ 6,878,049</u>	<u>\$ 2,603,281</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	\$ 16,921
Capital Projects	250,051
Nonmajor governmental	<u>16,733</u>
Total	<u>\$ 283,705</u>

The City has construction and other contractual commitments at June 30, 2017, as follows by fund:

<u>Governmental-</u>	
General	\$ 16,921
Capital Projects	252,965
Nonmajor governmental	<u>10,884</u>
Total Governmental	<u>280,770</u>
<u>Enterprise-</u>	
Water and Sewer	183,634
Storm Water	56,030
Airport	331,756
Public Transit	<u>85,647</u>
Total Enterprise	<u>657,067</u>
Total	<u>\$ 937,837</u>

**CITY OF CHARLOTTE, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS-(Continued)**  
**JUNE 30, 2017**  
**(Dollar Amounts In Thousands)**

The City has operating lease commitments for land and office space with future rentals under these leases at June 30, 2017, as shown below:

<u>Year</u>	<u>Amount</u>
2018	\$ 2,064
2019	2,039
2020	1,883
2021	1,385
2022	938
2023-2027	1,687
2028-2032	1,077
	<u>\$ 11,073</u>

Related lease expense was approximately \$2,143 in 2017.

e. Arena

Spectrum Center (formerly 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. 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 reached an agreement to invest \$27.5 million in capital improvements to Spectrum Center arena that will align amenities and technology with other NBA facilities. The City issued \$15 million of their commitment on June 25, 2015. The remaining \$12.5 million is expected to be issued in fiscal year 2018.

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, 2017**  
**(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. In May 2015, the City issued \$23.5 million for additional technology, infrastructure and landscape improvements to the stadium. The final \$23.5 million in additional capital funding was issued June 1, 2016. The Panthers have agreed to six years of injunctive relief with four additional years providing financial relief to the City if the team moved 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. American Airlines

American Airlines Group Inc., (American Airlines) is the major passenger airline serving Charlotte/Douglas International Airport (Airport). For the fiscal year ended June 30, 2017, American Airlines and its affiliates provided 25.11 percent of the Airport's operating revenues.

American Airlines conducts its passenger air carrier operations at the Airport pursuant to several agreements, the most significant of which is the City of Charlotte's 2016 Airline Use and Lease Agreement (Airline Agreement), which has also been executed by JetBlue Airlines, Southwest Airlines, Delta Air Lines, and United Airlines (collectively, the Signatory Airlines). Pursuant to the Airline agreement, the Signatory Airlines lease certain premises in the passenger terminal building (terminal) and

**CITY OF CHARLOTTE, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS-(Continued)**  
**JUNE 30, 2017**  
**(Dollar Amounts In Thousands)**

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, terminal and other airport improvements.

On June 1, 2017 the City issued \$302,780 million in Series 2017 GARBs to fund certain terminal and other facility related improvements at the Airport, as well refund the Airport's outstanding 2007A Bonds, Series 2007B Bonds, Series 2008D Bonds, and Series 2011C Bonds. The Series 2017 GARBS also repaid a portion of the outstanding 2016 Bond Anticipation Notes (BANs) used to fund the Airport improvements on an interim basis. The City also issued \$175 million in 2017 BANs to provide interim funding for certain airfield and terminal improvements at the Airport, as well as replacing a portion of the then outstanding 2016 BANs.

As of June 30, 2017, the City had \$666,190 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 \$70,452 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 parking facilities to be used by rental car companies. As of June 30, 2017, there was \$57,110 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, 2041.

j. Change in Accounting Principles/Restatement

The City implemented Governmental Accounting Standards Board (GASB) No. Statement 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68, in the fiscal year ending June 30, 2017. The implementation of the statement required the City to record beginning total pension liability and the effects on net position of benefit payments and administrative expenses paid by the City to the Law Enforcement Officers' Special Separation Allowance during the measurement period (fiscal year ending December 31, 2016). As a result, net position for the governmental activities decreased \$80,238.

The City also implemented GASB 74, *Financial Reporting for Postemployment Benefits Plans Other Than Pension Plans*. This Statement replaces Statements No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. GASB 74 requires that notes to financial statements of all defined benefit OPEB plans that are administered through trusts that meet the specified criteria include descriptive information about the plan. The OPEB notes to financial statements are also required to disclose information about OPEB plan investments, including the OPEB plan's investment policies,

**CITY OF CHARLOTTE, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS-(Continued)**  
**JUNE 30, 2017**  
**(Dollar Amounts In Thousands)**

concentrations of investments with individual organizations equaling or exceeding 5 percent of the OPEB plan's fiduciary net position, and the annual money-weighted rate of return on OPEB plan investments.

**Restatement of Section 108 Loans**

Section 108 loans were not properly defeased in fiscal year 16. This resulted in \$1,758 increased in the governmental activities net position and a decrease in the beginning long-term debt footnote.





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**FINANCIAL SECTION**  
REQUIRED SUPPLEMENTARY INFORMATION,  
COMBINING AND INDIVIDUAL FUND  
STATEMENTS AND SCHEDULES



PHOTO: LEW HARFORD, RETIRED CITY OF CHARLOTTE EMPLOYEE



REQUIRED SUPPLEMENTARY INFORMATION





**City of Charlotte, North Carolina**  
**Local Government Employees' Retirement System**  
**Proportionate Share of Net Pension Liability (Asset)**  
**Last Four Fiscal Years \***  
**(Dollar Amounts In Thousands)**

	2014	2015	2016	2017
Charlotte's proportion of the net pension liability (asset) (%)	5.89290%	(5.88149%)	5.89461%	6.04890%
Charlotte's proportion of the net pension liability (asset) (\$)	\$ 71,032	\$ (32,461)	\$ 26,455	\$ 128,378
Charlotte's covered-employee payroll	\$ 358,413	\$ 327,094	\$ 350,856	\$ 381,739
Charlotte's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	19.82%	( 9.92%)	7.54%	33.63%
Plan fiduciary net position as a percentage of the total pension liability**	94.35%	102.64%	98.09%	91.47%

\* The amounts presented for each fiscal year were determined as of the prior fiscal year ending June 30.

\*\* This will be the same percentage for all participant employers in the LGERS plan.

This schedule will not present ten year's worth of fiscal information until 2024.

**City of Charlotte, North Carolina**  
**Local Government Employees' Retirement System**  
**City of Charlotte's Contributions**  
**Last Four Fiscal Years \***  
**(Dollar Amounts In Thousands)**

	2014	2015	2016	2017
Contractually required contribution	\$ 23,348	\$ 24,288	\$ 23,959	\$ 28,613
Contributions in relation to the contractually required contribution	23,348	24,288	23,959	28,613
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
Charlotte's covered-employee payroll	\$ 358,413	\$ 327,094	\$ 338,026	\$ 350,856
Contributions as a percentage of covered-employee payroll	6.51%	7.43%	7.09%	8.16%

This schedule will not present ten year's worth of fiscal information until 2024.

**City of Charlotte, North Carolina**  
**Charlotte Firefighters' Retirement System**  
**Schedule of Changes in the System's Net Pension Liability**  
**(Dollar Amounts In Thousands)**

<b>Valuation Date</b>	<b>July 1, 2014</b>	<b>July 1, 2015</b>	<b>July 1, 2016</b>
<b>Measurement Date</b>	<b>July 1, 2014</b>	<b>July 1, 2015</b>	<b>June 30, 2016</b>
<b>Reporting Date</b>	<b>June 30, 2015</b>	<b>June 30, 2016</b>	<b>June 30, 2017</b>
<b>Total Pension Liability</b>			
Service cost	\$ 13,967	\$ 15,049	\$ 15,387
Interest	34,249	36,036	37,984
Difference between expected and actual experience	-	1,664	(2,503)
Change of assumptions	-	-	211,217
Benefit payments	(23,928)	(26,406)	(28,333)
Refunds of contributions	67	(69)	(416)
<b>Net change in Total Pension Liability</b>	<b>24,355</b>	<b>26,274</b>	<b>233,336</b>
<b>Total Pension Liability - Beginning</b>	<b>453,858</b>	<b>478,213</b>	<b>504,487</b>
<b>Total Pension Liability - Ending (a)</b>	<b>\$ 478,213</b>	<b>\$ 504,487</b>	<b>\$ 737,823</b>
<b>Plan Net Position</b>			
Contributions - employer	\$ 8,348	\$ 8,589	\$ 8,694
Contributions - employee	8,723	9,138	8,991
Net investment income	73,559	20,373	2,266
Benefit payments	(23,928)	(26,406)	(28,333)
Administrative expense	(691)	(625)	(657)
Refunds of contributions	67	(69)	(416)
<b>Net change in Plan Net Position</b>	<b>66,078</b>	<b>11,000</b>	<b>(9,455)</b>
<b>Plan Net Position - Beginning</b>	<b>407,497</b>	<b>473,575</b>	<b>484,575</b>
<b>Plan Net Position - Ending (b)</b>	<b>\$ 473,575</b>	<b>\$ 484,575</b>	<b>\$ 475,120</b>
<b>Net Pension Liability - Ending (a) - (b)</b>	<b>\$ 4,638</b>	<b>\$ 19,912</b>	<b>\$ 262,703</b>
<b>Plan net position as a percentage of total pension liability</b>	<b>99.03%</b>	<b>96.05%</b>	<b>64.39%</b>
Covered payroll	\$ 65,992	\$ 67,897	\$ 68,727
<b>Net pension liability as a percentage of covered payroll</b>	<b>7.03%</b>	<b>29.33%</b>	<b>382.24%</b>

This schedule will not present ten year's worth of fiscal information until 2024.

**City of Charlotte, North Carolina**  
**Charlotte Firefighters' Retirement System**  
**Schedule of Employer Contributions**  
**(Dollar Amounts In Thousands)**

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Actuarially determined employer contribution	\$ 6,846	\$ 6,918	\$ 6,703	\$ 7,440	\$ 8,131	\$ 8,409	\$ 9,214	\$ 10,849	\$ 11,454	\$ 10,206
Actual employer contributions	6,574	6,918	7,341	7,440	7,670	7,720	8,100	8,348	8,589	8,694
Annual contribution deficiency (excess)	<u>\$ 272</u>	<u>\$ -</u>	<u>\$ (638)</u>	<u>\$ -</u>	<u>\$ 461</u>	<u>\$ 689</u>	<u>\$ 1,114</u>	<u>\$ 2,501</u>	<u>\$ 2,865</u>	<u>\$ 1,512</u>
Covered payroll	\$ 51,968	\$ 54,688	\$ 58,032	\$ 58,814	\$ 60,632	\$ 61,028	\$ 64,032	\$ 65,992	\$ 67,897	\$ 68,727
Actual contributions as a percentage of covered payroll	12.65%	12.65%	12.65%	12.65%	12.65%	12.65%	12.65%	12.65%	12.65%	12.65%

Actuarially determined contribution rates are calculated as of July 1, two years prior to the end of the fiscal year in which contributions are reported.  
Methods and assumptions used to determine contribution rates for the most recent year in the schedule:

Actuarial cost method	Entry Age
Amortization method	Level percent open
Remaining amortization period	30 years
Asset valuation method	5-year Smoothed Market
Inflation	3.25%
Salary increases	4.25 – 11.25%, including inflation
Investment rate of return	7.75%, net of pension plan investment expense, including inflation



**City of Charlotte, North Carolina**  
**Other Postemployment Retiree Healthcare Benefit (OPEB)**  
**Required Supplementary Information**  
**Schedule of Changes in the Net OPEB Liability**  
**June 30, 2017**  
**(Dollar Amounts In Thousands)**

	<u>2017</u>
Total OPEB Liability	
Service Cost at end of year	\$ 7,002
Interest on the Total OPEB Liability	23,432
Difference between expected and actual experience	(294)
Benefit payments	<u>(14,639)</u>
Net change in Total OPEB Liability	15,501
Total OPEB Liability - beginning	<u>583,220</u>
Total OPEB Liability - ending	<u><u>\$ 598,721</u></u>
Plan Fiduciary Net Position	
Contributions - employer	\$ 16,361
Net investment income	7,532
Benefit payments	(14,639)
Administrative expense	(232)
Other	<u>(1,844)</u>
Net change in Plan Fiduciary Net Position	<u>7,178</u>
Plan Fiduciary Net Position - beginning	<u>53,261</u>
Plan Fiduciary Net Position - ending	<u>60,439</u>
Net OPEB Liability - ending	<u><u>\$ 538,282</u></u>

This schedule will not present ten year's worth of fiscal information until 2028.

***City of Charlotte, North Carolina***

**Other Postemployment Retiree Healthcare Benefit (OPEB)**

**Required Supplementary Information**

**Schedule of Changes in the Net OPEB Liability**

**Schedule of Changes of Net OPEB Liability and Related Ratios**

**June 30, 2017**

**(Dollar Amounts In Thousands)**

	2017
Total OPEB Liability	\$ 598,721
Plan Fiduciary Net Position	60,439
Net OPEB Liability	<u>\$ 538,282</u>
Plan Fiduciary Net Position as a percentage of the Total OPEB Liability	10.09%
Covered Payroll	\$ 402,489
Net OPEB Liability as a percentage of covered payroll	133.74%

This schedule will not present ten year's worth of fiscal information until 2028.

**City of Charlotte, North Carolina**  
**Other Postemployment Benefits**  
**Required Supplementary Information**  
**Schedule of Funding Progress**  
**June 30, 2017**  
**(Dollar Amounts In Thousands)**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Projected Unit Credit (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b - a)/c)
1/1/2007	\$ -	\$ 229,764	\$ 229,764	-%	\$ 275,955	83.26%
7/1/2009	33,006	207,301	174,295	15.92	322,162	54.10
7/1/2011	40,742	224,184	183,442	18.17	294,793	62.23
7/1/2013	44,129	241,293	197,164	18.29	276,853	71.22
7/1/2015	54,126	299,259	245,133	18.09	356,621	68.74
7/1/2017	60,439	336,781	276,342	17.95	402,489	68.66

**Schedule of Employer Contributions**

Year Ended June 30	Annual Required Contribution	Percentage Contributed
2012	\$ 15,656	98.21%
2013	15,656	98.84
2014	16,096	106.04
2015	16,096	85.25
2016	20,212	63.36
2017	20,212	80.95

**City of Charlotte, North Carolina**  
**Other Postemployment Benefits**  
**Required Supplementary Information**  
**Schedule of Investment Returns**  
**June 30, 2017**  
**(Dollar Amounts In Thousands)**

Annual Money-Weighted Rate of Return, Net of Investment Expense 13.84%

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.

Methods and assumptions used include:

Actuarial valuation date	7/1/2017
Actuarial cost method	Projected unit credit
Amortization method	Level percent of projected payroll, Closed
Remaining amortization period	20 years
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return	7.75%
Projected salary increases	4.50%
Annual healthcare cost trend rate	6.00 to 5.00% (year of ultimate trend rate 2020)
Includes inflation at	4.50%
Cost of living adjustments	None

This schedule will not present ten year's worth of fiscal information until 2028.

**City of Charlotte, North Carolina**  
**Schedule of Changes in Total Pension Liability**  
**Law Enforcement Officers' Special Separation Allowance**  
**June 30, 2017**  
**(Dollar Amounts In Thousands)**

	2017
Total Pension Liability	
Service Cost at end of year	\$ 3,555
Interest	3,768
Changes of assumptions and other inputs	(2,348)
Benefit payments	(5,509)
Net change in Total Pension Liability	(534)
Total Pension Liability - beginning	108,318
Total Pension Liability - ending	\$ 107,784
Covered-employee payroll	\$ 126,473
Total Pension Liability as a percentage of covered- employee payroll	85.22%

The amounts presented for this fiscal year were determined as of December 31, 2016 of the current fiscal year.

This schedule will not present ten year's worth of fiscal information until 2028.

**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.
- ❖ 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.
- ❖ 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, 2017**  
**(In Thousands)**

	Special Revenue					
	Convention Center Tax	Tourism	Hall of Fame Tax	Municipal Services District	Public Safety and Other Grants	Neighborhood Development
<b>ASSETS</b>						
Cash, cash equivalents and investments	\$ 70,421	\$ 76,295	\$ 28,352	\$ 377	\$ 9,857	\$ 1,127
Receivables, net:						
Property taxes	-	-	-	121	-	-
Accounts	-	7	-	86	-	-
Other	-	181	-	-	34	-
Total receivables	-	188	-	207	34	-
Due from other governmental agencies	4,588	1,386	1,249	9	5,212	3,306
Due from other funds	1,600	-	-	-	-	-
Notes receivable	-	-	-	-	-	33,640
Prepaid expenditures	-	-	-	-	-	-
Total assets	<u>\$ 76,609</u>	<u>\$ 77,869</u>	<u>\$ 29,601</u>	<u>\$ 593</u>	<u>\$ 15,103</u>	<u>\$ 38,073</u>
<b>LIABILITIES AND FUND BALANCES</b>						
Liabilities:						
Accounts payable	\$ -	\$ 8	\$ -	\$ 98	\$ 1,806	\$ 792
Deposits and retainage payable	-	-	-	-	-	147
Due to other funds	-	-	-	86	-	-
Due to component unit	-	-	165	-	-	-
Unearned revenues	-	-	-	-	706	-
Total liabilities	<u>-</u>	<u>8</u>	<u>165</u>	<u>184</u>	<u>2,512</u>	<u>939</u>
Deferred inflows of resources:						
Unavailable revenues	<u>-</u>	<u>7</u>	<u>-</u>	<u>207</u>	<u>34</u>	<u>-</u>
Fund balances:						
Nonspendable:						
Perpetual care	-	-	-	-	-	-
Prepaid expenditures	-	-	-	-	-	-
Restricted:						
Public safety	-	-	-	-	9,963	-
Cultural and recreation	76,609	77,854	29,436	-	-	-
Community planning and development	-	-	-	202	1,437	37,134
Streets and highways	-	-	-	-	1,157	-
Total fund balances	<u>76,609</u>	<u>77,854</u>	<u>29,436</u>	<u>202</u>	<u>12,557</u>	<u>37,134</u>
Total liabilities and fund balances	<u>\$ 76,609</u>	<u>\$ 77,869</u>	<u>\$ 29,601</u>	<u>\$ 593</u>	<u>\$ 15,103</u>	<u>\$ 38,073</u>

Funds				Permanent Fund	Total
Employment and Training	State Street Aid	Emergency Telephone System	Total	Perpetual Care	Nonmajor Governmental Funds
\$ -	\$ 9,046	\$ 3,541	\$ 199,016	\$ 3,111	\$ 202,127
-	-	-	121	-	121
-	-	-	93	-	93
-	4	226	445	-	445
-	4	226	659	-	659
1,758	709	404	18,621	-	18,621
-	-	-	1,600	-	1,600
-	-	-	33,640	-	33,640
-	-	119	119	-	119
<u>\$ 1,758</u>	<u>\$ 9,759</u>	<u>\$ 4,290</u>	<u>\$ 253,655</u>	<u>\$ 3,111</u>	<u>\$ 256,766</u>
\$ 659	\$ 2,733	\$ 145	\$ 6,241	\$ -	\$ 6,241
-	256	-	403	-	403
1,099	-	-	1,185	-	1,185
-	-	-	165	-	165
-	-	-	706	-	706
<u>1,758</u>	<u>2,989</u>	<u>145</u>	<u>8,700</u>	<u>-</u>	<u>8,700</u>
-	4	-	252	-	252
-	-	-	-	3,111	3,111
-	-	119	119	-	119
-	-	4,026	13,989	-	13,989
-	-	-	183,899	-	183,899
-	-	-	38,773	-	38,773
-	6,766	-	7,923	-	7,923
-	6,766	4,145	244,703	3,111	247,814
<u>\$ 1,758</u>	<u>\$ 9,759</u>	<u>\$ 4,290</u>	<u>\$ 253,655</u>	<u>\$ 3,111</u>	<u>\$ 256,766</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, 2017**  
(In Thousands)

	Special Revenue					
	Convention Center Tax	Tourism	Hall of Fame Tax	Municipal Services District	Public Safety and Other Grants	Neighborhood Development
REVENUES:						
Property taxes	\$ -	\$ -	\$ -	\$ 4,738	\$ -	\$ -
Other taxes	52,682	14,758	14,107	-	-	-
Intergovernmental	-	2,948	-	-	8,325	10,102
Licenses, fees and fines	-	-	-	-	-	-
Investment earnings	348	333	118	1	36	14
Miscellaneous	1,000	3,463	362	-	1,719	649
Total revenues	<u>54,030</u>	<u>21,502</u>	<u>14,587</u>	<u>4,739</u>	<u>10,080</u>	<u>10,765</u>
EXPENDITURES:						
Current-						
Public safety	-	-	-	-	10,280	-
General administration	-	-	-	-	-	1,275
Streets and highways	-	-	-	-	3,035	-
Culture and recreation	21,154	1,937	1,466	-	-	-
Community planning and development	-	-	-	4,644	313	15,221
Total expenditures	<u>21,154</u>	<u>1,937</u>	<u>1,466</u>	<u>4,644</u>	<u>13,628</u>	<u>16,496</u>
Excess (deficiency) of revenues over (under) expenditures	<u>32,876</u>	<u>19,565</u>	<u>13,121</u>	<u>95</u>	<u>(3,548)</u>	<u>(5,731)</u>
OTHER FINANCING SOURCES (USES):						
Sales of capital assets	-	-	-	-	-	-
Transfers in-						
General	-	1,291	-	-	852	-
Debt service	-	14,643	6,316	-	-	-
Capital projects	-	9,121	-	-	-	575
Total transfers in	<u>-</u>	<u>25,055</u>	<u>6,316</u>	<u>-</u>	<u>852</u>	<u>575</u>
Transfers out-						
General	(3,697)	-	-	-	-	-
Debt service	(26,991)	(23,930)	(9,238)	-	-	-
Capital projects	-	(4,047)	-	-	-	-
Total transfers out	<u>(30,688)</u>	<u>(27,977)</u>	<u>(9,238)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>(30,688)</u>	<u>(2,922)</u>	<u>(2,922)</u>	<u>-</u>	<u>852</u>	<u>575</u>
Net change in fund balances	2,188	16,643	10,199	95	(2,696)	(5,156)
Fund balances - beginning	74,421	61,211	19,237	107	15,253	42,290
Fund balances - ending	\$ 76,609	\$ 77,854	\$ 29,436	\$ 202	\$ 12,557	\$ 37,134

Funds				Permanent Fund	Total Nonmajor Governmental Funds
Employment and Training	State Street Aid	Emergency Telephone System	Total	Perpetual Care	
\$ -	\$ -	\$ -	\$ 4,738	\$ -	\$ 4,738
-	-	-	81,547	-	81,547
5,923	20,394	3,856	51,548	-	51,548
-	752	-	752	-	752
-	71	18	939	18	957
-	142	-	7,335	-	7,335
<u>5,923</u>	<u>21,359</u>	<u>3,874</u>	<u>146,859</u>	<u>18</u>	<u>146,877</u>
-	-	3,011	13,291	-	13,291
657	-	-	1,932	-	1,932
-	27,772	-	30,807	-	30,807
-	-	-	24,557	-	24,557
<u>5,266</u>	<u>-</u>	<u>-</u>	<u>25,444</u>	<u>-</u>	<u>25,444</u>
<u>5,923</u>	<u>27,772</u>	<u>3,011</u>	<u>96,031</u>	<u>-</u>	<u>96,031</u>
<u>-</u>	<u>(6,413)</u>	<u>863</u>	<u>50,828</u>	<u>18</u>	<u>50,846</u>
-	146	-	146	-	146
-	4,261	-	6,404	-	6,404
-	-	-	20,959	-	20,959
-	-	-	9,696	-	9,696
<u>-</u>	<u>4,261</u>	<u>-</u>	<u>37,059</u>	<u>-</u>	<u>37,059</u>
-	-	-	(3,697)	(18)	(3,715)
-	(1,653)	-	(61,812)	-	(61,812)
-	-	-	(4,047)	-	(4,047)
<u>-</u>	<u>(1,653)</u>	<u>-</u>	<u>(69,556)</u>	<u>(18)</u>	<u>(69,574)</u>
-	2,754	-	(32,351)	(18)	(32,369)
-	(3,659)	863	18,477	-	18,477
-	10,425	3,282	226,226	3,111	229,337
<u>\$ -</u>	<u>\$ 6,766</u>	<u>\$ 4,145</u>	<u>\$ 244,703</u>	<u>\$ 3,111</u>	<u>\$ 247,814</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, 2017**  
**(In Thousands)**

	Convention Center Tax			Tourism		
	Budget	Actual	Variance- Positive (Negative)	Budget	Actual	Variance- Positive (Negative)
REVENUES:						
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other taxes	50,845	52,682	1,837	13,839	14,758	919
Intergovernmental	-	-	-	2,948	2,948	-
Licenses, fees and fines	-	-	-	-	-	-
Investment earnings	304	348	44	299	333	34
Miscellaneous	1,000	1,000	-	1,058	3,463	2,405
Total revenues	<u>52,149</u>	<u>54,030</u>	<u>1,881</u>	<u>18,144</u>	<u>21,502</u>	<u>3,358</u>
EXPENDITURES:						
Current-						
Streets and highways	-	-	-	-	-	-
Culture and recreation	22,787	21,154	1,633	2,137	2,106	31
Community planning and development	-	-	-	-	-	-
Total expenditures	<u>22,787</u>	<u>21,154</u>	<u>1,633</u>	<u>2,137</u>	<u>2,106</u>	<u>31</u>
Excess (deficiency) of revenues over (under) expenditures	<u>29,362</u>	<u>32,876</u>	<u>3,514</u>	<u>16,007</u>	<u>19,396</u>	<u>3,389</u>
OTHER FINANCING SOURCES (USES):						
Sales of capital assets	-	-	-	-	-	-
Transfers in	-	-	-	24,642	25,055	413
Transfers out	<u>(30,991)</u>	<u>(30,688)</u>	<u>303</u>	<u>(29,055)</u>	<u>(27,977)</u>	<u>1,078</u>
Total other financing sources (uses)	<u>(30,991)</u>	<u>(30,688)</u>	<u>303</u>	<u>(4,413)</u>	<u>(2,922)</u>	<u>1,491</u>
Revenues and other sources over (under) expenditures and other uses	<u>\$ (1,629)</u>	<u>2,188</u>	<u>\$ 3,817</u>	<u>\$ 11,594</u>	<u>16,474</u>	<u>\$ 4,880</u>
RECONCILIATION TO GAAP BASIS:						
Current year encumbrances		-			169	
Net change in fund balances		2,188			16,643	
Fund balances - beginning (annually budgeted funds)		<u>74,421</u>			<u>61,211</u>	
Fund balances - ending (annually budgeted funds)		<u>\$ 76,609</u>			<u>\$ 77,854</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)
\$ -	\$ -	\$ -	\$ 4,904	\$ 4,738	\$ (166)	\$ -	\$ -	\$ -
13,275	14,107	832	-	-	-	-	-	-
-	-	-	-	-	-	20,400	20,394	(6)
-	-	-	-	-	-	850	752	(98)
80	118	38	-	1	1	80	71	(9)
-	362	362	-	-	-	-	142	142
<u>13,355</u>	<u>14,587</u>	<u>1,232</u>	<u>4,904</u>	<u>4,739</u>	<u>(165)</u>	<u>21,330</u>	<u>21,359</u>	<u>29</u>
-	-	-	-	-	-	36,203	30,753	5,450
4,600	4,165	435	-	-	-	-	-	-
-	-	-	4,920	4,644	276	-	-	-
<u>4,600</u>	<u>4,165</u>	<u>435</u>	<u>4,920</u>	<u>4,644</u>	<u>276</u>	<u>36,203</u>	<u>30,753</u>	<u>5,450</u>
<u>8,755</u>	<u>10,422</u>	<u>1,667</u>	<u>(16)</u>	<u>95</u>	<u>111</u>	<u>(14,873)</u>	<u>(9,394)</u>	<u>5,479</u>
-	-	-	-	-	-	-	146	146
6,316	6,316	-	-	-	-	4,261	4,261	-
<u>(9,795)</u>	<u>(9,238)</u>	<u>557</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,653)</u>	<u>(1,653)</u>	<u>-</u>
<u>(3,479)</u>	<u>(2,922)</u>	<u>557</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,608</u>	<u>2,754</u>	<u>146</u>
<u>\$ 5,276</u>	<u>7,500</u>	<u>\$ 2,224</u>	<u>\$ (16)</u>	<u>95</u>	<u>\$ 111</u>	<u>\$ (12,265)</u>	<u>(6,640)</u>	<u>\$ 5,625</u>
	<u>2,699</u>			<u>-</u>			<u>2,981</u>	
	<u>10,199</u>			<u>95</u>			<u>(3,659)</u>	
	<u>19,237</u>			<u>107</u>			<u>10,425</u>	
	<u>\$ 29,436</u>			<u>\$ 202</u>			<u>\$ 6,766</u>	

Continued on next page

**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, 2017**  
**(In Thousands)**

	Total		Variance-
	Budget	Actual	Positive (Negative)
REVENUES:			
Property taxes	\$ 4,904	\$ 4,738	\$ (166)
Other taxes	77,959	81,547	3,588
Intergovernmental	23,348	23,342	(6)
Licenses, fees and fines	850	752	(98)
Investment earnings	763	871	108
Miscellaneous	2,058	4,967	2,909
Total revenues	<u>109,882</u>	<u>116,217</u>	<u>6,335</u>
EXPENDITURES:			
Current-			
Streets and highways	36,203	30,753	5,450
Culture and recreation	29,524	27,425	2,099
Community planning and development	4,920	4,644	276
Total expenditures	<u>70,647</u>	<u>62,822</u>	<u>7,825</u>
Excess (deficiency) of revenues over (under) expenditures	<u>39,235</u>	<u>53,395</u>	<u>14,160</u>
OTHER FINANCING SOURCES (USES):			
Sales of capital assets	-	146	146
Transfers in	35,219	35,632	413
Transfers out	(71,494)	(69,556)	1,938
Total other financing sources (uses)	<u>(36,275)</u>	<u>(33,778)</u>	<u>2,497</u>
Revenues and other sources over (under) expenditures and other uses	<u>\$ 2,960</u>	<u>19,617</u>	<u>\$ 16,657</u>
RECONCILIATION TO GAAP BASIS:			
Current year encumbrances		5,849	
Net change in fund balances		25,466	
Fund balances - beginning (annually budgeted funds)		<u>165,401</u>	
Fund balances - ending (annually budgeted funds)		<u>190,867</u>	
Project funds:			
Fund balances - beginning		60,825	
Net change in fund balances		(6,989)	
Fund balances - ending		<u>53,836</u>	
Fund balances - ending		<u>\$ 244,703</u>	

**CITY OF CHARLOTTE, NORTH CAROLINA**  
**PUBLIC SAFETY AND OTHER GRANTS FUND**  
**SCHEDULE OF EXPENDITURES COMPARED WITH AUTHORIZATIONS**  
**FOR THE YEAR ENDED JUNE 30, 2017**  
**(In Thousands)**

	Authorizations	Expenditures			Unexpended Authorizations
		Current Year	Prior Years	Total	
Public safety	\$ 41,000	\$ 5,580	\$ 25,166	\$ 30,746	\$ 10,254
Affordable housing	649	128	298	426	223
Neighborhood improvements	704	190	385	575	129
Area plans	15,390	3,042	7,098	10,140	5,250
Technology	11,698	2,867	5,786	8,653	3,045
Vehicles	79	42	37	79	-
Other equipment	9,478	1,779	4,417	6,196	3,282
Total public safety grants	<u>\$ 78,998</u>	<u>\$ 13,628</u>	<u>\$ 43,187</u>	<u>\$ 56,815</u>	<u>\$ 22,183</u>

**CITY OF CHARLOTTE, NORTH CAROLINA**  
**NEIGHBORHOOD DEVELOPMENT FUND**  
**SCHEDULE OF EXPENDITURES COMPARED WITH AUTHORIZATIONS**  
**FOR THE YEAR ENDED JUNE 30, 2017**  
**(In Thousands)**

	<u>Authorizations</u>	<u>Expenditures</u>			<u>Unexpended Authorizations</u>
		<u>Current Year</u>	<u>Prior Years</u>	<u>Total</u>	
Housing	\$ 1,663	\$ 430	\$ 1,003	\$ 1,433	\$ 230
Affordable housing	65,034	12,866	46,885	59,751	5,283
Housing grants	6,726	1,379	3,327	4,706	2,020
Neighborhood improvements	155	32	41	73	82
Economic development corridors	13,854	3,274	7,983	11,257	2,597
Total neighborhood development	<u>\$ 87,432</u>	<u>17,981</u>	<u>\$ 59,239</u>	<u>\$ 77,220</u>	<u>\$ 10,212</u>
Contra expense for issuance of long-term loans receivable		(1,485)			
		<u>\$ 16,496</u>			

**CITY OF CHARLOTTE, NORTH CAROLINA**  
**EMPLOYMENT AND TRAINING FUND**  
**SCHEDULE OF EXPENDITURES COMPARED WITH AUTHORIZATIONS**  
**FOR THE YEAR ENDED JUNE 30, 2017**  
(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>\$ 31,104</u>	<u>\$ 5,923</u>	<u>\$ 21,867</u>	<u>\$ 27,790</u>	<u>\$ 3,314</u>



**CITY OF CHARLOTTE, NORTH CAROLINA**  
**EMERGENCY TELEPHONE SYSTEM FUND**  
**SCHEDULE OF EXPENDITURES COMPARED WITH AUTHORIZATIONS**  
**FOR THE YEAR ENDED JUNE 30, 2017**  
**(In Thousands)**

	Authorizations	Expenditures			Unexpended Authorizations
		Current Year	Prior Year	Total	
Implemental functions	\$ 493	\$ 240	\$ 253	\$ 493	\$ -
Phone and furniture	5,948	1,189	1,306	2,495	3,453
Software	1,619	801	798	1,599	20
Hardware	1,518	938	566	1,504	14
Training	70	34	36	70	-
Total expenditures	<u>\$ 9,648</u>	<u>3,202</u>	<u>\$ 2,959</u>	<u>\$ 6,161</u>	<u>\$ 3,487</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

(191)  
\$ 3,011



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**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, 2017**  
**(In Thousands)**

	<u>Budget</u>	<u>Actual</u>	<u>Variance- Positive (Negative)</u>
REVENUES:			
Property tax	\$ 86,640	\$ 87,107	\$ 467
Other taxes-			
Sales tax	18,224	19,086	862
Heavy equipment	-	177	177
Total other	<u>18,224</u>	<u>19,263</u>	<u>1,039</u>
Intergovernmental-			
Mecklenburg County:			
ABC Board contribution	<u>1,069</u>	<u>1,335</u>	<u>266</u>
Licenses, fees and fines	54	62	8
Investment earnings	1,227	1,269	42
Miscellaneous	<u>231</u>	<u>-</u>	<u>(231)</u>
Total revenues	<u>107,445</u>	<u>109,036</u>	<u>1,591</u>
EXPENDITURES:			
Bonds-			
Principal retirement	40,961	39,846	1,115
Interest	27,391	27,389	2
Installment purchases-			
Principal retirement	61,851	57,344	4,507
Interest	34,454	30,701	3,753
Fiscal agents fees	3,676	1,821	1,855
Other	<u>2,028</u>	<u>879</u>	<u>1,149</u>
Total expenditures	<u>170,361</u>	<u>157,980</u>	<u>12,381</u>
Revenues (under) expenditures	<u>(62,916)</u>	<u>(48,944)</u>	<u>13,972</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, 2017**  
**(In Thousands)**

	<u>Budget</u>	<u>Actual</u>	<u>Variance- Positive (Negative)</u>
OTHER FINANCING SOURCES (USES):			
General obligation bonds issued	\$ 103	\$ 103	\$ -
Installment purchaes issued	1,750	-	(1,750)
Refunding debt issued	116,230	116,230	-
Premium on debt issuance	19,377	19,377	-
Payment to refunded bond escrow agent	(135,000)	(135,000)	-
Transfers in-			
General	17,567	17,567	-
Special revenue:			
Convention Center tax	27,294	26,990	(304)
Tourism	25,008	23,931	(1,077)
Hall of Fame	9,795	9,238	(557)
State street aid	1,653	1,653	-
Total transfers in	<u>81,317</u>	<u>79,379</u>	<u>(1,938)</u>
Transfers out-			
General	1,215	1,215	-
Special revenue:			
Tourism	14,643	14,643	-
Hall of Fame	6,316	6,316	-
Capital Projects	20,577	20,577	-
Total transfers out	<u>42,751</u>	<u>42,751</u>	<u>-</u>
Total other financing sources (uses)	<u>41,026</u>	<u>37,338</u>	<u>(3,688)</u>
Net change in fund balance	<u>\$ (21,890)</u>	<u>(11,606)</u>	<u>\$ 10,284</u>
Fund balance - beginning		<u>286,138</u>	
Fund balance - ending		<u>\$ 274,532</u>	

**CITY OF CHARLOTTE, NORTH CAROLINA**  
**CAPITAL PROJECTS FUND**  
**SCHEDULE OF EXPENDITURES COMPARED WITH AUTHORIZATIONS**  
**FOR THE YEAR ENDED JUNE 30, 2017**  
**(In Thousands)**

	Authorizations	Expenditures			Unexpended Authorizations
		Current Year	Prior Years	Total	
Capital equipment	\$ 28,833	\$ 20,128	\$ -	\$ 20,128	\$ 8,705
Housing	12,348	447	11,474	11,921	427
Affordable housing	151,485	8,727	109,118	117,845	33,640
Innovative housing	93,638	2,462	87,539	90,001	3,637
Neighborhood improvements	163,970	5,275	92,389	97,664	66,306
Area plans	10,762	1,714	5,486	7,200	3,562
Street and road infrastructure	529,661	28,719	264,252	292,971	236,690
Non-street transportation infrastructure	139,937	3,644	82,668	86,312	53,625
Traffic control	64,527	4,699	42,331	47,030	17,497
Pedestrian safety	150,104	8,581	107,756	116,337	33,767
Transportation partnerships	9,972	518	6,061	6,579	3,393
Transit corridor development	209,816	12,843	41,031	53,874	155,942
Economic development corridors	91,053	2,778	57,749	60,527	30,526
Business corridors	30,483	540	23,721	24,261	6,222
Environmental services program	29,103	1,120	26,240	27,360	1,743
Tree program	20,691	3,986	13,079	17,065	3,626
Capacity for growth sewer	215	-	203	203	12
New facilities	374,986	3,761	246,169	249,930	125,056
Facility renovations	167,053	39,070	89,986	129,056	37,997
Capital facilities maintenance	101,474	7,194	90,009	97,203	4,271
Technology	68,081	9,426	40,488	49,914	18,167
Other equipment	4,145	455	2,441	2,896	1,249
Total capital projects	<u>\$ 2,452,337</u>	<u>166,087</u>	<u>\$ 1,440,190</u>	<u>\$ 1,606,277</u>	<u>\$ 846,060</u>
Contra expense for issuance of long-term loans receivable		(6,178)			
		<u>\$ 159,909</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 Water, 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, 2017**  
**(In Thousands)**

	<u>Budget</u>	<u>Actual</u>	<u>Variance- Positive (Negative)</u>
REVENUES:			
Water sales	\$ 128,587	\$ 143,687	\$ 15,100
Sewer services fees	170,022	180,624	10,602
Availability fees	45,650	44,913	(737)
Capacity fees	13,000	24,290	11,290
Other	11,992	15,438	3,446
Investment earnings	916	1,308	392
Total revenues	<u>370,167</u>	<u>410,260</u>	<u>40,093</u>
EXPENDITURES:			
Water supply and treatment	15,699	13,649	2,050
Sewer system and treatment	51,289	47,449	3,840
Administration and engineering	85,217	84,418	799
Total expenditures	<u>152,205</u>	<u>145,516</u>	<u>6,689</u>
Revenues over expenditures	<u>217,962</u>	<u>264,744</u>	<u>46,782</u>
TRANSFERS OUT:			
Water and Sewer Debt Service	154,899	153,149	1,750
Water and Sewer Capital Projects	86,986	86,986	-
Total transfers out	<u>241,885</u>	<u>240,135</u>	<u>1,750</u>
Revenues over (under) expenditures and transfers	<u>\$ (23,923)</u>	<u>\$ 24,609</u>	<u>\$ 48,532</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, 2017**  
**(In Thousands)**

	<u>Budget</u>	<u>Actual</u>	<u>Variance- Positive (Negative)</u>
REVENUES:			
Investment earnings	\$ 1	\$ -	\$ (1)
Premium on debt issuance	50	-	(50)
Other	-	48	48
Total revenues	<u>51</u>	<u>48</u>	<u>(3)</u>
EXPENDITURES:			
Bonds-			
Principal retirement	76,488	76,488	-
Interest	70,551	69,269	1,282
Other financing agreements-			
Principal retirement	4,700	4,400	300
Interest	2,246	662	1,584
Other	1,282	746	536
Total expenditures	<u>155,267</u>	<u>151,565</u>	<u>3,702</u>
Revenues (under) expenditures	<u>(155,216)</u>	<u>(151,517)</u>	<u>3,699</u>
TRANSFERS IN:			
Water and Sewer Operating	154,900	153,149	(1,751)
Water and Sewer Capital Projects	316	249	(67)
Total transfers in	<u>155,216</u>	<u>153,398</u>	<u>(1,818)</u>
Revenues and transfers over expenditures	<u>\$ -</u>	<u>\$ 1,881</u>	<u>\$ 1,881</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, 2017**  
**(In Thousands)**

Revenues and transfers over	
expenditures and transfers:	
Operating Fund	\$ 24,609
Debt Service Fund	1,881
Investment earnings in the	
Capital Projects Fund	292
Current year encumbrances	11,340
Deferred outflows of resources for pensions	10,150
Net pension liability	(11,772)
Deferred inflows of resources for pensions	853
Depreciation	(111,963)
Debt principal retirement	83,247
Capital outlay	70
Amortization of deferred charges	(2,123)
Amortization of premium	7,308
Capitalized interest	16,300
Capital contributions	64,110
Other	(14,486)
Net transfers to (from) Water and Sewer	
Capital Projects Fund:	
Water and Sewer Operating	86,986
Water and Sewer Debt Service	(249)
Change in net position	<u>\$ 166,553</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 COMPARED WITH AUTHORIZATIONS**  
**FOR THE YEAR ENDED JUNE 30, 2017**  
**(In Thousands)**

	Authorizations	Expenditures			Unexpended Authorizations
		Current Year	Prior Years	Total	
Water:					
Capacity for growth water	\$ 382,749	\$ 14,118	\$ 263,032	\$ 277,150	\$ 105,599
Commitment public projects/Operations water	191,846	12,033	121,583	133,616	58,230
Rehab and replacement water	343,929	17,653	267,115	284,768	59,161
Regulatory requirements water	45,591	1,784	29,813	31,597	13,994
Annexation water	10,200	-	3,390	3,390	6,810
Sewer:					
Capacity for growth sewer	684,806	47,256	375,744	423,000	261,806
Commitment public projects/Operations sewer	131,596	12,227	82,931	95,158	36,438
Rehab and replacement sewer	729,316	39,416	597,123	636,539	92,777
Regulatory requirements sewer	123,203	1,506	68,915	70,421	52,782
Annexation sewer	37,600	1	25,180	25,181	12,419
Service exist resident sewer	3,005	-	2,838	2,838	167
Technology	3,912	1,098	368	1,466	2,446
Capital equipment	18,984	4,111	8,278	12,389	6,595
Total water and sewer capital projects	<u>\$ 2,706,737</u>	<u>\$ 151,203</u>	<u>\$ 1,846,310</u>	<u>\$ 1,997,513</u>	<u>\$ 709,224</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, 2017**  
**(In Thousands)**

	<u>Budget</u>	<u>Actual</u>	<u>Variance- Positive (Negative)</u>
REVENUES:			
Storm water fees	\$ 67,985	\$ 67,229	\$ (756)
Investment earnings	-	39	39
Total revenues	<u>67,985</u>	<u>67,268</u>	<u>(717)</u>
EXPENDITURES:			
Storm water systems	13,305	9,373	3,932
Administration	<u>2,267</u>	<u>2,267</u>	-
Total expenditures	<u>15,572</u>	<u>11,640</u>	<u>3,932</u>
Revenues over expenditures	<u>52,413</u>	<u>55,628</u>	<u>3,215</u>
TRANSFERS OUT:			
Storm Water Capital Projects	43,000	43,000	-
Storm Water Debt Service	<u>12,890</u>	<u>12,544</u>	<u>346</u>
Total transfers out	<u>55,890</u>	<u>55,544</u>	<u>346</u>
Revenues over (under) expenditures and transfers	<u>\$ (3,477)</u>	<u>\$ 84</u>	<u>\$ 3,561</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, 2017**  
**(In Thousands)**

	<u>Budget</u>	<u>Actual</u>	<u>Variance- Positive (Negative)</u>
EXPENDITURES:			
Bonds-			
Principal retirement	\$ 6,016	\$ 6,016	\$ -
Interest	6,794	6,522	272
Other	<u>80</u>	<u>9</u>	<u>71</u>
Total expenditures	<u>12,890</u>	<u>12,547</u>	<u>343</u>
TRANSFERS IN:			
Storm Water Operating	<u>12,890</u>	<u>12,544</u>	<u>(346)</u>
Transfers (under) expenditures	<u>\$ -</u>	<u>\$ (3)</u>	<u>\$ (3)</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, 2017**  
**(In Thousands)**

Revenues and transfers over (under)	
expenditures and transfers:	
Operating Fund	\$ 84
Debt Service Fund	(3)
Capital Projects Fund:	
Charges for services	3,267
Investment earnings	590
Current year encumbrances	1,518
Deferred outflows of resources for pensions	1,679
Net pension liability	(1,924)
Deferred inflows of resources for pensions	103
Depreciation	(8,319)
Debt principal retirement	6,016
Amortization of deferred charges	(179)
Amortization of premium	1,171
Capitalized interest	6,522
Other	(301)
Net transfers to Storm Water	
Capital Projects Fund:	
Operating Fund	43,000
Change in net position	<u>\$ 53,224</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 COMPARED WITH AUTHORIZATIONS**  
**FOR THE YEAR ENDED JUNE 30, 2017**  
**(In Thousands)**

	Authorizations	Expenditures			Unexpended Authorizations
		Current Year	Prior Years	Total	
Flood control program	\$ 294,157	\$ 18,263	\$ 221,006	\$ 239,269	\$ 54,888
Stormwater maintenance program	166,370	23,363	126,952	150,315	16,055
Stream restoration/mitigation	95,504	3,228	57,196	60,424	35,080
Stormwater support for projects	52,288	939	39,589	40,528	11,760
Minor stormwater programs	11,283	1,134	8,606	9,740	1,543
Transit corridor development	<u>2,376</u>	<u>89</u>	<u>167</u>	<u>256</u>	<u>2,120</u>
Total storm water capital projects	<u>\$ 621,978</u>	<u>\$ 47,016</u>	<u>\$ 453,516</u>	<u>\$ 500,532</u>	<u>\$ 121,446</u>



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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, 2017**  
**(In Thousands)**

	<u>Budget</u>	<u>Actual</u>	<u>Variance- Positive (Negative)</u>
REVENUES:			
Terminal area	\$ 26,675	\$ 47,386	\$ 20,711
Airfield	25,242	27,219	1,977
Concessions	58,642	45,830	(12,812)
Rental Car Revenues	-	14,887	14,887
Parking	49,587	59,323	9,736
Passenger facility charges	23,274	58,855	35,581
Contract facility charges	7,608	12,898	5,290
Fixed Base Operator (FBO)	21,396	14,456	(6,940)
Other	20,673	8,718	(11,955)
Investment earnings	-	3,524	3,524
Total revenues	<u>233,097</u>	<u>293,096</u>	<u>59,999</u>
EXPENDITURES:			
Operating	157,925	143,991	13,934
Nonoperating	<u>30,800</u>	<u>25,880</u>	<u>4,920</u>
Total expenditures	<u>188,725</u>	<u>169,871</u>	<u>18,854</u>
Revenues over expenditures	<u>44,372</u>	<u>123,225</u>	<u>78,853</u>
TRANSFERS IN:			
Airport Debt Service	38	38	-
Airport Capital Projects	<u>87,505</u>	<u>87,505</u>	<u>-</u>
Total transfers in	<u>87,543</u>	<u>87,543</u>	<u>-</u>
TRANSFERS OUT:			
Airport Debt Service	54,104	49,908	4,196
Airport Capital Projects	350,791	350,791	-
Capital Projects	<u>222</u>	<u>222</u>	<u>-</u>
Total transfers out	<u>405,117</u>	<u>400,921</u>	<u>4,196</u>
Revenues and transfers under expenditures and transfers	<u>\$ (273,202)</u>	<u>\$ (190,153)</u>	<u>\$ 83,049</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, 2017**  
**(In Thousands)**

	<u>Budget</u>	<u>Actual</u>	<u>Variance- Positive (Negative)</u>
REVENUES:			
Proceeds from refunding	\$ 122,158	\$ 122,026	\$ (132)
Investment earnings	10	185	175
Proceeds from revenue bonds	411	411	-
Premium on debt issuance	41,655	41,655	-
Other	-	(16)	(16)
Total revenues	<u>164,234</u>	<u>164,261</u>	<u>27</u>
EXPENDITURES:			
Bonds-			
Principal retirement	24,623	24,405	218
Interest	30,678	26,086	4,592
Payment to refunded bond escrow agent	243,934	243,934	-
Bond issue expense	3,987	3,091	896
Other	628	458	170
Total expenditures	<u>303,850</u>	<u>297,974</u>	<u>5,876</u>
Revenues (under) expenditures	<u>(139,616)</u>	<u>(133,713)</u>	<u>5,903</u>
TRANSFERS IN:			
Airport Operating	54,104	49,908	(4,196)
Airport Capital Projects	92,515	92,516	1
Total transfers in	<u>146,619</u>	<u>142,424</u>	<u>(4,195)</u>
TRANSFERS OUT:			
Airport Operating	<u>38</u>	<u>38</u>	<u>-</u>
Revenues and transfers (over) expenditures and transfers	<u>\$ 6,965</u>	<u>\$ 8,673</u>	<u>\$ 1,708</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, 2017**  
**(In Thousands)**

Revenues and transfers over	
expenditures and transfers:	
Operating Fund	\$(190,153)
Debt Service Fund	8,673
Capital Projects Fund:	
Investment earnings	1,524
Current year encumbrances	12,930
Deferred outflows of resources for pensions	5,779
Net pension liability	(6,491)
Deferred inflows of resources for pensions	47
Bond proceeds	(411)
Depreciation	(56,063)
Debt principal retirement	24,405
Premium on debt issuance	(41,655)
Capital outlay	903
Amortization of deferred charges	(212)
Amortization of premium	2,397
Capitalized interest	5,775
Capital contributions	16,874
Other	119,617
Net transfers to (from) Airport	
Capital Projects Fund:	
Airport Operating	263,286
Airport Debt Service	(92,516)
Change in net position	<u>\$ 74,709</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 COMPARED WITH AUTHORIZATIONS**  
**FOR THE YEAR ENDED JUNE 30, 2017**  
**(In Thousands)**

	Authorizations	Expenditures			Unexpended Authorizations
		Current Year	Prior Years	Total	
Airfield projects	\$ 306,136	\$ 32,651	\$ 207,955	\$ 240,606	\$ 65,530
Terminal complex projects	92,201	20,584	16,304	36,888	55,313
Cargo development projects	15,038	2,097	8,609	10,706	4,332
General aviation projects	32,343	4,772	5,643	10,415	21,928
Miscellaneous aviation projects	143,542	4,069	110,218	114,287	29,255
Terminal building	509,039	59,759	84,706	144,465	364,574
Ground transportation	319,258	7,376	292,834	300,210	19,048
Fueling facilities	538	101	437	538	-
Airport service fees (ASF)	34,859	6,118	3,558	9,676	25,183
Land acquisition - non-airfield	32,863	18,822	12,615	31,437	1,426
Included miscellaneous	5,434	1,017	248	1,265	4,169
Excluded miscellaneous	7,930	1,964	2,330	4,294	3,636
Fixed base operator (FBO)	22,913	2,973	7,162	10,135	12,778
Deicing	5,678	292	5,386	5,678	-
Environmental services program	67,709	732	58,742	59,474	8,235
Rehab and replacement water	187	73	-	73	114
New facilities	260	39	-	39	221
Capital facilities maintenance	585	430	74	504	81
Technology	9,677	4,031	1,299	5,330	4,347
Vehicles	5,162	161	-	161	5,001
Other equipment	402	-	-	-	402
Total airport capital projects	<u>\$ 1,611,754</u>	<u>\$ 168,061</u>	<u>\$ 818,120</u>	<u>\$ 986,181</u>	<u>\$ 625,573</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, 2017**  
**(In Thousands)**

	<u>Budget</u>	<u>Actual</u>	<u>Variance- Positive (Negative)</u>
REVENUES:			
Passenger fares	\$ 31,340	\$ 25,871	\$ (5,469)
Other operating	6,572	5,952	(620)
Sales tax	85,204	92,601	7,397
Intergovernmental	11,124	12,053	929
Other	482	364	(118)
Investment earnings	700	241	(459)
Total revenues	<u>135,422</u>	<u>137,082</u>	<u>1,660</u>
EXPENDITURES:			
Transit operations and maintenance	114,631	114,596	35
Administration	11,135	11,135	-
Total expenditures	<u>125,766</u>	<u>125,731</u>	<u>35</u>
Revenues over expenditures	<u>9,656</u>	<u>11,351</u>	<u>1,695</u>
TRANSFERS IN:			
Public Transit Debt Service	2,967	2,967	-
Capital Projects	22,243	22,243	-
Total transfers in	<u>25,210</u>	<u>25,210</u>	<u>-</u>
TRANSFERS OUT:			
Public Transit Capital Projects	12,160	12,160	-
Public Transit Debt Service	32,431	32,431	-
Total transfers out	<u>44,591</u>	<u>44,591</u>	<u>-</u>
Revenues and transfers (under) expenditures and transfers	<u>\$ (9,725)</u>	<u>\$ (8,030)</u>	<u>\$ 1,695</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, 2017**  
**(In Thousands)**

	<u>Budget</u>	<u>Actual</u>	Variance- Positive (Negative)
REVENUES:			
Grant contributions	\$ 215	\$ -	\$ (215)
Investment earnings	-	259	259
Total revenues	<u>215</u>	<u>259</u>	<u>44</u>
EXPENDITURES:			
Installment purchases-			
Principal retirement	4,755	4,755	-
Interest	13,289	13,019	270
Other	<u>1,388</u>	<u>819</u>	<u>569</u>
Total expenditures	<u>19,432</u>	<u>18,593</u>	<u>839</u>
Revenues (under) expenditures	<u>(19,217)</u>	<u>(18,334)</u>	<u>883</u>
TRANSFERS IN:			
Public Transit Operating	32,431	32,431	-
Public Transit Capital Projects	<u>6,423</u>	<u>4,952</u>	<u>(1,471)</u>
Total transfers in	<u>38,854</u>	<u>37,383</u>	<u>(1,471)</u>
TRANSFERS OUT:			
Public Transit Operating	<u>2,967</u>	<u>2,967</u>	<u>-</u>
Total transfers out	<u>2,967</u>	<u>2,967</u>	<u>-</u>
Revenues and transfers over expenditures and transfers	<u>\$ 16,670</u>	<u>\$ 16,082</u>	<u>\$ (588)</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, 2017**  
**(In Thousands)**

Revenues and transfers over (under)	
expenditures and transfers:	
Operating Fund	\$ (8,030)
Debt Service Fund	16,082
Investment earnings in the	
Capital Projects Fund	(132)
Current year encumbrances	4,369
Deferred outflows of resources for pensions	5,273
Net pension liability	(6,139)
Deferred inflows of resources for pensions	469
Depreciation	(36,721)
Debt principal retirement	4,755
Amortization of deferred charges	(29)
Amortization of premium	900
Capitalized interest	2,963
Capital contributions	304,121
Other	(8,863)
Net transfers to (from) Public Transit	
Capital Projects Fund:	
Public Transit Operating	12,160
Public Transit Debt Service	(4,952)
Change in net position	<u>\$ 286,226</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 COMPARED WITH AUTHORIZATIONS**  
**FOR THE YEAR ENDED JUNE 30, 2017**  
**(In Thousands)**

	Authorizations	Expenditures			Unexpended Authorizations
		Current Year	Prior Years	Total	
Transit corridor development	\$ 1,714,271	\$ 188,340	\$ 1,271,334	\$ 1,459,674	\$ 254,597
Transit vehicles	189,874	23,299	139,204	162,503	27,371
Transit facilities	118,917	3,984	110,191	114,175	4,742
Transit maintenance & equipment	41,846	6,322	31,720	38,042	3,804
Transit support	23,341	900	11,977	12,877	10,464
Facilities maintenance	275	-	275	275	-
Total public transit capital projects	<u>\$ 2,088,524</u>	<u>\$ 222,845</u>	<u>\$ 1,564,701</u>	<u>\$ 1,787,546</u>	<u>\$ 300,978</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, 2017**  
**(In Thousands)**

	Risk Management	Employee Health and Life	Total
<b>ASSETS</b>			
Current assets:			
Cash, cash equivalents and investments	\$ 89,415	\$ 41,267	\$ 130,682
Receivables - other	310	95	405
Due from other funds	-	620	620
Due from other governmental agencies	5	2	7
Total current assets	89,730	41,984	131,714
Capital assets:			
Machinery and equipment	181	-	181
Less accumulated depreciation	163	-	163
Total capital assets, net	18	-	18
Total assets	89,748	41,984	131,732
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Pension deferrals	388	-	388
Contributions to pension plan in current fiscal year	135	-	135
	523	-	523
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	93	749	842
Claims payable	43,690	10,666	54,356
Current maturities of noncurrent liabilities	101	-	101
Noncurrent liabilities:			
Due to participants	12,615	-	12,615
Compensated absences payable	76	-	76
Net pension liability	605	-	605
Net OPEB liability	191	-	191
Total noncurrent liabilities	13,487	-	13,487
Total liabilities	57,371	11,415	68,786
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Pension deferrals	22	-	22
<b>NET POSITION</b>			
Net investment in capital assets	18	-	18
Unrestricted	32,860	30,569	63,429
Total net position	\$ 32,878	\$ 30,569	\$ 63,447

**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, 2017**  
**(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	\$ 3,288	\$ 8,056	\$ 11,344
Claims:			
Employer	13,381	46,127	59,508
Employee	-	11,162	11,162
Other	144	935	1,079
Total claims	13,525	58,224	71,749
Premiums	5,378	20,246	25,624
Reimbursement from trust	-	24,838	24,838
Total operating revenues	<u>22,191</u>	<u>111,364</u>	<u>133,555</u>
OPERATING EXPENSES:			
Administration	3,968	8,056	12,024
Claims	15,274	76,321	91,595
Insurance premiums	5,337	20,246	25,583
Total operating expenses	<u>24,579</u>	<u>104,623</u>	<u>129,202</u>
Operating income (loss)	<u>(2,388)</u>	<u>6,741</u>	<u>4,353</u>
NONOPERATING REVENUES:			
Investment earnings	<u>330</u>	<u>313</u>	<u>643</u>
Change in net position	(2,058)	7,054	4,996
Total net position - beginning	<u>34,936</u>	<u>23,515</u>	<u>58,451</u>
Total net position - ending	<u>\$ 32,878</u>	<u>\$ 30,569</u>	<u>\$ 63,447</u>



**CITY OF CHARLOTTE, NORTH CAROLINA**  
**INTERNAL SERVICE FUNDS**  
**COMBINING STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED JUNE 30, 2017**  
**(In Thousands)**

	Risk Management	Employee Health and Life	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Receipts from participants	\$ 10,855	\$ 31,409	\$ 42,264
Payments to suppliers	(2,399)	(8,164)	(10,563)
Internal activity - receipts from other funds	20,608	53,563	74,171
Receipts from trust	-	24,838	24,838
Receipts from recovery of losses	180	-	180
Payments to employees	(1,624)	-	(1,624)
Payments for claims	(16,636)	(76,321)	(92,957)
Payments for premiums	(8,810)	(20,001)	(28,811)
Other receipts (payments)	-	934	934
Net cash provided by operating activities	<u>2,174</u>	<u>6,258</u>	<u>8,432</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Interest received	<u>421</u>	<u>266</u>	<u>687</u>
Net increase in cash and cash equivalents	2,595	6,524	9,119
Cash, cash equivalents and investments - beginning of year	<u>86,820</u>	<u>34,743</u>	<u>121,563</u>
Cash, cash equivalents and investments - end of year	<u>\$ 89,415</u>	<u>\$ 41,267</u>	<u>\$ 130,682</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</b>			
Operating income (loss)	\$ (2,388)	\$ 6,741	\$ 4,353
Adjustments to reconcile operating income (loss) to net cash provided by operating activities-			
Change in assets and liabilities:			
Decrease in receivables	3	-	3
Decrease in due from other governments	1	-	1
(Increase) in due from other funds	-	(620)	(620)
(Increase) in deferred outflows of resources for pensions	(407)	-	(407)
(Decrease) in accounts payable	(36)	(108)	(144)
Increase in claims payable	3,682	245	3,927
Increase in due to participants	853	-	853
Increase in compensated absences payable	22	-	22
Increase in net pension liability	473	-	473
Increase in net OPEB liability	9	-	9
(Decrease) in deferred inflows of resources for pensions	(38)	-	(38)
Total adjustments	<u>4,562</u>	<u>(483)</u>	<u>4,079</u>
Net cash provided by operating activities	<u>\$ 2,174</u>	<u>\$ 6,258</u>	<u>\$ 8,432</u>



STATISTICAL SECTION



PHOTO: EMILY HELD, CITY OF CHARLOTTE EMPLOYEE





**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.

Contents	Page
Financial Trends.....	168-174
These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.	
Revenue Capacity.....	175-180
These schedules contain information to help the reader assess the government's most significant local revenue source, the property tax.	
Debt Capacity.....	181-188
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.	
Demographic and Economic Information.....	189-190
These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.	
Operating Information.....	191-193
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.	

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									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<b>Governmental activities</b>										
Net investment in capital assets <sup>1,2</sup>	\$ 3,899,402	\$ 4,344,428	\$ 4,455,284	\$ 4,535,870	\$ 4,655,357	\$ 4,666,993	\$ 4,668,843	\$ 4,655,202	\$ 4,563,879	\$ 4,690,751
Restricted	183,323	237,956	237,147	233,293	221,832	248,404	252,385	349,992	356,435	324,070
Unrestricted <sup>1</sup>	427,416	392,995	417,562	428,842	421,933	447,428	496,553	351,862	428,719	345,073
Total governmental activities net position	<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>	<u>5,357,056</u>	<u>5,349,033</u>	<u>5,359,894</u>
<b>Business-type activities</b>										
Net investment in capital assets <sup>1,3</sup>	2,100,976	2,368,112	2,467,268	2,455,159	2,543,085	2,794,170	3,077,745	3,380,700	3,676,609	3,924,620
Restricted <sup>4</sup>	177,226	199,530	245,033	256,055	316,914	356,516	391,966	430,577	443,384	345,499
Unrestricted <sup>1</sup>	796,274	642,533	605,019	772,884	792,697	755,548	740,933	848,115	957,704	1,389,110
Total business-type activities net position	<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>	<u>4,659,392</u>	<u>5,077,697</u>	<u>5,659,229</u>
<b>Primary government</b>										
Net investment in capital assets	6,000,378	6,712,540	6,922,552	6,991,029	7,198,442	7,461,163	7,746,588	8,035,902	8,240,488	8,615,371
Restricted	360,549	437,486	482,180	489,348	538,746	604,920	644,351	780,569	799,819	669,569
Unrestricted	1,223,690	1,035,528	1,022,581	1,201,726	1,214,630	1,202,976	1,237,486	1,199,977	1,386,423	1,734,183
Total primary government net position	<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>	<u>\$ 10,016,448</u>	<u>\$ 10,426,730</u>	<u>\$ 11,019,123</u>

<sup>1</sup> 2008 through 2012 have been restated for the effects of GASB 65.

<sup>2</sup> 2008 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.

<sup>4</sup> 2017 reflects use of passenger facility charges for Airport projects.

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

	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<b>Expenses</b>										
Governmental activities:										
Public safety <sup>1</sup>	\$ 286,271	\$ 301,866	\$ 318,576	\$ 324,920	\$ 347,380	\$ 372,986	\$ 348,428	\$ 350,556	\$ 374,328	\$ 432,355
Sanitation	45,848	49,817	55,721	48,210	47,925	49,572	52,871	53,912	55,717	59,011
General administration	45,641	48,798	38,188	38,272	45,030	45,273	47,158	49,897	58,256	44,998
Support services	20,326	23,719	21,066	21,454	35,427	25,599	28,820	30,398	31,210	36,894
Engineering and property management	56,844	33,049	29,232	27,265	24,876	31,637	25,769	26,331	52,044	38,831
Streets and highways <sup>8</sup>	94,888	103,289	116,141	119,024	114,400	122,168	125,518	159,892	174,912	48,548
Culture and recreation	9,146	13,914	17,834	10,085	17,856	28,744	32,826	43,617	45,158	44,830
Community planning and development	65,355	74,104	81,691	83,608	73,513	68,789	67,154	88,651	75,889	71,844
Interest and other charges <sup>2</sup>	47,605	46,334	62,585	57,059	56,080	56,373	54,329	55,000	57,498	53,220
Total governmental activities expenses	671,924	694,890	741,034	729,897	762,487	801,141	782,873	858,254	925,012	830,531
Business-type activities:										
Water	100,291	104,087	99,239	104,711	116,628	103,934	104,925	136,759	143,992	142,697
Sewer	141,762	161,607	158,744	141,380	132,824	144,972	149,865	160,104	163,565	165,039
Storm water <sup>7</sup>	22,566	21,605	53,449	20,186	20,766	22,117	19,934	21,374	16,614	17,517
Airport	150,094	158,136	138,372	159,443	170,298	172,091	185,178	189,466	205,860	234,432
Public transit	146,396	155,481	155,104	150,994	160,655	168,183	162,511	167,482	173,243	177,312
Total business-type activities expenses	561,109	600,916	604,908	576,714	601,171	611,297	622,413	675,185	703,274	736,997
Total primary government expenses	\$ 1,233,033	\$ 1,295,806	\$ 1,345,942	\$ 1,306,611	\$ 1,363,658	\$ 1,412,438	\$ 1,405,286	\$ 1,533,439	\$ 1,628,286	\$ 1,567,528
<b>Program Revenues</b>										
Governmental activities:										
Fees, fines, and charges for services:										
Public safety	\$ 24,197	\$ 24,692	\$ 23,719	\$ 24,959	\$ 23,761	\$ 28,281	\$ 28,452	\$ 29,474	\$ 38,772	\$ 40,271
Sanitation	11,277	11,503	11,895	12,148	12,336	12,341	13,084	12,491	8,824	11,156
General administration	12,805	15,930	14,853	16,980	16,851	15,779	17,418	3,162	2,913	2,033
Community planning and development	10,383	7,954	11,440	4,571	3,290	7,162	3,437	5,171	4,859	3,767
Other activities	26,844	29,196	26,478	28,610	37,684	34,446	33,829	54,833	59,761	60,216
Operating grants and contributions <sup>1</sup>	47,158	63,714	65,051	64,049	78,593	97,294	50,978	33,471	51,192	50,295
Capital grants and contributions <sup>3</sup>	177,722	450,950	165,500	102,965	121,645	14,469	22,629	53,241	20,810	19,304
Total governmental activities program revenues	310,386	603,939	318,936	254,282	294,160	209,772	169,827	191,843	187,131	187,042
Business-type activities:										
Fees, fines, and charges for services:										
Water	94,320	90,866	98,954	101,868	115,459	119,718	129,115	145,234	166,043	171,798
Sewer	137,617	144,033	151,653	163,622	177,377	184,630	189,744	195,530	211,084	230,511
Storm water	40,837	43,642	45,782	48,589	52,075	57,642	56,885	61,786	70,042	70,496
Airport <sup>4</sup>	201,259	190,052	188,935	212,935	219,990	243,874	254,331	264,139	277,891	289,450
Public transit	18,220	23,132	21,548	25,025	26,508	29,122	28,820	33,955	32,404	31,823
Operating grants and contributions	19,019	14,413	12,803	12,923	12,586	12,197	12,082	11,406	10,945	12,053
Capital grants and contributions	224,739	119,356	98,504	85,319	73,900	145,792	153,666	312,823	241,970	381,724
Total business-type activities program revenues	736,011	625,494	618,179	650,281	677,895	792,975	824,643	1,024,873	1,010,379	1,187,855
Total primary government program revenues	\$ 1,046,397	\$ 1,229,433	\$ 937,115	\$ 904,563	\$ 972,055	\$ 1,002,747	\$ 994,470	\$ 1,216,716	\$ 1,197,510	\$ 1,374,897

	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<b>Net (Expense)/Revenue</b>										
Governmental activities	\$ (361,538)	\$ (90,951)	\$ (422,098)	\$ (475,615)	\$ (468,327)	\$ (591,369)	\$ (613,046)	\$ (666,411)	\$ (737,881)	\$ (643,489)
Business-type activities	174,902	24,578	13,271	73,567	76,724	181,678	202,230	349,688	307,105	450,858
Total primary governmental net expense	<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>	<u>\$ (316,723)</u>	<u>\$ (430,776)</u>	<u>\$ (192,631)</u>
<b>General Revenues and Other Changes in Net Position</b>										
Governmental activities:										
Taxes-										
Property	\$ 331,431	\$ 345,755	\$ 356,913	\$ 362,780	\$ 377,309	\$ 397,629	\$ 436,597	\$ 396,985	\$ 452,209	\$ 454,908
Sales <sup>2</sup>	87,035	74,434	72,715	73,340	82,730	84,890	92,853	105,623	114,192	118,385
Utility franchise <sup>2</sup>	34,278	35,158	36,911	36,804	36,442	38,069	38,915	52,403	53,545	52,627
Occupancy <sup>5</sup>	32,611	27,036	25,999	29,448	32,590	37,963	40,087	45,092	49,079	51,917
Prepared foods	20,172	19,226	19,598	20,378	22,523	24,643	25,514	28,358	30,026	31,509
Business privilege <sup>9</sup>	20,703	16,390	16,250	15,430	16,375	17,721	9,188	17,098	283	29
Municipal vehicle	14,184	15,527	14,388	14,695	15,740	14,783	19,001	16,430	17,068	18,280
Grants and contributions not restricted to specific programs	20,362	16,756	13,508	16,979	18,513	19,067	20,546	22,205	23,383	24,952
Investment earnings <sup>2</sup>	23,056	15,218	7,212	5,369	(16,546)	35,063	3,842	3,890	4,670	5,150
Miscellaneous <sup>2</sup>	11,536	9,099	11,683	6,806	2,167	(1,001)	(450)	1,441	7,012	475
Special items <sup>6</sup>	-	-	-	-	-	-	-	14,100	-	-
Transfers	(18,437)	(18,410)	(18,465)	(18,402)	(18,399)	(13,755)	(18,091)	(20,270)	(21,609)	(25,402)
Total governmental activities	<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>	<u>683,355</u>	<u>729,858</u>	<u>732,830</u>
Business-type activities:										
Sales taxes levied for Public transit <sup>2</sup>	71,212	59,510	57,870	57,355	65,754	66,505	71,233	81,150	89,617	92,601
Investment earnings	51,241	29,516	13,181	8,842	6,461	(1,107)	7,738	6,098	7,065	7,830
Miscellaneous	(17,721)	3,685	4,358	8,612	1,260	(7,293)	5,118	3,319	(7,091)	4,841
Transfers	18,437	18,410	18,465	18,402	18,399	13,755	18,091	20,270	21,609	25,402
Total business-type activities	<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>	<u>110,837</u>	<u>111,200</u>	<u>130,674</u>
Total primary government	<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>	<u>\$ 794,192</u>	<u>\$ 841,058</u>	<u>\$ 863,504</u>
<b>Change in Net Position</b>										
Governmental activities	\$ 215,393	\$ 465,238	\$ 134,614	\$ 88,012	\$ 101,117	\$ 63,703	\$ 54,956	\$ 16,944	\$ (8,023)	\$ 89,341
Business-type activities	298,071	135,699	107,145	166,778	168,598	253,538	304,410	460,525	418,305	581,532
Total primary government	<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>	<u>\$ 477,469</u>	<u>\$ 410,282</u>	<u>\$ 670,873</u>

Notes:

<sup>1</sup> In 2012, the City hosted the Democratic National Convention, funded by a Federal grant. In 2017, the City added 106 public safety positions.

<sup>2</sup> 2008 through 2009 have been restated for the effects of a prior period adjustment.

<sup>3</sup> In 2008, fewer street miles were added. In 2009, more street miles were added due to annexation.

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

<sup>5</sup> In 2008, an additional 2 percent occupancy tax was collected to be used for NASCAR Hall of Fame.

<sup>6</sup> In 2015, a discounted payoff was accepted in full satisfaction of a portion of private loan.

<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 SEVEN FISCAL YEARS<sup>1</sup>**  
**(In Thousands)**  
*(modified accrual basis of accounting)*

	Fiscal Year						
	2011	2012	2013	2014	2015	2016	2017
General fund							
Nonspendable:							
Inventories	\$ 951	\$ 1,004	\$ 985	\$ 1,208	\$ 1,378	\$ 1,426	\$ 1,218
Long-term notes receivable	-	-	-	-	29	13	28
Restricted - State statute	59,131	61,679	73,571	65,521	63,151	64,877	65,499
Committed:							
Capital projects	3,790	5,674	12,539	5,311	14,382	19,885	2,751
Component unit	848	1,100	1,738	2,146	2,610	3,215	3,441
Assigned:							
Capital Projects	-	395	550	550	-	-	-
Culture and recreation	94	-	-	-	-	-	-
Public safety	-	-	-	-	-	-	463
Community planning and development	-	875	-	483	-	-	-
Unassigned	84,703	88,423	90,161	95,298	95,280	101,590	107,014
Total general fund	<u>\$ 149,517</u>	<u>\$ 159,150</u>	<u>\$ 179,544</u>	<u>\$ 170,517</u>	<u>\$ 176,830</u>	<u>\$ 191,006</u>	<u>\$ 180,414</u>
All other governmental funds							
Nonspendable:							
Perpetual care	\$ 3,120	\$ 3,121	\$ 3,111	\$ 3,111	\$ 3,111	\$ 3,111	\$ 3,111
Inventories	-	-	-	-	-	-	130
Prepaid expenses	-	-	-	-	-	-	119
Long-term notes receivable	-	-	-	-	89,899	87,498	-
Restricted:							
State statute	3,402	3,592	3,854	4,785	5,235	5,732	5,776
Special obligation debt service	10,970	10,120	9,220	8,270	7,270	6,215	5,100
Public safety	13,190	9,003	10,295	11,830	16,816	3,282	13,989
Streets and highways	10,878	8,359	13,373	14,332	15,141	10,809	7,923
Culture and recreation	121,702	120,924	129,869	138,774	144,780	167,391	183,899
Community planning and development	4,291	5,034	5,111	5,762	4,560	7,507	38,773
Committed:							
Capital projects	91,572	86,946	87,751	137,488	191,797	238,041	255,898
Culture and recreation	1,896	1,500	1,016	396	4,814	34,510	45,016
Assigned:							
Debt service	206,124	216,209	210,586	251,590	278,219	239,681	218,640
Unassigned <sup>2</sup>	1,927	-	-	-	(629)	-	-
Total all other governmental funds	<u>\$ 469,072</u>	<u>\$ 464,808</u>	<u>\$ 474,186</u>	<u>\$ 576,338</u>	<u>\$ 761,013</u>	<u>\$ 803,777</u>	<u>\$ 778,374</u>

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

<sup>2</sup> In 2015, Municipal Services Districts had a deficit fund balance due to property tax revenues less than anticipated.

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

	2008	2009	2010
General Fund			
Reserved	\$ 34,806	\$ 31,887	\$ 54,512
Unreserved <sup>2</sup>	128,793	119,197	100,740
Total general fund	<u>\$ 163,599</u>	<u>\$ 151,084</u>	<u>\$ 155,252</u>
All Other Governmental Funds			
Reserved	\$ 46,787	\$ 35,463	\$ 34,430
Unreserved, reported in:			
Debt service funds <sup>2</sup>	168,168	187,409	195,577
Capital projects funds <sup>2</sup>	58,322	110,301	128,574
Special revenue funds	123,126	142,212	122,833
Total all other governmental funds	<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> 2008 through 2009 have been restated for the effects of a prior period adjustment.

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

	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<b>REVENUES:</b>										
Property taxes	\$ 333,032	\$ 344,248	\$ 359,279	\$ 363,060	\$ 378,409	\$ 395,789	\$ 430,657	\$ 401,040	\$ 451,563	\$ 456,176
Other taxes <sup>1</sup>	153,985	130,187	127,482	133,558	149,564	159,787	171,864	193,197	208,513	217,719
Intergovernmental <sup>1,2</sup>	114,400	135,380	137,647	129,561	149,958	176,661	136,198	172,109	166,463	163,711
Licenses, fees and fines <sup>1</sup>	67,907	62,994	60,330	60,118	61,103	63,914	63,001	68,421	43,363	46,287
Investment earnings	25,030	18,662	10,588	4,677	3,544	(14)	4,739	3,350	3,745	3,815
Private contributions <sup>3</sup>	4,545	14,172	7,598	12,230	2,377	3,872	9,428	4,745	4,039	1,671
Administrative charges	22,420	25,721	25,446	28,513	29,406	24,636	25,227	29,361	34,793	37,031
Charges for current services	8,259	7,477	7,717	9,004	8,325	6,187	6,364	6,919	7,234	8,670
Miscellaneous	10,698	9,636	8,196	9,173	8,614	9,714	9,828	8,151	10,051	10,458
Total revenues	740,276	748,477	744,283	749,894	791,300	840,546	857,306	887,293	929,764	945,538
<b>EXPENDITURES:</b>										
Public safety <sup>2</sup>	274,361	286,542	305,527	317,255	340,387	366,574	335,977	346,524	359,187	382,427
Sanitation	43,776	45,736	46,200	45,930	45,694	46,680	49,278	50,764	52,265	55,610
General administration	43,213	46,183	37,295	36,649	41,979	43,596	45,295	44,042	40,294	42,078
Support services	19,011	20,069	18,523	19,895	30,848	22,563	25,956	29,414	29,728	31,823
Engineering and property management	26,233	23,793	21,808	21,164	22,717	22,056	22,479	22,739	20,973	22,095
Streets and highways	48,297	52,132	58,332	63,922	56,366	51,097	57,313	57,580	62,924	65,102
Culture and recreation	9,551	13,478	17,798	10,068	13,632	17,793	21,035	24,571	27,312	29,835
Community planning and development	41,281	55,330	54,381	52,248	51,215	46,683	51,947	56,613	49,813	46,119
Debt service-										
Principal <sup>4</sup>	55,079	74,356	68,766	64,029	72,849	68,812	77,139	86,287	112,033	97,190
Interest and other charges	47,629	49,710	70,900	60,296	58,606	59,210	61,053	61,334	66,557	60,790
Capital outlay	170,154	280,708	252,408	126,119	137,506	170,522	162,571	160,745	154,320	166,087
Total expenditures	778,585	948,037	951,938	817,575	871,799	915,586	910,043	940,613	975,406	999,156
(Deficiency) of revenues (under) expenditures	(38,309)	(199,560)	(207,655)	(67,681)	(80,499)	(75,040)	(52,737)	(53,320)	(45,642)	(53,618)

	Fiscal Year										
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	
<b>OTHER FINANCING SOURCES (USES):</b>											
Sales of capital assets <sup>5</sup>	14,081	953	3,160	1,435	1,943	4,768	1,117	1,003	34,027	6,238	
Bonds issued	-	-	20,000	-	-	-	34,370	-	-	34,503	
Commercial paper issued	121,348	190,636	88,192	62,786	64,846	73,988	59,055	59,973	66,213	1,677	
Installment purchases issued	-	87,491	88,595	-	33,155	34,808	63,994	100,691	23,685	-	
Refunding debt issued	11,674	49,102	393,509	-	177,485	130,470	266,893	62,755	33,010	116,230	
Premium on debt issuance	1,027	3,629	35,845	-	36,025	5,123	31,544	15,199	5,906	19,377	
Private loan <sup>6</sup>	987	357	32,558	3,785	270	-	-	-	-	-	
Payment to refunded bond escrow agent	(12,632)	(47,731)	(425,542)	-	(209,457)	(130,590)	(293,020)	(71,580)	(38,650)	(135,000)	
Transfers in	137,353	82,201	96,718	126,518	111,204	126,402	121,528	123,605	186,997	191,445	
Transfers out	(155,790)	(100,611)	(115,183)	(144,920)	(129,603)	(140,157)	(139,619)	(140,475)	(208,606)	(216,847)	
Total other financing sources (uses)	118,048	266,027	217,852	49,604	85,868	104,812	145,862	151,171	102,582	17,623	
Net change in fund balances	<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>	<u>\$ 97,851</u>	<u>\$ 56,940</u>	<u>\$ (35,995)</u>	
Debt service as a percentage of noncapital expenditures	16.0%	18.3%	19.3%	17.7%	17.6%	17.0%	18.4%	18.1%	19.4%	17.4%	

Debt service as a percentage of noncapital expenditures

<sup>1</sup> 2008 and 2009 have been restated for the effects of a prior period adjustment related to the recognition of revenues.

<sup>2</sup> The City hosted the Democratic National Convention in September 2012, funded by a Federal grant.

<sup>3</sup> In 2011, private contributions were received to fund construction of the Mint Museum.

<sup>4</sup> In 2009, the City early extinguished \$21,215 of installment purchases. In 2016, the Hall of Fame private loan was paid.

<sup>5</sup> In 2008, the City sold land adjacent to Time Warner Cable Arena. In 2016, land was sold to pay off Hall of Fame private loan.

<sup>6</sup> 2008 through 2012 reflects 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:			Total Taxable Assessed Value	Total Direct Tax Rate
	Real Property			Personal Property				Tax-Exempt Property	Total Taxable Assessed Value			
	Residential Property	Commercial Property	Motor Vehicles	Other								
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					
2015	45,297,317	30,263,922	6,194,474	7,953,022	285,506	89,423,229	0.4687					
2016	44,813,098	32,220,420	6,550,784	7,909,799	294,003	91,200,098	0.4787					
2017	44,848,147	33,778,317	7,016,818	8,057,175	292,117	93,408,340	0.4787					

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							
	General	Debt Service	Capital Projects	Total Direct	Municipal Service Districts					District 4	District 5	Mecklenburg County
					District 1	District 2	District 3	District	District			
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	
2015	.3600	.0967	.0120	.4687	.0168	.0233	.0358	.0668	.0279		.8157	
2016	.3741	.0926	.0120	.4787	.0168	.0233	.0358	.0668	.0279		.8157	
2017	.3741	.0926	.0120	.4787	.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	2017			2008		
	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	\$ 1,398,926	1	1.50%	\$ 581,392	3	0.80%
Duke Energy Corporation	1,202,578	2	1.29	1,632,924	1	2.25
Bank of America	1,096,732	3	1.17	682,331	2	0.94
American Airlines/US Airways Group Incorporated	955,119	4	1.02	252,485	6	0.35
Time Warner Entertainment	389,365	5	0.42	278,466	5	0.38
AT&T/BellSouth, Incorporated	339,318	6	0.36	449,049	4	0.62
Southpark Mall	328,175	7	0.35	209,496	9	0.29
TIAA-Cref, LLC	247,458	8	0.26	210,851	8	0.29
Piedmont Natural Gas	229,989	9	0.25	228,648	7	0.31
Parkway Properties	210,118	10	0.22	-	-	-
Panthers Stadium, LLC	-	-	-	191,328	10	0.26
Total	\$ 6,397,778		6.84%	\$ 4,716,970		6.49%

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
2008	\$ 340,293	\$ 332,150	97.61%	\$ 5,636	\$ 337,786	99.26%
2009	344,391	336,270	97.64	6,485	342,755	99.52
2010	357,494	350,248	97.97	5,601	355,849	99.54
2011	362,833	355,258	97.91	4,940	360,198	99.27
2012	395,901	387,890	97.98	(15,746)	372,144	94.00
2013	395,392	386,270	97.69	(8,727)	377,543	95.49
2014	415,447	408,956	98.44	1,884	410,840	98.89
2015	392,831	390,339	99.37	6,896	397,235	100.00
2016	422,527	420,153	99.44	8,462	428,615	100.00
2017	422,768	419,751	99.29	-	419,751	99.29

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, 2017, for the fiscal year 2018, were based on the assessed values listed as of January 1, 2017.

<sup>2</sup> In subsequent years, for the fiscal years 2012 and 2013, 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, 2017**  
**(In Thousands)**

	City - Wide			Total Levy	
	Property Valuation	Rate	Total Levy	Property excluding Registered Motor Vehicles	Registered Motor Vehicles
Original Levy:					
Property taxed at current year's rate	\$ 86,610,594	0.4787	\$ 432,782	\$ 414,605	\$ 18,177
Discoveries - current and prior years	755,343				-
Total property valuation	<u>\$ 87,365,937</u>		<u>432,782</u>	<u>414,605</u>	<u>18,177</u>
Net Levy			418,043	414,605	18,177
Unpaid (by taxpayer) taxes at June 30, 2016			(2,984)	(2,984)	-
Current year's taxes collected			<u>\$ 415,057</u>	<u>\$ 411,621</u>	<u>\$ 18,177</u>
Current levy collection percentage			<u>99.29%</u>	<u>99.28%</u>	<u>100.00%</u>

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

<sup>2</sup> Property valuation amounts is only for property and does not include registered motor vehicles



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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	Business-Type Activities	Percentage of Actual Taxable Value of Property <sup>1</sup>	Special Obligation Bonds	Installment Purchases <sup>3,4</sup>		
						Commercial Paper Notes	Private Loan
	General Obligation Bonds <sup>3</sup>	General Obligation Bonds <sup>3</sup>					
2008	\$ 412,969	\$ 355,755	1.06%	\$ 1,104	\$ 441,000	\$ 150,907	\$ 1,982
2009	385,286	336,796	0.97	1,007	531,662	293,812	2,322
2010	515,359	311,791	1.07	1,093	777,594	46,462	35,045
2011	485,333	286,002	0.99	1,055	739,441	109,248	38,830
2012	606,204	258,998	0.96	1,120	730,252	24,094	39,100
2013	577,431	231,267	0.89	1,015	727,912	98,082	35,331
2014	729,362	203,241	1.03	1,170	747,191	7,137	35,331
2015	691,351	174,812	0.97	1,069	803,723	67,110	16,231
2016	647,449	145,373	0.87	959	767,855	133,323	-
2017	737,220	114,415	0.87	995	708,206	-	-

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> 2008 through 2012 have been restated for the implementation of GASB 65.

<sup>4</sup> 2008 through 2012 have been restated for a prior period adjustment.

<sup>5</sup> N/A = Data not available

Other Business-Type Activities Debt

Fiscal Year	Revenue Bonds <sup>3</sup>	Installment Purchases <sup>3</sup>	Revenue				Federal Revolving Loan	TIF/IA Loan	Total Primary Government	Percentage of		Per Capita <sup>2</sup>
			Commercial Paper Notes	Bond Anticipation Notes	Other Financing Agreements					Personal Income <sup>2</sup>		
2008	\$ 1,653,023	\$ 286,071.0	\$ 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
2015	2,162,847	279,384	-	214,999	2,950	1,110	-	-	4,421,787	16.83		5,459
2016	2,296,876	275,258	-	83,739	2,130	1,043	-	88,353	4,447,614	16.73		5,377
2017	2,416,258	380,699	-	67,895	1,320	977	-	137,685	4,569,775	N/A <sup>5</sup>		5,338

**CITY OF CHARLOTTE, NORTH CAROLINA**  
**DIRECT AND OVERLAPPING BONDED DEBT**  
**JUNE 30, 2017**  
**(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	\$ 1,832,617	100%	\$ 1,832,617
Overlapping:			
Mecklenburg County	1,257,459	75	943,094
Total	<u>\$ 3,090,076</u>		<u>\$ 2,775,711</u>

<sup>1</sup> Percentage of direct and overlapping debt is based on June 30, 2017 assessed valuation of the City of Charlotte (\$93,408,340) as compared to the June 30, 2017 assessed valuation of Mecklenburg County (\$123,921,533).

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

Fiscal Year	Net Debt		Legal Debt Margin	Ratio of Net Debt Outstanding to Debt Limit
	Debt Limit	Outstanding <sup>1,2</sup>		
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
2015	6,780,590	2,235,933	4,544,657	32.98
2016	7,296,008	2,067,347	5,228,661	28.34
2017	7,472,667	2,365,043	5,107,624	31.65

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

<sup>2</sup> 2008 through 2012 have been restated for the implementation of GASB 65.

**Legal Debt Margin Calculation for Fiscal Year 2017:**

Assessed value	\$ 93,408,340
Debt limit (8% of assessed value)	<u>7,472,667</u>
Total outstanding general obligation bonded debt	\$ 851,635
Amounts due under installment purchases primarily for Convention Center, tourism, capital improvements and equipment	1,088,905
Bonds authorized but unissued	<u>462,915</u>
Less- Water general obligation bonds	<u>2,403,455</u>
Outstanding debt, net	<u>38,412</u>
Legal debt margin	<u>2,365,043</u>
	<u>\$ 5,107,624</u>

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

Fiscal Year	Allowable Revenues <sup>1</sup>	Debt Service Requirement	Bond Coverage
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
2015	26,138	1,382	18.9
2016	27,896	1,386	20.1
2017	28,623	1,396	20.5

<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			
			Available for Debt Service	Debt Service Requirement	Revenue Bond Coverage	
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	
2015	417,288	125,399	291,889	105,762	2.8	
2016	420,480	122,144	298,336	113,755	2.6	
2017	458,237	131,818	326,419	113,135	2.9	

<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 Revenues <sup>1</sup>	Current Expenses <sup>1</sup>	Net Revenues		
			Available for Debt Service	Debt Service Requirement	Revenue Bond Coverage
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
2015	80,742	9,131	71,611	11,357	6.3
2016	86,346	9,581	76,765	11,971	6.4
2017	83,605	10,263	73,342	12,538	5.8

<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		Application of		Net Revenues		Revenue	
	Revenues	<sup>1</sup>	Revenues	<sup>1</sup>	Debt Service	Available for	Debt Service	Bond
							Requirement	Coverage
							<sup>2</sup>	<sup>3</sup>
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
2015		176,443		91,912		84,531	25,733	3.3
2016		195,521		105,039		90,482	25,722	3.5
2017		207,928		113,685		94,243	17,439	5.4

<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	Per Capita Personal Income	Median Age	Unemployment Rate
		(thousands of dollars)			
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	34.5	6.0
2015	809,958	26,268,690	25,877	35.4	5.3
2016	827,097	27,738,165	26,575	N/A	4.5
2017	856,062	N/A	N/A	37.4	4.1

Source: Data provided by Mecklenburg County. 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>	2017			2008		
	<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	6.11%	26,283	1	5.98%
Wells Fargo/Wachovia Corporation	24,100	2	4.21	20,000	2	4.55
Charlotte-Mecklenburg Schools	18,143	3	3.17	7,500	6	1.71
Wal-Mart Stores, Incorporated	16,100	4	2.81	12,918	4	2.94
Bank of America	15,000	5	2.62	13,960	3	3.17
American Airlines	11,500	6	2.01	-	-	-
Delhaize America Incorporated	10,859	7	1.90	8,658	5	1.97
Novant Health	9,679	8	1.69	-	-	-
Lowe's Companies Incorporated	8,500	9	1.48	-	-	-
Duke Energy Corporation	8,487	10	1.48	7,500	6	1.71
State of North Carolina	-	-	-	7,479	8	1.70
City of Charlotte	-	-	-	5,896	9	1.34
Adecco	-	-	-	5,000	10	1.14
Total	<u>157,368</u>		<u>27.48%</u>	<u>115,194</u>		<u>26.21%</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									
	2008	2009	2010	2011 <sup>1</sup>	2012	2013	2014	2015	2016	2017
Public safety <sup>2,5,7</sup>	3,191.50	3,223.50	3,392.50	3,388.50	3,408.50	3,472.50	3,472.50	3,500.50	3,474.50	3,594.50
Sanitation	290.00	289.00	296.00	283.00	289.00	289.00	289.00	302.00	302.00	305.00
General administration	349.00	350.25	367.25	371.25	373.25	370.50	370.50	348.50	366.75	372.75
Shared services <sup>7</sup>	197.50	235.00	223.00	246.00	254.50	257.00	257.00	288.00	249.00	257.00
Engineering and property management	314.00	330.00	329.00	330.00	330.00	322.00	322.00	322.00	325.00	343.00
Streets and highways <sup>7</sup>	428.50	429.50	434.50	432.50	431.50	431.50	431.50	431.50	408.75	410.75
Community planning and development	226.00	226.00	233.00	229.00	220.00	220.00	225.00	228.00	214.00	218.00
Water and Sewer <sup>3</sup>	813.50	812.50	802.50	791.50	746.25	746.50	761.50	796.00	822.00	846.00
Storm water	80.00	86.00	83.00	84.00	84.00	95.00	100.00	108.00	124.00	131.00
Airport <sup>4</sup>	268.00	268.00	268.00	266.00	283.00	251.00	262.00	432.00	503.00	553.00
Public transit <sup>6</sup>	392.75	392.75	392.75	360.75	361.75	361.75	361.75	384.75	419.75	522.75
Risk management	26.00	27.00	27.00	27.00	27.00	27.00	27.00	28.00	28.00	28.00
<b>Total</b>	<b>6,576.75</b>	<b>6,669.50</b>	<b>6,848.50</b>	<b>6,809.50</b>	<b>6,808.75</b>	<b>6,843.75</b>	<b>6,879.75</b>	<b>7,169.25</b>	<b>7,236.75</b>	<b>7,581.75</b>

Source: Actual position allocations per Strategy and Budget 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. In 2017, positions were added because the Mayor and City Council identified public safety as the highest priority.

<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. In 2015, positions were added to meet service demand. In 2016, positions were added in response to the improving economy and regulatory changes. In 2017, positions were added to keep pace with the growth in our customer base.

<sup>4</sup> In 2012, positions were added for public safety at the airport. In 2014, 2015, 2016 positions were added to meet service demand. In 2015, existing full-time temporary positions were converted to regular full-time status. In 2016, positions were added in response to the improving economy and regulatory changes. In 2017, positions were added to keep up with service complexity and customer demand.

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

<sup>6</sup> In 2015, positions were added to meet service demand. In 2016, positions were added for the Blue Line Extension. In 2017, positions were added for start-up and testing of new rail services for the Blue Line Extension project.

<sup>7</sup> In 2016, vacant positions were eliminated.

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

Function/Program	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Public safety										
Police physical arrests	28,875	29,703	28,326	27,800	25,389	22,839	23,018	22,144	20,794	19,697
911 call volume	1,069,433	1,008,457	967,020	1,002,790	1,093,772	1,015,825	1,061,018	1,180,177	1,251,592	1,195,766
Fire calls answered	90,743	91,309	93,139	98,569	95,922	97,361	103,474	110,710	117,315	123,159
Sanitation <sup>1</sup>										
Refuse collected (in tons)	170,569	179,814	178,752	221,868	218,792	212,296	211,407	206,535	219,901	228,819
Refuse collected by City contractors (in tons)	99,363	100,585	100,285	74,646	77,195	62,153	63,971	65,768	72,548	84,794
Recyclables and organics collected (in tons) <sup>2, 4,</sup>	62,444	68,509	67,317	53,264	54,587	54,557	58,173	88,332	50,995	57,832
Recyclables and organics collected by City contractors (in tons) <sup>4</sup>	13,140	13,482	14,843	45,206	46,599	47,666	49,183	10,283	49,313	49,994
Support services										
Fleet maintained	3,251	3,367	3,470	3,465	3,577	3,331	3,280	3,250	3,233	3,342
Streets and highways										
Miles resurfaced	306	319	246	325	222	149	211	221	234	272
Potholes repaired	288	576	895	790	768	856	1,205	1,101	1,173	1,183
Community planning and development										
Housing inspections conducted	3,565	3,749	3,142	3,196	3,070	2,498	2,670	2,779	2,300	2,141
Affordable housing production <sup>5</sup>	1,204	1,093	1,172	1,310	1,614	1,368	1,083	824	768	1,033
Water										
Number of service connections	241,637	242,631	245,854	248,257	253,557	257,683	262,607	267,664	273,574	279,380
Average daily pumped (in millions of gallons)	106	99	108	110	101	99	101	103	107	107
Sewer										
Number of service connections	222,887	223,855	226,978	229,002	235,157	238,854	242,959	247,165	246,299	256,327
Average daily treatment (in millions of gallons)	78	81	83	76	78	79	83	81	80	80
Storm water										
Requests for services completed	1,885	2,021	2,266	1,890	2,862	1,809	1,886	1,711	2,565	2,405
Airport										
Number of airline arrivals and departures per day	1,350	1,289	1,281	1,359	1,371	1,415	1,401	1,399	1,389	1,402
Passengers boarding (in thousands)	17,023	17,305	17,725	19,614	20,010	21,108	21,977	22,193	22,376	22,515
Public transit <sup>3</sup>										
Revenue miles operated (in thousands)	16,304	17,280	15,617	15,598	15,925	16,226	16,195	16,518	14,750	15,831
Passengers (in thousands)	23,101	26,034	24,355	24,901	26,500	26,110	25,572	25,201	23,900	22,734

<sup>1</sup> Operating indicators for Sanitation have been restated to break out between City services and contractor provided services for fiscal years 2008 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.

<sup>4</sup> Recycling contract was cancelled in 2015. Recycling contract started in 2016.

<sup>5</sup> Beginning in 2017, we are on a path to 5,000 units in 3 years. Because the City only provides the gap financing, units are counted once approved by City Council.

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

Function/Program	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Public safety										
Police stations	13	13	13	13	13	13	13	13	13	13
Patrol units	1,087	1,169	1,251	1,267	1,352	1,386	1,391	1,388	1,392	1,443
Fire stations	38	39	40	41	42	42	42	42	42	42
Sanitation										
Collection trucks	194	198	200	178	171	180	177	188	177	180
Streets and highways										
Lane miles of streets <sup>1</sup>	4,910	5,091	5,140	5,185	5,245	5,261	5,265	5,271	5,284	5,323
Number of street lights	66,204	67,345	70,000	69,695	70,862	71,851	72,316	73,185	73,634	74,140
Water										
Treatment plants	3	3	3	3	3	3	3	3	3	3
Miles of water mains	3,929	4,025	4,064	4,094	4,206	4,198	4,209	4,232	4,269	4,314
Fire hydrants <sup>2</sup>	22,000	12,425	12,541	12,568	16,756	16,889	16,631	16,766	16,901	17,109
Sewer										
Treatment plants	5	5	5	5	5	5	5	5	5	5
Miles of sanitary sewer lines	3,942	4,028	4,047	4,073	4,180	4,170	4,320	4,200	4,244	4,288
Airport										
Feet of runway <sup>3</sup>	26,345	26,345	35,175	35,175	35,175	35,175	35,175	35,175	35,175	35,175
Public transit										
Motor buses	342	342	324	324	323	322	322	316	316	315
Light rail vehicles <sup>4</sup>	16	16	20	20	20	20	20	20	24	36
Streetcar vehicles <sup>5</sup>	-	-	-	-	-	-	-	-	3	3

<sup>1</sup> 2008 through 2016 have been restated to record lane miles of street verses miles of streets.

<sup>2</sup> Beginning 2009, data represents only assets owned and maintained by the City.

<sup>3</sup> In 2010, the Airport opened its third parallel runway.

<sup>4</sup> In 2017, twelve light rail vehicles were purchased and placed into service for the Blue Line Extension project.

<sup>5</sup> In 2016, streetcar operations began.



SINGLE AUDIT

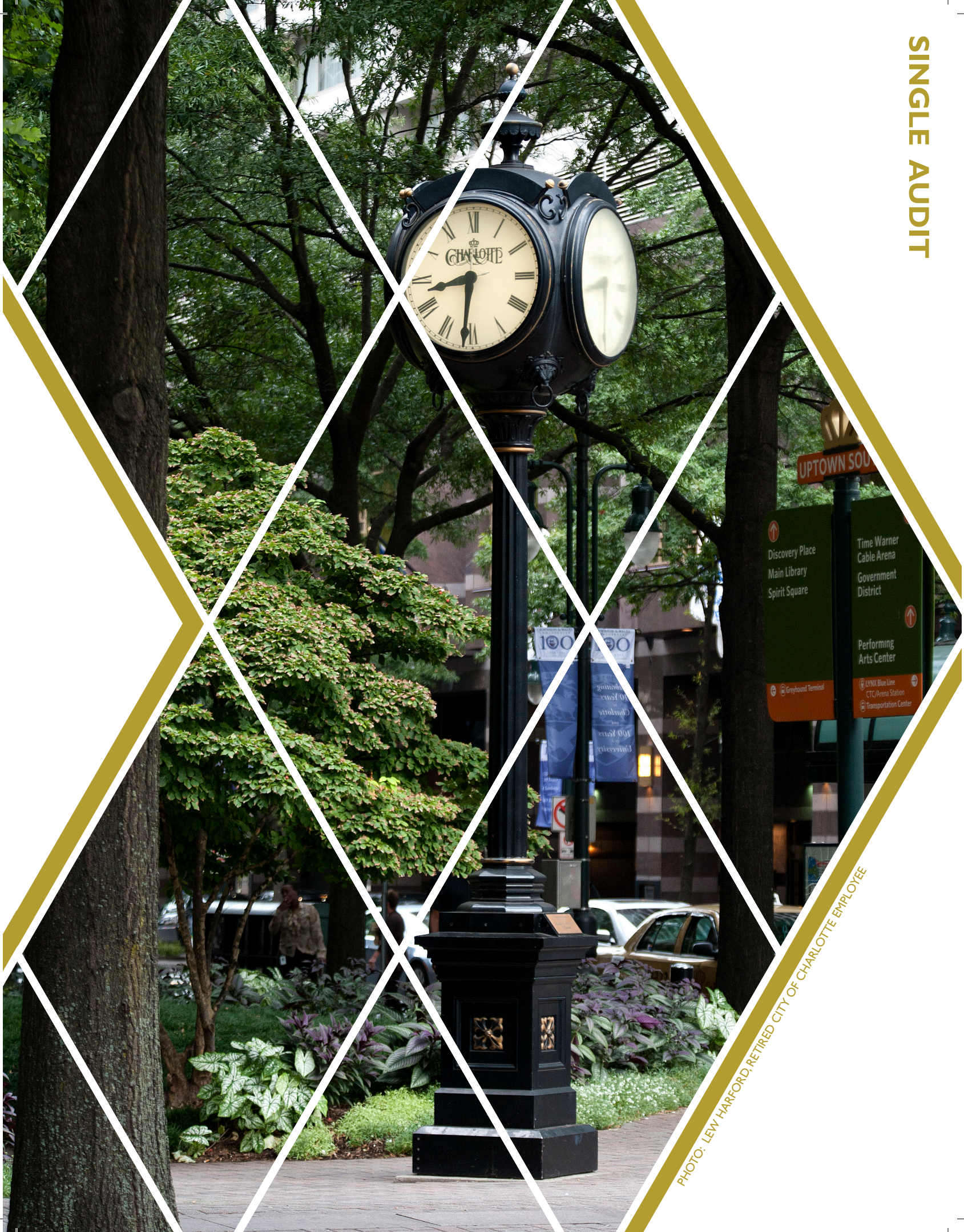


PHOTO: LEW HARFORD, RETIRED CITY OF CHARLOTTE EMPLOYEE







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**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, 2017, 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, 2017. 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.

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. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City's financial statements are free 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*.

**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 R. Smith, LLP in black ink.

Charlotte, North Carolina  
October 31, 2017

**Report of Independent Auditor on Compliance for each Major Federal Program  
and on Internal Control over Compliance in Accordance With OMB Uniform Guidance  
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 *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, 2017. The City’s major federal programs are identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

**Management’s Responsibility**

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

**Auditor’s Responsibility**

Our responsibility is to express an opinion on compliance for each of the City’s major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administration Requirements, Cost Principles, and Audit Requirements for Federal Awards* (“Uniform Guidance”) and the State Single Audit Implementation Act. Those standards, the Uniform Guidance 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, 2017.

### **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 the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Charlotte, North Carolina  
October 31, 2017

**Report of Independent Auditor on Compliance for each Major State Program  
and on Internal Control over Compliance in Accordance With OMB Uniform Guidance  
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 the 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, 2017. 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 Title 2 US *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (“Uniform Guidance”), as described in the *Audit Manual for Governmental Auditors in North Carolina*, and the State Single Audit Implementation Act. Those standards, the Uniform Guidance, 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 on 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, 2017.




### **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 the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Charlotte, North Carolina  
October 31, 2017

**CITY OF CHARLOTTE, NORTH CAROLINA**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

*FOR THE YEAR ENDED JUNE 30, 2017*

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**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? \_\_\_\_\_ yes      X   no
- Significant deficiency(ies) identified that are not considered to be material weaknesses? \_\_\_\_\_ yes      X   no

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 the 2 CFR 200.516 (a)? \_\_\_\_\_ yes      X   no

Identification of major federal programs:

CFDA Numbers

14.218

20.500

20.507

20.525

20.526

Names of Federal Program or Cluster

Community Development Block

Grants/Entitlement Grants

Federal Transit Cluster:

Capital Investment Grants

Formula Grants

State of Good Repair Grants Program

Bus and Bus Facilities Formula Program

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, 2017

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

#### State Awards

Internal control over major state programs:

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

Noncompliance material to state awards? ☐ yes ☒ 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 ☒ no

Identification of major state programs:

#### Names of State Program or Cluster

Non-State System Street-Aid Allocation (Powell Bill)

State Maintenance Assistance for Urban and Small Urban Program (SMAP)

Other major State programs for the City of Charlotte are Public Transportation Section 5307 and 5309 Capital Programs which are State matches on the Federal Transit Cluster program. Therefore, these programs have been included in the list of major federal programs above.

### Section II – Financial Statement Findings

None reported.

**CITY OF CHARLOTTE, NORTH CAROLINA**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

*FOR THE YEAR ENDED JUNE 30, 2017*

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

None reported.

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

None reported.

**CITY OF CHARLOTTE, NORTH CAROLINA**  
**SCHEDULE OF PRIOR YEAR AUDIT FINDINGS**

*FOR THE YEAR ENDED JUNE 30, 2017*

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**Section V – Schedule of Prior Year Audit Findings**

**Finding 2016-001:** The City of Charlotte over-stated the long-term liability associated with a loan from the Transportation Infrastructure Finance and Innovation Act of 1998. The City had initiated a draw down that was not subsequently received until after the end of June; however the City recorded the additional liability as of June 30, 2016. The City subsequently corrected the misstatements. They have established more effective internal controls over the recordation of long-term liabilities in connection with draw down requests on outstanding loans. Therefore the finding is considered corrected in the current year.

**CITY OF CHARLOTTE, NORTH CAROLINA  
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
FOR THE YEAR ENDED JUNE 30, 2017**

Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	State/Pass-through Grantor's Award Number	Fed. (Direct & Pass- Through) Expenditures	State Expenditures	Pass-Through to Subrecipients
<b>FEDERAL AWARDS:</b>					
<u>Executive Office of the President</u>					
Direct Programs:					
High Intensity Drug Trafficking Areas	95.001	G15GA0007A	\$ 33,711 \$	- \$	-
High Intensity Drug Trafficking Areas	95.001	G16GA0007A	56,559	-	-
Total Executive Office of the President			<u>\$ 90,270 \$</u>	<u>- \$</u>	<u>-</u>
<u>U.S. Department of Homeland Security</u>					
Direct Programs:					
Assistance to Firefighters	97.044	EMW-2015-FO-04997	\$ 1,274,319 \$	- \$	-
Rail and Transit Security	97.075	EMW-2014-RA-00022-S01	34,881	-	-
Rail and Transit Security	97.075	EMW-2015-RA-00045-S01	33,153	-	-
ARRA - TSA Airport Checked Baggage Inspection System	97.117	HSTS04-10-H-REC109	3,408,858	-	-
TSA-NEDCTP	97.U01	HSTS02-16-H-NCP416 TSA (K-9)	362,693	-	-
TSA-Credentialing Screening & Intel Division	97.U02	HSTS02-16-H-SLR722 TSA (LEO)	741,860	-	-
Total Direct Programs			<u>5,855,764</u>	<u>-</u>	<u>-</u>
<u>Pass-Through N.C. Department of Crime Control and Public Safety:</u>					
Interagency Hazardous Materials Public Sector Training and Planning Grant					
Pre-Disaster Mitigation	20.703	HM-HMP-0469-15-01-00	12,265	-	-
Homeland Security	97.047	PDM-PL-04-2012-001B	13,063	-	-
Homeland Security	97.067	2010-SS-T0-0075 /MOA# 4001	(879)	-	-
Homeland Security	97.067	2006-GE-T6-0010-1009	(270)	-	-
Homeland Security	97.067	EMW-2013-SS-00033-S01 / 1352	4,151	-	-
Homeland Security	97.067	EMW-2014-SS-00069-S01 / 1443	58,094	-	-
Homeland Security	97.067	EMW-2014-SS-00069-S01 / 1551	1,217,982	-	-
Homeland Security	97.067	EMW-2014-SS-00069-S01 / 1446	6,854	-	-
Homeland Security	97.067	EMW-2015-SS-00062-S01 / 1500-2	24,929	-	-
Homeland Security	97.067	EMW-2016-SS-00011-S01 / 1649	264,042	-	-
Homeland Security	97.067	EMW-2015-SS-00062-S01 / 1500-9	120,124	-	-
Total Pass-Through N.C. Department of Crime Control and Public Safety			<u>1,720,355</u>	<u>-</u>	<u>-</u>

**CITY OF CHARLOTTE, NORTH CAROLINA  
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
FOR THE YEAR ENDED JUNE 30, 2017**

Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	State/Pass-through Grantor's Award Number	Fed. (Direct & Pass- Through) Expenditures	State Expenditures	Pass-Through to Subrecipients
<u>Pass-Through Mecklenburg County:</u>					
Emergency Management Performance	97.042	EMPG-2012-37119	30,095	-	-
Emergency Management Performance	97.042	EMPG-2013-37119	(2,756)	-	-
Emergency Management Performance	97.042	EMPG-2014-37119	79,211	-	-
Emergency Management Performance	97.042	EMW-2015-EP-00011-S01 / 15060	79,320	-	-
Emergency Management Performance	97.042	EMPG-2016-EP-00002-S01	17,959	-	-
Total Pass-Through Mecklenburg County			203,829	-	-
<hr/>					
Total U.S. Department of Homeland Security			\$ 7,779,948	\$ -	\$ -
<hr/>					
<u>U.S. Department of Environmental Protection Agency</u>					
<u>Pass-Through N.C. Department of Environmental Quality:</u>					
<u>Clean Water State Revolving Cluster:</u>					
Capitalization Grant for Clean Water State Revolving Funds	66.458	CS370377-13	2,752,892	\$ -	\$ -
<hr/>					
<u>U.S. Department of Housing and Urban Development</u>					
<u>Direct Programs:</u>					
<u>CDBG - Entitlement Grants Cluster:</u>					
Community Development Block Grants/Entitlement Grants	14.218	B-15-MC-37-0003	3,051,285	\$ -	\$ 3,051,285
Total CDBG - Entitlement Grants Cluster			3,051,285	-	3,051,285
<hr/>					
<u>Other U.S. Dept. of Housing and Urban Development Grants:</u>					
Emergency Shelter	14.231	E-15-MC-37-0002	113,984	-	113,984
Emergency Shelter	14.231	E-16-MC-37-0003	271,316	-	271,316
HOME Investment Partnerships	14.239	M14-DC370212	1,519,462	-	1,316,191
HOME Investment Partnerships	14.239	M15-DC370212	115,565	-	-
Housing Opportunities For Persons With AIDS	14.241	NCH15-F001-2015	1,246,014	-	1,246,014
Housing Opportunities For Persons With AIDS	14.241	NCH15-F001-2016	145,522	-	56,882
Continuum of Care Program	14.267	NC0336L4F051500	61,913	-	-
Fair Housing Assistance	14.401	FF204K134008	18,709	-	-
Fair Housing Assistance	14.401	FF204K144008	125,121	-	-
Fair Housing Assistance	14.401	FF204K154008	86,025	-	-
Fair Housing Assistance	14.401	FF204K164008	49,365	-	-
Lead-Based Paint Hazard Control in Privately-Owned Housing	14.907	NCLHB0539-12	248,743	-	-
Lead-Based Paint Hazard Control in Privately-Owned Housing	14.907	NCLHB0623-16 LBP	495,539	-	-
Lead-Based Paint Hazard Control in Privately-Owned Housing	14.907	NCLHB0623-16 Healthy Homes	22,500	-	-
Total Other U.S. Dept. of Housing and Urban Development Grants			4,519,778	-	3,004,387

**CITY OF CHARLOTTE, NORTH CAROLINA  
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
FOR THE YEAR ENDED JUNE 30, 2017**

Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	State/Pass-through Grantor's Award Number	Fed. (Direct & Pass-Through) Expenditures		Pass-Through to Subrecipients
			\$	\$	\$
Total U.S. Department of Housing and Urban Development			7,571,063	-	6,055,672
<u>U.S. Department of Justice</u>					
Direct Programs:					
Public Safety Partnership and Community Policing	16.710	2007CKWX0044	(259,743)	-	-
Public Safety Partnership and Community Policing	16.710	2015GVWX0010	344,398	-	-
DNA Backlog Reduction	16.741	2014-DN-BX-0114	75,634	-	-
DNA Backlog Reduction	16.741	2015-DN-BX-0101	138,657	-	-
DNA Backlog Reduction	16.741	2016-DN-BX-0081	8,800	-	-
Total Direct Programs			307,746	-	-
Pass-Through Mecklenburg County:					
Special Data Collections and Statistical Studies	16.734	2016-FU-CX-K053	118,582	-	-
Edward Byrne Memorial Justice Assistance	16.738	2012-DJ-BX-1060	(3,297)	-	-
Edward Byrne Memorial Justice Assistance	16.738	2013-DJ-BX-1202	1,818	-	1,818
Edward Byrne Memorial Justice Assistance	16.738	2014-DJ-BX-1028	9,362	-	9,362
Edward Byrne Memorial Justice Assistance	16.738	2015-DJ-BX-1028	121,240	-	6,752
Edward Byrne Memorial Justice Assistance	16.738	2016-DJ-BX-1073	11,936	-	-
Criminal and Juvenile Justice and Mental Health Collaboration Program	16.745	2015-MO-BX-0019	88,235	-	-
National Sexual Assault Kit Initiative	16.833	2016-AK-BX-K019	87,125	-	-
Total Pass-Through Mecklenburg County			435,001	-	17,932
Pass-Through N.C. Department of Public Safety:					
Juvenile Justice and Delinquency Prevention	16.540	2015-JF-FX-0032	38,765	-	-
Juvenile Justice and Delinquency Prevention	16.540	2016-JF-FX-0028	42,124	-	-
Violence Against Women Formula Grants	16.588	2015-WF-AX-0025	48,890	-	-
Violence Against Women Formula Grants	16.588	2016-WF-AX-0021/PROJ011688	42,057	-	-
Total Pass-Through N.C. Department of Public Safety			171,836	-	-
Pass-Through Institute for Intergovernmental Research:					
Edward Byrne Memorial Justice Assistance	16.738	2014-4078-007-01	68,741	-	-
Total U.S. Department of Justice			983,324	-	17,932



**CITY OF CHARLOTTE, NORTH CAROLINA  
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
FOR THE YEAR ENDED JUNE 30, 2017**

Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	State/Pass-through Grantor's Award Number	Fed. (Direct & Pass- Through)		Pass-Through to Subrecipients
			Expenditures	State Expenditures	
<u>U.S. Department of Labor</u>					
Pass-Through N.C. Department of Commerce:					
Workforce Investment Act Cluster:					
WIOA Youth Activities	17.259	AA-28327-16-55-A-37 / 2016-4050	\$ 48,079	\$ -	\$ 48,079
WIOA Youth Activities	17.259	AA-28327-16-55-A-37 / 2016-4050	345	-	345
WIA/WIOA Dislocated Worker Formula Grants					
Total Workforce Investment Act Cluster	17.278	AA-25365-14-55-A-37	100,000	-	100,000
Other U.S. Department of Labor Grants:					
Workforce Investment Act	17.267	2014-2030	(35,854)	-	-
Workforce Investment Act	17.267	2015-4010	79,817	-	79,817
Workforce Investment Act	17.267	2015-4020	757,959	-	757,959
Workforce Investment Act	17.267	2015-4030	915,467	-	915,467
Workforce Investment Act	17.267	2015-4040	1,013,439	-	995,512
Workforce Investment Act	17.267	2016-4010	577,446	-	577,446
Workforce Investment Act	17.267	2016-4020	1,162,703	-	1,144,776
Workforce Investment Act	17.267	2016-4030	569,477	-	569,477
Workforce Investment Act	17.267	2016-4040	719,988	-	719,988
WIOA National Dislocated Worker /					
WIA National Emergency Grant	17.277	EM-27361-15-60-A-37	14,145	-	14,145
Total Other U.S. Department of Labor Grants			5,774,587	-	5,774,587
Total U.S. Department of Labor			\$ 5,923,011	\$ -	\$ 5,923,011
<u>U.S. Department of Transportation</u>					
Direct Programs:					
Federal Aviation Administration:					
Airport Improvement Program	20.106	3-37-0012-074-2015	3,459,411	\$ -	\$ -
Airport Improvement Program	20.106	3-37-0012-076-2016	9,849,445	-	-
Airport Improvement Program	20.106	3-37-0012-075-2017	156,452	-	-
Total Federal Aviation Administration			13,465,308	-	-
Federal Highway Administration:					
Transportation Infrastructure Finance and Innovation Act					
(TIFIA) Program	20.223	TIFIA-2015-1007A	180,000,000	-	-

**CITY OF CHARLOTTE, NORTH CAROLINA  
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
FOR THE YEAR ENDED JUNE 30, 2017**

Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	State/Pass-through Grantor's Award Number	Fed. (Direct & Pass-Through) Expenditures	State Expenditures	Pass-Through to Subrecipients
<b>Federal Transit Administration:</b>					
<b>Federal Transit Cluster:</b>					
Federal Transit - Capital Investment Grants	20.500	NC-04-006-00 / 36232.1.7.8	5,717,872	720,532	-
Federal Transit - Capital Investment Grants	20.500	NC-03-0082-00	146,841,038	-	-
Public Transportation Section 5309 Capital Program		36224.26.1.1 / 09-NS-082 and			
Federal Transit - Capital Investment Grants	20.500	09-NS-082-02 / 36224.26.4.3 / 13-BL-001	-	101,071,392	-
Federal Transit - Capital Investment Grants	20.500	NC-04-0018-00 / 36232.1.11.3	1,968,919	237,952	-
Federal Transit - Capital Investment Grants	20.500	NC-03-0084-00	2,370,502	-	-
Federal Transit - Capital Investment Grants	20.500	NC-03-0085-00	119,942	-	-
Federal Transit - Capital Investment Grants	20.500	NC-04-0046-00	568,036	-	-
Federal Transit - Capital Investment Grants	20.500	NC-2016-001-00	5,225,998	-	-
Federal Transit - Formula Grants	20.507	NC-90-X403-00 / 36231.14.10.3 / 16-95-080	324,407	40,551	-
Federal Transit - Formula Grants	20.507	NC-90-X472-00	(116,773)	-	-
Federal Transit - Formula Grants	20.507	NC-90-X499	(7,623)	-	-
Federal Transit - Formula Grants	20.507	NC-95-X042-01	182,347	-	-
Federal Transit - Formula Grants	20.507	NC-95-X052-00	63,619	-	-
Federal Transit - Formula Grants	20.507	NC-90-X531	94,187	-	-
Federal Transit - Formula Grants	20.507	NC-95-X058-00	388,744	-	-
Federal Transit - Formula Grants	20.507	NC-90-X541-00	306,515	-	-
Federal Transit - Formula Grants	20.507	NC-95-X068-00	1,848,357	-	-
Federal Transit - Formula Grants	20.507	NC-95-X080-01 / 36231.14.10.3 / 16-95-080	4,247,584	265,474	-
Federal Transit - Formula Grants	20.507	NC-90-X569-00	1,212,679	-	-
Federal Transit - Formula Grants	20.507	NC-2016-018	3,576,818	-	-
Federal Transit - Formula Grants	20.507	NC-2016-043-00	12,336,014	-	-
Public Transportation Section 5307 Capital Program		44639.1.1.3 / 16-54-001	-	88,537	-
Public Transportation Section 5307 Capital Program	20.507	44637.3.1.3 / 16-34-004	-	414,045	-
Public Transportation Section 5307 Capital Program	20.507	36231.14.11.3 / 17-90-499	-	358,201	-
Public Transportation Section 5307 Capital Program	20.507	36231.14.11.4 / 17-90-531	-	231,396	-
Public Transportation Section 5307 Capital Program	20.507	36231.14.11.6 / 17-90-569	-	242,726	-
Federal Transit - State of Good Repair Grants Program	20.525	NC-2017-009-00	1,609,275	-	-
Federal Transit - Bus and Bus Facilities Formula Program	20.526	NC-34-0004-00	177,800	-	-
Total Federal Transit Cluster			189,056,257	103,670,806	-

**CITY OF CHARLOTTE, NORTH CAROLINA  
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
FOR THE YEAR ENDED JUNE 30, 2017**

Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	State/Pass-through Grantor's Award Number	Fed. (Direct & Pass-Through) Expenditures	State Expenditures	Pass-Through to Subrecipients
<b>Transit Services Programs Cluster:</b>					
Enhance Mobility of Seniors and Individuals with Disabilities	20.513	NC-16-X015-00	365,578	-	132,014
Enhance Mobility of Seniors and Individuals with Disabilities	20.513	NC-2016-033-00	218,617	-	218,617
Job Access - Reverse Commute	20.516	NC-37-X016-01	661,444	-	-
New Freedom Program	20.521	NC-57-X005-01	35,123	-	-
<b>Total Transit Services Programs Cluster</b>			<b>1,280,762</b>	<b>-</b>	<b>350,631</b>
<b>Other Federal Transit Administration Grants:</b>					
National Infrastructure Investments	20.933	NC-79-0002-00	455,357	-	-
<b>Total Federal Transit Administration</b>			<b>190,792,376</b>	<b>103,670,806</b>	<b>350,631</b>
<b>Total Direct Programs</b>			<b>384,257,684</b>	<b>103,670,806</b>	<b>350,631</b>
<b>Federal Highway Administration:</b>					
<b>Highway Planning and Construction Cluster:</b>					
<b>Pass-Through Programs:</b>					
<b>Pass-Through N.C. Department of Transportation:</b>					
Highway Planning and Construction	20.205	Y-4810 G	150,264	-	-
Highway Planning and Construction	20.205	42844.1.1 / BRZ-1003	30,838	-	-
Highway Planning and Construction	20.205	STPDA-1003(112) / U-5507 A	147,476	-	-
Highway Planning and Construction	20.205	STPDA-1003(130) / U-5507 B	1,543,489	-	-
Highway Planning and Construction	20.205	CMS-1003(121)/C-5533/45506.1.1, 2.1, 3.1	57,212	-	-
Highway Planning and Construction	20.205	CMS-1003(133) / 51013.1.F1/2.F1/3.F1/C-5543	(152,893)	-	-
Highway Planning and Construction	20.205	CMS-1003(132) / 51011.3.1/C-5541	523,465	-	-
Highway Planning and Construction	20.205	C-5534	(289,380)	-	-
Highway Planning and Construction	20.205	34811.3.FDS/STPDA-5239(5)	90,720	-	-
Highway Planning and Construction	20.205	BRZ-NBIS (19)	162,352	-	-
Highway Planning and Construction	20.205	CMS-1003(144)	115,818	-	-
Highway Planning and Construction	20.205	50152.1/2/3.F1/BRSTP-1003(143)	23,362	-	-
Highway Planning and Construction	20.205	50152.1/2/3.F1/BRSTP-1003(142)	28,110	-	-
Highway Planning and Construction	20.205	NHPBA-0771(230)/I-5405C/45454.1.9,45454.3.10	264,852	-	-
Highway Planning and Construction	20.205	UPWP Section 104f PL Work Program Letter	1,222,372	-	173,670
<b>Total Pass-Through N.C. Department of Transportation</b>			<b>3,918,057</b>	<b>-</b>	<b>173,670</b>
<b>Pass-Through N.C. State University:</b>					
Highway Planning and Construction	20.205	Letter	253,197	-	-
<b>Pass-Through S.C. Department of Transportation:</b>					
Highway Planning and Construction	20.205	49004.1	8,000	-	-
<b>Total Highway Planning and Construction Cluster</b>			<b>4,179,254</b>	<b>-</b>	<b>173,670</b>

**CITY OF CHARLOTTE, NORTH CAROLINA  
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
FOR THE YEAR ENDED JUNE 30, 2017**

Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	State/Pass-through Grantor's Award Number	Fed. (Direct & Pass- Through) Expenditures	State Expenditures	Pass-Through to Subrecipients
<b>Federal Transit Administration:</b>					
Pass-Through N.C. Department of Transportation:					
Federal Transit - Metropolitan Planning Grants	20.505	36230.5.11.6 / 12-08-102	(127,376)	-	-
Federal Transit - Metropolitan Planning Grants	20.505	36230.5.12.6 / 13-08-102	(36,639)	-	-
Federal Transit - Metropolitan Planning Grants	20.505	36230.5.13.6 / 14-08-108	(15,085)	-	-
Federal Transit - Metropolitan Planning Grants	20.505	36230.5.14.6 / 15-08-102	28,281	-	-
Federal Transit - Metropolitan Planning Grants	20.505	36230.5.15.6 / 16-08-102	12,698	-	-
Federal Transit - Metropolitan Planning Grants	20.505	36230.5.16.1 / 17-08-102	345,162	-	-
Total Federal Transit Administration			207,041	-	-
<b>National Highway Traffic Safety Administration:</b>					
Pass-Through N.C. Department of Transportation:					
Highway Safety Cluster:					
State and Community Highway Safety	20.600	GHSP2016-PERSONNEL/EQUIP 07-27-2015	423	-	-
State and Community Highway Safety	20.600	GHSP2016-PERSONNEL/EQUIP 06-08-2015	125,107	-	-
State and Community Highway Safety	20.600	PT-17-06-10	12,363	-	-
State and Community Highway Safety	20.616	M5HVE-17-15-01	241,935	-	-
Total Highway Safety Cluster			379,828	-	-
Total U.S. Department of Transportation			\$ 389,023,807	\$ 103,670,806	\$ 524,301
<b>U.S. Department of Energy</b>					
Pass-Through Envision Charlotte:					
State Energy Program	81.041	DE-EE0007066	17,603	\$ -	\$ -
<b>STATE AWARDS:</b>					
<b>N.C. Department of Commerce</b>					
Main Street Solutions Fund		Letter			
One NC Fund		2012-8501	-	\$ 100,000	\$ -
One NC Fund		2014-11263	-	77,409	-
One NC Fund		2014-11263	-	2,500,000	-
One NC Fund		2014-11219	-	67,500	-
One NC Fund		2013-9570	-	48,000	-
Total N.C. Department of Commerce			-	\$ 2,792,909	\$ -

**CITY OF CHARLOTTE, NORTH CAROLINA  
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
FOR THE YEAR ENDED JUNE 30, 2017**

Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	State/Pass-through Grantor's Award Number	Fed. (Direct & Pass- Through) Expenditures	State Expenditures	Pass-Through to Subrecipients
<u>N.C. Department of Public Safety</u>					
Pass-Through Mecklenburg County:					
Juvenile Offender Diversion Program		Letter	-	\$ 15,821	\$ -
Juvenile Offender Diversion Program		Letter	-	78,783	-
Local Emergency Planning Committee		T2-2016-37119	-	999	-
Total N.C. Department of Public Safety			-	\$ 95,603	\$ -
<u>N.C. Department of Transportation</u>					
State Maintenance Assistance FY2016		Letter	-	\$ 11,451,036	\$ -
State Street Aid-Powell Bill		32570	-	29,424,608	-
Traffic - Construction by Others Agreement		34811.3.FD5 / U-2507A	-	(34,963)	-
Traffic - Construction by Others Agreement		46450.1.1, 46450.2.1, 46450.3.1 / U-5905	-	78,531	-
Apprenticeship/Intern Program Non Capital		36223.5.23.1 / 17-DG-024	-	7,731	-
Apprenticeship/Intern Program Non Capital		36223.5.23.3 / 17-DG-024B	-	20,391	-
Apprenticeship/Intern Program Non Capital		36223.5.23.2 / 17-DG-024A	-	18,301	-
Public Transportation Rideshare Program		36225.1.15.1 / 17-RS-102	-	122,665	-
Metropolitan Planning Program		36230.5.11.6 / 12-08-102	-	(15,922)	-
Metropolitan Planning Program		36230.5.13.6 / 14-08-108	-	7,217	-
Metropolitan Planning Program		36230.5.14.6 / 15-08-102	-	3,496	-
Metropolitan Planning Program		36230.5.15.6 / 16-08-102	-	1,587	-
Metropolitan Planning Program		36230.5.16.1 / 17-08-102	-	43,145	-
Technology Program		36235.2.1 / 17-AT-102	-	180,000	-
Total N.C. Department of Transportation			-	\$ 41,307,823	\$ -
<u>N.C. Office of Emergency Medical Services</u>					
Pass-Through Metrolina Trauma Advisory Committee:					
SMAT III		Letter	-	\$ 15,047	\$ -
SMAT III		Letter	-	3,100	-
Total N.C. Office of Emergency Medical Services			-	\$ 18,147	\$ -
<b>TOTAL FEDERAL AND STATE AWARDS</b>			<b>\$ 414,141,918</b>	<b>\$ 147,885,288</b>	<b>\$ 12,520,916</b>

**CITY OF CHARLOTTE, NORTH CAROLINA**  
**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE**  
**AWARDS**  
**JUNE 30, 2017**

Note 1: Basis of Presentation

The accompanying schedule of expenditures of federal and State awards (SEFSA) includes the federal and State grant activity of the City of Charlotte, North Carolina (the "City") under the programs of the federal government and the State of North Carolina for the year ended June 30, 2017. The information in this SEFSA is presented in accordance with the requirements of Title 2 US Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and the State Single Audit Implementation Act. Because the Schedule presents only a selected portion of the operations of the City it is not intended to and does not present the financial position, changes in net assets or cash flows of the City.

Note 2: Summary of Significant Accounting Policies

Expenditures reported in the SEFSA are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The City has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

Note 3: Loans Outstanding

The City had the following loan balances outstanding at June 30, 2017 for loans that the grantor/pass-through grantor has still imposed continuing compliance requirements. Loans outstanding at the beginning of the year and loans made during the year are included in the SEFSA. The balance of loans outstanding at June 30, 2017 consist of:

<u>Program Name</u>	<u>CFDA Number</u>	<u>Grantor's Award Number</u>	<u>Amount Outstanding</u>
Transportation Infrastructure Finance and Innovation Act (TIFIA) Program	20.223	TIFIA-2015-1007A	\$ 180,000,000







PHOTOS: JUSTIN LEE, CITY OF CHARLOTTE EMPLOYEE



MANAGEMENT & FINANCIAL SERVICES

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