

CITY OF CHARLOTTE, NORTH CAROLINA

2018

COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR FISCAL YEAR ENDED JUNE 30, 2018



CHARLOTTESM

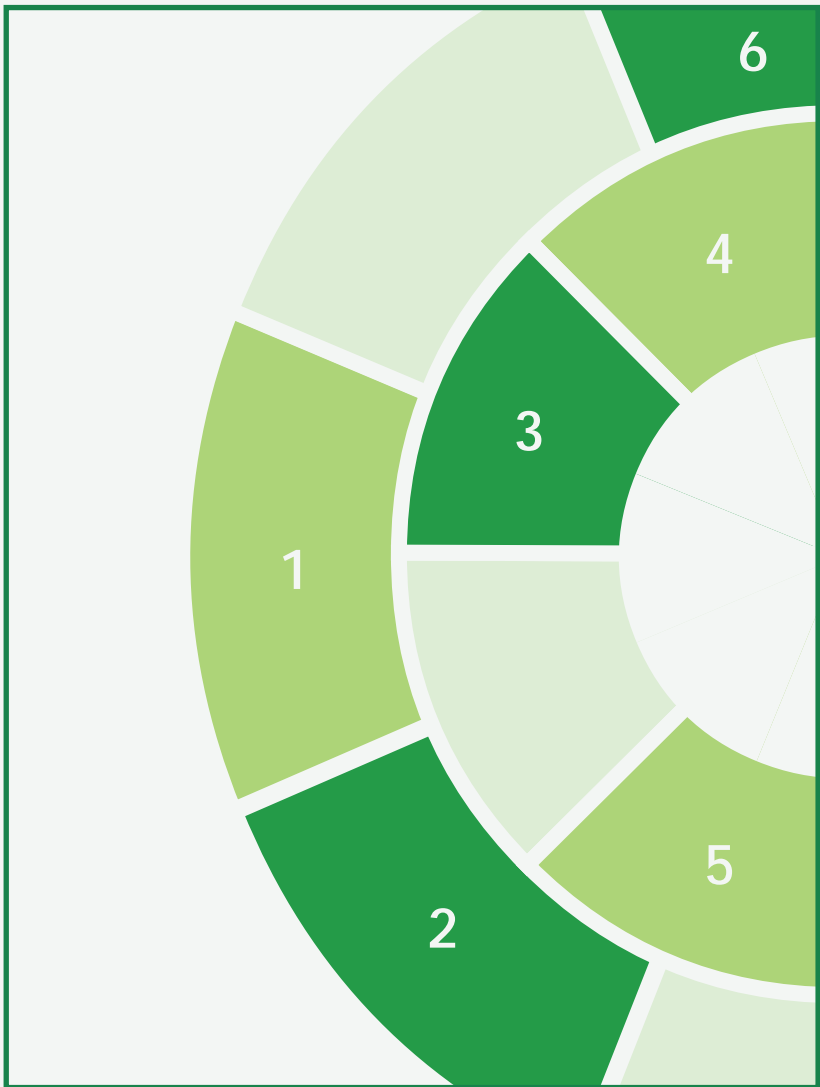


PHOTO BY:

LISE TREMBLAY, CITY OF CHARLOTTE EMPLOYEE
PHOTOS 1, 3

WILLIAM BEWLEY, CITY OF CHARLOTTE EMPLOYEE
PHOTO 2

MIRZA RUSTEMOV, CITY OF CHARLOTTE EMPLOYEE
PHOTOS 4, 5

CHRISTY, REITZ, CITY OF CHARLOTTE EMPLOYEE
PHOTO 6

City of Charlotte, North Carolina Comprehensive Annual Financial Report For the Fiscal Year Ended June 30, 2018

Mayor: Vi Alexander Lyles

Mayor Pro Tem: Julie Eiselt

City Council:

Dimple Ajmera
Tariq Bokhari
Edmund H. Driggs
Larken Egleston
Justin Harlow

LaWana Mayfield
James Mitchell Jr.
Matt Newton
Greg Phipps
Braxton Winston II

City Manager: Marcus D. Jones

Prepared by the City of Charlotte Finance Department

Robert D. Campbell, Acting Chief Financial Officer and
Finance Director

Teresa T. Smith, Deputy Finance Director

Betty J. Mattos, Chief Accountant

CITY OF CHARLOTTE, NORTH CAROLINA

TABLE OF CONTENTS

INTRODUCTORY SECTION

Page

Letter of Transmittal.....	I
Certificate of Achievement for Excellence in Financial Reporting	XV
City Government Organization Chart.....	XVI

FINANCIAL SECTION

Report of Independent Auditor	1
Management's Discussion and Analysis	4
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position	17
Statement of Activities	18
Fund Financial Statements:	
Balance Sheet – Governmental Funds.....	20
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	21
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	22
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	23
Statement of Budgetary Comparison – General Fund	24
Reconciliation of the Statement of Budgetary Comparison to the Statement of Revenues, Expenditures and Changes in Fund Balances – General Fund	25
Statement of Net Position – Proprietary Funds	26
Statement of Revenues, Expenses and Changes in Fund Net Position – Proprietary Funds.....	30
Statement of Cash Flows – Proprietary Funds.....	32
Statement of Net Position – Fiduciary Funds	36
Statement of Changes in Net Position – Fiduciary Funds	37
Index to the Notes to the Financial Statements	38
Notes to the Financial Statements.....	40

CITY OF CHARLOTTE, NORTH CAROLINA

TABLE OF CONTENTS-(Continued)

FINANCIAL SECTION (continued)

Page

Required Supplementary Information:

Local Government Employees' Retirement System:	
Proportionate Share of Net Pension Liability (Asset).....	110
City of Charlotte's Contributions	111
Charlotte Firefighters' Retirement System:	
Schedule of Changes in the System's Net Pension Liability	112
Schedule of Employer Contributions	113
Other Postemployment Benefits:	
Schedule of Changes in Net OPEB Liability.....	114
Schedule of Changes of Total Liability as a Percentage of Covered Payroll	115
Schedule of City Contributions and Investment Returns.....	116
Law Enforcement Officers Special Separation Allowance	
Schedule of Changes in Total Pension Liability	117

Combining and Individual Fund Statements and Schedules:

Nonmajor Governmental Funds:

Description.....	119
Combining Balance Sheet	120
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	122
Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual (Non-GAAP Basis) – Special Revenue Funds (Budgeted Annually)	124
Schedule of Expenditures Compared with Authorizations:	
Public Safety and Other Grants Fund	127
Neighborhood Development Fund	128
Employment and Training Fund	129
Emergency Telephone System Fund.....	130

Debt Service and Capital Projects Funds:

Description.....	131
Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual (Non-GAAP Basis) – Debt Service Fund	132
Schedule of Expenditures Compared with Authorizations – Capital Projects Fund.....	134

CITY OF CHARLOTTE, NORTH CAROLINA

TABLE OF CONTENTS-(Continued)

FINANCIAL SECTION (continued)

Page

Combining and Individual Fund Statements and Schedules (continued):

Enterprise Funds:

Description.....	135
------------------	-----

Water and Sewer:

Schedule of Revenues, Expenditures and Transfers – Budget and Actual (Non-GAAP Basis):

Operating Fund	136
Debt Service Fund.....	137
Schedule of Reconciliation of Budgetary (Non-GAAP Basis) to Full Accrual Basis.....	138
Schedule of Expenditures Compared with Authorizations – Capital Projects Fund	139

Storm Water:

Schedule of Revenues, Expenditures and Transfers – Budget and Actual (Non-GAAP Basis):

Operating Fund	141
Debt Service Fund.....	142
Schedule of Reconciliation of Budgetary (Non-GAAP Basis) to Full Accrual Basis.....	143
Schedule of Expenditures Compared with Authorizations – Capital Projects Fund	144

Airport:

Schedule of Revenues, Expenditures and Transfers – Budget and Actual (Non-GAAP Basis):

Operating Fund	146
Debt Service Fund.....	147
Schedule of Reconciliation of Budgetary (Non-GAAP Basis) to Full Accrual Basis.....	148
Schedule of Expenditures Compared with Authorizations – Capital Projects Fund	149

Public Transit:

Schedule of Revenues, Expenditures and Transfers – Budget and Actual (Non-GAAP Basis):

Operating Fund	151
Debt Service Fund.....	152
Schedule of Reconciliation of Budgetary (Non-GAAP Basis) to Full Accrual Basis.....	153
Schedule of Expenditures Compared with Authorizations – Capital Projects Fund	154

Internal Service Funds:

Description.....	155
Combining Statement of Net Position	156
Combining Statement of Revenues, Expenses and Changes in Fund Net Position.....	157
Combining Statement of Cash Flows.....	158

CITY OF CHARLOTTE, NORTH CAROLINA

TABLE OF CONTENTS-(Continued)

FINANCIAL SECTION (continued)

Page

Fiduciary Funds:

Description	159
Statement of Fiduciary Net Position	160
Statement of Changes in Fiduciary Net Position	161

STATISTICAL SECTION

Description	163
Financial Trends	165-171
Revenue Capacity	172-176
Debt Capacity	178-185
Demographic and Economic Information	186-187
Operating Information	188-190

SINGLE AUDIT SECTION

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 <i>Government Auditing Standards</i>	191
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	193
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	195
Schedule of Findings and Questioned Costs	197
Schedule of Prior Year Audit Findings	199
Schedule of Expenditures of Federal and State Awards	200
Notes to the Schedule of Expenditures of Federal and State Awards	207

INTRODUCTORY SECTION



PHOTO BY: CHARLOTTE AREA TRANSIT SYSTEM



OCTOBER 31, 2018
HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL
CITY OF CHARLOTTE, NORTH CAROLINA

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, 2018.

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 is to provide reasonable assurance the financial statements of the City for the fiscal year ended June 30, 2018 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, 2018, 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 is part of a broader federal 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 Administration Requirements, Cost Principles, and Audit Requirements for Federal Awards ("Uniform Guidance") and North Carolina General Statute 159-34 (State Single Audit Implementation Act). Those standards governing the Single Audit engagements require the independent auditor to plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above, if occurred, had a direct and material effect on a major federal or state program. This audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures, as considered necessary in the circumstances. The standards governing Single Audit engagements, also 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 and state awards. These reports are available in the Single Audit Section at the end of this report.

GAAP requires management to provide a narrative introduction, overview and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement 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

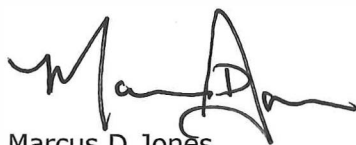
The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2017. This was the 33rd consecutive year the City has achieved this prestigious award. 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 for its annual budget for the fiscal year beginning July 1, 2017. This was the 4th consecutive year the City has achieved this prestigious award. 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 fiscal year 2019 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 also awarded to the City. This OA4 accreditation formally recognizes excellence in public procurement through the establishment of a body of standards that evidence sound procurement practices. In 2004, the City joined 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. The City's OA4 designation is in effect through June 6, 2020.

Additionally, the City was awarded the Sustained Professional Purchasing Award for the 17th 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.

We appreciate the commitment of each City department to continue to provide a high level of public service at a reasonable tax rate. We also appreciate the professional competency and dedication of the Finance Department 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.



Marcus D. Jones
City Manager



Robert D. Campbell
Acting Chief Financial Officer and
Finance Director



Photo by Emily Held, City of Charlotte Employee

PROFILE OF THE GOVERNMENT

Charlotte, located in Mecklenburg County, North Carolina, is the largest city between Baltimore, Maryland 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 309 square miles of the 546 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 875,318, 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 City is focused on becoming the winning city of tomorrow. The guiding principle for this will be building and maintaining a "well-managed government," meaning that 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 body consisting of a Mayor and eleven City Council members who are 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 Council are responsible for appointing the City Manager, City Attorney, City Clerk, and members of various boards and commissions. The Council appropriates the annual budget, sets the tax rate and approves the financing of all City operations and capital investments. The City Manager is responsible for carrying out policies and ordinances, and directs the daily operations.

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 it is financially



Marcus D. Jones
City Manager

Photo by Charlotte
Communications & Marketing

accountable; 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 **Budget and Community Investment Plan** documents the City's priorities and allocation of resources to fund operations and capital projects. The City develops an annual budget and five-year capital budgets. The Council identifies priorities, enabling funding for services based on organizational focus and strategy. The Council Budget Committee provides guidance on budget considerations to the full Council and City Manager.

The budget process includes community engagement events to engage residents on available services and seek feedback on issues most pressing to them. Residents are asked to share what they value in their communities which provide input to the top budget priorities. In addition, internal employee events are provided to increase collaboration across departments and to seek feedback about operations. Budget development also provides formal opportunities for Council members to provide input on priority areas for consideration in the formulation of the Proposed Budget. These include regularly scheduled Council meetings, the Annual Strategy Meeting held in January, and six dedicated budget meetings (three Budget Committee meetings and three Budget Workshops) prior to the City Manager's May presentation. In June, Council adopts a final Budget 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 and 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

Charlotte has emerged as a financial, distribution and transportation center for an entire urban region and is comprised of companies that range from multinational to micro-business start-ups. There are 7.4 million people living within a 100-mile radius, and more than 50 percent 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 have both developed significant workforces. Babson



Photo by Steve Schlick,
City of Charlotte Employee

Capital, an institutional asset manager for a range of clients including pensions, endowments, foundations, sovereign wealth funds, and private wealth advisory clients, is the anchor tenant for Charlotte's first uptown office tower since the recession. The 25-story tower with 630,000 square feet of office space and a 217-room hotel with a rooftop bar opened in November 2017 with over 50 percent of its office space being leased.

The FinTech industry which focuses on technology and financial management continues to grow in the City. Charlotte is home to nearly 70 FinTech firms, including homegrown Lending Tree and AvidXchange, and was named by CompTIA as the top technology town for IT professionals to work and live.

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 area was the 24th largest metropolitan exporter, with merchandise shipments totaling \$14 billion. This represents an increase of 238 percent from 2009. The logistics consulting service industry in the Charlotte region is projected to grow by three percent annually through 2022.

Charlotte Douglas International Airport (CLT) is considered the "gateway to the world," averaging 700 daily flights with non-stop service to 170 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 102 airline gates and served more than 46.2 million passengers in 2018.



The Airport currently ranks sixth nationwide in operations, tenth in passengers, and 34th in cargo. Six major domestic commercial airlines, 13 regional carriers, and two foreign flag carriers offer service to and from CLT. 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. The 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 interstate highway system makes Charlotte an appealing location for the trucking industry and more than 50 percent of the nation's population is within a 12-hour drive from the City. Charlotte's location, infrastructure, and talent availability make it ideal for distribution and logistics operations. Most of the lanes for the I-77 toll road expansion are scheduled to open by the end of 2018. North Carolina Department of Transportation (NCDOT) has 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 the area and connecting 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 Chessie-Seaboard Merger (CSX) Transportation operate here. In addition, Norfolk Southern Railway operates a state-of-the-art intermodal facility at Charlotte Douglas International Airport. Charlotte is further served via rail through

the inland port that connects to the Port of Wilmington via CSX Double - Stack line, Norfolk Southern Crescent Rail Corridor that connects New Orleans to New York City passing through Charlotte.

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. The City is also home to operations of more than 250 Fortune 500 companies. There are more than 1,000 foreign-owned firms in the region, representing 45 countries, which have spawned several international and cultural organizations. Also, a major manufacturing center, Charlotte has transitioned from a textile leader to a home to numerous firms that specialize in intelligent manufacturing with precision metrology, optoelectronics, and biomedical technology. The City was named ninth best place to start a business by Wallethub in 2018.

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 2017, 4,264 jobs were added and \$291.9 million in investments were made through expansions and relocations.

Charlotte's Uptown is in the midst of a resurgence in economic development. The Uptown district currently has a variety of development projects under construction. The Uptown area has become an attractive destination for millennials. More than 37,000 people moved to the Charlotte area in 2016 alone.

In September 2017, Mecklenburg County agreed to terms with BK Partners LLC 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 before being razed in the 1960s as 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 with nearly 300 rooms combined, and 4,000 square feet of cultural space.



Photo by Ben Bradford

The Stonewall Street corridor in Uptown continues to see significant redevelopment activity. In addition to the Brooklyn Village development being planned, the corridor saw an 18-story office building open in May 2017 with Regions Bank as the anchor tenant and a mixed-use development with over 450 luxury apartments and a Whole Foods store which opened in June 2018. Projects under development include a 33-story office tower on the former Charlotte Observer site and a 26-story office tower anchored by Ally Financial.

Romare Bearden Park is a 5.2-acre park located in 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 serves 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 the uptown area after a nearly 25-year absence. The Knights receive strong attendance each year. During the 2018 season, the Knights welcomed almost 620,000 fans which average more than 9,238 fans per game in the first five years.

The River District, a large master planned community being developed by two of Charlotte's largest developers, 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 housed on 1,380 acres and completed in three phases over 30 years. It will include eight 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. It 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 which runs between Uptown Charlotte and I-485 just north 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 extended the current system 9.3 miles, connecting Center City Charlotte with UNC Charlotte's main campus, just south of Concord. The Blue Line Extension service started in March 2018. Prior to the Extension beginning revenue service, over \$500 million had already been invested along the new portion of the light rail. 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. Phase II construction is currently underway with service expected to begin in 2020.



RECREATIONAL, VISITOR AND CULTURAL EVENTS

The City's eight percent hotel/motel and one percent prepared food and beverage taxes have provided a dedicated resource for promoting Charlotte as a destination for convention, business and leisure travel. The Charlotte region hosted approximately 28.3 million visitors in 2017. Visitor spending in Mecklenburg County and the Charlotte region hit a record high in 2017, with Mecklenburg County leading all 100 North Carolina counties in domestic traveler's spending. Mecklenburg County had \$5.4 billion in domestic traveler spending, and the region had \$6.7 billion in domestic traveler spending, in 2017.

Charlotte Regional Visitors Authority (CRVA), a discretely presented component unit, focuses on tourism promotions and facilities management. Through the 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 two percent county- wide occupancy tax, which is a component of the eight percent 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, including a 40,000-square foot ballroom, and the 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, an American Hockey



League affiliate of the National Hockey League (NHL) Carolina Hurricanes; the 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 one 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 ROVAL 400; the Xfinity Series ALSCO 300 and Drive for the Cure 200; 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, the zMax Dragway at Charlotte Motor Speedway covers 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 2017 ACC Football Championship between Clemson and the University of Miami was a sellout. The Belk Bowl matches an ACC team against a Southeastern Conference (SEC) team. Last year's game between Wake Forest and Texas A&M saw more than 32,000 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 99th annual PGA Championship, which is the final major tournament of the year, in 2018.

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, and live music shows and events, this is the perfect playground

for both children and adults. The Center added 193 acres of forest through a partnership with the Catawba Lands Conservancy. In addition, the added protected land will add 1.5 miles to the Carolina Thread Trail.

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 be adding a five story, 130 room hotel to its property adjacent to the park in 2019. In addition, a new double launch coaster—the first in the Carolinas—will open in Spring 2019.



Photo by Carowinds

Charlotte offers diverse cultural facilities for 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-20th 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 the home of the Charlotte Ballet, Charlotte Symphony, and 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, with 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 foot 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.



Photo by Albert Vecerka/Esto

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

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 148,000 students in 175 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 thirteen 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 2018 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 third largest of the sixteen universities comprising the University of North Carolina system, with total enrollment of over 29,000. UNC Charlotte offers 77 programs leading to bachelor degrees, 64 programs leading to master's degrees and 23 programs leading to doctoral degrees.
- Central Piedmont Community College (CPCC) is the largest of the North Carolina Community College System colleges, serving more than 70,000 students per year on its nine campuses.
- Johnson C. Smith University (JCSU), founded in 1867, celebrated its 150 years of undeniable progress in 2017. 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 22 degree seeking programs and has more than 1,400 students.
- 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 10 graduate degree programs.
- Johnson & Wales University's Charlotte Campus enrolls over 1,800 full-time students in one of four programs of study: Business, Arts & Sciences, Hospitality and Online Education.
- 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, Atrium Health and Novant Health. Atrium Health, formerly known as Carolina's HealthCare System, is one of the nation's leading public hospital systems and is the Most prominent health care system in the Carolinas. Atrium Health operates more than 40 hospitals and 900 other care locations ranging from doctor's offices to behavioral health centers to nursing homes. Charlotte's largest hospital, Carolinas Medical Center (CMC), is a state-designated Academic Medical Center Teaching Hospital and has been recognized as Charlotte's top medical center by U.S. News and World report. The center includes the Sanger Heart and Vascular Institute, a nationally known center with more than 100 heart specialists serving 20 care locations throughout the Carolinas.



The CMC campus also includes the Levine Children's Hospital, dedicated to the care of children and their families, most comprehensive such facility in the region. Levine Children's Hospital offers care in more than 30 specialties and sub-specialties. The Levine Children's Hospital was recognized as a best Children's Hospital in six specialties by U.S. News and World 2018 report.

Novant Health is a not-for-profit integrated system that serves more than 4.5 million patients annually. The Novant Health network consists of 14 medical centers, with over 1,500 physicians in more than 500 clinics and outpatient facilities. Novant Health operates in North Carolina, South Carolina, Virginia, and Georgia and employs approximately 26,000 people.



Novant Health was recognized in 2017 with the Health Information and Management System Society 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 improved discharge rates for patients.

LONG-TERM FINANCIAL PLANNING

As an innovative, data-driven organization, strategic planning is an integral component of the City's overall management philosophy. The strategic planning process begins each year with an examination of community priorities. These are gathered directly from the community, from employees and from Council members. These priorities are used as a guide in developing the City Manager's recommended budget that moves the organization forward with a shared vision and common goals. It is designed to inspire an action-oriented culture that is resourced to address opportunities while providing the best service possible at the forefront of what the City does. This long-term planning process includes a focus on several strategic elements:

- Changing economic climate – The City is a national leader in attracting a diverse and growing population. While growth is welcome and celebrated, it requires innovation. It also means adjustments in how we meet the changing needs of our community. Continuous improvement is a core focus and we take a multi-prong strategy of implementing operational efficiencies, leveraging resources, and maximizing revenue opportunities.
- Building strong sustainable communities – Neighborhoods are the fabric of our community. Each neighborhood is unique in its character, residents, and vibrancy. Strong neighborhoods are ones in which residents are comfortable and engaged and spend time with their families and friends. Creating this sense of “home” calls for partnership with residents, businesses, faith-based organizations, philanthropic organizations, and the government. No one person or organization can do it all. It takes all of us to build the neighborhoods we want to live in and claim with pride.
- Connecting our community to the industries of tomorrow – As industrial models change to address future needs and priorities; traditional economic models must also adapt. In the Circular Economy, economic and environmental resources are kept in use for as long as possible then recovered, reused, and regenerated to marketable products and materials in a way that creates new industries, jobs, training, and income opportunities.
- Supporting our entrepreneurs – Small businesses are vital to our economy. Based on national data, 20 percent of small businesses fail in the first year, 34 percent in the second year, and 70 percent by the tenth year. Failures may occur due to a variety of reasons including competition by big businesses, not having the right team, or lack of startup funds. To help mitigate these small business failures, we are intentional about helping small businesses by providing access to capital through loans and grants, building capacity in programs, and offering advocacy and talent development programs. In 2017, the Citi Foundation and Living Cities selected Charlotte as one of five cities in the U.S. to participate in the City Accelerator for Procurement for Inclusive Economic Opportunity.
- Building a trained workforce – Good-paying jobs and the skills to compete in today’s job market are key to enhancing economic opportunity for everyone. The City, as an economic leader, is committed to addressing labor market shortages in high demand occupations and assisting those with barriers to employment through training programs, apprenticeships, and mentoring.
- Collaborating with community partners – Organizations embedded in neighborhoods often offer greater opportunities to improve the community around them than the government. We support these community partners making transformative change around Charlotte.
- Customer driven focus – The Charlotte development industry communicated that the city was falling short of meeting its needs. Engaging with the industry and implementing several new policies and programmatic initiatives to improve customer service and enhance collaboration, consistency, and clarity will create innovative services that are “fit for a Queen City”.
- Becoming an employer of choice – Becoming an employer of choice means taking positive steps both to attract the highest quality applicants, and to ensure they are retained. To accomplish this goal, the City strives to provide competitive and equitable compensation, valuable benefits, and ongoing support for employee well-being and professional development.

- Maintaining high quality of service – Initiatives to create an ambassador program, to enrich lives through Charlotte Water, to enhance the environment through Storm Water, and to provide efficient and effective Solid Waste Services continue to provide value to the Charlotte community.
- Becoming a well-managed government – This requires emphasis on operational efficiencies to become a more collaborative, responsive organization focused on providing the highest quality services possible in a cost effective and publicly accountable manner.

CLT250

In the next fiscal year, the community has a monumental occasion to celebrate; the City of Charlotte turns 250 years old! Charlotte's 250th anniversary (CLT250) will recognize history, commemorate its spirit of independence and celebrate the future and continued growth. Throughout the year, unique celebrations will happen in many of the City's 199 neighborhoods, public spaces and parks, colleges and universities, and offices. Over the course of the year, there will be opportunities to look back at the people, ideas and events that have had a meaningful impact on the City and share inspirational stories of independence, ingenuity and resiliency that make the city the strong and innovative community it is today. There will be celebrations of the City's energy, growth and success while better understanding the real challenges yet to be solved. Collaboration and compassion have been a constant thread in the City's history and will play a role in creating meaningful opportunity for all citizens. Most important, CLT250 will look ahead at who and what we want to be as a city, unfolding an exciting, inclusive and equitable future for all who call Charlotte home.



MAJOR INITIATIVES

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. The FY2019-FY2023 Community Investment Plan (Plan) totals \$4.9 billion and includes investments in neighborhoods, housing, storm water projects, roads, transit, water and sewer projects, the airport, and government facilities.

Affordability for capital projects is determined annually through a comprehensive model that evaluates revenues dedicated to capital and future debt service requirements. The model specifies the ability of the City 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.

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.

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. Effective July 1, 2018 the City approved an additional 0.25 cent property tax to be dedicated to the General Community Investment Program. The additional 0.25 cent property tax enables the City to increase its investment in Affordable Housing while continuing to invest in the neighborhood improvements, transportation infrastructure, and public safety facilities needed for a rapidly growing city.

AVIATION

Includes funding for maintenance and expansions to the airfield, terminal, cargo, and parking areas. Aviation totals \$2.0 billion, a 30.6 percent increase from the prior year's five-year program and is funded by \$1.2 billion in revenue bonds, \$302.9 million in federal grants and \$524.2 million in passenger facility charges and other cash. The Aviation capital program includes concourse expansion, adding a fourth parallel runway and terminal lobby expansion.

WATER AND SEWER

Includes funding for maintenance and expansion of the existing system of water and sewer mains and treatment plants. Water and Sewer totals \$1.5 billion, a 54.7 percent increase from the prior year, including the future Long Creek Treatment Plant, and is funded by \$834.8 million in revenue bonds and \$625.8 million in cash. The Water and Sewer capital programs include new development and maintaining and extending existing infrastructure.

CHARLOTTE AREA TRANSIT SYSTEM (CATS)

Includes funding for maintenance and expansion of the existing bus, special transportation, circulator, community, and regional transportation systems. It also includes planning, design, and construction of rapid transit. CATS totals \$464.4 million, an 18.4 percent decrease from the prior year's five-year program, and is funded by federal and state grants and the 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

Includes funding for 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 percent decrease from the prior five-year plan, and is funded by \$185.5 million in cash and \$165.0 million in revenue bonds. Storm Water is self-funded through user fees, and supports flood control and repairs to existing drains and stream restoration/mitigation.



Government Finance Officers Association

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

Presented to

**City of Charlotte
North Carolina**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2017

Christopher P. Morill

Executive Director/CEO



CITY OF CHARLOTTE – ORGANIZATION



**MAYOR &
CITY COUNCIL**



CITY ATTORNEY
Robert E. Hagemann



CITY MANAGER
Marcus D. Jones



CITY CLERK
Stephanie Kelly



**CITY MANAGER'S
OFFICE**



CITY DEPARTMENTS

Deputy City Manager
Sabrina Joy-Hogg

Assistant City Manager
Open

Assistant City Manager
Tracy Dodson

Assistant City Manager
Kim Eagle

Assistant City Manager
Danny Pleasant

Special Assistant to the City Manager
Jason Kay

Chief Marketing Officer
Brent Kelly

AVIATION
Brent Cagle

**CHARLOTTE AREA
TRANSIT SYSTEM**
John M. Lewis, Jr.

**CHARLOTTE
COMMUNICATIONS
& MARKETING**
Open

**CHARLOTTE
DEPARTMENT OF
TRANSPORTATION**
Liz Babson

**CHARLOTTE
FIRE DEPT.**
Chief Reginald
Johnson

**CHARLOTTE PLANNING,
DESIGN & DEVELOPMENT**
Taiwo Jaiyeoba

**CHARLOTTE-
MECKLENBURG
POLICE DEPT.**
Chief Kerr Putney

**CHARLOTTE
WATER**
Angela Lee

**COMMUNITY
RELATIONS**
Willie Ratchford

**ECONOMIC
DEVELOPMENT**
Tracy Dodson

**ENGINEERING
& PROPERTY
MANAGEMENT**
Mike Davis

**HOUSING &
NEIGHBORHOOD
SERVICES**
Pam Wideman

HUMAN RESOURCES
Sheila Simpson

**INNOVATION &
TECHNOLOGY**
Brad Dunkle
(Interim)

INTERNAL AUDIT
Greg McDowell

FINANCE
Robert Campbell

STRATEGY & BUDGET
Phil Reiger

SOLID WASTE SERVICES
Victoria Johnson

**INTERGOVERNMENTAL
RELATIONS**
Dana Fenton

FINANCIAL SECTION



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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We 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. The financial statements of the Charlotte Firefighters' Retirement System were not audited in accordance with *Government Auditing Standards*.

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, 2018, 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 6j to the financial statements, effective July 1, 2017, the City adopted the provisions of Governmental Accounting Standards Board Statements ("GASBS") No. 75, *Accounting and Financial Reporting for Postemployment Benefit Plans Other Than Pensions*. As a result, net position as of June 30, 2017 of the governmental and business-type activities have been restated. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis ("MD&A") 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, 2018 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Cherry R. Smith" followed by "LLP" in a slightly larger, more spaced-out font.

Charlotte, North Carolina
October 31, 2018

MANAGEMENT'S DISCUSSION AND ANALYSIS

(Dollar Amounts in Millions)

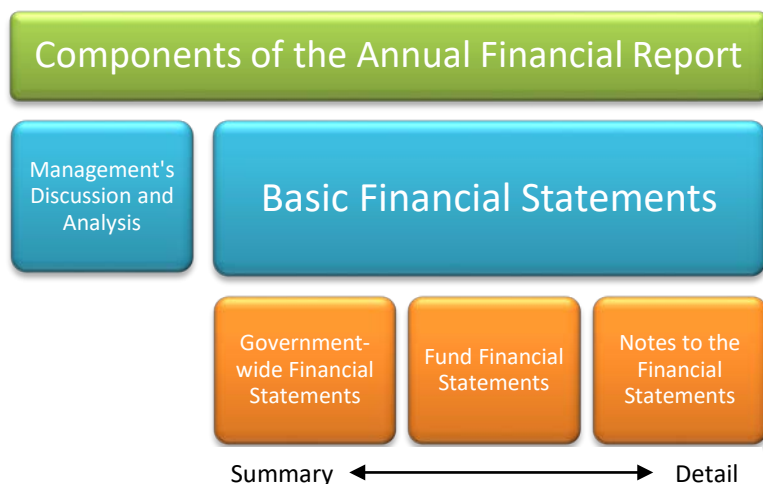
This section of the City of Charlotte's (City) annual financial report presents a narrative overview and analysis of the City's financial performance for the fiscal year ended June 30, 2018. Please read it in conjunction with the transmittal letter at the front of this report and the City's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$10,872.9 (net position). Of this amount, \$1,215.5 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.
- The overall financial position of the City improved in 2018 as evidenced by an increase in total net position of \$374.4. This increase was from both governmental activities (\$80.6) and business-type activities (\$293.8).
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$948.6, a decrease of \$10.2 in comparison with the prior year. This decrease resulted from increased principal payments from the early redemption of bonds.
- Unassigned fund balance in the General fund was \$111.1 at June 30, 2018 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 2019. The amount exceeding the City Council's goal of 16 percent, \$5.5, 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 38-108). 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 109-161) 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, 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 \$10,872.9 at the close of the most recent fiscal year. A summary of the City's net position at June 30, 2018 and 2017 is presented below.

Net Position						
	Governmental Activities		Business-type Activities		Total Primary Government	
	2018	2017	2018	2017	2018	2017
Current and other assets	\$ 1,160.9	\$ 1,165.1	\$ 2,122.3	\$ 2,115.3	\$ 3,283.2	\$ 3,280.4
Capital assets	6,146.4	6,078.1	7,253.8	6,862.1	13,400.2	12,940.2
Total assets	7,307.3	7,243.2	9,376.1	8,977.4	16,683.4	16,220.6
Deferred outflows of resources	302.6	351.5	64.6	79.0	367.2	430.5
Current and other liabilities	134.0	131.4	243.6	207.3	377.6	338.7
Noncurrent liabilities	2,443.6	2,095.3	3,296.8	3,188.7	5,740.4	5,284.0
Total liabilities	2,577.6	2,226.7	3,540.4	3,396.0	6,118.0	5,622.7
Deferred inflows of resources	58.9	8.0	0.8	1.2	59.7	9.2
Net position:						
Net investment in capital assets	4,814.3	4,690.8	4,154.0	3,924.6	8,968.3	8,615.4
Restricted	324.4	324.1	364.7	345.5	689.1	669.6
Unrestricted	(165.3)	345.1	1,380.8	1,389.1	1,215.5	1,734.2
Total net position	\$ 4,973.4	\$ 5,360.0	\$ 5,899.5	\$ 5,659.2	\$10,872.9	\$11,019.2

By far the largest portion of the City's net position (82 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 (\$1,215.5) may be used to support operations and provide for payment of long-term debt.

At the end of the current fiscal year, the City is able to report positive balances in all three categories of net position for the government as a whole, as well as for its business-type activities. Unrestricted net position for governmental activities is negative due to the implementation of GASB Statement 75, Accounting and Financial Reporting for Postemployment Benefit Plans Other Than Pensions, Note 6.j. in the notes to the financial statements. All categories of net position were positive for the prior fiscal year.

Government-wide net position decreased by \$146.3 during the current fiscal year from a decrease in governmental activities and an increase in business-type activities. The decrease resulted in large part from the implementation of GASB 75, Note 6.j. in the notes to the financial statements.

Changes in net position. The following table presents the City's changes in net position for the fiscal years ended June 30, 2018 and 2017:

	Change in Net Position					
	Governmental Activities		Business-type Activities		Total Primary Government	
	2018	2017	2018	2017	2018	2017
Revenues						
Program revenues:						
Fees, fines and charges for services	\$ 125.0	\$ 117.5	\$ 822.0	\$ 794.1	\$ 947.0	\$ 911.6
Operating grants and contributions	56.5	50.3	34.0	12.1	90.5	62.4
Capital grants and contributions	20.6	19.3	114.1	381.7	134.7	401.0
General revenues:						
Property taxes	467.8	454.9	-	-	467.8	454.9
Other taxes	289.4	272.8	103.0	92.6	392.4	365.4
Grants and contributions not restricted to specific programs	26.2	25.0	-	-	26.2	25.0
Other	21.1	5.6	26.8	12.6	47.9	18.2
Total revenues	<u>1,006.6</u>	<u>945.4</u>	<u>1,099.9</u>	<u>1,293.1</u>	<u>2,106.5</u>	<u>2,238.5</u>
Program expenses						
Public safety	450.8	432.4	-	-	450.8	432.4
Sanitation	63.9	59.0	-	-	63.9	59.0
General administration	53.4	45.0	-	-	53.4	45.0
Support services	41.6	36.9	-	-	41.6	36.9
Engineering and property management	52.3	38.8	-	-	52.3	38.8
Streets and highways	51.8	48.6	-	-	51.8	48.6
Culture and recreation	57.0	44.8	-	-	57.0	44.8
Community planning and development	82.2	71.8	-	-	82.2	71.8
Interest and other charges	50.1	53.2	-	-	50.1	53.2
Water	-	-	148.4	142.7	148.4	142.7
Sewer	-	-	175.4	165.0	175.4	165.0
Storm Water	-	-	24.7	17.5	24.7	17.5
Airport	-	-	261.3	234.5	261.3	234.5
Public transit	-	-	219.2	177.3	219.2	177.3
Total expenses	<u>903.1</u>	<u>830.5</u>	<u>829.0</u>	<u>737.0</u>	<u>1,732.1</u>	<u>1,567.5</u>
Excess before transfers	103.5	114.9	270.9	556.1	374.4	671.0
Transfers	(22.9)	(25.4)	22.9	25.4	-	-
Increase (decrease) in net position	80.6	89.5	293.8	581.5	374.4	671.0
Net position - beginning	5,360.0	5,349.9	5,659.2	5,077.7	11,019.2	10,427.6
Cumulative change in accounting principal	(467.2)	(79.4)	(53.5)	-	(520.7)	(79.4)
Net position - beginning, restated	4,892.8	5,270.5	5,605.7	5,077.7	10,498.5	10,348.2
Net position - ending	<u>\$ 4,973.4</u>	<u>\$ 5,360.0</u>	<u>\$ 5,899.5</u>	<u>\$ 5,659.2</u>	<u>\$ 10,872.9</u>	<u>\$ 11,019.2</u>

Total government-wide revenues of \$2,106.5 were derived primarily from property and other taxes (41 percent) and grants and contributions (12 percent). These sources of revenues decreased 15 percent from the prior year, primarily due to a decrease in capital grants related to completion of the Blue Line Extension light rail.

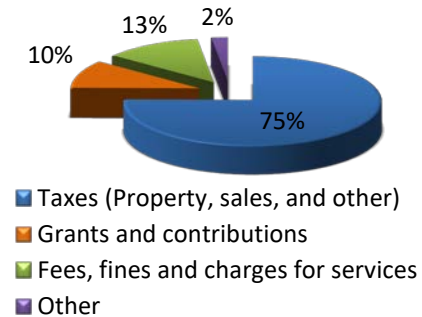
The total expenses of all programs were \$1,732.1. The expenses cover a range of services with the two largest being transportation (streets and highways, airport and public transit) for 31 percent and public safety (fire and police) for 26 percent. Transportation expenses increased over the prior year in part due to the Blue Line Extension light rail system becoming operational during 2018.

Governmental Activities

As shown in the chart, property, sales and other taxes (75 percent) and fees, fines and charges for services (13 percent) were the major sources of revenues for governmental activities.

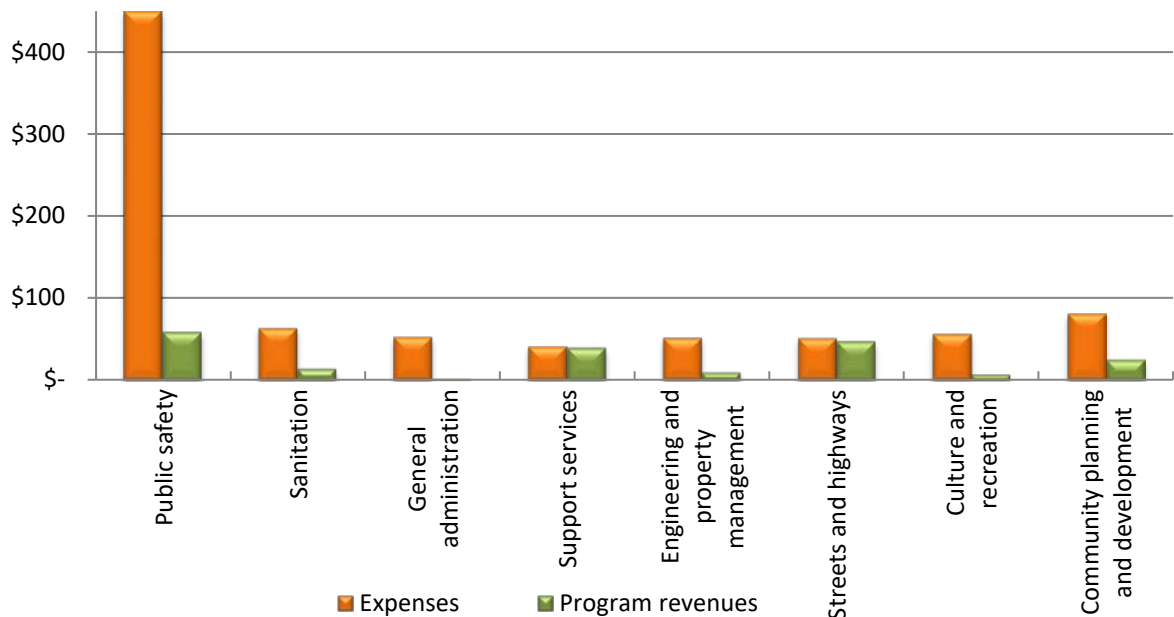
Governmental expenses increased from \$830.5 to \$903.1 during this fiscal year. This increase results in part from increased expenditures related to maintenance and repairs on public facilities. As in prior years, public safety continues to be the largest expense with 50 percent in the current and 52 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



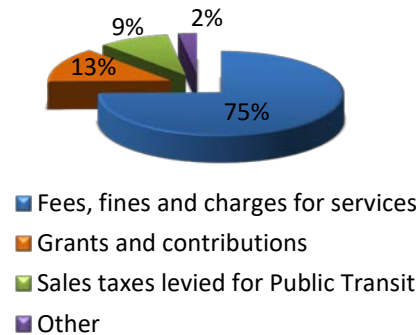
In addition to property and other taxes, the total cost of services of \$903.1 was supported by \$77.1 provided by other governments and organizations for specific programs and \$125.0 provided by fees, fines and charges from those who directly benefited from the programs.

Business-type Activities

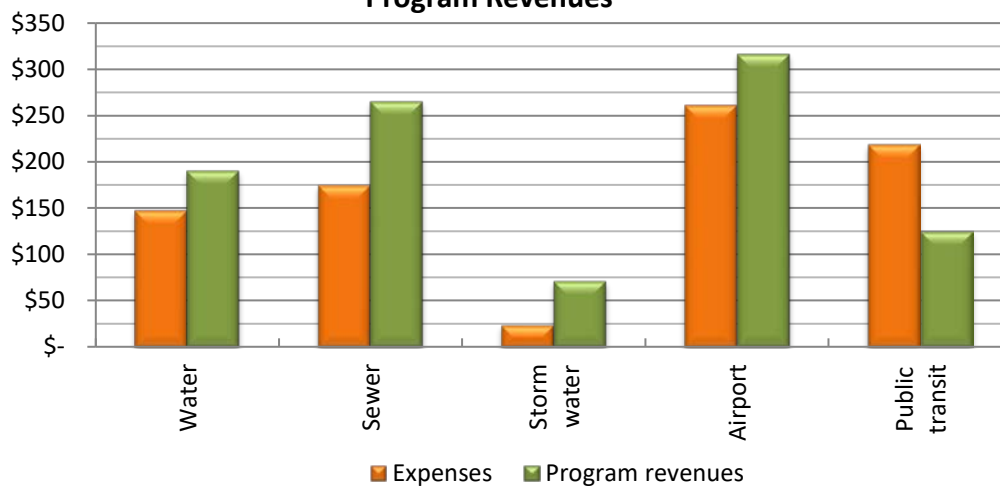
Revenues for the business-type activities were \$1,099.9, a decrease of 15 percent from the prior year. This decrease is due in part to decreased capital contributions for the Blue Line Extension as it became operational during the year.

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



Transit expenses increased \$41.9 or 24 percent from the prior year due in part to increased operating costs relating to the Blue Line Extension becoming operational in 2018.

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, 2018, the governmental funds reported a combined fund balance of \$948.6, a decrease of \$10.2 or 1.1 percent from last year. This amount consists of the following:

- (a) \$5.1 non-spendable for inventories, perpetual care, prepaid expenses, and long-term notes receivable,
- (b) \$321.3 restricted for State Statutes, special obligation debt service and specific programs,
- (c) \$320.0 committed primarily for capital projects,
- (d) \$191.1 assigned for debt service, and
- (e) \$111.1 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 \$111.1, while total fund balance reached \$195.3. 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 30, 2018 \$5.5 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 \$265.5, all of which will be used for either the payment of debt service or is restricted by State Statutes. Debt service fund balance decreased \$9.0 from the prior year due in part to the early redemption of debt and to transfers to the Capital projects fund to fund equipment purchases. The capital projects fund has a total fund balance of \$242.7, almost all of which is committed for future capital projects. Capital project fund balance decreased \$13.3 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 \$411.2 in the Water and Sewer fund, \$95.5 in the Storm Water fund, \$454.0 in the Airport fund and \$415.0 in the Public Transit fund. The change in net position for the funds was \$144.8, \$47.6, \$64.8 and \$37.4 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 \$3.4 above the final budgeted amount. Sales tax revenues were \$2.0 greater than expected as well as Other licenses, fees and fines revenues which were \$2.6 greater than expected. Both of these increases are due to a robust local economy where development activity was greater than projected. These increases were offset by Utilities sales tax which was \$2.8 less than expected due to fluctuations in the weather.

The fiscal 2018 budget increased 5.3 percent over the fiscal 2017 budget to address the Mayor and Council's priorities and provide for a well-managed government. 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 was budgeted at \$33.6 which was an increase of 5.3 percent above 2017. Actual expenditures were \$13.5 below final budget amounts for fiscal year 2018, as a result of efficiency and effectiveness savings strategies initiated by City management.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets. At June 30, 2018, the City had \$13,400.2 (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 \$460.0, or 4.0 percent over last year. The following is a summary of capital assets at June 30, 2018 and 2017:

Capital Assets (Net of Depreciation)						
	Governmental Activities		Business-type Activities		Total Primary Government	
	2018	2017	2018	2017	2018	2017
Land	\$ 3,396.2	\$ 3,303.5	\$ 519.8	\$ 415.6	\$ 3,916.0	\$ 3,719.1
Buildings	844.3	791.2	742.5	510.5	1,586.8	1,301.7
Improvements other than buildings	-	-	4,540.3	4,018.7	4,540.3	4,018.7
Infrastructure	1,632.2	1,626.7	-	-	1,632.2	1,626.7
Intangibles	9.2	12.4	4.3	6.1	13.5	18.5
Machinery and equipment	65.7	54.6	326.9	260.8	392.6	315.4
Construction in progress	198.8	289.7	1,120.0	1,650.4	1,318.8	1,940.1
Totals	<u>\$ 6,146.4</u>	<u>\$ 6,078.1</u>	<u>\$ 7,253.8</u>	<u>\$ 6,862.1</u>	<u>\$ 13,400.2</u>	<u>\$ 12,940.2</u>

This year's major capital asset additions included:

- Blue Line Extension - \$898.0
- Bank of America Stadium improvements - \$46.2
- Spectrum Arena upgrades - \$18.2
- Bojangles' Coliseum renovations - \$11.0

At June 30, 2018, authorized and unexpended capital projects totaled \$2,503.1 as follows: governmental (\$860.5), water and sewer (\$748.4), storm water (\$219.0), airport (\$410.9), and public transit (\$264.3). 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, 2018, the City had \$4,698.2 of debt outstanding in bonds, installment purchases, derivative instrument liability, and other financing agreements. This was an increase of \$4.3 over last year. Details by type of debt are presented in the following table:

Outstanding Debt						
	Governmental Activities		Business-type Activities		Total Primary Government	
	2018	2017	2018	2017	2018	2017
General obligation bonds (backed by the City's taxing authority)	\$ 685.1	\$ 737.2	\$ 85.2	\$ 114.4	\$ 770.3	\$ 851.6
Revenue bonds (backed by specific fee revenues)	-	-	2,524.2	2,416.3	2,524.2	2,416.3
Special obligation bonds	-	5.1	-	-	-	5.1
Installment purchases	639.4	708.2	371.3	380.7	1,010.7	1,088.9
General obligation bond anticipation notes	91.6	34.5	-	-	91.6	34.5
Revenue bond anticipation notes	-	-	52.4	67.9	52.4	67.9
Derivative instrument liability	32.7	45.5	26.0	34.5	58.7	80.0
Swapion borrowing payable	6.2	6.8	-	-	6.2	6.8
TIFIA loan agreement	-	-	180.0	137.7	180.0	137.7
Other financial agreements	-	-	4.1	5.1	4.1	5.1
Totals	<u>\$ 1,455.0</u>	<u>\$ 1,537.3</u>	<u>\$ 3,243.2</u>	<u>\$ 3,156.6</u>	<u>\$ 4,698.2</u>	<u>\$ 4,693.9</u>

New debt for 2018 resulted from issuing Water and Sewer revenue bonds (\$409.9) for refunding debt; issuing general obligation bond anticipation notes for capital improvements (\$57.1); issuing revenue bond anticipation notes (\$164.5); and TIFIA loan proceeds in the form of installment purchases for construction of light rail (\$42.3).

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 \$4,698.2 arises from both governmental and business-type activities. The largest portion of debt is revenue bonds (53.7 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,

2018, was \$5.5 billion. The City had \$405.8 in authorized but unissued debt for streets, housing, and neighborhood improvements.

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

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

- During fiscal year 2018, 20,234 building permits were issued with a value of over \$4.6 billion compared to 18,944 permits for 2017.
- Retail sales during 2017 were \$21.7 billion compared to \$20.5 billion for 2016.
- The June 2018 unemployment rate was 4.0 percent compared to 4.2 percent for the State and 4.2 percent for the nation.
- Assessed property valuations are expected to exceed \$98.8 billion for 2019 compared to \$96.6 billion for 2018, or an increase of 2.3 percent.

The fiscal 2019 operating budget is \$1,447.8, an increase of 5.4 percent over fiscal year 2018. The development of the 2019 budget included a review of revenue and financial approaches that maintain a good value to tax and rate payers, are consistent with Council policy, and uphold the City's strong financial ratings.

The 2019 General fund budget is \$694.4 and reflects a 3.8 percent increase over fiscal year 2018. The two largest revenue sources in the General fund are Property Tax and Sales Tax which comprise 71.0 percent of total revenue. The total General fund revenue growth is budgeted at \$25.5 which is an increase of 3.8 percent above 2018.

The following are highlights for the 2019 budgets for the business-type activities:

- The Charlotte Water budget is \$158.5, a 7.2 percent increase over 2018 and includes an additional 46 positions to respond to increased demand due to the improving economy.
- The Storm Water budget is \$15.4, a 0.6 percent decrease over 2018. The 2019 budget contains a 6.0 percent rate increase to the storm water rate in order to pay for a pilot cost-share program and to fund 17 additional positions to support storm drainage improvement and surface water quality enhancement projects.
- The Airport budget is \$172.1, an 11.2 percent increase over 2018, and includes an additional 64 positions in a variety of capacities, including operations, development, facilities, and business revenue and administration.
- The Public transit budget is \$154.4, a 4.2 percent increase over 2018, and includes an additional 12 positions to meet customer service demands and Federal standards; to better manage the utilization and replacement of non-revenue vehicles; and to support and monitor partner agencies of the Federal 5310 program for meeting the transportation needs of older adults and people with disabilities.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide citizens, taxpayers, customers, investors and creditors with a general overview of the City's finances and to demonstrate the City's accountability. Questions concerning this report or requests for additional financial information should be directed to the City of Charlotte's Finance Department, 600 East Fourth Street, Charlotte, NC 28202-2848.



THIS PAGE INTENTIONALLY BLANK

FINANCIAL SECTION - BASIC FINANCIAL STATEMENTS

PHOTO BY: LEW HARFORD,
RETIRED CITY OF CHARLOTTE EMPLOYEE



CITY OF CHARLOTTE, NORTH CAROLINA
STATEMENT OF NET POSITION
JUNE 30, 2018
(In Thousands)

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Charlotte Regional Visitors Authority
ASSETS				
Cash,cash equivalents and investments	\$ 871,412	\$ 1,393,401	\$ 2,264,813	\$ 25,540
Receivables, net	17,868	107,081	124,949	1,670
Due from other governmental agencies	87,338	250,344	337,682	846
Due from component unit	2,798	-	2,798	-
Due from primary government	-	-	-	4,627
Internal balances	(5,092)	5,092	-	-
Inventories	1,497	13,915	15,412	563
Prepaid items	518	-	518	1,157
Restricted assets:				
Temporarily restricted-				
Cash and cash equivalents	2,092	318,449	320,541	-
Investments	81,856	33,968	115,824	-
Permanently restricted-				
Cash,cash equivalents and investments	3,111	-	3,111	-
Notes receivable	97,460	-	97,460	-
Capital assets (Note 4.f.)				
Land	3,396,171	519,786	3,915,957	-
Buildings, improvements, infrastructure, intangibles, and machinery and equipment, net	2,551,388	5,614,048	8,165,436	-
Construction in progress	198,858	1,119,958	1,318,816	-
Total assets	<u>7,307,275</u>	<u>9,376,042</u>	<u>16,683,317</u>	<u>34,403</u>
DEFERRED OUTFLOWS OF RESOURCES				
Pension deferrals (Note 5)	215,682	11,762	227,444	1,730
OPEB contributions subsequent to measurement date (Note 5.f.)	15,232	5,222	20,454	402
Contributions to pension plan in current fiscal year (Note 5)	34,785	8,560	43,345	1,227
Accumulated decrease in fair value of hedging derivatives	32,676	25,956	58,632	-
Unamortized bond refunding charges	4,247	13,078	17,325	-
Total deferred outflows of resources	<u>302,622</u>	<u>64,578</u>	<u>367,200</u>	<u>3,359</u>
LIABILITIES				
Accounts payable/claims payable	88,887	130,247	219,134	6,505
Deposits and retainage payable	10,994	36,565	47,559	4,874
Accrued interest payable	13,316	29,566	42,882	-
Due to component unit	4,560	67	4,627	-
Due to primary government	-	-	-	2,798
Unearned revenues	426	-	426	16
Liabilities payable from restricted assets	15,813	47,174	62,987	-
Noncurrent liabilities:				
Due within one year	140,076	118,602	258,678	-
Due after one year	2,303,527	3,178,147	5,481,674	25,025
Total liabilities	<u>2,577,599</u>	<u>3,540,368</u>	<u>6,117,967</u>	<u>39,218</u>
DEFERRED INFLOWS OF RESOURCES				
Prepaid taxes	97	-	97	-
Pension deferrals (Note 5)	58,552	751	59,303	106
OPEB deferrals (Note 5.f.)	253	42	295	1,987
Total deferred inflows of resources	<u>58,902</u>	<u>793</u>	<u>59,695</u>	<u>2,093</u>
NET POSITION				
Net investment in capital assets	4,814,247	4,153,959	8,968,206	-
Restricted for:				
State statute	79,852	-	79,852	-
Debt service	-	70,452	70,452	-
Perpetual care - Nonexpendable	3,111	-	3,111	-
Other purposes (Note 1.d.(8))	241,443	-	241,443	-
Passenger facility charges	-	215,155	215,155	-
Contract facility charges	-	36,472	36,472	-
Airport working capital	-	42,605	42,605	-
Unrestricted	(165,257)	1,380,816	1,215,559	(3,549)
Total net position	<u>\$ 4,973,396</u>	<u>\$ 5,899,459</u>	<u>\$ 10,872,855</u>	<u>\$ (3,549)</u>

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

CITY OF CHARLOTTE, NORTH CAROLINA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018
(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	\$ 450,771	\$ 43,696	\$ 10,576	\$ 3,023
Sanitation	63,956	13,773	696	-
General administration	53,366	2,156	9	44
Support services	41,625	38,929	11	-
Engineering and property management	52,342	10,292	-	-
Streets and highways	51,839	7,513	22,447	16,561
Culture and recreation	56,956	3,288	4,026	-
Community planning and development	82,197	5,389	18,782	973
Interest and other charges	50,059	-	-	-
Total governmental	<u>903,111</u>	<u>125,036</u>	<u>56,547</u>	<u>20,601</u>
Business-type-				
Water	148,429	171,796	-	18,726
Sewer	175,447	235,548	-	29,752
Storm water	24,664	71,985	-	135
Airport	261,333	313,113	-	3,338
Public transit	219,192	29,585	33,953	62,156
Total business-type	<u>829,065</u>	<u>822,027</u>	<u>33,953</u>	<u>114,107</u>
Total primary government	<u>\$ 1,732,176</u>	<u>\$ 947,063</u>	<u>\$ 90,500</u>	<u>\$ 134,708</u>
Component Unit:				
Charlotte Regional				
Visitors Authority	<u>\$ 76,140</u>	<u>\$ 42,727</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
\$ (393,476)	\$ -	\$ (393,476)	\$ -
(49,487)	-	(49,487)	-
(51,157)	-	(51,157)	-
(2,685)	-	(2,685)	-
(42,050)	-	(42,050)	-
(5,318)	-	(5,318)	-
(49,642)	-	(49,642)	-
(57,053)	-	(57,053)	-
(50,059)	-	(50,059)	-
<u>(700,927)</u>	<u>-</u>	<u>(700,927)</u>	<u>-</u>
-	42,093	42,093	-
-	89,853	89,853	-
-	47,456	47,456	-
-	55,118	55,118	-
-	<u>(93,498)</u>	<u>(93,498)</u>	<u>-</u>
-	141,022	141,022	-
<u>(700,927)</u>	<u>141,022</u>	<u>(559,905)</u>	<u>-</u>
-	-	-	(33,413)
467,815	-	467,815	-
128,402	-	128,402	-
-	103,022	103,022	-
52,933	-	52,933	-
56,398	-	56,398	-
33,632	-	33,632	-
23	-	23	-
18,060	-	18,060	-
-	-	-	34,735
26,222	-	26,222	-
11,884	23,412	35,296	258
9,168	3,372	12,540	160
<u>(22,920)</u>	<u>22,920</u>	<u>-</u>	<u>-</u>
<u>781,617</u>	<u>152,726</u>	<u>934,343</u>	<u>35,153</u>
80,690	293,748	374,438	1,740
5,359,894	5,659,229	11,019,123	8,724
<u>(467,188)</u>	<u>(53,518)</u>	<u>(520,706)</u>	<u>(14,013)</u>
<u>4,892,706</u>	<u>5,605,711</u>	<u>10,498,417</u>	<u>(5,289)</u>
<u>\$ 4,973,396</u>	<u>\$ 5,899,459</u>	<u>\$ 10,872,855</u>	<u>\$ (3,549)</u>

CITY OF CHARLOTTE, NORTH CAROLINA
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2018
(In Thousands)

	General	Debt Service	Capital Projects	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash, cash equivalents and investments	\$ 184,656	\$ 257,473	\$ 99,525	\$ 204,501	\$ 746,155
Receivables, net:					
Property taxes	8,337	1,895	275	122	10,629
Accounts	2,150	-	75	3	2,228
Other	-	-	-	341	341
Total receivables	10,487	1,895	350	466	13,198
Due from other governmental agencies	49,955	6,342	12,589	18,444	87,330
Due from other funds	211	1,750	-	1,600	3,561
Due from component unit	-	2,660	298	-	2,958
Inventories	1,385	-	112	-	1,497
Prepaid items	-	-	-	501	501
Restricted assets:					
Cash and cash equivalents	-	30	2,062	-	2,092
Investments	-	13	81,843	-	81,856
Total restricted assets	-	43	83,905	-	83,948
Notes receivable	9	-	66,032	31,419	97,460
Total assets	<u>\$ 246,703</u>	<u>\$ 270,163</u>	<u>\$ 262,811</u>	<u>\$ 256,931</u>	<u>\$ 1,036,608</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 29,811	\$ 67	\$ -	\$ 6,144	\$ 36,022
Deposits and retainage payable	10,522	-	-	472	10,994
Due to other funds	566	-	3,350	211	4,127
Due to component unit	-	-	273	4,287	4,560
Unearned revenues	-	-	-	426	426
Liabilities payable from restricted assets	-	-	15,813	-	15,813
Total liabilities	<u>40,899</u>	<u>67</u>	<u>19,436</u>	<u>11,540</u>	<u>71,942</u>
Deferred inflows of resources:					
Prepaid taxes	97	-	-	-	97
Unavailable revenues	10,396	4,555	648	336	15,935
Total deferred inflows of resources	<u>10,493</u>	<u>4,555</u>	<u>648</u>	<u>336</u>	<u>16,032</u>
Fund balances:					
Nonspendable:					
Inventories	1,385	-	112	-	1,497
Perpetual care	-	-	-	3,111	3,111
Prepaid items	-	-	-	501	501
Long-term notes receivable	9	-	-	-	9
Restricted:					
State statute	73,510	6,342	-	-	79,852
Other purposes (Note 1.d.(8))	-	-	-	241,443	241,443
Committed:					
Capital projects	5,540	-	242,615	-	248,155
Other purposes (Note 1.d.(8))	3,765	68,130	-	-	71,895
Assigned:					
Debt service	-	191,069	-	-	191,069
Unassigned ((Note 1.d.(8))	111,102	-	-	-	111,102
Total fund balances	<u>195,311</u>	<u>265,541</u>	<u>242,727</u>	<u>245,055</u>	<u>948,634</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 246,703</u>	<u>\$ 270,163</u>	<u>\$ 262,811</u>	<u>\$ 256,931</u>	<u>\$ 1,036,608</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, 2018
(In Thousands)

Total fund balances for governmental funds	\$	948,634
--	----	---------

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.	6,146,403
---	-----------

Contributions to pension plans in the current fiscal year are deferred outflows of resources.	34,653
---	--------

Contributions to OPEB plans in the current fiscal year are deferred outflows of resources.	15,186
--	--------

Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	56,525
--	--------

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.	52,685
---	--------

Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds. (Note 2.a.)	(1,531,211)
--	-------------

Net pension liability	(395,171)
-----------------------	-----------

Pension related deferrals	156,961
---------------------------	---------

Net OPEB liability	(511,017)
--------------------	-----------

OPEB related deferrals	<u>(252)</u>
------------------------	--------------

Total net position of governmental activities	\$	<u>4,973,396</u>
---	----	------------------

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

CITY OF CHARLOTTE, NORTH CAROLINA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2018
(In Thousands)

	General	Debt Service	Capital Projects	Other Governmental Funds	Total Governmental Funds
REVENUES:					
Property taxes	\$ 361,801	\$ 89,263	\$ 11,567	\$ 5,086	\$ 467,717
Other taxes	114,727	20,535	11,850	87,888	235,000
Intergovernmental	103,222	1,514	12,377	55,462	172,575
Licenses, fees and fines	35,032	62	15,121	132	50,347
Investment earnings	1,767	2,678	1,763	2,165	8,373
Private contributions	-	-	3,612	-	3,612
Administrative charges	39,589	-	-	-	39,589
Charges for current services	8,126	-	-	-	8,126
Miscellaneous	3,430	160	1,577	6,615	11,782
Total revenues	<u>667,694</u>	<u>114,212</u>	<u>57,867</u>	<u>157,348</u>	<u>997,121</u>
EXPENDITURES:					
Current-					
Public safety	379,083	-	-	12,218	391,301
Sanitation	59,179	-	-	-	59,179
General administration	45,414	-	-	1,729	47,143
Support services	31,885	-	-	-	31,885
Engineering and property management	21,927	-	-	-	21,927
Streets and highways	35,379	-	-	26,997	62,376
Culture and recreation	5,638	-	-	33,105	38,743
Community planning and development	29,813	-	(10,105)	27,160	46,868
Debt service-					
Principal	-	116,416	-	-	116,416
Interest and other charges	-	60,238	-	-	60,238
Capital outlay	-	-	175,209	-	175,209
Total expenditures	<u>608,318</u>	<u>176,654</u>	<u>165,104</u>	<u>101,209</u>	<u>1,051,285</u>
Excess (deficiency) of revenues over (under) expenditures	<u>59,376</u>	<u>(62,442)</u>	<u>(107,237)</u>	<u>56,139</u>	<u>(54,164)</u>
OTHER FINANCING SOURCES (USES):					
Sales of capital assets	1,055	-	1,181	282	2,518
General obligation bonds issued	-	-	57,062	-	57,062
Transfers in	5,673	83,487	69,448	16,399	175,007
Transfers out	(51,207)	(30,036)	(33,755)	(75,579)	(190,577)
Total other financing sources (uses)	<u>(44,479)</u>	<u>53,451</u>	<u>93,936</u>	<u>(58,898)</u>	<u>44,010</u>
Net change in fund balances	14,897	(8,991)	(13,301)	(2,759)	(10,154)
Fund balances - beginning	180,414	274,532	256,028	247,814	958,788
Fund balances - ending	<u>\$ 195,311</u>	<u>\$ 265,541</u>	<u>\$ 242,727</u>	<u>\$ 245,055</u>	<u>\$ 948,634</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, 2018
(In Thousands)

Net change in fund balances - total governmental funds \$ (10,154)

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 depreciation exceeded capital outlays in the current period. (Note 2.b.) (41,248)

Contributions to the pension plan in the current fiscal year are not included on the statement of activities. 34,653

Contributions to the OPEB plan in the current fiscal year are not included on the statement of activities. 15,186

The net effect of various miscellaneous transactions involving capital assets (i.e., sales and donations) is to decrease net position. (Note 2.b.) 109,558

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. 692

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.) 61,303

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.) (85,440)

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. (3,860)

Change in net position of governmental activities \$ 80,690

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, 2018
(In Thousands)

	Budgeted Amounts		Actual	Variance with
	Original	Final	(Budgetary Basis)	Final Budget Positive (Negative)
REVENUES:				
Property taxes	\$ 361,409	\$ 361,409	\$ 361,801	\$ 392
Sales tax	106,023	106,023	108,056	2,033
Other taxes	6,085	6,238	6,671	433
Utilities sales tax	55,692	55,692	52,933	(2,759)
CATV franchises	7,960	7,960	7,567	(393)
Other intergovernmental	43,144	43,160	42,722	(438)
Refuse fees	13,048	13,048	13,259	211
Other licenses, fees and fines	18,213	19,133	21,773	2,640
Investment earnings	775	775	1,767	992
Administrative charges	39,082	40,018	39,589	(429)
Charges for current services	8,149	7,230	8,126	896
Miscellaneous	3,190	3,566	3,430	(136)
Sales of capital assets	1,010	1,010	1,055	45
Transfers in-				
Debt Service	120	120	120	-
Capital projects	325	325	325	-
Special Revenue - Convention Center Tax	4,053	5,199	5,199	-
Cemetery Trust	96	96	29	(67)
Total transfers in	4,594	5,740	5,673	(67)
Resources available for appropriation	668,374	671,002	674,422	\$ 3,420
Fund balance appropriated (contributed)	463	25,242	8,349	
Total amounts available for appropriation	<u>\$ 668,837</u>	<u>\$ 696,244</u>	<u>\$ 682,771</u>	
EXPENDITURES:				
Public safety	\$ 385,266	\$ 389,961	\$ 387,000	\$ 2,961
Sanitation	59,238	64,236	62,299	1,937
General administration	46,669	49,897	48,221	1,676
Support services	34,027	37,339	35,973	1,366
Engineering and property management	25,258	26,745	24,542	2,203
Streets and highways	37,623	39,338	37,144	2,194
Culture and recreation	5,485	5,638	5,638	-
Community planning and development	31,242	31,883	30,747	1,136
Transfers out-				
Debt Service	17,801	18,520	18,520	-
Capital Projects	20,027	26,787	26,787	-
Special Revenue:				
State Street Aid	4,261	4,261	4,261	-
Tourism	1,291	1,291	1,291	-
Public Safety and Other Grants	649	348	348	-
Total transfers out	44,029	51,207	51,207	-
Total charges to appropriations	<u>\$ 668,837</u>	<u>\$ 696,244</u>	<u>\$ 682,771</u>	<u>\$ 13,473</u>

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

CITY OF CHARLOTTE, NORTH CAROLINA
RECONCILIATION OF THE STATEMENT OF BUDGETARY COMPARISON TO THE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2018
(In Thousands)

Sources (inflows) of resources:

Actual amounts (budgetary basis) "available for appropriation" from the statement of budgetary comparison	\$ 682,771
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.	(8,349)
Transfers from other funds are inflows of budgetary resources but are not revenues for financial reporting purposes.	(5,673)
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>(1,055)</u>
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds	<u>\$ 667,694</u>

Uses (outflows) of resources:

Actual amounts (budgetary basis) "total charges to appropriations" from the statement of budgetary comparison	\$ 682,771
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.	(23,246)
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes.	<u>(51,207)</u>
Total expenditures as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds	<u>\$ 608,318</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, 2018
(In Thousands)

	Business-type Activities -		
	Water and Sewer	Storm Water	Airport
ASSETS			
Current assets:			
Cash, cash equivalents and investments	\$ 439,442	\$ 97,321	\$ 638,704
Receivables, net-			
Accounts	46,880	10,487	39,261
Other	2,330	504	4,679
Total receivables	49,210	10,991	43,940
Due from other governmental agencies	2,736	438	8,379
Due from other funds	-	-	-
Prepaid expense	-	-	-
Inventories	1,674	-	-
Restricted assets-			
Cash and cash equivalents	88	15	318,343
Investments	1,987	108	29,815
Total restricted assets	2,075	123	348,158
Total current assets	495,137	108,873	1,039,181
Long term assets:			
Capital assets-			
Land	49,635	100	308,974
Buildings	29,867	-	914,068
Improvements other than buildings:			
Water and sewer systems	4,724,768	-	-
Storm water systems	-	557,059	-
Runways	-	-	419,532
Transit corridors	-	-	-
Other	-	-	176,693
Total improvements other than buildings	4,724,768	557,059	596,225
Intangibles	20,114	3,619	4,788
Machinery and equipment	49,837	304	127,502
Construction in progress	320,831	205,071	459,492
Total capital assets	5,195,052	766,153	2,411,049
Less accumulated depreciation	1,733,333	79,082	809,143
Total capital assets, net	3,461,719	687,071	1,601,906
Total long term assets	3,461,719	687,071	1,601,906
Total assets	3,956,856	795,944	2,641,087
DEFERRED OUTFLOWS OF RESOURCES			
Pension deferrals	5,001	920	3,081
OPEB contributions subsequent to measurement date (Note 5.f.)	1,900	138	2,515
Contributions to pension plan in current fiscal year	3,639	670	2,242
Accumulated decreases in fair value of hedging			
derivatives	25,956	-	-
Unamortized bond refunding charges	11,339	1,050	645
Total deferred outflows of resources	47,835	2,778	8,483

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

Enterprise Funds		Governmental Activities -
Public Transit	Total	Internal Service Funds
\$ 217,934	\$ 1,393,401	\$ 128,368
1,728	98,356	-
1,212	8,725	843
2,940	107,081	843
238,791	250,344	8
-	-	566
-	-	17
12,241	13,915	-
3	318,449	-
2,058	33,968	-
2,061	352,417	-
473,967	2,117,158	129,802
161,077	519,786	-
388,029	1,331,964	-
-	4,724,768	-
-	557,059	-
-	419,532	-
845,582	845,582	-
40,045	216,738	-
885,627	6,763,679	-
8,943	37,464	-
362,884	540,527	181
134,564	1,119,958	-
1,941,124	10,313,378	181
438,028	3,059,586	167
1,503,096	7,253,792	14
1,503,096	7,253,792	14
1,977,063	9,370,950	129,816
2,760	11,762	181
669	5,222	46
2,009	8,560	132
-	25,956	-
44	13,078	-
5,482	64,578	359

Continued on next page

CITY OF CHARLOTTE, NORTH CAROLINA
STATEMENT OF NET POSITION-(Continued)
PROPRIETARY FUNDS
JUNE 30, 2018
(In Thousands)

	Business-type Activities -		
	Water and Sewer	Storm Water	Airport
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 33,532	\$ 7,902	\$ 58,170
Claims payable	-	-	-
Deposits and retainage payable	6,262	2,350	16,467
Accrued interest payable	27,639	519	-
Due to component unit	-	-	67
Current maturities of long-term liabilities	98,030	8,166	1,451
Current liabilities payable from restricted assets-			
Accounts payable	343	108	9,238
Deposits and retainage payable	-	-	4
Accrued interest payable	-	-	17,521
Revenue bonds payable	-	-	17,902
Total current liabilities payable from restricted assets	343	108	44,665
Total current liabilities	165,806	19,045	120,820
Noncurrent liabilities:			
General obligation bonds payable - net of unamortized premium	54,632	4,092	-
Revenue bonds payable - net of unamortized premium	1,522,186	150,734	760,654
Revenue bond anticipation notes payable	-	8,834	43,571
Other financing agreements - net of unamortized premium	3,017	-	-
TIFIA loan agreement	-	-	-
Derivative instrument liability	25,956	-	-
Federal revolving loan payable	-	845	-
State revolving loan payable	2,394	-	-
Refundable water and sewer construction deposits	5,353	-	-
Due to participants	-	-	-
Compensated absences payable	2,731	324	2,053
Net pension liability	11,070	2,037	6,820
Net OPEB liability	13,420	2,226	3,822
Total noncurrent liabilities	1,640,759	169,092	816,920
Total liabilities	1,806,565	188,137	937,740
DEFERRED INFLOWS OF RESOURCES			
Pension deferrals	319	59	197
Contributions subsequent to measurement date	22	3	8
Total deferred inflows of resources	341	62	205
NET POSITION			
Net investment in capital assets	1,786,625	515,008	892,908
Restricted for:			
Debt service	-	-	70,452
Passenger facility charges	-	-	215,155
Contract facility charges	-	-	36,472
Working capital	-	-	42,605
Unrestricted	411,160	95,515	454,033
Total net position	\$ 2,197,785	\$ 610,523	\$ 1,711,625

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
\$ 30,643	\$ 130,247	\$ 2,465
-	-	50,400
11,486	36,565	-
1,408	29,566	-
-	67	-
10,955	118,602	106
2,058	11,747	-
-	4	-
-	17,521	-
-	17,902	-
2,058	47,174	-
56,550	362,221	52,971
-	58,724	-
-	2,433,574	-
-	52,405	-
359,753	362,770	-
176,259	176,259	-
-	25,956	-
-	845	-
-	2,394	-
-	5,353	-
-	-	17,711
2,695	7,803	63
6,110	26,037	402
6,559	26,027	1,238
551,376	3,178,147	19,414
607,926	3,540,368	72,385
176	751	12
9	42	1
185	793	13
959,418	4,153,959	14
-	70,452	-
-	215,155	-
-	36,472	-
-	42,605	-
415,016	1,375,724	57,763
\$ 1,374,434	5,894,367	\$ 57,777
	5,092	
	<u>\$ 5,899,459</u>	

CITY OF CHARLOTTE, NORTH CAROLINA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2018
(In Thousands)

	Business-type Activities -		
	Water and Sewer	Storm Water	Airport
OPERATING REVENUES:			
Charges for services	\$ 318,084	\$ 71,985	\$ 228,995
Availability fees	51,039	-	-
Miscellaneous	9,905	-	10,393
Total operating revenues	<u>379,028</u>	<u>71,985</u>	<u>239,388</u>
OPERATING EXPENSES:			
Administration	36,598	2,593	29,012
Operations and maintenance	99,496	7,550	95,611
Claims and insurance premiums	-	-	-
Other	121	-	16,651
Depreciation	120,519	9,174	58,359
Total operating expenses	<u>256,734</u>	<u>19,317</u>	<u>199,633</u>
Operating income (loss)	<u>122,294</u>	<u>52,668</u>	<u>39,755</u>
NONOPERATING REVENUES (EXPENSES):			
Sales tax	-	-	-
Grant contributions	-	-	-
Capacity fees	28,316	-	-
Passenger facility charges	-	-	60,374
Contract facility charges	-	-	13,351
Investment earnings	5,830	1,250	13,001
Interest expense and other charges	(66,976)	(5,190)	(33,515)
Bond issue expense	-	(186)	-
Non-airline terminal revenue distribution	-	-	(28,357)
Miscellaneous	7,166	(1,045)	(3,158)
Total nonoperating revenues (expenses)	<u>(25,664)</u>	<u>(5,171)</u>	<u>21,696</u>
Income (loss) before contributions and transfers	96,630	47,497	61,451
CAPITAL CONTRIBUTIONS	48,478	135	3,338
TRANSFERS IN	-	-	-
TRANSFERS OUT	(331)	-	-
Change in net position	144,777	47,632	64,789
Total net position - beginning	<u>2,084,282</u>	<u>566,327</u>	<u>1,657,837</u>
Restatement (Note 6.k.)	<u>(31,274)</u>	<u>(3,436)</u>	<u>(11,001)</u>
Total net position - beginning, restated	<u>2,053,008</u>	<u>562,891</u>	<u>1,646,836</u>
Total net position - ending	<u>\$ 2,197,785</u>	<u>\$ 610,523</u>	<u>\$ 1,711,625</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
\$ 29,585	\$ 648,649	\$ 136,380
-	51,039	-
-	20,298	-
<u>29,585</u>	<u>719,986</u>	<u>136,380</u>
12,286	80,489	14,944
138,146	340,803	-
-	-	120,344
-	16,772	-
<u>51,711</u>	<u>239,763</u>	<u>4</u>
<u>202,143</u>	<u>677,827</u>	<u>135,292</u>
<u>(172,558)</u>	<u>42,159</u>	<u>1,088</u>
103,022	103,022	-
33,953	33,953	-
-	28,316	-
-	60,374	-
-	13,351	-
3,331	23,412	1,570
(16,182)	(121,863)	-
-	(186)	-
-	(28,357)	-
<u>409</u>	<u>3,372</u>	<u>-</u>
<u>124,533</u>	<u>115,394</u>	<u>1,570</u>
<u>(48,025)</u>	<u>157,553</u>	<u>2,658</u>
62,156	114,107	-
23,251	23,251	-
-	(331)	(7,350)
37,382	294,580	(4,692)
<u>1,343,881</u>		<u>63,447</u>
<u>(6,829)</u>		<u>(978)</u>
<u>1,337,052</u>		<u>62,469</u>
<u>\$ 1,374,434</u>		<u>\$ 57,777</u>
	(832)	
	<u>\$ 293,748</u>	

CITY OF CHARLOTTE, NORTH CAROLINA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2018
(In Thousands)

	Business-type Activities -		
	Water and Sewer	Storm Water	Airport
CASH FLOWS FROM OPERATING ACTIVITIES:			
Receipts from customers	\$ 378,391	\$ 71,969	\$ 218,475
Receipts from participants	-	-	-
Payments to suppliers	(63,038)	529	(84,706)
Internal activity - (payments to) receipts from other funds	(24,221)	(1,361)	(27,601)
Receipts from trust	-	-	-
Receipts from recovery of losses	-	-	-
Payments to employees	(52,249)	(9,395)	(31,794)
Payments to airlines for non-airline terminal revenue distribution	-	-	(25,986)
Payments for claims	-	-	-
Payments for premiums	-	-	-
Other receipts (payments)	12,671	180	(180)
Net cash provided (used) by operating activities	<u>251,554</u>	<u>61,922</u>	<u>48,208</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Operating grants	-	-	-
Sales tax	-	-	-
Transfers	(331)	-	-
Net cash provided (used) by noncapital financing activities	<u>(331)</u>	<u>-</u>	<u>-</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Proceeds from capital debt	115,081	8,834	40,595
Capacity fees	28,316	-	-
Passenger facility charges	-	-	60,305
Contract facility charges	-	-	13,273
Acquisition and construction of capital assets	(154,900)	(57,667)	(227,454)
Principal paid on capital debt	(84,464)	(6,321)	(46,650)
Interest and other charges paid on capital debt	(71,170)	(6,486)	3,670
Construction deposits	5,920	-	-
Capital contributions	-	135	24,758
Net cash (used) by capital and related financing activities	<u>(161,217)</u>	<u>(61,505)</u>	<u>(131,503)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of investments	(483)	(1)	(50,303)
Proceeds from sale and maturities of investments	1	-	120,640
Interest received	4,287	994	10,720
Net cash provided by investing activities	<u>3,805</u>	<u>993</u>	<u>81,057</u>
Net increase (decrease) in cash, cash equivalents and investments	93,811	1,410	(2,238)
Cash, cash equivalents and investments - beginning of year	345,719	95,926	959,285
Cash, cash equivalents and investments - end of year	<u>\$ 439,530</u>	<u>\$ 97,336</u>	<u>\$ 957,047</u>

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

Enterprise Funds		Governmental Activities - Internal Service Funds
Public Transit	Total	
\$ 29,074	\$ 697,909	\$ -
-	-	46,966
(64,677)	(211,892)	(12,030)
(12,626)	(65,809)	78,467
-	-	25,143
-	-	332
(74,216)	(167,654)	(1,620)
-	(25,986)	-
-	-	(104,167)
-	-	(30,058)
5,930	18,601	436
(116,515)	245,169	3,469
27,979	27,979	-
98,233	98,233	-
23,251	22,920	(7,350)
149,463	149,132	(7,350)
-	164,510	-
-	28,316	-
-	60,305	-
-	13,273	-
(103,347)	(543,368)	-
(4,825)	(142,260)	-
(16,886)	(90,872)	-
-	5,920	-
88,122	113,015	-
(36,936)	(391,161)	-
(22)	(50,809)	-
-	120,641	-
2,475	18,476	1,567
2,453	88,308	1,567
(1,535)	91,448	(2,314)
219,472	1,620,402	130,682
<u>\$ 217,937</u>	<u>\$ 1,711,850</u>	<u>\$ 128,368</u>

Continued on next page

CITY OF CHARLOTTE, NORTH CAROLINA
STATEMENT OF CASH FLOWS-(Continued)
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2018
(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)	\$ 122,294	\$ 52,668	\$ 39,755
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities-			
Depreciation	120,519	9,174	58,359
Other receipts (payments)	12,671	180	(180)
Non-airline terminal revenue distribution	-	-	(25,986)
Change in assets and liabilities:			
(Increase) in receivables	(875)	(16)	(20,913)
(Increase) decrease in due from other governmental agencies	-	(14)	(84)
Decrease in due from other funds	-	-	-
(Increase) decrease in inventories	107	-	-
(Increase) in prepaid insurance	-	-	-
Decrease in deferred outflows of resources for pensions	4,293	567	1,968
(Increase) in deferred outflows of resources for OPEB	(407)	(55)	(2,027)
Increase (decrease) in accounts payable	(1,254)	(46)	(532)
(Decrease) in claims payable	-	-	-
Increase in due to participants	-	-	-
Increase in deposits and retainage payable	68	-	3
(Decrease) in due to component unit	-	-	(6)
(Decrease) in net pension liability	(3,891)	(459)	(1,615)
(Decrease) in deferred inflows of resources for pensions	(214)	(30)	(103)
Increase in deferred inflows of resources for OPEB	22	3	8
Increase (decrease) in compensated absences payable	310	108	438
Increase (decrease) in net OPEB liability	(2,089)	(158)	(877)
Total adjustments	129,260	9,254	8,453
Net cash provided (used) by operating activities	\$ 251,554	\$ 61,922	\$ 48,208
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:			
Donated assets	\$ 48,031	\$ -	\$ -
Proceeds from refunding bonds	465,813	-	-
Payment to refunded bond escrow agent	(465,813)	-	-
Net noncash investing, capital and financing activities	\$ 48,031	\$ -	\$ -

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

Enterprise Funds		Governmental
Public		Activities -
Transit	Total	Internal Service
		Funds
\$ (172,558)	\$ 42,159	\$ 1,088
51,711	239,763	4
5,930	18,601	-
-	(25,986)	-
(511)	(22,315)	(119)
65	(33)	(1)
-	-	54
(627)	(520)	-
-	-	(17)
1,908	8,736	210
(669)	(3,158)	(9)
129	(1,703)	1,623
-	-	(3,956)
-	-	4,780
-	71	-
-	(6)	-
(1,615)	(7,580)	(203)
(99)	(446)	(10)
9	42	1
65	921	(8)
(253)	(3,377)	32
56,043	203,010	2,381
\$ (116,515)	\$ 245,169	\$ 3,469
\$ -	\$ 48,031	\$ -
-	465,813	-
-	(465,813)	-
\$ -	\$ 48,031	\$ -

CITY OF CHARLOTTE, NORTH CAROLINA
STATEMENT OF NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2018
(In Thousands)

ASSETS

Cash and cash equivalents	\$ 9,433
Receivables:	
Employer contributions	179
Member contributions	299
Interest and dividends	<u>595</u>
Total receivables	<u>1,073</u>
Investments:	
Equity securities - stocks	148,249
Fixed income securities - bonds	109,303
Mutual funds	<u>376,540</u>
Total investments	<u>634,092</u>
Capital assets, at cost, net of accumulated depreciation of \$290	<u>267</u>
Total assets	644,865
<u>LIABILITIES</u>	
Accounts payable	<u>684</u>
<u>NET POSITION</u>	
Held in trust for pension benefits	<u>\$ 644,181</u>

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

CITY OF CHARLOTTE, NORTH CAROLINA
STATEMENT OF CHANGES IN NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2018
(In Thousands)

ADDITIONS:

Contributions-	
Member	\$ 9,909
Employer	29,787
Other	<u>337</u>
Total contributions	<u>40,033</u>
Investment income-	
Net appreciation in fair value of investments	49,098
Interest	3,006
Dividends	3,615
Other	<u>3</u>
Total investment income	<u>55,722</u>
Investment expense	<u>3,126</u>
Net investment income	<u>52,596</u>
Total additions	<u>92,629</u>

DEDUCTIONS:

Benefits	38,803
Refunds	212
Insurance premiums	7,829
Administration	2,005
Depreciation	<u>28</u>
Total deductions	<u>48,877</u>
Change in net position	43,752
Net position - beginning	<u>600,429</u>
Net position - ending	<u>\$644,181</u>

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

CITY OF CHARLOTTE, NORTH CAROLINA
INDEX TO THE NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

Note	Page
1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES	
a. Reporting Entity	40
b. Basis of Presentation	41
c. Measurement Focus and Basis of Accounting.....	42
d. Assets, Deferred Outflows and Inflows, Liabilities and Net Position/Fund Balances	
(1) Cash and Investments	43
(2) Receivables and Payables	44
(3) Inventories	44
(4) Capital Assets	45
(5) Deferred Outflows and Inflows of Resources	45
(6) Long-term Liabilities.....	45
(7) Compensated Absences.....	46
(8) Net Position/Fund Balances	46
(9) Pensions	48
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	49
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 ...	49
3. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY – Budgetary Information.....	51
4. DETAILED DISCLOSURES ON ALL FUNDS	
a. Deposits	52
b. Investments	52
c. Receivables.....	57
d. Property Taxes	57
e. Restricted Assets	58
f. Capital Assets	59
g. Interfund Receivables, Payables and Transfers	62
h. Payables	63
i. Deferred Outflows and Inflows of Resources and Unavailable Revenues.....	63
j. Long-term Liabilities	65
(1) General Obligation Bonds.....	67
(2) Revenue Bonds	69
(3) Installment Purchases	71
(4) General Obligation Bond Anticipation Note	73
(5) Revenue Bond Anticipation Note.....	73

CITY OF CHARLOTTE, NORTH CAROLINA
INDEX TO THE NOTES TO THE FINANCIAL STATEMENTS-(Continued)
JUNE 30, 2018

Note	Page
4. DETAILED DISCLOSURES ON ALL FUNDS-(Continued)	
j. Long-term Liabilities-(Continued)	
(6) Other Long-term Liabilities	
(a) Section 108 Loan Guarantee	74
(b) Transportation Infrastructure Finance and Innovation Act (TIFIA) Loan	74
(c) Municipal Systems	75
(d) Federal Revolving Loan	76
(e) State Revolving Loan	76
(7) Derivative Instruments	77
(8) Refundings	79
(9) Other Debt Information	80
(10) Subsequent Event	80
(11) Early Extinguishment	80
k. Fund Balance	81
5. PENSION PLANS AND OTHER BENEFITS	
a. Local Governmental Employees' Retirement System	81
b. Charlotte Firefighters' Retirement System	87
c. Law Enforcement Officers' Special Separation Allowance	92
d. Supplemental Retirement Income Plan for Law Enforcement Officers	96
e. Death Benefit Plan	96
f. Other Postemployment Benefits	96
g. Deferred Compensation Plan	101
6. OTHER INFORMATION	
a. Airport Leasing Arrangements with Tenants	102
b. Passenger Facility Charges	102
c. Insurance	
(1) Employee Health and Life	103
(2) Risk Management	103
d. Commitments and Contingencies	104
e. Arena	106
f. NASCAR Hall of Fame	107
g. Cultural Arts Facilities	107
h. Bank of America Stadium	107
i. American Airlines	108
j. Change in Accounting Principles/Restatement	108

CITY OF CHARLOTTE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018
(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, 2018
(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.

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.

CITY OF CHARLOTTE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS-(Continued)
JUNE 30, 2018
(Dollar Amounts In Thousands)

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.

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

CITY OF CHARLOTTE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS-(Continued)
JUNE 30, 2018
(Dollar Amounts In Thousands)

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 year-end, except for property taxes. Ad valorem taxes receivable are not accrued as revenue because the amount is not susceptible to accrual. At June 30, 2018 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 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.

CITY OF CHARLOTTE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS-(Continued)
JUNE 30, 2018
(Dollar Amounts In Thousands)

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.

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.

CITY OF CHARLOTTE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS-(Continued)
JUNE 30, 2018
(Dollar Amounts In Thousands)

(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

(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 and OPEB deferrals, contributions made to the pension and OPEB plans 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 and OPEB expense. 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.

CITY OF CHARLOTTE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS-(Continued)
JUNE 30, 2018
(Dollar Amounts In Thousands)

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

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

(7) Compensated Absences

Employees earn vacation leave at the rate of 10 to 20 days per year and can accrue a maximum of 20 to 40 days, depending on length of service. Effective January 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	\$ 13,590
Culture and recreation	185,310
Community planning and development	35,002
Streets and highways	<u>7,541</u>
Total	<u>\$ 241,443</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.

CITY OF CHARLOTTE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS-(Continued)
JUNE 30, 2018
(Dollar Amounts In Thousands)

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

The governmental fund types classify fund balances as follows:

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

Inventories – \$1,497 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 items – \$501 of fund balance that is not an available resource because it represents the amount of prepaid expenses.

Long-term notes receivable – \$9 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 – \$79,852 of fund balance that is not an available resource for appropriation in accordance with State law [G.S. 159-8(a)].

Restricted for other purposes:

Public safety – \$13,590 of fund balance that is restricted by revenue source for public safety and 911 system expenditures.

Cultural and recreation – \$185,310 of fund balance that is restricted by revenue source for convention and tourism expenditures.

Community planning and development – \$35,002 of fund balance that is restricted by revenue source for neighborhood expenditures.

Streets and highways – \$7,541 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.

CITY OF CHARLOTTE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS-(Continued)
JUNE 30, 2018
(Dollar Amounts In Thousands)

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 – \$248,155 of fund balance committed by the City Council for capital projects.

Committed for other purposes:

Component unit – \$3,765 of fund balance committed by the City Council in the General fund for the Charlotte Regional Visitors Authority.

Debt service – \$68,130 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 – \$191,069 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.

Unassigned fund balance – This classification includes \$111,102 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.

(9) Pensions

The City participates in cost-sharing, multiple-employer, defined benefit pension plans that are administered by the State; the Local Governmental Employees' Retirement System (LGERS), the single-employer Law Enforcement Officers' Special Separation Allowance (LEOSSA) (collectively, the "state administered defined benefit pension plans"), and one other postemployment benefit plan, the Employee Benefit Trust Plan (EBTP).

CITY OF CHARLOTTE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS-(Continued)
JUNE 30, 2018
(Dollar Amounts In Thousands)

For purposes of measuring the net pension asset or liability, deferred outflows and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net positions of the state-administered defined benefit pension plans and additions to/deductions from the state-administered defined benefit pension plans' fiduciary net positions have been determined on the same basis as they are reported by the state-administered defined benefit pension plans. For this purpose, plan member contributions are recognized in the period in which the contributions are due. The City's employer contributions are recognized when due and the City has a legal requirement to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the state-administered defined benefit pension plans.

For purposes of measuring the net OPEB liability, deferred outflows and inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the EBTP and additions to/deductions from the EBTP fiduciary net position have been determined on the same basis as they are reported by the EBTP. For this purpose, the EBTP recognizes benefit payments when due and payable in accordance with the benefit terms. Investments for all plans 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 government 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	\$ 1,220,308
Net of premiums and discounts	104,245
General obligation bond anticipation notes	91,565
Derivative instrument liability	32,676
Swaption borrowing payable	6,238
Compensated absences	58,495
Section 108 loan guarantee	4,368
Accrued interest payable	<u>13,316</u>
Net adjustment to reduce <i>fund balance - total governmental funds</i> to arrive at <i>net position-governmental activities</i>	<u>\$ 1,531,211</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.

CITY OF CHARLOTTE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS-(Continued)
JUNE 30, 2018
(Dollar Amounts In Thousands)

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	\$ 80,599
Depreciation expense	<u>(121,847)</u>
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net position of governmental activities	<u><u>\$ (41,248)</u></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	\$ 104,823
Sales of capital assets	<u>4,735</u>
Net adjustment to decrease change in net position differs from the change in fund balance by the cost of capital assets sold	<u><u>\$ 109,558</u></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	\$ (57,062)
Swaption borrowing	537
Principal repayments:	
General obligation debt	50,731
Installment purchases	65,685
Section 108 loan guarantee	<u>1,412</u>
Net adjustment to decrease <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net position of governmental activities</i>	<u><u>\$ 61,303</u></u>

CITY OF CHARLOTTE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS-(Continued)
JUNE 30, 2018
(Dollar Amounts In Thousands)

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	\$ 854
Amortization on deferred amount on refunding	(769)
Amortization of debt premiums	9,589
Amortization of discounts	(32)
Compensated absences	(2,382)
Pension expense	(66,519)
OPEB expense	<u>(26,181)</u>
Net adjustment to increase <i>net changes in fund balances -</i> <i>total governmental funds</i> to arrive at <i>changes in net</i> <i>position of governmental activities</i>	<u>\$ (85,440)</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, 2018.

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.

CITY OF CHARLOTTE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS-(Continued)
JUNE 30, 2018
(Dollar Amounts In Thousands)

4. DETAILED DISCLOSURES ON ALL FUNDS

a. Deposits

As of June 30, 2018, 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	\$ 35,172	\$ 4,184
City - Fiduciary Funds	139	9,433
Component unit - Authority	11,988	10,361

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 \$117 and \$231, respectively.

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, \$1,139 was covered at the federal depository insurance coverage level and \$34,172 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, \$2,371 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.

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

CITY OF CHARLOTTE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS-(Continued)
JUNE 30, 2018
(Dollar Amounts In Thousands)

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, 2018, 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	\$2,218,157	\$ 1,834,958	\$ 383,199	\$ -
Commercial paper	104,555	104,555	-	-
Mutual funds	85,513	N/A	N/A	N/A
NCCMT Government Portfolio	213,126	N/A	N/A	N/A
NCCMT Term Portfolio*	78,637	78,637	-	-
Total	<u>\$2,699,988</u>	<u>\$ 2,018,150</u>	<u>\$ 383,199</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.

CITY OF CHARLOTTE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS-(Continued)
JUNE 30, 2018
(Dollar Amounts In Thousands)

The following is a summary of the fair value hierarchy of the fair value of investments as of June 30, 2018 were as follows:

Investments by fair value level	6/30/2018	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)
Debt securities			
U.S. Agencies securities	\$ 2,218,157	\$ -	\$ 2,218,157
Commercial paper	104,555	104,555	-
Mutual funds	85,513	85,513	-
NCCMT Term Portfolio	78,637	78,637	-
Total investments by fair value level	2,486,862	\$ 268,705	\$ 2,218,157
Investments measured at amortized cost			
NCCMT Government Portfolio	213,126		
Total investments measured at fair value	\$ 2,699,988		

Investments classified in Level 1 of the fair value hierarchy, valued at \$268,705, 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, 2018, 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, 2018. 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, 2018, the City had no investments subject to

CITY OF CHARLOTTE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS-(Continued)
JUNE 30, 2018
(Dollar Amounts In Thousands)

custodial credit risk. The City had no formal policy on custodial credit risk. However, the City's internal policy limits custodial credit risk by providing that security in the collateral be delivered to a third-party safekeeping bank designated by the City.

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

City – Fiduciary Fund: Charlotte Firefighters' Retirement System – The investments and maturities at June 30, 2018 were as follows:

Investment type	Fair Value	Investment Maturities (in Years)			
		Less than 1	1 - 5	6 - 10	More than 10
U.S. Treasuries	\$ 19,055	\$ -	\$ 8,366	\$ 4,162	\$ 6,527
U.S. Agencies	20,015	-	-	171	19,844
Corporate bonds	45,620	2,511	18,133	11,786	13,190
Common stocks	148,249	N/A	N/A	N/A	N/A
Mutual funds	311,848	N/A	N/A	N/A	N/A
Total	<u>\$ 544,787</u>	<u>\$ 2,511</u>	<u>\$ 26,499</u>	<u>\$ 16,119</u>	<u>\$ 39,561</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, 2018 were as follows:

Quality Rating	Fair Value	Percentage of Portfolio
AAA	\$ 5,904	6.97%
Ba1 > Aa1	39,716	46.90%
Total credit risk debt securities	45,620	53.87%
US Government fixed income securities:		
Government National Mortgage Association	5,734	6.77%
U.S. Treasury	19,055	22.50%
Not rated	14,281	16.86%
Total fixed income securities	<u>\$ 84,690</u>	<u>100.00%</u>

CITY OF CHARLOTTE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS-(Continued)
JUNE 30, 2018
(Dollar Amounts In Thousands)

Concentration of Credit Risk: The System limits the amount of equity holdings in any one company to eight 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 five percent of the market value of the portfolio without the consent of the board. There is no limit on securities backed by the full faith and credit of the U.S. Government or any of its instrumentalities.

Investment by fair value level	6/30/2018	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)
U.S. Treasuries	\$ 19,055	\$ 19,055	\$ -	\$ -
U.S. Agencies	20,015	-	20,015	-
Corporate bonds	39,334	-	39,334	-
Common stocks	148,249	148,249	-	-
Mutual funds	21,833	-	21,833	-
Total investments by fair value level	248,486	\$ 167,304	\$ 81,182	\$ -

Category	Investments Measured as NAV	Unfunded Commitment	Redemption Frequency	Redemption Notice Period
U.S. equity	42,790	-	Daily	N/A
International equity	143,776	-	Daily	N/A
U.S. Bonds	33,236	-	Daily	N/A
International bonds	24,613	-	1st of Month Openings	N/A
Fixed income	21,180	-	Quarterly	45 Days
International fixed income	30,706	-	Quarterly - 1st day of Qtr	N/A
	296,301	\$ -		
Total investments	\$ 544,787			

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, 2018, the EBTP had investments of \$2,858 in an interest-bearing account and \$89,305 in mutual funds. The mutual funds investments 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.

CITY OF CHARLOTTE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS-(Continued)
JUNE 30, 2018
(Dollar Amounts In Thousands)

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 eight 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 five 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, 2018, the Authority had investments of \$14,948 in the NCCMT's Cash Portfolio, which carried a credit rating of AAA by Standard and Poor's.

c. Receivables

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

<u>Governmental</u>	
General	\$ 8,925
Debt Service	546
Capital Projects	<u>2,831</u>
Total Governmental	<u>12,302</u>
<u>Proprietary</u>	
Water and Sewer	9,468
Storm Water	1,493
Airport	982
Public Transit	<u>12</u>
Total Proprietary	<u>11,955</u>
Total	<u><u>\$ 24,257</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, 2018 the balance of the loan outstanding was \$2,798.

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, 2017, were based on the assessed values listed as of January 1, 2017, which is the lien date.

CITY OF CHARLOTTE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS-(Continued)
JUNE 30, 2018
(Dollar Amounts In Thousands)

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 2018 (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 2018 for Districts 1, 2, 3, 4 and 5 were \$0.0168, \$0.0233, \$0.0358, \$0.0668 and \$0.0279, respectively.

e. Restricted Assets

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

<u>Governmental-</u>	
Debt Service	\$ 43
Capital Projects	<u>83,905</u>
Total Governmental	<u>83,948</u>
<u>Enterprise-</u>	
Water and Sewer	2,075
Storm Water	123
Airport	348,158
Public Transit	<u>2,061</u>
Total Enterprise	<u>352,417</u>
Total	<u><u>\$436,365</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)
JUNE 30, 2018
(Dollar Amounts In Thousands)

f. **Capital Assets**

Capital asset activity for governmental activities for the year ended June 30, 2018 were as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities-				
Capital asset, not being depreciated:				
Land	\$ 3,303,516	\$ 103,331	\$ 10,676	\$ 3,396,171
Construction in progress	289,708	146,183	237,033	198,858
Total capital assets, not being depreciated	<u>3,593,224</u>	<u>249,514</u>	<u>247,709</u>	<u>3,595,029</u>
Capital assets, being depreciated:				
Buildings	1,190,110	83,455	-	1,273,565
Infrastructure	2,701,105	73,858	-	2,774,963
Intangibles	31,592	317	-	31,909
Machinery and equipment	218,708	30,811	10,655	238,864
Total capital assets being depreciated	<u>4,141,515</u>	<u>188,441</u>	<u>10,655</u>	<u>4,319,301</u>
Less accumulated depreciation for:				
Buildings	398,883	30,335	-	429,218
Infrastructure	1,074,403	68,367	-	1,142,770
Intangibles	19,241	3,489	-	22,730
Machinery and equipment	164,101	19,660	10,566	173,195
Total accumulated depreciation	<u>1,656,628</u>	<u>121,851</u>	<u>10,566</u>	<u>1,767,913</u>
Total capital assets, being depreciated, net	<u>2,484,887</u>	<u>66,590</u>	<u>89</u>	<u>2,551,388</u>
Governmental activities capital assets, net	<u>\$ 6,078,111</u>	<u>\$ 316,104</u>	<u>\$ 247,798</u>	<u>\$ 6,146,417</u>

Depreciation expense was charged to activities as follows:

Governmental activities:	
Public safety	\$ 16,287
Sanitation	4,197
General administration	2,914
Support services	2,603
Engineering and property management	5,049
Streets and highways	64,175
Community planning and development	7,242
Culture and recreation	19,380
Capital assets held by the City's internal service funds are charged to the various functions based on the usage of assets	<u>4</u>
Total depreciation expense - governmental activities	<u>\$ 121,851</u>

CITY OF CHARLOTTE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS-(Continued)
JUNE 30, 2018
(Dollar Amounts In Thousands)

Capital asset activity for business-type activities for the year ended June 30, 2018 were as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<u>Business-type activities-</u>				
Water and Sewer:				
Capital assets, not being depreciated:				
Land	\$ 49,635	\$ -	\$ -	\$ 49,635
Construction in progress	247,207	175,256	101,632	320,831
Total capital assets, not being depreciated	296,842	175,256	101,632	370,466
Capital assets, being depreciated:				
Buildings	29,867	-	-	29,867
Water and sewer systems	4,588,961	135,807	-	4,724,768
Intangibles	19,780	334	-	20,114
Machinery and equipment	42,160	9,048	1,371	49,837
Total capital assets being depreciated	4,680,768	145,189	1,371	4,824,586
Less accumulated depreciation for:				
Buildings	10,150	737	-	10,887
Water and sewer systems	1,559,157	113,865	-	1,673,022
Intangibles	16,187	1,293	-	17,480
Machinery and equipment	28,549	4,624	1,229	31,944
Total accumulated depreciation	1,614,043	120,519	1,229	1,733,333
Total capital assets, being depreciated, net	3,066,725	24,670	142	3,091,253
Water and Sewer capital assets, net	3,363,567	199,926	101,774	3,461,719
 Storm Water:				
Capital assets, not being depreciated:				
Land	100	-	-	100
Construction in progress	176,259	58,024	29,212	205,071
Total capital assets, not being depreciated	176,359	58,024	29,212	205,171
Capital assets, being depreciated:				
Storm water systems	528,893	28,166	-	557,059
Intangibles	3,619	-	-	3,619
Machinery and equipment	36	268	-	304
Total capital assets being depreciated	532,548	28,434	-	560,982
Less accumulated depreciation for:				
Storm water systems	66,487	9,096	-	75,583
Intangibles	3,385	52	-	3,437
Machinery and equipment	36	26	-	62
Total accumulated depreciation	69,908	9,174	-	79,082
Total capital assets, being depreciated, net	462,640	19,260	-	481,900
Storm Water capital assets, net	638,999	77,284	29,212	687,071

continued on next page

CITY OF CHARLOTTE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS-(Continued)
JUNE 30, 2018
(Dollar Amounts In Thousands)

	Beginning Balance	Increases	Decreases	Ending Balance
Airport:				
Capital assets, not being depreciated:				
Land	\$ 308,974	\$ -	\$ -	\$ 308,974
Construction in progress	241,625	243,161	25,294	459,492
Total capital assets, not being depreciated	550,599	243,161	25,294	768,466
Capital assets, being depreciated:				
Buildings	911,624	2,444	-	914,068
Runways	419,271	261	-	419,532
Other	163,293	13,400	-	176,693
Intangibles	4,641	147	-	4,788
Machinery and equipment	121,842	7,865	2,205	127,502
Total capital assets being depreciated	1,620,671	24,117	2,205	1,642,583
Less accumulated depreciation for:				
Buildings	486,327	26,530	-	512,857
Runways	169,750	11,813	-	181,563
Other	51,953	6,189	-	58,142
Intangibles	2,788	955	-	3,743
Machinery and equipment	41,761	12,872	1,795	52,838
Total accumulated depreciation	752,579	58,359	1,795	809,143
Total capital assets, being depreciated, net	868,092	(34,242)	410	833,440
Airport capital assets, net	1,418,691	208,919	25,704	1,601,906
Public Transit:				
Capital assets, not being depreciated:				
Land	56,864	104,213	-	161,077
Construction in progress	985,310	119,423	970,169	134,564
Total capital assets, not being depreciated	1,042,174	223,636	970,169	295,641
Capital assets, being depreciated:				
Buildings	121,602	266,427	-	388,029
Transit corridors	337,014	508,568	-	845,582
Other	36,584	3,461	-	40,045
Intangibles	8,605	338	-	8,943
Machinery and equipment	292,882	82,251	12,249	362,884
Total capital assets being depreciated	796,687	861,045	12,249	1,645,483
Less accumulated depreciation for:				
Buildings	56,079	9,582	-	65,661
Transit corridors	179,415	25,115	-	204,530
Other	28,537	2,024	-	30,561
Intangibles	8,132	313	-	8,445
Machinery and equipment	125,796	14,677	11,642	128,831
Total accumulated depreciation	397,959	51,711	11,642	438,028
Total capital assets, being depreciated, net	398,728	809,334	607	1,207,455
Public Transit capital assets, net	1,440,902	1,032,970	970,776	1,503,096
Business-type capital assets, net	\$ 6,862,159	\$ 1,519,099	\$1,127,466	\$ 7,253,792

CITY OF CHARLOTTE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS-(Continued)
JUNE 30, 2018
(Dollar Amounts In Thousands)

g. Interfund Receivables, Payables and Transfers

The following is a summary of interfund receivables, payables and transfers, respectively, at June 30, 2018, by fund:

	Interfund Receivables	Interfund Payables
Due to/from other funds:		
General	\$ 211	\$ 566
Debt Service	1,750	-
Capital Projects	-	3,350
Nonmajor Governmental	1,600	211
Internal Service - Employee Health and Life	566	-
Total	<u>\$ 4,127</u>	<u>\$ 4,127</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	\$ 2,500	\$ -
Capital Projects	298	273
Nonmajor governmental	-	4,287
Enterprise - Airport	-	67
Component Unit - Authority	4,627	2,798
Total	<u>\$ 7,425</u>	<u>\$ 7,425</u>

Interfund transfers:

	Transfers In:					
Transfer out:	General	Debt Service	Capital Projects	Nonmajor Governmental	Enterprise - Public Transit	Total
General	\$ -	\$ 18,520	\$ 26,787	\$ 5,900	\$ -	\$ 51,207
Debt Service	120	-	29,596	320	-	30,036
Capital Projects	325	-	-	10,179	23,251	33,755
Nonmajor governmental	5,228	64,967	5,384	-	-	75,579
Enterprise - Water & Sewer	-	-	331	-	-	331
Internal Service	-	-	7,350	-	-	7,350
Total	<u>\$ 5,673</u>	<u>\$ 83,487</u>	<u>\$ 69,448</u>	<u>\$ 16,399</u>	<u>\$ 23,251</u>	<u>\$198,258</u>

CITY OF CHARLOTTE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS-(Continued)
JUNE 30, 2018
(Dollar Amounts In Thousands)

The transfers consist primarily of the following: (a) \$83,487 to Debt Service from nonmajor governmental and General to cover debt service costs, (b) \$69,448 to Capital Projects mainly from General and Debt Service to cover Capital Projects, and (c) \$16,399 to nonmajor governmental mainly from Debt Service, and Capital Projects.

h. Payables

Payables at June 30, 2018, 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	\$ 25,638	\$ 3,818	\$ 355	\$ 29,811
Debt Service	67	-	-	67
Capital Projects	12,860	-	2,953	15,813
Nonmajor governmental	6,131	3	10	6,144
Total Governmental	<u>44,696</u>	<u>3,821</u>	<u>3,318</u>	<u>51,835</u>
<u>Proprietary</u>				
Water and Sewer	31,567	1,385	923	33,875
Storm Water	7,762	248	-	8,010
Airport	66,182	901	325	67,408
Public Transit	27,393	748	4,560	32,701
Internal Service	52,821	44	-	52,865
Total Business-type	<u>185,725</u>	<u>3,326</u>	<u>5,808</u>	<u>194,859</u>
Total	<u>\$ 230,421</u>	<u>\$ 7,147</u>	<u>\$ 9,126</u>	<u>\$ 246,694</u>

i. Deferred Outflows and Inflows of Resources and Unavailable Revenues

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

	<u>City</u>	<u>Component Unit</u>
Pension deferrals	\$ 227,444	\$ 1,730
OPEB contributions subsequent to measurement date	20,454	402
Contributions pension plan in current fiscal year	43,345	1,227
Accumulated decrease in fair value of hedging derivatives	58,632	-
Unamortized bond refunding charges	17,325	-
	<u>\$ 367,200</u>	<u>\$ 3,359</u>

CITY OF CHARLOTTE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS-(Continued)
JUNE 30, 2018
(Dollar Amounts In Thousands)

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

	City	Component Unit
Prepaid taxes	\$ 97	\$ -
Pension deferrals	59,303	106
OPEB deferrals	<u>295</u>	<u>1,987</u>
	<u>\$ 59,695</u>	<u>\$ 2,093</u>

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	\$ 8,337	\$ 1,895	\$ 275	\$ 122	\$ 10,629
Notes receivable	9	-	66,032	31,419	97,460
Accounts receivable	2,150	-	75	3	2,228
Other	-	-	-	341	341
Due from component unit	<u>-</u>	<u>2,660</u>	<u>298</u>	<u>-</u>	<u>2,958</u>
	<u>\$ 10,496</u>	<u>\$ 4,555</u>	<u>\$ 66,680</u>	<u>\$ 31,885</u>	<u>\$ 113,616</u>

CITY OF CHARLOTTE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS-(Continued)
JUNE 30, 2018
(Dollar Amounts In Thousands)

j. Long-term Liabilities

A summary of changes in long-term liabilities for governmental activities for the year ended June 30, 2018 were as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<u>Governmental Activities</u>					
General obligation bonds	\$ 647,377	\$ -	\$ 45,631	\$ 601,746	\$ 45,765
Plus unamortized premiums	<u>89,843</u>	<u>-</u>	<u>6,442</u>	<u>83,401</u>	<u>6,441</u>
Total bonds payable	737,220	-	52,073	685,147	52,206
Special obligation bonds	5,100	-	5,100	-	-
Installment purchases	684,247	-	65,685	618,562	56,197
Plus unamortized premiums	24,648	-	3,147	21,501	2,684
Less unamortized discounts	<u>(689)</u>	<u>-</u>	<u>(32)</u>	<u>(657)</u>	<u>(32)</u>
Total installment purchases	708,206	-	68,800	639,406	58,849
General obligation bond anticipation notes	34,503	57,062	-	91,565	-
Derivative instrument liability	45,492	-	12,816	32,676	-
Swaption borrowing payable	6,775	-	537	6,238	523
Compensated absences	56,290	38,437	36,063	58,664	28,498
Section 108 loan guarantee	5,780	-	1,412	4,368	-
Due to participants	12,615	5,096	-	17,711	-
Total pension liability (LGERS)	94,761	-	27,377	67,384	-
Total pension liability (LEOSSA)	107,784	10,324	-	118,108	-
Total pension liability (System)	262,703	-	52,622	210,081	-
Net OPEB liability	<u>500,554</u>	<u>11,701</u>	<u>-</u>	<u>512,255</u>	<u>-</u>
Total governmental activities	<u>\$ 2,577,783</u>	<u>\$122,620</u>	<u>\$ 256,800</u>	<u>\$ 2,443,603</u>	<u>\$ 140,076</u>

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

CITY OF CHARLOTTE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS-(Continued)
JUNE 30, 2018
(Dollar Amounts In Thousands)

A summary of changes in long-term liabilities for business-type activities for the year ended June 30, 2018 were as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<u>Business-type Activities</u>					
Water and Sewer:					
General obligation bonds	\$ 95,158	\$ -	\$ 26,084	\$ 69,074	\$ 23,563
Plus unamortized premiums	13,075	-	2,001	11,074	1,953
Revenue bonds	1,354,285	409,915	331,525	1,432,675	59,310
Plus unamortized premiums	103,377	57,955	5,788	155,544	6,723
Total bonds payable	1,565,895	467,870	365,398	1,668,367	91,549
Installment purchases	8,892	-	3,449	5,443	2,713
Plus unamortized premiums	364	-	207	157	120
Total installment purchases	9,256	-	3,656	5,600	2,833
Revenue bond anticipation notes	64,919	115,081	180,000	-	-
Other financing agreements -					
Municipal systems	1,320	-	645	675	425
Derivative instrument liability	34,512	-	8,556	25,956	-
Refundable construction deposits	2,249	6,990	3,338	5,901	548
State revolving loan	2,753	-	226	2,527	133
Compensated absences	4,963	3,864	3,554	5,273	2,542
Net pension liability (LGERS)	14,961	-	3,891	11,070	-
Net OPEB liability	15,510	-	2,090	13,420	-
Total Water and Sewer	1,716,338	593,805	571,354	1,738,789	98,030
Storm Water:					
General obligation bonds	5,225	-	975	4,250	827
Plus unamortized premiums	957	-	144	813	144
Revenue bonds	142,960	-	5,280	137,680	5,520
Plus unamortized premiums	20,822	-	1,124	19,698	1,124
Total bonds payable	169,964	-	7,523	162,441	7,615
Revenue bond anticipation notes	-	8,834	-	8,834	-
Federal revolving loan	977	-	66	911	66
Compensated absences	701	810	702	809	485
Net pension liability (LGERS)	2,496	-	459	2,037	-
Net OPEB liability	2,384	-	158	2,226	-
Total Storm Water	176,522	9,644	8,908	177,258	8,166
Airport:					
Revenue bonds	723,300	-	13,135	710,165	14,780
Plus unamortized premiums	71,514	-	3,123	68,391	3,122
Total bonds payable	794,814	-	16,258	778,556	17,902
Revenue bond anticipation notes	2,976	40,595	-	43,571	-
Compensated absences	3,066	2,409	1,971	3,504	1,451
Net pension liability (LGERS)	8,435	-	1,615	6,820	-
Net OPEB liability	4,699	-	877	3,822	-
Total Airport	813,990	43,004	20,721	836,273	19,353
Public Transit:					
Installment purchases	360,570	-	4,825	355,745	5,065
Plus unamortized premiums	10,873	-	900	9,973	900
Total installment purchases	371,443	-	5,725	365,718	5,965
TIFIA loan (installment purchases)	137,685	42,315	-	180,000	3,741
Compensated absences	3,879	2,003	1,938	3,944	1,249
Net pension liability (LGERS)	7,725	-	1,615	6,110	-
Net OPEB liability	6,812	-	253	6,559	-
Total Public Transit	527,544	44,318	9,531	562,331	10,955
Total business-type activities	\$ 3,234,394	\$ 690,771	\$ 610,514	\$ 3,314,651	\$ 136,504

CITY OF CHARLOTTE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS-(Continued)
JUNE 30, 2018
(Dollar Amounts In Thousands)

The government-wide statement of net position includes \$17,902 of long-term liabilities due within one year for business-type activities in the *liabilities payable from restricted assets*. The remaining amount of \$118,602 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, 2018
Governmental Activities:					
General Obligation Refunding Bonds, Series 2008	3.50% - 5.00%	06/05/2008	2024	\$ 11,674	\$ 3,122
General Obligation Refunding Bonds, Series 2009B	3.00% - 5.00%	10/29/2009	2029	122,315	78,265
General Obligation Refunding Bonds, Series 2009C	3.00% - 5.00%	01/12/2010	2027	86,795	43,400
General Obligation Refunding Bonds, Series 2012A	1.25% - 5.00%	04/12/2012	2033	175,495	136,025
General Obligation Taxable Housing Bonds, Series 2013A	1.00% - 4.15%	09/05/2013	2030	34,370	25,770
General Obligation Refunding Bonds, Series 2013B	2.00% - 5.00%	09/05/2013	2030	74,068	56,613
General Obligation Refunding Bonds, Series 2014A	1.75% - 5.00%	05/01/2014	2035	131,105	111,435
General Obligation Refunding Bonds, Series 2015	4.00% - 5.00%	06/01/2015	2025	51,895	36,701
General Obligation Refunding Bonds, Series 2016A	5.00%	11/01/2016	2026	116,230	110,415
Total Governmental Activities					<u>\$ 601,746</u>
Business-Type Activities:					
Water and Sewer:					
General Obligation Refunding Bonds, Series 2008	3.50% - 5.00%	06/05/2008	2024	170,776	\$ 45,669
General Obligation Refunding Bonds, Series 2013B	2.00% - 5.00%	09/05/2013	2020	30,045	6,815
General Obligation Refunding Bonds, Series 2015	4.00% - 5.00%	06/01/2015	2023	27,144	16,590
Total Water and Sewer					<u>69,074</u>
Storm Water:					
General Obligation Refunding Bonds, Series 2008	3.50% - 5.00%	06/05/2008	2024	1,585	424
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	3,699
Total Storm Water					<u>4,250</u>
Total Business-type activities					<u>\$ 73,324</u>

CITY OF CHARLOTTE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS-(Continued)
JUNE 30, 2018
(Dollar Amounts In Thousands)

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:

<u>Governmental Activities</u>		
Year Ended		
June 30	Principal	Interest
2019	\$ 45,765	\$ 27,398
2020	45,980	25,345
2021	46,737	23,159
2022	46,704	20,869
2023	47,648	18,555
2024-2028	217,737	60,714
2029-2033	114,825	18,830
2034-2037	36,350	2,384
	<u>\$ 601,746</u>	<u>\$ 197,254</u>

<u>Business-type Activities</u>				
Year Ended	Water and Sewer		Storm Water	
June 30	Principal	Interest	Principal	Interest
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	5,821	226	836	22
2024	2,153	43	20	-
	<u>\$ 69,074</u>	<u>\$ 6,324</u>	<u>\$ 4,250</u>	<u>\$ 539</u>

CITY OF CHARLOTTE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS-(Continued)
JUNE 30, 2018
(Dollar Amounts In Thousands)

(2) 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, 2018
Water and Sewer, Series 2006B	Variable	07/26/2006	2037	\$300,000	\$ 147,935
Water and Sewer, Series 2008	3.50% - 5.00%	09/10/2008	2039	342,715	8,675
Water and Sewer, Refunding Series 2009	3.00% - 5.25%	08/25/2009	2036	93,765	78,710
Water and Sewer, Series 2009B	3.50% - 5.00%	12/09/2009	2040	366,380	323,520
Water and Sewer, Refunding Series 2011	1.50% - 5.00%	08/03/2011	2025	93,390	55,810
Water and Sewer, Refunding Series 2015	1.00% - 5.00%	08/27/2015	2046	459,585	408,110
Water and Sewer, Refunding Series 2018	3.00% - 5.00%	04/25/2018	2049	409,915	409,915
Total Water and Sewer					<u>1,432,675</u>
Storm Water, Refunding Series 2012	2.00% - 5.00%	11/13/2012	2025	20,585	13,275
Storm Water, Refunding Series 2014	3.50% - 5.00%	11/04/2014	2044	101,815	94,345
Storm Water, Refunding Series 2016	1.50% - 5.00%	06/09/2016	2036	32,355	30,060
Total Storm Water					<u>137,680</u>
Airport, Series 2010A	2.00% - 5.50%	02/10/2010	2040	130,100	112,705
Airport, Refunding Series 2010B	1.25% - 5.50%	02/10/2010	2029	67,770	44,430
Airport, Series 2011A	2.00% - 5.00%	11/09/2011	2042	76,100	67,940
Airport, Series 2011B	2.00% - 5.00%	11/09/2011	2042	34,250	30,605
Airport Special Facility, Series 2011 CONRAC	2.48% - 6.06%	11/09/2011	2042	60,295	55,985
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	21,430
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>710,165</u>
Total Business-type activities					<u><u>\$2,280,520</u></u>

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.j.8 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.

CITY OF CHARLOTTE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS-(Continued)
JUNE 30, 2018
(Dollar Amounts In Thousands)

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 2018 Water and Sewer Fund budgets, revenue bond debt service coverage was at least 164 percent. Based on the 2018 Storm Water Fund budgets, revenue bond debt service coverage was at least 416 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.

Revenue bond debt service requirements to maturity are as follows:

Year Ended June 30	<u>Business-type Activities</u>					
	Water and Sewer		Storm Water		Airport	
	Principal	Interest	Principal	Interest	Principal	Interest
2019	\$ 59,310	\$ 55,933	\$ 5,520	\$ 5,805	\$ 14,780	\$ 34,620
2020	60,100	59,342	5,780	5,540	19,975	33,871
2021	62,965	56,524	6,060	5,263	20,845	32,977
2022	66,030	53,515	6,345	4,975	21,930	31,952
2023	66,500	50,458	6,645	4,680	23,290	30,862
2024-2028	306,195	208,139	30,930	18,999	150,810	133,891
2029-2033	272,945	146,044	33,250	12,208	155,615	94,141
2034-2038	321,560	80,480	22,625	6,505	152,570	56,244
2039-2043	137,305	27,597	16,740	2,552	97,480	23,900
2044-2048	70,240	7,908	3,785	76	52,870	6,866
2049	9,525	167	-	-	-	-
	<u>\$1,432,675</u>	<u>\$ 746,107</u>	<u>\$137,680</u>	<u>\$ 66,603</u>	<u>\$710,165</u>	<u>\$479,324</u>

CITY OF CHARLOTTE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS-(Continued)
JUNE 30, 2018
(Dollar Amounts In Thousands)

(3) Installment Purchases

The following table summarizes the City's installment purchases:

Purpose	Interest Rates	Date Issued	Final Maturity	Original Issue	Balance June 30, 2018
Governmental activities:					
Convention Center, Series 2009B	2.00% - 5.00%	06/25/2009	2034	\$ 30,620	\$ 23,580
Convention Center, Refunding Series 2013H	1.51%	10/22/2013	2020	61,720	21,016
Convention Center, Series 2013I	2.94%	10/22/2013	2023	28,125	14,050
Convention Center, Series 2015A	.86% - 2.97%	05/14/2015	2023	39,335	25,270
Convention Center, Refunding Series 2016A	5.00%	06/01/2016	2026	33,010	29,900
Convention Center, Series 2016B	.97% - 2.45%	06/01/2016	2023	23,685	17,200
Tourism, Series 2003F	Variable	05/29/2003	2034	41,000	19,785
Tourism, Refunding Series 2013G	Variable	05/30/2013	2033	128,245	103,000
Tourism, Series 2015C	4.00% - 5.00%	06/25/2015	2020	13,871	5,933
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	80,315
Cultural Facilities, Series 2009E	3.00% - 5.00%	09/30/2009	2039	139,135	118,710
Public Safety Equipment, Series 2009A	3.00% - 5.00%	06/25/2009	2019	13,205	1,610
Public Safety, Series 2009A	3.00% - 5.00%	06/25/2009	2029	28,470	18,755
Public Safety, Series 2010A	3.63% - 5.00%	05/27/2010	2024	13,685	6,300
Public Safety, Series 2012A	1.25% - 5.00%	01/04/2012	2032	23,195	16,240
Public Safety, Refunding Series 2012A	1.25% - 5.00%	01/04/2012	2021	1,990	745
Public Safety, Series 2013A	2.00% - 5.00%	04/04/2013	2033	16,700	13,800
Public Safety, Series 2014A	3.00% - 5.00%	03/27/2014	2034	16,225	12,965
Public Safety, Series 2015C	3.13% - 5.00%	06/25/2015	2035	45,820	38,940
Public Safety, Refunding Series 2015C	4.00% - 5.00%	06/25/2015	2025	10,860	8,120
Equipment, Series 2014A	3.00% - 5.00%	03/27/2014	2019	19,644	4,321
Equipment, Series 2015C	4.00% - 5.00%	06/25/2015	2020	1,665	712
Total Governmental activities					<u>\$ 618,562</u>
Business-type activities:					
Water and Sewer:					
Equipment, Series 2014A	3.00% - 5.00%	03/27/2014	2034	3,906	\$ 859
Equipment, Series 2015C	4.00% - 5.00%	06/25/2015	2020	4,254	1,819
Equipment, Series 2016	1.32%	06/07/2016	2021	4,600	2,765
Total Water and Sewer					<u>5,443</u>
Public Transit:					
Equipment and Facilities, Series 2008A	3.50% - 5.00%	06/04/2008	2035	34,965	26,705
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	40,305
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	50,595
Total Public Transit					<u>355,745</u>
Total Business-type activities					<u>\$ 361,188</u>

CITY OF CHARLOTTE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS-(Continued)
JUNE 30, 2018
(Dollar Amounts In Thousands)

Interest on the variable-rate installment purchases is determined by a remarketing agent based upon market conditions. The City entered into an interest rate swap agreement for the variable rate 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.

Installment purchases debt service requirements to maturity are as follows:

<u>Governmental Activities</u>		
Year Ended		
June 30	Principal	Interest
2019	\$ 56,197	\$ 20,598
2020	53,155	18,915
2021	40,490	17,434
2022	41,640	16,060
2023	39,145	14,717
2024-2028	141,140	58,010
2029-2033	145,235	36,597
2034-2038	83,935	16,031
2039	17,625	860
	<u>\$ 618,562</u>	<u>\$ 199,222</u>

<u>Business-type Activities</u>				
Year Ended	Water and Sewer		Public Transit	
June 30	Principal	Interest	Principal	Interest
2019	\$ 2,713	\$ 123	\$ 5,065	\$ 12,072
2020	1,899	44	5,300	11,625
2021	831	7	120,555	11,065
2022	-	-	128,930	8,082
2023	-	-	6,060	4,121
2024-2028	-	-	34,885	15,995
2029-2033	-	-	42,710	8,174
2034-2035	-	-	12,240	795
	<u>\$ 5,443</u>	<u>\$ 174</u>	<u>\$ 355,745</u>	<u>\$ 71,929</u>

CITY OF CHARLOTTE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS-(Continued)
JUNE 30, 2018
(Dollar Amounts In Thousands)

(4) 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 \$91,565 outstanding at June 30, 2018. Interest rates are based upon market conditions.

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>
2019	\$ -	\$ 1,555
2020	91,565	528
	<u>\$ 91,565</u>	<u>\$ 2,083</u>

(5) Revenue Bond Anticipation Note

The City has available a Storm Water revenue bond anticipation note program to finance the cost of various improvements to its storm water system. The aggregate principal amount of the note outstanding at any one time shall not exceed \$115,000. The note is payable from net revenues of the storm water system. 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 General Trust Indenture. 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 City expects the note will be replaced by long-term storm water revenue bonds. The note will mature no later than the third anniversary of the full funding date or March 15, 2021. The City had Storm Water revenue bond anticipation notes payable of \$8,834 outstanding at June 30, 2018. 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

CITY OF CHARLOTTE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS-(Continued)
JUNE 30, 2018
(Dollar Amounts In Thousands)

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 \$43,571 outstanding at June 30, 2018. Interest rates are based upon market conditions.

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

Year Ended June 30	<u>Business-type Activities</u>			
	Storm Water		Airport	
	Principal	Interest	Principal	Interest
2019	\$ -	\$ 175	\$ -	\$ 809
2020	-	176	-	810
2021	8,834	124	43,571	71
	<u>\$ 8,834</u>	<u>\$ 475</u>	<u>\$ 43,571</u>	<u>\$ 1,690</u>

(6) Other Long-term Liabilities

(a) Section 108 Loan Guarantee

The loan guarantee is a provision of the Community Development Block Grant (CDGB) 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:

Year Ended June 30	<u>Governmental Activities</u>	
	Principal	Interest
2019	\$ -	\$ 186
2020	-	186
2021	-	186
2022	-	186
2023	295	179
2024-2028	3,309	527
2029	764	16
	<u>\$ 4,368</u>	<u>\$ 1,466</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

CITY OF CHARLOTTE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS-(Continued)
JUNE 30, 2018
(Dollar Amounts In Thousands)

Transit Blue Line Extension in the form of installment purchases. As of June 30, 2018, \$180,000 was outstanding under this agreement. The maturity date is June 1, 2048.

Debt service requirements to maturity are as follows:

<u>Business-type Activities</u>		
Year Ended		
June 30	Principal	Interest
2019	\$ 3,741	\$ 5,526
2020	3,848	5,418
2021	3,981	5,286
2022	4,096	5,171
2023	4,222	5,045
2024-2028	23,128	23,206
2029-2033	26,916	19,419
2034-2038	31,302	15,032
2039-2043	36,412	9,923
2044-2048	42,354	3,980
	<u>\$ 180,000</u>	<u>\$ 98,006</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		
June 30	Principal	Interest
2019	\$ 425	\$ 36
2020	250	13
	<u>\$ 675</u>	<u>\$ 49</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.

CITY OF CHARLOTTE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS-(Continued)
JUNE 30, 2018
(Dollar Amounts In Thousands)

(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 clean water infrastructures. 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>
2019	\$ 66
2020	66
2021	66
2022	66
2023	66
2024-2028	331
2029-2032	250
	<u>\$ 911</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 Environmental Quality. 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>
2019	\$ 133
2020	133
2021	133
2022	133
2023	133
2024-2028	665
2029-2033	665
2034-2037	532
	<u>\$ 2,527</u>

CITY OF CHARLOTTE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS-(Continued)
JUNE 30, 2018
(Dollar Amounts In Thousands)

(7) Derivative Instruments

The fair value balances and notional amounts of derivative instruments outstanding at June 30, 2018 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, 2018</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		\$ 12,816	Debt	\$ (32,676)	\$ 183,315
Business-type activities						
Cash flow hedges:						
Pay-fixed interest rate swap	Deferred outflow		\$ 8,556	Debt	\$ (25,956)	\$ 147,935

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, 2018 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	\$ 147,935	8/1/2006	7/1/2036	Pay 4.04%; receive SIFMA swap index	Aa2/A+
Pay-fixed interest rate swap	Hedge of changes in cash flows on the 2009D Hall of Fame Certificates of Participation	\$ 80,315	8/18/2009	6/1/2035	Pay 4.725%; receive LIBOR	Aa2/A+
Pay-fixed interest rate swap	Hedge of changes in cash flows on the 2013G Tourism Certificates of Participation	\$ 103,000	6/1/2013	6/1/2033	Pay 5.10%; receive SIFMA swap index	Aa2/A+

CITY OF CHARLOTTE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS-(Continued)
JUNE 30, 2018
(Dollar Amounts In Thousands)

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

Basis risk: The City's hedging derivative instruments expose the City to basis risk since the variable payment received from the counterparty is determined on a basis different from that used to calculate the bond floating rate for the associated bonds. As of June 30, 2018, the rate received by the City for the 2006B agreement was 1.34 percent, whereas the bond floating rate paid by the City was 1.43 percent. As of June 30, 2018, the rate received by the City for the 2009D agreement was 2.05 percent, whereas the bond floating rate paid by the City was 1.98 percent. As of June 30, 2018, the rate received by the City for the 2013G agreement was 1.73 percent, whereas the bond floating rate paid by the City was 1.50 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, 2018 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.

CITY OF CHARLOTTE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS-(Continued)
JUNE 30, 2018
(Dollar Amounts In Thousands)

Year Ended June 30	<u>Governmental Activities</u>			
	<u>Variable Rate Instruments</u>		<u>Hedging</u>	<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	<u>Derivatives, Net</u>	
2019	\$ 8,935	\$ 3,135	\$ 5,897	\$ 17,967
2020	9,400	2,988	5,620	18,008
2021	9,920	2,828	5,300	18,048
2022	10,450	2,664	4,978	18,092
2023	11,010	2,490	4,633	18,133
2024-2028	64,500	9,489	17,320	91,309
2029-2033	58,930	3,854	6,362	69,146
2034-2035	10,170	264	365	10,799
	<u>\$ 183,315</u>	<u>\$ 27,712</u>	<u>\$ 50,475</u>	<u>\$ 261,502</u>

Year Ended June 30	<u>Business-type Activities</u>			
	<u>Variable Rate Bonds</u>		<u>Hedging</u>	<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	<u>Derivatives, Net</u>	
2019	\$ 5,070	\$ 1,986	\$ 3,870	\$ 10,926
2020	5,265	2,005	3,659	10,929
2021	5,470	1,928	3,520	10,918
2022	5,660	1,849	3,374	10,883
2023	5,875	1,766	3,224	10,865
2024-2028	32,760	7,483	13,658	53,901
2029-2033	39,145	4,918	8,976	53,039
2034-2037	48,690	1,611	2,940	53,241
	<u>\$ 147,935</u>	<u>\$ 23,546</u>	<u>\$ 43,221</u>	<u>\$ 214,702</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, 2018 the aggregate fair value of all hedging derivative instruments with these collateral posting provisions is (\$58,632). If the collateral posting requirements were triggered at June 30, 2018 the City would not be required to post collateral to its counterparties because they had negative fair values. The City's general obligation debt rating is Aaa from Moody's and AAA from S&P; therefore, no collateral has been posted at June 30, 2018.

(8) Refundings

In April 2018, the City issued \$409,915 in Water and Sewer System Revenue Refunding Bonds, Series 2018 with interest rates ranging from three to five percent. The net proceeds of \$465,815 (after payment of \$2,055 in underwriting fees, insurance and other issue costs) were used to refund \$279,005 of outstanding fixed rate Water and Sewer Revenue Bonds, Series 2008 and \$180,000 in outstanding Revenue Bond Anticipation Notes. The refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$6,957. This difference, reported in the accompanying financial statements as a deduction from revenue bonds payable, is being charged to operations through the year 2039 using the effective interest method. The City completed the refunding to reduce the total

CITY OF CHARLOTTE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS-(Continued)
JUNE 30, 2018
(Dollar Amounts In Thousands)

debt service payments over a period of 21 years by \$62,791 and to obtain an economic gain (difference between the present values of the old and new debt service payments) of \$47,783.

(9) Other Debt Information

As of June 30, 2018, the City has authorized but unissued bonds of \$405,849 consisting of \$298,647 for street improvements, \$30,000 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 eight percent of the total assessed value of real and personal property. As of June 30, 2018, the City's legal debt limit was \$7,670,173. The outstanding debt subject to this limit was \$2,158,926, leaving a net legal debt margin of \$5,511,247.

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, 2018, the City had no liability for estimated arbitrage profits payable.

(10) Subsequent Events

On August 1, 2018, the City issued \$26,920 in General Obligation Refunding Bonds Series 2018A to refund \$30,620 of outstanding General Obligation Refunding Bonds, Series 2008.

On October 10, 2018, the City entered into a Water and Sewer revenue bond anticipation note program to finance the cost of water sewer system improvements. The aggregate principal amount of the note outstanding at any one time shall not exceed \$100,000.

On October 15, 2018, the City received \$1,774 in a state revolving loan through the North Carolina Department of Environment and Natural Resources.

(11) Early Extinguishment

On November 9, 2017, the City early extinguished the balance in full of the \$5,100 special obligation bonds.

On January 12, 2018, the City early extinguished the balance in full of the \$7,595 Public Safety installment purchases, Series 2005A.

CITY OF CHARLOTTE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS-(Continued)
JUNE 30, 2018
(Dollar Amounts In Thousands)

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	\$ 195,311
Less:	
Inventories	1,385
Long-term notes receivable	9
Stabilization by State Statute	73,510
Committed for Component unit	3,765
Fund balance policy	<u>111,102</u>
Remaining Fund Balance-Committed for Capital Projects	<u>\$ 5,540</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' Special Separation Allowance (LEOSSA). 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 LEOSSA as follows:

	<u>LGERS</u>	<u>Firefighters' System</u>	<u>LEOSSA</u>	<u>Total</u>
Deferred Outflows of Resources - City contributions subsequent to the measurement date	\$ 30,712	\$ 9,333	\$ 3,300	\$ 43,345
Other Deferred Outflows	42,203	177,933	7,308	227,444
Net Pension Liability	93,421	210,081	118,108	421,610
Deferred Inflows of Resources - Pension deferrals	2,696	55,099	1,508	59,303

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 by the State of North Carolina. LGERS membership is comprised of general employees and local law enforcement officers (LEO) of participating local governmental entities. Article 3 of G.S. Chapter 128

CITY OF CHARLOTTE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS-(Continued)
JUNE 30, 2018
(Dollar Amounts In Thousands)

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.

Benefits Provided: LGERS provides retirement and survivor benefits. Retirement benefits are determined as 1.85 percent 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 LEO 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 six percent 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, 2018, were 8.25 percent of compensation for law enforcement officers for the City and 7.50 percent 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

CITY OF CHARLOTTE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS-(Continued)
JUNE 30, 2018
(Dollar Amounts In Thousands)

employees during the year. Contributions to the pension plan from the City of Charlotte and the Authority, respectively, were \$30,712 and \$1,227 for the year ended June 30, 2018.

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 four percent 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, 2018, the City reported a liability of \$93,421 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2016. The total pension liability was then rolled forward to the measurement date of June 30, 2017 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, 2017, the City's proportion was 6.115 percent which was an increase of 0.066 percent from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the City recognized pension expense of \$31,928. At June 30, 2018, 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	\$ 5,382	\$ 2,645
Changes of assumptions	13,342	-
Net difference between projected and actual earnings on pension plan investments	22,683	-
Changes in proportion and differences between City contributions and proportionate share of contributions	796	51
City contributions subsequent to the measurement date	30,712	-
Total	<u>\$ 72,915</u>	<u>\$ 2,696</u>

CITY OF CHARLOTTE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS-(Continued)
JUNE 30, 2018
(Dollar Amounts In Thousands)

\$30,712 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, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2019	\$ 5,183
2020	27,304
2021	13,810
2022	(6,790)
2023	-
Thereafter	-
	<u>\$ 39,507</u>

Component Unit – At June 30, 2018, the Authority reported a liability of \$3,730 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2016. The total pension liability was then rolled forward to the measurement date of June 30, 2017 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, 2017, the Authority's proportion was 0.241 percent which was an increase of 0.0219 percent from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the Authority recognized pension expense of \$1,294. At June 30, 2018, 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	\$ 215	\$ 106
Changes of assumptions	533	-
Net difference between projected and actual earnings on pension plan investments	905	-
Changes in proportion and differences between Authority contributions and proportionate share of contributions	77	-
Authority contributions subsequent to the measurement date	1,227	-
Total	<u>\$ 2,957</u>	<u>\$ 106</u>

CITY OF CHARLOTTE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS-(Continued)
JUNE 30, 2018
(Dollar Amounts In Thousands)

\$1,227 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, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2019	\$ 234
2020	1,107
2021	561
2022	(278)
2023	-
Thereafter	-
	<u>\$ 1,624</u>

Actuarial Assumptions: The total pension liability in the December 31, 2016 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 8.10%, including inflation and productivity factor
Investment rate of return	7.20%, 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, 2016 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.

CITY OF CHARLOTTE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS-(Continued)
JUNE 30, 2018
(Dollar Amounts In Thousands)

The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2017 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 three percent. All rates of return and inflation are annualized.

Discount rate. The discount rate used to measure the total pension liability was 7.20 percent. 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 7.20 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 (6.20 percent) or one percentage point higher (8.20 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 (6.20%)	Discount Rate (7.20%)	1% Increase (8.20%)
City's proportionate share of the net pension liability (asset)	\$ 280,452	\$ 93,421	\$ (62,691)
Authority	11,198	3,730	(2,503)

CITY OF CHARLOTTE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS-(Continued)
JUNE 30, 2018
(Dollar Amounts In Thousands)

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, 2017, the Measurement Date, System membership consisted of the following:

Retired participants and beneficiaries currently receiving benefits	684
Terminated participants and beneficiaries entitled to benefits but not yet receiving benefits	14
Active participants	1,037
Total	<u>1,735</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 percent 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 two consecutive years of membership which produces the highest average and is contained within the last five 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 three percent for each year the early retirement 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

CITY OF CHARLOTTE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS-(Continued)
JUNE 30, 2018
(Dollar Amounts In Thousands)

member's accumulated contributions, plus those contributions made by the City on his behalf, plus interest of four percent 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 percent. Contributions to the pension plan from the City were \$9,333 for the year ended June 30, 2018.

Refunds of Contributions: If an employee ceases employment with less than five years of service credit, accumulated employee contributions are refunded to the employee or designated beneficiary. After five or more years of service, the employee may elect to receive a refund of the employee's accumulated contributions with interest compounded annually at four percent 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.

Concentrations: The System had individual fixed income or equity investments at June 30, 2018 managed by the following organizations that represented five percent or more of the System's net position:

State Street Global Advisors	21%
Barrow, Hanley, MeWhinney & Strauss	16
Morgan Stanley Dean Witter	13
Winslow Capital Management	8
Aronson + Johnson + Ortiz	7
UBS Trumbull Property Fund	6

CITY OF CHARLOTTE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS-(Continued)
JUNE 30, 2018
(Dollar Amounts In Thousands)

Rate of Return: For the year ended June 30, 2017, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 12.47 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, 2018 the System (FFR) reported a liability of \$210,081. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2017.

Actuarial Assumptions: The total pension liability in the July 1, 2017 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, 2017 valuation were based on the results of an actuarial experience study for the period July 1, 2009 through June 30, 2014.

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.

CITY OF CHARLOTTE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS-(Continued)
JUNE 30, 2018
(Dollar Amounts In Thousands)

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 5.86 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, 2054. Therefore, the long-term expected rate of return on pension plan investments of 7.50 percent was applied to all periods of projected benefit payments through June 30, 2054 and the applicable municipal bond index rate of 3.01 percent 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, 2017, was applied to all periods of projected benefit payments after June 30, 2054. The Single Equivalent Interest Rate (SEIR) of 5.86 percent 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, 2017.

CITY OF CHARLOTTE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS-(Continued)
JUNE 30, 2018
(Dollar Amounts In Thousands)

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, 2016	\$ 737,823	\$ 475,120	\$ 262,703
Service cost	26,438	-	26,438
Interest	37,701	-	37,701
Difference between expected and actual experience	19,244	-	19,244
Changes of assumptions or other inputs	(60,216)	-	(60,216)
Contributions - employer	-	9,106	(9,106)
Contributions - employee	-	9,636	(9,636)
Net investment income	-	57,681	(57,681)
Benefit payments, including refunds of employee contributions	(31,145)	(31,145)	-
Administrative expense	-	(621)	621
Other changes	-	(13)	13
Net change	(7,978)	44,644	(52,622)
Balances at June 30, 2017	<u>\$ 729,845</u>	<u>\$ 519,764</u>	<u>\$ 210,081</u>

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 5.86 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 (4.86 percent) or one percentage point higher (6.86 percent) than the current rate:

	1% Decrease (4.86%)	Discount Rate (5.86%)	1% Increase (6.86%)
CFRSP's net pension liability (asset)	\$ 307,533	\$ 210,081	\$ 129,136

CITY OF CHARLOTTE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS-(Continued)
JUNE 30, 2018
(Dollar Amounts In Thousands)

For the year ended June 30, 2018, the System recognized pension expense of \$38,397. At June 30, 2018, 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	\$ 18,061	\$ 1,885
Changes of assumptions	159,065	53,214
Net difference between projected and actual earnings on pension plan investments	807	-
City contributions subsequent to the measurement date	9,333	-
Total	<u>\$ 187,266</u>	<u>\$ 55,099</u>

\$9,333 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, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2019	\$ 18,407
2020	26,860
2021	23,666
2022	16,698
2023	21,206
Thereafter	15,997
	<u>\$ 122,834</u>

c. Law Enforcement Officers' Special Separation Allowance (LEOSSA)

Description: The City of Charlotte administers a public employee retirement system (LEOSSA), 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 five or more years of credible service. The LEOSSA 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 LEOSSA.

CITY OF CHARLOTTE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS-(Continued)
JUNE 30, 2018
(Dollar Amounts In Thousands)

All full-time law enforcement officers of the City are covered by the LEOSSA. At December 31, 2017, the LEOSSA's membership consisted of:

Retirees receiving benefits	306
Active plan members	<u>1,768</u>
Total	<u>2,074</u>

Basis of Accounting: The City has chosen to fund the LEOSSA 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 LEOSSA has no assets accumulated in a trust that meets the following criteria in GASB Statement 73.

Actuarial Assumptions: The entry age actuarial cost method was used in the December 31, 2016 valuation. The total pension liability in the December 31, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Salary increases	3.50 to 7.35%, including inflation and productivity factor
Discount rate	3.16%

Discount Rate: The discount rate is based on the S&P Municipal Bond 20-year High Grade Rate Index.

Mortality rates are based on the following:

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

Deaths before Retirement: RP-2014 Employee base rates projected to 2015 using MP-2015, projected forward generationally from 2015 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 percent for males and females.

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

December 31, 2016 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

CITY OF CHARLOTTE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS-(Continued)
JUNE 30, 2018
(Dollar Amounts In Thousands)

year and then applies interest for the year. The procedure used to determine the TPL as of December 31, 2017 is shown in the following table:

	TPL Reported for Year Ending 2016	Development of TPL for Year Ending 2017 Prior to Assumption Change	Development of TPL for Year Ending 2017 After Assumption Change
TPL Roll Forward			
Interest Rate	3.86%	3.86%	3.16%
Valuation Date for Measurement	December 31, 2015	December 31, 2016	December 31, 2016
TPL as of December 31, 2016	\$ 107,784	\$ 110,556	\$ 116,714
Entry Age Normal Cost for the period			
January 1, 2017 - December 31, 2017 at the End of the Year	3,417	3,417	3,926
Actual Benefit Payments for the Period	6,124	6,124	6,124
January 1, 2017 - December 31, 2017 at the			
TPL as of December 31, 2017	\$ 109,119	111,998	118,108
Experience Actuarial (Gain) / Loss		\$ 2,878	
Discount Rate Change (Gain)/Loss:			\$ 6,110

No significant changes, other than the change in the Municipal Bond Index Rate, that have occurred between the Valuation Date and the Measurement Date.

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 \$6,124 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, 2018, the LEOSSA reported a total pension liability of \$118,108. The total pension liability was measured as of December 31, 2017 based on a December 31, 2016 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2017 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2018, the City recognized pension expense of \$8,734.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 2,340	\$ -
Changes of assumptions	4,968	1,508
City benefit payments and plan administrative expense made subsequent to the measurement date	3,300	-
Total	<u>\$ 10,608</u>	<u>\$ 1,508</u>

\$3,300 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

CITY OF CHARLOTTE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS-(Continued)
JUNE 30, 2018
(Dollar Amounts In Thousands)

decrease of the total pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2019	\$ 1,260
2020	1,260
2021	1,260
2022	1,432
2023	588
	<u>\$ 5,800</u>

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 3.16 percent, as well as what the City's total pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (2.16 percent) or one-percentage-point higher (4.16 percent) than the current rate:

	1% Decrease (2.16%)	Discount Rate (3.16%)	1% Increase (4.16%)
Total pension liability	\$ 127,123	\$ 118,108	\$ 109,800

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

Total pension liability as of December 31, 2016	\$ 107,784
Service cost	3,417
Interest on the total pension liability	4,043
Difference between expected and actual experience	2,878
Changes of assumptions or other inputs	6,110
Benefit payments	(6,124)
Total pension liability as of December 31, 2017	<u>\$ 118,108</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, 2016 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

CITY OF CHARLOTTE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS-(Continued)
JUNE 30, 2018
(Dollar Amounts In Thousands)

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.

Funding Policy: Article 12E of G.S. Chapter 143 requires the City to contribute each month an amount equal to five 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 1,754 law enforcement officers. Contributions for the year ended June 30, 2018 were \$11,055, which consisted of \$6,227 from the City and \$4,828 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, 2018, 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

CITY OF CHARLOTTE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS-(Continued)
JUNE 30, 2018
(Dollar Amounts In Thousands)

Code assigns the authority to establish benefit provisions for EBTP to the City Council. A stand-alone financial report is not issued.

Plan Membership: At June 30, 2018 and June 30, 2017 the EBTP membership consisted of the following:

	<u>2018</u>	<u>2017</u>
Inactive plan members or beneficiaries currently receiving benefit payments	2,178	2,283
Inactive plan members entitled to but not yet receiving benefit payments	734	655
Active plan members	<u>3,516</u>	<u>3,703</u>
	<u>6,428</u>	<u>6,641</u>

Benefits Provided: The EBTP provided healthcare benefits for retirees hired before July 1, 2009. The City pays a percentage of the cost of coverage for employees' benefits through private insurers. Retirees are eligible for this benefit after the earliest of 30 years of creditable service; age 60 with 25 years of creditable service; or age 55 with five years creditable service (also ten years of City service). Employees hired on or after July 1, 2009 are required to participate in a Retirement Health Savings Plan (RHSP) which provided a means for employees to save money for future withdrawals to pay qualified health care expenses.

Contributions: The contribution requirements of plan members and the City are established and may be amended by the City Council. The required contribution rates for plan members were dependent on the years of service and the coverage selected. Monthly rates ranged from \$233 to \$2,942 per retiree.

City Contributions to EBTP based on years of creditable service

<u>Years of Creditable Service</u>	<u>Date Hired</u>	
	<u>Pre-July 1, 2009</u>	<u>On or after July 1, 2009</u>
Less than 10 years	0%	0%
10 to 20 years	50%	0%
20 + years	100%	0%

The City Council set the employer contribution rate to contribute the projected pay-as-you-go-financing requirements, with additional amounts to prefund benefits as determined annually. For the current year, the City contributed \$20,454 to the plan.

CITY OF CHARLOTTE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS-(Continued)
JUNE 30, 2018
(Dollar Amounts In Thousands)

Investments: The Long-Term Investment Program (LTIP) represents an investment program in which long-term capital reserves of the City are invested under expanded investment authorization outlined in State law G.S. 147-69.2(b)(1)-(6) and (8) as rewritten with additional investment authorization in Senate Bill 703, ratified June 3, 2009, in order to diversify investment assets of the City. In addition, the LTIP is expected to be a source of funding for future OPEB obligations of the City.

The LTIP is overseen by its Board which works with an external investment consultant to manage the LTIP by developing and monitoring its investment policy, including asset allocation, selecting qualified investment managers to manage LTIP assets, and to monitor and evaluate individual investment manager performance.

The LTIP policy regarding the allocation of invested assets, is established and may be amended by the LTIP Board by a majority vote of its members. It is the policy of the Board to pursue an investment strategy with moderate risk that provides a rate of return that exceeds the rate of inflation and that is above average compared to relevant market benchmarks. The Board also seeks prudent diversification of the portfolio across a broad selection of distinct asset classes. The LTIP discourages the use of cash equivalents, except for liquidity purposes, and aims to refrain from dramatically shifting asset class allocations over short time spans. LTIP investments are valued at market value. The following was the Board's adopted asset allocation policy based on an analysis of historical and projected capital market return patterns and consistent with the moderate risk tolerance defined in its policy.

Asset Class	Target Allocation		Long-Term Expected Real Rate of Return	
	2018	2017	2018	2017
Domestic equity	50%	50%	50%	50%
International equity	18%	18%	18%	18%
Global fixed income	20%	20%	20%	20%
Domestic fixed income	<u>12%</u>	<u>12%</u>	<u>12%</u>	<u>12%</u>
Total	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>

Rate of return: For the year ended June 30, 2018, the annual money market weighted rate of return on investment, net of investment expenses was 7.6 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

The components of the net OPEB liability of the City at June 30, 2018 were as follows:

Total OPEB liability	\$ 605,495
Plan fiduciary net position	<u>89,305</u>
City's net OPEB liability	<u>\$ 516,190</u>
Plan fiduciary net position as a percentage of the total	
Total OPEB liability	14.75%

CITY OF CHARLOTTE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS-(Continued)
JUNE 30, 2018
(Dollar Amounts In Thousands)

Actuarial Assumptions: The total OPEB liability was determined by an actuarial valuation as of July 1, 2017, using the following key actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	3.0 %
Salary increases	4.5 %, including inflation
Investment Rate of Return	4.2 %, net of OPEB plan investment expense, including inflation
Health Care Cost Trends	6.0 % for 2018 decreasing 0.5 % each year for the next 2 years to 5.0 % in 2020

Total OPEB liabilities were rolled forward to June 30, 2017 and June 30, 2018 for the employer and the plan, respectively, utilizing updated procedures incorporating the actuarial assumptions.

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.

Discount Rate: The discount rate used to measure the total OPEB liability at June 30, 2017 and June 30, 2018 was 4.02 percent. The projection's basis was an actuarial valuation performed as of July 1, 2017.

Sensitivity of the Net OPEB liability to changes in the discount rate: The following exhibit presents the net OPEB liability (NOL) of the EBTP as of June 30, 2017 as well as what the EBTP's NOL would be if it were calculated using a discount rate that is one-percentage-point lower (3.02 percent) or one-percentage-point higher (5.02 percent) than the current rate.

	1% Decrease (3.02%)	Discount Rate (4.02%)	1% Increase (5.02%)
Net OPEB liability	\$ 653,572	\$ 538,282	\$ 449,415

The following exhibit presents the net OPEB liability of the EBTP at June 30, 2018, calculated using the discount rate of 4.02 percent as well as what the EBTP's NOL would be if it were calculated using a Discount Rate that is one-percentage-point lower or one-percentage-point higher than the current rate:

	1% Decrease (3.02%)	Discount Rate (4.02%)	1% Increase (5.02%)
Net OPEB liability	\$ 627,604	\$ 516,190	\$ 424,785

Sensitivity of the Net OPEB liability to changes in the healthcare cost trend rates: The following presents the net OPEB liability of EBTP as of June 30, 2017, as well as what the EBTP net OPEB liability would be if it were to calculate the healthcare cost trend rates that are one-percentage-point lower (4 percent) or one-percentage-point higher (6 percent) than the current rate healthcare cost trend rate.

CITY OF CHARLOTTE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS-(Continued)
JUNE 30, 2018
(Dollar Amounts In Thousands)

	Healthcare Cost Trend Rate		
	1% Decrease (5% Decreasing to 4%)	Discount Rate (6% Decreasing to 5%)	1% Increase (7% Decreasing to 6%)
Net OPEB liability	\$ 444,983	\$ 538,282	\$ 659,059

The following presents the net OPEB liability of EBTP at June 30, 2018, as well as what the EBTP net OPEB liability would be if it were to calculate the healthcare cost trend rates that are one-percentage-point lower (4 percent) or one-percentage-point higher (6 percent) than the current rate healthcare cost trend rate.

	Healthcare Cost Trend Rate		
	1% Decrease (5% Decreasing to 4%)	Discount Rate (6% Decreasing to 5%)	1% Increase (7% Decreasing to 6%)
Net OPEB liability	\$ 407,478	\$ 516,190	\$ 619,160

Changes in Net OPEB Liability, OPEB Expenses and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB: At June 30, 2017, EBTP reported a net OPEB liability of \$538,282. The total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of July 1, 2017. The total OPEB liability was then rolled forward to the measurement date of June 30, 2017 utilizing update procedures incorporating the actuarial assumptions.

At June 30, 2017, the components of the net OPEB liability of the EBTP, measured as of June 30, 2017, were as follows:

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a)-(b)
Balances at June 30, 2016	\$ 583,220	\$ 53,261	\$ 529,959
Changes for the year:			
Service cost	7,002	-	7,002
Interest	23,432	-	23,432
Difference between expected and actual experience	(294)	-	(294)
Contributions	-	26,352	(26,352)
Net investment income	-	7,532	(7,532)
Administrative expense	-	(232)	232
Benefit payments	(14,639)	(24,630)	9,991
Reconciling amounts not yet recorded in trust	-	(1,844)	1,844
Net change	15,501	7,178	8,323
Balances at June 30, 2017	\$ 598,721	\$ 60,439	\$ 538,282

CITY OF CHARLOTTE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS-(Continued)
JUNE 30, 2018
(Dollar Amounts In Thousands)

Changes of assumptions: Changes of assumptions and other inputs reflect a change in the discount rate from 3.02 percent in 2016 to 4.02 percent in 2017. Medical claims cost and rates were changed based on most recent experience and changed to the current schedule. The Excise Tax of 40 percent on health care plans that are above the thresholds set by the Affordable Care Act that will be effective in 2022 and have been reflected.

For the year ended June 30, 2018, the EBTP recognized OPEB expense of \$25,967. At June 30, 2018, the EBTP reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 295
City contributions subsequent to the measurement date	20,454	-
Total	<u>\$ 20,454</u>	<u>\$ 295</u>

\$20,454 reported as deferred outflows of resources related to OPEB resulting from EBTP contributions subsequent to the measurement date will be recognized as a decrease in net OPEB liability in the year ended June 30, 2019. Other amounts reported as deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30:	
2019	\$ (69)
2020	(69)
2021	(69)
2022	(69)
2023	(19)
Total	<u>\$ (295)</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.

CITY OF CHARLOTTE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS-(Continued)
JUNE 30, 2018
(Dollar Amounts In Thousands)

6. OTHER INFORMATION

a. Airport Leasing Arrangements with Tenants

A major portion of the Airport's assets are leased under operating agreements with airlines and other tenants. The total cost and accumulated depreciation of the assets at June 30, 2018 were as follows:

Land	\$ 308,974
Buildings	914,068
Runways	419,532
Improvements other than buildings	176,693
Intangibles	4,788
Machinery and equipment	<u>127,502</u>
Total	1,951,557
Less accumulated depreciation	<u>809,143</u>
Total	<u><u>\$ 1,142,414</u></u>

The following is a schedule of minimum future rental income on noncancelable operating leases subsequent to June 30, 2018:

<u>Year</u>	
2019	\$ 72,300
2020	72,801
2021	67,172
2022	67,683
2023	<u>68,199</u>
Total minimum future rental income	<u><u>\$ 348,155</u></u>

Of the \$348,155 minimum future rental income on noncancelable operating leases, \$96,413 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 \$83,016 were received during the year ended June 30, 2018.

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 2018 were \$60,374 and aggregate collections from inception through June 30, 2018 were \$710,428.

CITY OF CHARLOTTE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS-(Continued)
JUNE 30, 2018
(Dollar Amounts In Thousands)

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 \$475 per year per person and \$69 in aggregate. The City has an Employee Health and Life Insurance Fund (EHLIF), an internal service fund, to account for and finance its health and life insurance program.

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

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

	Beginning Of Year	Claims and Changes in Estimates	Claims Payments	End of Year
2018	\$ 10,666	\$ 75,969	\$ (76,210)	\$ 10,425
2017	10,421	76,566	(76,321)	10,666

At June 30, 2018, the EHLIF held \$50,143 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 of \$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 and 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

CITY OF CHARLOTTE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS-(Continued)
JUNE 30, 2018
(Dollar Amounts In Thousands)

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, 2018, \$17,711 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 \$39,975 reported in the RMF at June 30, 2018, is based on GASB Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Claims liabilities are based on the estimated ultimate cost of settling the claims, which includes incremental claim adjustment expenditures/expenses (i.e., outside legal assistance) and estimated recoveries on unsettled claims as required by GASB Statement No. 30. The changes in the fund's liabilities follow:

	Beginning <u>Of Year</u>	Claims and Changes in <u>Estimates</u>	Claims <u>Payments</u>	<u>End of Year</u>
2018 \$	43,690	\$ 13,869	\$ (17,584)	\$ 39,975
2017	40,008	18,956	(15,274)	43,690

At June 30, 2018, the RMF held \$78,225 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 \$646 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.

CITY OF CHARLOTTE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS-(Continued)
JUNE 30, 2018
(Dollar Amounts In Thousands)

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.

Authorized capital projects at June 30, 2018, are comprised of the following by fund:

	Project <u>Authorization</u>	<u>Expended</u>	<u>Unexpended</u>
<u>Governmental-</u>			
Capital Projects	\$ 2,621,859	\$ 1,761,359	\$ 860,500
<u>Enterprise-</u>			
Water and Sewer	2,921,126	2,172,769	748,357
Storm Water	777,547	558,556	218,991
Airport	1,640,272	1,229,342	410,930
Public Transit	<u>2,152,369</u>	<u>1,888,034</u>	<u>264,335</u>
Total Enterprise	<u>7,491,314</u>	<u>5,848,701</u>	<u>1,642,613</u>
Total	<u>\$ 10,113,173</u>	<u>\$ 7,610,060</u>	<u>\$ 2,503,113</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	\$ 23,246
Capital Projects	240,583
Nonmajor governmental	<u>19,862</u>
Total	<u>\$ 283,691</u>

CITY OF CHARLOTTE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS-(Continued)
JUNE 30, 2018
(Dollar Amounts In Thousands)

The City has construction and other contractual commitments at June 30, 2018, as follows by fund:

<u>Governmental-</u>	
General	\$ 23,246
Capital Projects	243,588
Nonmajor governmental	<u>13,376</u>
Total Governmental	<u>280,210</u>
<u>Enterprise-</u>	
Water and Sewer	216,198
Storm Water	70,590
Airport	246,164
Public Transit	<u>43,621</u>
Total Enterprise	<u>576,573</u>
Total	<u>\$ 856,783</u>

The City has operating lease commitments for land and office space with future rentals under these leases at June 30, 2018, as shown below:

<u>Year</u>	<u>Amount</u>
2019	\$ 2,174
2020	1,964
2021	1,388
2022	940
2023	782
2024-2028	1,146
2029-2033	<u>630</u>
	<u>\$ 9,024</u>

Related lease expense was approximately \$2,141 in 2018.

e. Arena

Spectrum Center (formerly Time Warner Cable Arena) was constructed and financed by the City 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 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 2019.

CITY OF CHARLOTTE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS-(Continued)
JUNE 30, 2018
(Dollar Amounts In Thousands)

f. NASCAR Hall of Fame

NASCAR Hall of Fame was constructed and financed by the City 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 owns the facility and the Charlotte Regional Visitors Authority is fully responsible for Hall operations. The City is responsible for any capital costs for the facility, and may supplement capital maintenance and repair costs through the dedicated revenues if funds are available.

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.

CITY OF CHARLOTTE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS-(Continued)
JUNE 30, 2018
(Dollar Amounts In Thousands)

Subsequent to June 30, 2018, the City expects to make the final capital reimbursement to the team for the infrastructure investments in fiscal year 2019. In addition, on July 9, 2018 the sale of the Carolina Panthers for approximately \$ 2.3 billion to David Tepper was completed after unanimous approval by the National Football League team owners. The new owner has expressed intention to keep the team in Charlotte.

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, 2018, American Airlines and its affiliates provided 26.87 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 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.

As of June 30, 2018, the City had \$654,180 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, 2018, there was \$55,985 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) Statement 75, Accounting and Financial Reporting for Postemployment Benefit Plans Other Than Pensions, in the fiscal year ending June 30, 2018. The implementation of the statement required the City to restate its beginning net OPEB liability and the effects on net position of contributions made by the City during the measurement period (fiscal year ending June 30, 2017). As a result net position for the governmental activities and business type activities decreased by \$467,188 and \$53,518 respectively. The restatement includes the effects of amounts paid for OPEB subsequent to the measurement date but does not include the effects of other deferred outflows or deferred inflows, for which amounts were not practical to determine.

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



PHOTO BY: QUIN HALL,
CITY OF CHARLOTTE EMPLOYEE

REQUIRED SUPPLEMENTARY INFORMATION



THIS PAGE INTENTIONALLY BLANK

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

Valuation Date Measurement Date Reporting Date	December 31, 2013		December 31, 2014		December 31, 2015		December 31, 2016		December 31, 2017		December 31, 2018	
	June 30, 2014	June 30, 2015	June 30, 2014	June 30, 2015	June 30, 2014	June 30, 2015	June 30, 2014	June 30, 2015	June 30, 2014	June 30, 2015	June 30, 2014	June 30, 2015
Proportion of the net pension liability (asset) (%)	5.89290%	(5.88149%)			5.89461%				6.04890%			6.11504%
Proportion of the net pension liability (asset) (\$)	\$ 71,032	\$ (32,461)	\$	\$	26,455	\$	\$	\$	128,378	\$	\$	93,421
Covered payroll	\$ 317,369	\$ 358,413	\$	\$	327,094	\$	\$	\$	350,856	\$	\$	381,739
Proportionate share of the net pension liability (asset) as a percentage of its covered payroll	22.38%	(9.06%)			8.09%				36.59%			24.47%
Plan fiduciary net position as a percentage of the total pension liability**	94.35%	102.64%			98.09%				91.47%			94.18%

* 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 2023.

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

	2014	2015	2016	2017	2018
Contractually required contribution	\$ 23,348	\$ 24,288	\$ 23,959	\$ 28,613	\$ 30,712
Contributions in relation to the contractually required contribution	23,348	24,288	23,959	28,613	30,712
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Charlotte's covered payroll	\$ 358,413	\$ 327,094	\$ 350,856	\$ 381,739	\$ 397,056
Contributions as a percentage of covered payroll	6.51%	7.43%	6.83%	7.50%	7.73%

This schedule will not present ten year's worth of fiscal information until 2023.

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

Valuation Date	July 1, 2014	July 1, 2015	July 1, 2016	July 1, 2017
Measurement Date	July 1, 2014	July 1, 2015	June 30, 2016	June 30, 2017
Reporting Date	June 30, 2015	June 30, 2016	June 30, 2017	June 30, 2018
Total Pension Liability				
Service cost	\$ 13,967	\$ 15,049	\$ 15,387	\$ 26,438
Interest	34,249	36,036	37,984	37,701
Difference between expected and actual experience	-	1,664	(2,503)	19,244
Change of assumptions	-	-	211,217	(60,216)
Benefit payments	(23,928)	(26,406)	(28,333)	(31,075)
Refunds of contributions	67	(69)	(416)	(70)
Net change in Total Pension Liability	<u>24,355</u>	<u>26,274</u>	<u>233,336</u>	<u>(7,978)</u>
Total Pension Liability - Beginning	<u>453,858</u>	<u>478,213</u>	<u>504,487</u>	<u>737,823</u>
Total Pension Liability - Ending (a)	<u>\$ 478,213</u>	<u>\$ 504,487</u>	<u>\$ 737,823</u>	<u>\$ 729,845</u>
Plan Net Position				
Contributions - employer	\$ 8,348	\$ 8,589	\$ 8,694	\$ 9,106
Contributions - employee	8,723	9,138	8,991	9,636
Net investment income	73,559	20,373	2,266	57,681
Benefit payments	(23,928)	(26,406)	(28,333)	(31,075)
Administrative expense	(691)	(625)	(657)	(621)
Refunds of contributions	67	(69)	(416)	(70)
Other	-	-	-	(13)
Net change in Plan Net Position	<u>66,078</u>	<u>11,000</u>	<u>(9,455)</u>	<u>44,644</u>
Plan Net Position - Beginning	<u>407,497</u>	<u>473,575</u>	<u>484,575</u>	<u>475,120</u>
Plan Net Position - Ending (b)	<u>\$ 473,575</u>	<u>\$ 484,575</u>	<u>\$ 475,120</u>	<u>\$ 519,764</u>
Net Pension Liability - Ending (a) - (b)	<u>\$ 4,638</u>	<u>\$ 19,912</u>	<u>\$ 262,703</u>	<u>\$ 210,081</u>
Plan net position as a percentage of total pension liability	99.03%	96.05%	64.39%	71.22%
Covered payroll	\$ 65,992	\$ 67,897	\$ 68,727	\$ 71,984
Net pension liability as a percentage of covered payroll	7.03%	29.33%	382.24%	291.84%

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)

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Actuarially determined employer contribution	\$ 6,703	\$ 7,440	\$ 8,131	\$ 8,409	\$ 9,214	\$ 10,849	\$ 11,454	\$ 10,206	\$ 9,495	\$ 13,088
Actual employer contributions	7,341	7,440	7,670	7,720	8,100	8,348	8,589	8,694	9,106	9,333
Annual contribution deficiency (excess)	<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>	<u>\$ 389</u>	<u>\$ 3,755</u>
Covered payroll	\$ 58,032	\$ 58,814	\$ 60,632	\$ 61,028	\$ 64,032	\$ 65,992	\$ 67,897	\$ 68,727	\$ 71,984	\$ 73,779
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
Employee Benefit Trust Plan (EBTP)
Schedule of Changes in the Net OPEB Liability
(Dollar Amounts In Thousands)

Valuation Date	July 1, 2017	July 1, 2017
Measurement Date	June 30, 2017	June 30, 2018
Reporting Date	June 30, 2017	June 30, 2018
Total OPEB Liability		
Service cost	\$ 7,002	\$ 7,545
Interest	23,432	24,372
Difference between expected and actual experience	(294)	-
Benefit payments	(14,639)	(25,143)
Net change in Total OPEB Liability	15,501	6,774
Total OPEB Liability - beginning	583,220	598,721
Total OPEB Liability - ending	\$ 598,721	\$ 605,495
Plan Fiduciary Net Position		
Contributions - employer	\$ 16,361	\$ 20,454
Net investment income	7,532	5,881
Benefit payments	(14,639)	(14,782)
Additional contributions into the trust	-	20,325
Administrative expense	(232)	(266)
Other	(1,844)	(2,746)
Net change in Plan Fiduciary Net Position	7,178	28,866
Plan Fiduciary Net Position - beginning	53,261	60,439
Plan Fiduciary Net Position - ending	60,439	89,305
Net OPEB Liability - ending	\$ 538,282	\$ 516,190

This schedule will not present ten year's worth of fiscal information until 2026.

City of Charlotte, North Carolina
Employee Benefit Trust Plan (EBTP)
Schedule of Changes of Total Liability as a Percentage of Covered Payroll
(Dollar Amounts In Thousands)

	2017	2018
Total OPEB Liability	\$ 598,721	\$ 605,495
Plan Fiduciary Net Position	60,439	89,305
Net OPEB Liability	<u>\$ 538,282</u>	<u>\$ 516,190</u>
Plan Fiduciary Net Position as a percentage of the Total OPEB Liability	10.09%	14.75%
Covered Payroll	\$ 402,489	\$ 402,489
Net OPEB Liability as a percentage of covered payroll	133.74%	128.25%

This schedule will not present ten year's worth of fiscal information until 2026.

City of Charlotte, North Carolina
Employee Benefit Trust Plan (EBTP)
Schedule of City Contributions and Investment Returns
(Dollar Amounts In Thousands)

	2017	2018
Actuarially determined contribution	\$ 22,729	\$ 25,967
Contributions in relation to actuarially determined contribution	24,630	40,778
Contribution deficiency (excess)	<u>\$ (1,901)</u>	<u>\$ (14,811)</u>

Valuation Date:

Actuarially determined contribution rates are calculated as of July 1, 2017, one year prior to the end of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

Actuarial cost method
Amortization method
Amortization period

Entry Age
Straight line

Changes in the liability resulting from differences between expected and actual experience due to economic or demographic factors or changes of assumptions about future economic or demographic factors or other inputs are recognized over a closed period equal to the average of the expected remaining service lives of all employees provided with benefits through the OPEB plan.

Asset valuation method
Inflation
Healthcare cost trend rates
Salary increases
Investment rate of return
Retirement Age

Market Value
3%
6.0% to 5.0%; initial trend of 6% decreasing by 0.5% annually to an ultimate rate of 5.0% for fiscal year ending June 30, 2020.
4.50%
7.75%

In the 2018 actuarial valuation, assumed life expectancies were adjusted as a result of adopting the RP-2014 Mortality Fully Generational using Projection Scale MP-2015. In 2017, those assumptions were based on the RP-2014 Healthy Annuitant Mortality table.

Mortality

In the 2018 actuarial valuation, assumed life expectancies were adjusted as a result of adopting the RP-2014 Mortality Fully Generational using Projection Scale MP-2015. In 2017, those assumptions were based on the RP-2014 Healthy Annuitant Mortality table.

	2017	2018
Annual money-weighted rate of return, net of investment expenses	13.84%	7.60%

This schedule will not present ten year's worth of fiscal information until 2026.

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

Valuation Date Measurement Date Reporting Date	December 31, 2015 December 31, 2016 June 30, 2017	December 31, 2016 December 31, 2017 June 30, 2018
Total Pension Liability		
Service Cost	\$ 3,555	\$ 3,417
Interest	3,768	4,043
Difference between expected and actual experience	-	2,878
Changes of assumptions and other inputs	(2,348)	6,110
Benefit payments	(5,509)	(6,124)
Net change in Total Pension Liability	(534)	10,324
Total Pension Liability - beginning	108,318	107,784
Total Pension Liability - ending	\$ 107,784	\$ 118,108
 Covered payroll	 \$ 126,473	 \$ 128,588
 Total Pension Liability as a percentage of covered payroll	 85.22%	 91.85%

The amounts presented for this fiscal year were determined as of December 31, 2017 of the current fiscal year.

This schedule will not present ten year's worth of fiscal information until 2026.



THIS PAGE INTENTIONALLY BLANK

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, 2018
(In Thousands)

	Convention Center Tax	Tourism	Hall of Fame Tax	Municipal Services District	Public Safety and Other Grants
ASSETS					
Cash, cash equivalents and investments	\$ 70,928	\$ 77,027	\$ 32,271	\$ 726	\$ 6,591
Receivables, net:					
Property taxes	-	-	-	122	-
Accounts	-	3	-	-	-
Other	-	130	-	-	138
Total receivables	-	133	-	122	138
Due from other governmental agencies	4,938	1,417	1,313	11	5,710
Due from other funds	1,600	-	-	-	-
Notes receivable	-	-	-	-	-
Prepaid items	-	-	-	-	-
Total assets	<u>\$ 77,466</u>	<u>\$ 78,577</u>	<u>\$ 33,584</u>	<u>\$ 859</u>	<u>\$ 12,439</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ -	\$ 27	\$ -	\$ 415	\$ 736
Deposits and retainage payable	-	-	-	-	-
Due to other funds	-	-	-	-	-
Due to component unit	3,695	-	592	-	-
Unearned revenues	-	-	-	-	370
Total liabilities	<u>3,695</u>	<u>27</u>	<u>592</u>	<u>415</u>	<u>1,106</u>
Deferred inflows of resources:					
Unavailable revenues	-	3	-	122	138
Fund balances:					
Nonspendable:					
Perpetual care	-	-	-	-	-
Prepaid items	-	-	-	-	-
Restricted:					
Public safety	-	-	-	-	8,884
Cultural and recreation	73,771	78,547	32,992	-	-
Community planning and development	-	-	-	322	1,347
Streets and highways	-	-	-	-	964
Total fund balances	<u>73,771</u>	<u>78,547</u>	<u>32,992</u>	<u>322</u>	<u>11,195</u>
Total liabilities and fund balances	<u>\$ 77,466</u>	<u>\$ 78,577</u>	<u>\$ 33,584</u>	<u>\$ 859</u>	<u>\$ 12,439</u>

Special Revenue Funds					Permanent Fund	Total
Neighborhood Development	Employment and Training	State Street Aid	Emergency Telephone System	Total	Perpetual Care	Nonmajor Governmental Funds
\$ -	\$ -	\$ 9,191	\$ 4,656	\$ 201,390	\$ 3,111	\$ 204,501
-	-	-	-	122	-	122
-	-	-	-	3	-	3
-	-	73	-	341	-	341
-	-	73	-	466	-	466
3,064	618	1,013	360	18,444	-	18,444
-	-	-	-	1,600	-	1,600
31,419	-	-	-	31,419	-	31,419
-	-	-	501	501	-	501
<u>\$ 34,483</u>	<u>\$ 618</u>	<u>\$ 10,277</u>	<u>\$ 5,517</u>	<u>\$ 253,820</u>	<u>\$ 3,111</u>	<u>\$ 256,931</u>
\$ 758	\$ 618	\$ 3,280	\$ 310	\$ 6,144	\$ -	\$ 6,144
125	-	347	-	472	-	472
211	-	-	-	211	-	211
-	-	-	-	4,287	-	4,287
56	-	-	-	426	-	426
<u>1,150</u>	<u>618</u>	<u>3,627</u>	<u>310</u>	<u>11,540</u>	<u>-</u>	<u>11,540</u>
-	-	73	-	336	-	336
-	-	-	-	-	3,111	3,111
-	-	-	501	501	-	501
-	-	-	4,706	13,590	-	13,590
-	-	-	-	185,310	-	185,310
33,333	-	-	-	35,002	-	35,002
-	-	6,577	-	7,541	-	7,541
<u>33,333</u>	<u>-</u>	<u>6,577</u>	<u>5,207</u>	<u>241,944</u>	<u>3,111</u>	<u>245,055</u>
<u>\$ 34,483</u>	<u>\$ 618</u>	<u>\$ 10,277</u>	<u>\$ 5,517</u>	<u>\$ 253,820</u>	<u>\$ 3,111</u>	<u>\$ 256,931</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, 2018
(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	\$ -	\$ -	\$ -	\$ 5,086	\$ -	\$ -
Other taxes	56,541	16,151	15,196	-	-	-
Intergovernmental	-	2,948	-	-	9,845	11,548
Licenses, fees and fines	-	-	-	-	-	-
Investment earnings	736	882	342	3	58	(4)
Miscellaneous	1,000	3,370	-	-	1,351	876
Total revenues	58,277	23,351	15,538	5,089	11,254	12,420
EXPENDITURES:						
Current-						
Public safety	-	-	-	-	9,370	-
General administration	-	-	-	-	-	1,089
Streets and highways	-	-	-	-	3,293	-
Culture and recreation	25,974	4,415	2,716	-	-	-
Community planning and development	-	-	-	4,969	378	15,707
Total expenditures	25,974	4,415	2,716	4,969	13,041	16,796
Excess (deficiency) of revenues over (under) expenditures	32,303	18,936	12,822	120	(1,787)	(4,376)
OTHER FINANCING SOURCES (USES):						
Sales of capital assets	-	-	-	-	-	-
Transfers in-						
General	-	1,291	-	-	348	-
Debt service	-	320	-	-	-	-
Capital projects	-	9,527	-	-	77	575
Total transfers in	-	11,138	-	-	425	575
Transfers out-						
General	(5,199)	-	-	-	-	-
Debt service	(29,942)	(23,997)	(9,266)	-	-	-
Capital projects	-	(5,384)	-	-	-	-
Total transfers out	(35,141)	(29,381)	(9,266)	-	-	-
Total other financing sources (uses)	(35,141)	(18,243)	(9,266)	-	425	575
Net change in fund balances	(2,838)	693	3,556	120	(1,362)	(3,801)
Fund balances - beginning	76,609	77,854	29,436	202	12,557	37,134
Fund balances - ending	\$ 73,771	\$ 78,547	\$ 32,992	\$ 322	\$ 11,195	\$ 33,333

Funds				Permanent Fund	Total Nonmajor Governmental Funds
Employment and Training	State Street Aid	Emergency Telephone System	Total	Perpetual Care	
\$ -	\$ -	\$ -	\$ 5,086	\$ -	\$ 5,086
-	-	-	87,888	-	87,888
6,746	20,503	3,872	55,462	-	55,462
-	132	-	132	-	132
-	81	38	2,136	29	2,165
-	18	-	6,615	-	6,615
<u>6,746</u>	<u>20,734</u>	<u>3,910</u>	<u>157,319</u>	<u>29</u>	<u>157,348</u>
-	-	2,848	12,218	-	12,218
640	-	-	1,729	-	1,729
-	23,704	-	26,997	-	26,997
-	-	-	33,105	-	33,105
<u>6,106</u>	<u>-</u>	<u>-</u>	<u>27,160</u>	<u>-</u>	<u>27,160</u>
<u>6,746</u>	<u>23,704</u>	<u>2,848</u>	<u>101,209</u>	<u>-</u>	<u>101,209</u>
<u>-</u>	<u>(2,970)</u>	<u>1,062</u>	<u>56,110</u>	<u>29</u>	<u>56,139</u>
-	282	-	282	-	282
-	4,261	-	5,900	-	5,900
-	-	-	320	-	320
-	-	-	10,179	-	10,179
<u>-</u>	<u>4,261</u>	<u>-</u>	<u>16,399</u>	<u>-</u>	<u>16,399</u>
-	-	-	(5,199)	(29)	(5,228)
-	(1,762)	-	(64,967)	-	(64,967)
-	-	-	(5,384)	-	(5,384)
<u>-</u>	<u>(1,762)</u>	<u>-</u>	<u>(75,550)</u>	<u>(29)</u>	<u>(75,579)</u>
<u>-</u>	<u>2,781</u>	<u>-</u>	<u>(58,869)</u>	<u>(29)</u>	<u>(58,898)</u>
-	(189)	1,062	(2,759)	-	(2,759)
-	6,766	4,145	244,703	3,111	247,814
<u>\$ -</u>	<u>\$ 6,577</u>	<u>\$ 5,207</u>	<u>\$ 241,944</u>	<u>\$ 3,111</u>	<u>\$ 245,055</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, 2018
(In Thousands)

	Convention Center Tax			Tourism		
	Budget	Actual	Variance- Positive (Negative)	Budget	Actual	Variance- Positive (Negative)
REVENUES:						
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other taxes	54,134	56,541	2,407	15,164	16,151	987
Intergovernmental	-	-	-	2,948	2,948	-
Licenses, fees and fines	-	-	-	-	-	-
Investment earnings	378	736	358	332	883	551
Miscellaneous	1,000	1,000	-	1,078	3,370	2,292
Total revenues	<u>55,512</u>	<u>58,277</u>	<u>2,765</u>	<u>19,522</u>	<u>23,352</u>	<u>3,830</u>
EXPENDITURES:						
Current-						
Streets and highways	-	-	-	-	-	-
Culture and recreation	28,171	27,974	197	4,623	4,600	23
Community planning and development	-	-	-	-	-	-
Total expenditures	<u>28,171</u>	<u>27,974</u>	<u>197</u>	<u>4,623</u>	<u>4,600</u>	<u>23</u>
Excess (deficiency) of revenues over (under) expenditures	<u>27,341</u>	<u>30,303</u>	<u>2,962</u>	<u>14,899</u>	<u>18,752</u>	<u>3,853</u>
OTHER FINANCING SOURCES (USES):						
Sales of capital assets	-	-	-	-	-	-
Transfers in	-	-	-	22,058	22,287	229
Transfers out	(35,168)	(35,141)	27	(43,386)	(40,530)	2,856
Total other financing sources (uses)	<u>(35,168)</u>	<u>(35,141)</u>	<u>27</u>	<u>(21,328)</u>	<u>(18,243)</u>	<u>3,085</u>
Revenues and other sources over (under) expenditures and other uses	<u>\$ (7,827)</u>	<u>(4,838)</u>	<u>\$ 2,989</u>	<u>\$ (6,429)</u>	<u>509</u>	<u>\$ 6,938</u>
RECONCILIATION TO GAAP BASIS:						
Current year encumbrances		2,000			184	
Net change in fund balances		(2,838)			693	
Fund balances - beginning (annually budgeted funds)		<u>76,609</u>			<u>77,854</u>	
Fund balances - ending (annually budgeted funds)		<u>\$ 73,771</u>			<u>\$ 78,547</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)
\$ -	\$ -	\$ -	\$ 4,908	\$ 5,086	\$ 178	\$ -	\$ -	\$ -
14,400	15,196	796	-	-	-	-	-	-
-	-	-	-	-	-	20,400	20,503	103
-	-	-	-	-	-	765	132	(633)
113	342	229	-	3	3	80	81	1
-	-	-	-	-	-	-	18	18
<u>14,513</u>	<u>15,538</u>	<u>1,025</u>	<u>4,908</u>	<u>5,089</u>	<u>181</u>	<u>21,245</u>	<u>20,734</u>	<u>(511)</u>
-	-	-	-	-	-	29,178	28,640	538
6,399	4,126	2,273	-	-	-	-	-	-
-	-	-	5,001	4,969	32	-	-	-
<u>6,399</u>	<u>4,126</u>	<u>2,273</u>	<u>5,001</u>	<u>4,969</u>	<u>32</u>	<u>29,178</u>	<u>28,640</u>	<u>538</u>
<u>8,114</u>	<u>11,412</u>	<u>3,298</u>	<u>(93)</u>	<u>120</u>	<u>213</u>	<u>(7,933)</u>	<u>(7,906)</u>	<u>27</u>
-	-	-	-	-	-	-	282	282
-	-	-	-	-	-	4,261	4,261	-
<u>(9,479)</u>	<u>(9,266)</u>	<u>213</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,762)</u>	<u>(1,762)</u>	<u>-</u>
<u>(9,479)</u>	<u>(9,266)</u>	<u>213</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,499</u>	<u>2,781</u>	<u>282</u>
<u>\$ (1,365)</u>	<u>2,146</u>	<u>\$ 3,511</u>	<u>\$ (93)</u>	<u>120</u>	<u>\$ 213</u>	<u>\$ (5,434)</u>	<u>(5,125)</u>	<u>\$ 309</u>
	<u>1,410</u>			<u>-</u>			<u>4,936</u>	
	<u>3,556</u>			<u>120</u>			<u>(189)</u>	
	<u>29,436</u>			<u>202</u>			<u>6,766</u>	
	<u>\$ 32,992</u>			<u>\$ 322</u>			<u>\$ 6,577</u>	

Continued on next page

CITY OF CHARLOTTE, NORTH CAROLINA
SPECIAL REVENUE FUNDS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE BUDGET AND ACTUAL (NON-GAAP BASIS)-(Continued)
FOR THE YEAR ENDED JUNE 30, 2018
(In Thousands)

	Total		Variance- Positive (Negative)
	Budget	Actual	
REVENUES:			
Property taxes	\$ 4,908	\$ 5,086	\$ 178
Other taxes	83,698	87,888	4,190
Intergovernmental	23,348	23,451	103
Licenses, fees and fines	765	132	(633)
Investment earnings	903	2,045	1,142
Miscellaneous	2,078	4,388	2,310
Total revenues	<u>115,700</u>	<u>122,990</u>	<u>7,290</u>
EXPENDITURES:			
Current-			
Streets and highways	29,178	28,640	538
Culture and recreation	39,193	36,700	2,493
Community planning and development	5,001	4,969	32
Total expenditures	<u>73,372</u>	<u>70,309</u>	<u>3,063</u>
Excess (deficiency) of revenues over (under) expenditures	<u>42,328</u>	<u>52,681</u>	<u>10,353</u>
OTHER FINANCING SOURCES (USES):			
Sales of capital assets	-	282	282
Transfers in	26,319	26,548	229
Transfers out	(89,795)	(86,699)	3,096
Total other financing sources (uses)	<u>(63,476)</u>	<u>(59,869)</u>	<u>3,607</u>
Revenues and other sources over (under) expenditures and other uses	<u>\$ (21,148)</u>	<u>(7,188)</u>	<u>\$ 13,960</u>
RECONCILIATION TO GAAP BASIS:			
Current year encumbrances		8,530	
Net change in fund balances		1,342	
Fund balances - beginning (annually budgeted funds)		<u>190,867</u>	
Fund balances - ending (annually budgeted funds)		<u>192,209</u>	
Project funds:			
Fund balances - beginning		53,836	
Net change in fund balances		<u>(4,101)</u>	
Fund balances - ending		<u>49,735</u>	
Fund balances - ending		<u>\$ 241,944</u>	

CITY OF CHARLOTTE, NORTH CAROLINA
PUBLIC SAFETY AND OTHER GRANTS FUND
SCHEDULE OF EXPENDITURES COMPARED WITH AUTHORIZATIONS
FOR THE YEAR ENDED JUNE 30, 2018
(In Thousands)

	Authorizations	Expenditures			Unexpended Authorizations
		Current Year	Prior Years	Total	
Public safety	\$ 50,282	\$ 5,872	\$ 30,746	\$ 36,618	\$ 13,664
Affordable housing	736	116	426	542	194
Neighborhood improvements	974	234	575	809	165
Area plans	18,687	3,321	10,140	13,461	5,226
Technology	11,848	1,706	8,653	10,359	1,489
Vehicles	79	-	79	79	-
Other equipment	11,713	1,792	6,196	7,988	3,725
Total public safety grants	<u>\$ 94,319</u>	<u>\$ 13,041</u>	<u>\$ 56,815</u>	<u>\$ 69,856</u>	<u>\$ 24,463</u>

CITY OF CHARLOTTE, NORTH CAROLINA
NEIGHBORHOOD DEVELOPMENT FUND
SCHEDULE OF EXPENDITURES COMPARED WITH AUTHORIZATIONS
FOR THE YEAR ENDED JUNE 30, 2018
(In Thousands)

	<u>Authorizations</u>	<u>Expenditures</u>			<u>Unexpended Authorizations</u>
		<u>Current Year</u>	<u>Prior Years</u>	<u>Total</u>	
Housing	\$ 2,509	\$ 533	\$ 1,433	\$ 1,966	\$ 543
Affordable housing	79,300	13,578	59,751	73,329	5,971
Housing grants	9,089	1,690	4,706	6,396	2,693
Neighborhood improvements	307	64	73	137	170
Economic development corridors	14,180	511	11,257	11,768	2,412
Total neighborhood development	<u>\$ 105,385</u>	<u>16,376</u>	<u>\$ 77,220</u>	<u>\$ 93,596</u>	<u>\$ 11,789</u>
Contra expense for issuance of long-term loans receivable		420			
		<u>\$ 16,796</u>			

CITY OF CHARLOTTE, NORTH CAROLINA
EMPLOYMENT AND TRAINING FUND
SCHEDULE OF EXPENDITURES COMPARED WITH AUTHORIZATIONS
FOR THE YEAR ENDED JUNE 30, 2018
(In Thousands)

	Authorizations	Expenditures			Unexpended Authorizations
		Current Year	Prior Year	Total	
Workforce Investment Act	<u>\$ 38,142</u>	<u>\$ 6,746</u>	<u>\$ 27,790</u>	<u>\$ 34,536</u>	<u>\$ 3,606</u>

CITY OF CHARLOTTE, NORTH CAROLINA
EMERGENCY TELEPHONE SYSTEM FUND
SCHEDULE OF EXPENDITURES COMPARED WITH AUTHORIZATIONS
FOR THE YEAR ENDED JUNE 30, 2018
(In Thousands)

	Authorizations	Expenditures			Unexpended Authorizations
		Current Year	Prior Year	Total	
Implemental functions	\$ 466	\$ 226	\$ 240	\$ 466	\$ -
Phone and furniture	6,503	1,024	1,242	2,266	4,237
Software	1,671	973	688	1,661	10
Hardware	1,838	776	815	1,591	247
Training	66	32	34	66	-
Total expenditures	<u>\$ 10,544</u>	<u>3,031</u>	<u>\$ 3,019</u>	<u>\$ 6,050</u>	<u>\$ 4,494</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

(183)
\$ 2,848

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, 2018
(In Thousands)

	<u>Budget</u>	<u>Actual</u>	<u>Variance- Positive (Negative)</u>
REVENUES:			
Property tax	\$ 89,378	\$ 89,263	\$ (115)
Other taxes-			
Sales tax	19,827	20,346	519
Heavy equipment	-	189	189
Total other	<u>19,827</u>	<u>20,535</u>	<u>708</u>
Intergovernmental-			
Mecklenburg County:			
ABC Board contribution	1,229	1,514	285
Licenses, fees and fines	58	62	4
Investment earnings	1,459	2,678	1,219
Miscellaneous	<u>160</u>	<u>160</u>	<u>-</u>
Total revenues	<u>112,111</u>	<u>114,212</u>	<u>2,101</u>
EXPENDITURES:			
Bonds-			
Principal retirement	46,806	45,631	1,175
Interest	30,175	30,168	7
Installment purchases-			
Principal retirement	72,296	70,785	1,511
Interest	29,474	28,284	1,190
Fiscal agents fees	3,536	1,634	1,902
Other	<u>1,017</u>	<u>152</u>	<u>865</u>
Total expenditures	<u>183,304</u>	<u>176,654</u>	<u>6,650</u>
Revenues (under) expenditures	<u>(71,193)</u>	<u>(62,442)</u>	<u>8,751</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, 2018
(In Thousands)

	<u>Budget</u>	<u>Actual</u>	<u>Variance- Positive (Negative)</u>
OTHER FINANCING SOURCES (USES):			
Installment purchaes issued	\$ 750	\$ -	\$ (750)
Transfers in-			
General	18,520	18,520	-
Special revenue:			
Convention Center tax	29,969	29,942	(27)
Tourism	16,219	14,818	(1,401)
Cultural facilities	10,633	9,179	(1,454)
Hall of Fame	9,479	9,266	(213)
State street aid	1,762	1,762	-
Total transfers in	<u>86,582</u>	<u>83,487</u>	<u>(3,095)</u>
Transfers out-			
General	120	120	-
Special revenue:			
Cultural facilities	320	320	-
Capital Projects	<u>29,596</u>	<u>29,596</u>	<u>-</u>
Total transfers out	<u>30,036</u>	<u>30,036</u>	<u>-</u>
Total other financing sources (uses)	<u>57,296</u>	<u>53,451</u>	<u>(3,845)</u>
Net change in fund balance	<u>\$ (13,897)</u>	<u>(8,991)</u>	<u>\$ 4,906</u>
Fund balance - beginning		<u>274,532</u>	
Fund balance - ending		<u>\$ 265,541</u>	

CITY OF CHARLOTTE, NORTH CAROLINA
CAPITAL PROJECTS FUND
SCHEDULE OF EXPENDITURES COMPARED WITH AUTHORIZATIONS
FOR THE YEAR ENDED JUNE 30, 2018
(In Thousands)

	Authorizations	Expenditures			Unexpended Authorizations
		Current Year	Prior Years	Total	
Capital equipment	\$ 38,339	\$ 29,026	\$ -	\$ 29,026	\$ 9,313
Housing	13,003	285	11,921	12,206	797
Affordable housing	156,761	12,440	117,845	130,285	26,476
Innovative housing	97,330	3,173	90,001	93,174	4,156
Neighborhood improvements	164,899	10,215	97,664	107,879	57,020
Area plans	10,762	320	7,200	7,520	3,242
Street and road infrastructure	557,269	19,960	292,484	312,444	244,825
Non-street transportation infrastructure	145,569	6,801	86,800	93,601	51,968
Traffic control	67,935	6,452	47,030	53,482	14,453
Pedestrian safety	154,996	12,102	116,337	128,439	26,557
Transportation partnerships	9,819	1,273	6,579	7,852	1,967
Transit corridor development	245,742	14,356	53,874	68,230	177,512
Economic development corridors	77,827	3,416	60,527	63,943	13,884
Business corridors	32,290	981	24,261	25,242	7,048
Environmental services program	31,572	1,316	27,360	28,676	2,896
Tree program	25,054	3,761	17,065	20,826	4,228
Capacity for growth sewer	215	-	203	203	12
New facilities	397,657	7,984	249,930	257,914	139,743
Facility renovations	203,164	24,854	129,056	153,910	49,254
Capital facilities maintenance	112,358	7,674	97,203	104,877	7,481
Technology	74,507	8,756	49,914	58,670	15,837
Other equipment	4,791	64	2,896	2,960	1,831
Total capital projects	<u>\$ 2,621,859</u>	<u>175,209</u>	<u>\$ 1,586,150</u>	<u>\$ 1,761,359</u>	<u>\$ 860,500</u>
Contra expense for issuance of long-term loans receivable		(10,105)			
		<u>\$ 165,104</u>			

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.

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, 2018
(In Thousands)

	Budget	Actual	Variance- Positive (Negative)
REVENUES:			
Water sales	\$ 137,209	\$ 138,607	\$ 1,398
Sewer services fees	178,246	179,477	1,231
Availability fees	49,244	51,039	1,795
Capacity fees	15,200	28,316	13,116
Other	13,605	15,933	2,328
Investment earnings	1,500	4,377	2,877
Total revenues	395,004	417,749	22,745
EXPENDITURES:			
Water supply and treatment	16,577	13,454	3,123
Sewer system and treatment	49,146	45,866	3,280
Administration and engineering	93,113	82,385	10,728
Total expenditures	158,836	141,705	17,131
Revenues over expenditures	236,168	276,044	39,876
TRANSFERS OUT:			
Water and Sewer Debt Service	156,748	151,856	4,892
Water and Sewer Capital Projects	96,355	96,355	-
Capital Projects	331	331	-
Total transfers out	253,434	248,542	4,892
Revenues over (under) expenditures and transfers	\$ (17,266)	\$ 27,502	\$ 44,768

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, 2018
(In Thousands)

	Budget	Actual	Variance- Positive (Negative)
REVENUES:			
Investment earnings	\$ -	\$ 477	\$ 477
Refunding bonds issued	409,915	409,915	-
Premium on debt issuance	58,005	57,955	(50)
Total revenues	467,920	468,347	427
EXPENDITURES:			
Bonds-			
Principal retirement	79,677	78,830	847
Interest	68,410	62,100	6,310
Other financing agreements-			
Principal retirement	5,306	4,094	1,212
Interest	1,706	1,417	289
Payment to refunded bond escrow agent	465,813	465,813	-
Bond issue expense	2,107	1,960	147
Other	1,116	728	388
Total expenditures	624,135	614,942	9,193
Revenues (under) expenditures	(156,215)	(146,595)	9,620
TRANSFERS IN:			
Water and Sewer Operating	156,748	151,856	(4,892)
Water and Sewer Capital Projects	650	650	-
Total transfers in	157,398	152,506	(4,892)
Total other financing sources	157,398	152,506	(4,892)
Revenues and transfers over expenditures	\$ 1,183	\$ 5,911	\$ 4,728

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, 2018
(In Thousands)

Revenues and transfers over	
expenditures and transfers:	
Operating Fund	\$ 27,502
Debt Service Fund	5,911
Investment earnings in the	
Capital Projects Fund	976
Current year encumbrances	9,768
Deferred outflows of resources for pensions	(4,293)
Net pension liability	3,891
Deferred inflows of resources for pensions	214
Deferred outflows of resources for OPEB	407
Deferred inflows of resources for OPEB	(22)
Depreciation	(120,519)
Debt principal retirement	84,139
Premium on debt issuance	(57,955)
Capital outlay	(887)
Amortization of deferred charges	(1,959)
Amortization of premium	7,996
Capital contributions	48,478
Other	45,425
Net transfers to (from) Water and Sewer	
Capital Projects Fund:	
Water and Sewer Operating	96,355
Water and Sewer Debt Service	(650)
Change in net position	<u>\$ 144,777</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, 2018
(In Thousands)

	Authorizations	Expenditures			Unexpended Authorizations
		Current Year	Prior Years	Total	
Water:					
Capacity for growth water	\$ 404,086	\$ 17,788	\$ 277,150	\$ 294,938	\$ 109,148
Commitment public projects/Operations water	185,429	7,805	106,947	114,752	70,677
Rehab and replacement water	365,252	17,858	284,768	302,626	62,626
Regulatory requirements water	44,937	697	31,597	32,294	12,643
Annexation water	9,700	-	3,390	3,390	6,310
Sewer:					
Capacity for growth sewer	742,810	56,595	423,000	479,595	263,215
Commitment public projects/Operations sewer	127,690	6,187	89,514	95,701	31,989
Rehab and replacement sewer	773,736	51,878	636,540	688,418	85,318
Regulatory requirements sewer	151,449	4,001	70,421	74,422	77,027
Annexation sewer	36,600	-	25,180	25,180	11,420
Service exist resident sewer	2,838	-	2,838	2,838	-
Technology	49,515	3,595	33,780	37,375	12,140
Capital equipment	27,084	8,852	12,388	21,240	5,844
Total water and sewer capital projects	<u>\$ 2,921,126</u>	<u>\$ 175,256</u>	<u>\$ 1,997,513</u>	<u>\$ 2,172,769</u>	<u>\$ 748,357</u>



THIS PAGE INTENTIONALLY BLANK

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, 2018
(In Thousands)

	<u>Budget</u>	<u>Actual</u>	<u>Variance- Positive (Negative)</u>
REVENUES:			
Storm water fees	\$ 67,423	\$ 68,081	\$ 658
Other	-	1	1
Investment earnings	-	332	332
Total revenues	<u>67,423</u>	<u>68,414</u>	<u>991</u>
EXPENDITURES:			
Storm water systems	14,431	9,178	5,253
Administration	<u>2,587</u>	<u>2,587</u>	-
Total expenditures	<u>17,018</u>	<u>11,765</u>	<u>5,253</u>
Revenues over expenditures	<u>50,405</u>	<u>56,649</u>	<u>6,244</u>
TRANSFERS OUT:			
Storm Water Capital Projects	39,000	39,000	-
Storm Water Debt Service	<u>12,931</u>	<u>12,555</u>	<u>376</u>
Total transfers out	<u>51,931</u>	<u>51,555</u>	<u>376</u>
Revenues over (under) expenditures and transfers	<u>\$ (1,526)</u>	<u>\$ 5,094</u>	<u>\$ 6,620</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, 2018
(In Thousands)

	<u>Budget</u>	<u>Actual</u>	<u>Variance- Positive (Negative)</u>
REVENUES:			
Revenue bond anticipation notes issued	\$ 194	\$ 194	\$ -
Premium on debt issuance	356	-	(356)
Total revenues	<u>550</u>	<u>194</u>	<u>(356)</u>
EXPENDITURES:			
Bonds-			
Principal retirement	6,255	6,255	-
Interest	6,646	6,268	378
Bond issue expense	550	186	364
Other	30	13	17
Total expenditures	<u>13,481</u>	<u>12,722</u>	<u>759</u>
Revenues (under) expenditures	<u>(12,931)</u>	<u>(12,528)</u>	<u>403</u>
TRANSFERS IN:			
Storm Water Operating	<u>12,931</u>	<u>12,555</u>	<u>(376)</u>
Revenues and transfers over expenditures	<u>\$ -</u>	<u>\$ 27</u>	<u>\$ 27</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, 2018
(In Thousands)

Revenues and transfers over	
expenditures and transfers:	
Operating Fund	\$ 5,094
Debt Service Fund	27
Capital Projects Fund:	
Charges for services	3,904
Investment earnings	918
Current year encumbrances	1,380
Deferred outflows of resources for pensions	(567)
Net pension liability	459
Deferred inflows of resources for pensions	30
Deferred outflows of resources for OPEB	55
Deferred inflows of resources for OPEB	(3)
Depreciation	(9,174)
Bond proceeds	(194)
Debt principal retirement	6,255
Capital outlay	268
Amortization of deferred charges	(177)
Amortization of premium	1,268
Capital contributions	135
Other	(1,046)
Net transfers to Storm Water	
Capital Projects Fund:	
Operating Fund	<u>39,000</u>
Change in net position	<u>\$ 47,632</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, 2018
(In Thousands)

	<u>Authorizations</u>	<u>Expenditures</u>			<u>Unexpended Authorizations</u>
		<u>Current Year</u>	<u>Prior Years</u>	<u>Total</u>	
Flood control program	\$ 398,800	\$ 18,110	\$ 249,009	\$ 267,119	\$ 131,681
Stormwater maintenance program	224,765	28,116	150,315	178,431	46,334
Stream restoration/mitigation	99,318	9,055	60,424	69,479	29,839
Stormwater support for projects	52,288	1,309	40,528	41,837	10,451
Transit corridor development	<u>2,376</u>	<u>1,434</u>	<u>256</u>	<u>1,690</u>	<u>686</u>
Total storm water capital projects	<u>\$ 777,547</u>	<u>\$ 58,024</u>	<u>\$ 500,532</u>	<u>\$ 558,556</u>	<u>\$ 218,991</u>



THIS PAGE INTENTIONALLY BLANK

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, 2018
(In Thousands)

	Budget	Actual	Variance- Positive (Negative)
REVENUES:			
Terminal area	\$ 31,220	\$ 54,782	\$ 23,562
Airfield	24,955	28,437	3,482
Concessions	60,259	51,992	(8,267)
Rental Car Revenues	-	15,666	15,666
Parking	59,000	59,642	642
Passenger facility charges	28,947	60,374	31,427
Contract facility charges	7,797	13,351	5,554
Fixed Base Operator (FBO)	16,918	18,476	1,558
Other	32,633	10,582	(22,051)
Investment earnings	-	7,376	7,376
Total revenues	<u>261,729</u>	<u>320,678</u>	<u>58,949</u>
EXPENDITURES:			
Operating	165,650	150,833	14,817
Nonoperating	<u>28,665</u>	<u>28,357</u>	<u>308</u>
Total expenditures	<u>194,315</u>	<u>179,190</u>	<u>15,125</u>
Revenues over expenditures	<u>67,414</u>	<u>141,488</u>	<u>74,074</u>
TRANSFERS IN:			
Airport Debt Service	124	124	-
Airport Capital Projects	<u>79,634</u>	<u>79,634</u>	<u>-</u>
Total transfers in	<u>79,758</u>	<u>79,758</u>	<u>-</u>
TRANSFERS OUT:			
Airport Debt Service	77,941	44,694	33,247
Airport Capital Projects	<u>128,895</u>	<u>128,895</u>	<u>-</u>
Total transfers out	<u>206,836</u>	<u>173,589</u>	<u>33,247</u>
Revenues and transfers over (under) expenditures and transfers	<u>\$ (59,664)</u>	<u>\$ 47,657</u>	<u>\$ 107,321</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, 2018
(In Thousands)

	<u>Budget</u>	<u>Actual</u>	Variance- Positive (Negative)
REVENUES:			
Investment earnings	\$ -	\$ 944	\$ 944
EXPENDITURES:			
Bonds-			
Principal retirement	26,538	13,135	13,403
Interest	48,425	35,883	12,542
Bond issue expense	291	18	273
Other	608	524	84
Total expenditures	<u>75,862</u>	<u>49,560</u>	<u>26,302</u>
Revenues (under) expenditures	<u>(75,862)</u>	<u>(48,616)</u>	<u>27,246</u>
TRANSFERS IN:			
Airport Operating	<u>77,941</u>	<u>44,694</u>	<u>(33,247)</u>
TRANSFERS OUT:			
Airport Operating	<u>124</u>	<u>124</u>	<u>-</u>
Revenues and transfers over (under) expenditures and transfers	<u>\$ 1,955</u>	<u>\$ (4,046)</u>	<u>\$ (6,001)</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, 2018
(In Thousands)

Revenues and transfers over (under)	
expenditures and transfers:	
Operating Fund	\$ 47,657
Debt Service Fund	(4,046)
Capital Projects Fund:	
Investment earnings	4,681
Current year encumbrances	7,954
Deferred outflows of resources for pensions	(1,968)
Net pension liability	1,615
Deferred inflows of resources for pensions	103
Deferred outflows of resources for OPEB	103
Deferred inflows of resources for OPEB	(8)
Depreciation	(58,359)
Debt principal retirement	13,135
Capital outlay	1,760
Amortization of deferred charges	(213)
Amortization of premium	3,123
Capital contributions	3,338
Other	(3,347)
Net transfers to Airport	
Capital Projects Fund:	
Airport Operating	49,261
Change in net position	<u>\$ 64,789</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, 2018
(In Thousands)

	Authorizations	Expenditures			Unexpended Authorizations
		Current Year	Prior Years	Total	
Airfield projects	\$299,071	\$40,151	\$196,695	\$236,846	\$ 62,225
Terminal complex projects	5,246	-	5,246	5,246	-
Cargo development projects	9,789	229	8,971	9,200	589
General aviation projects	2,708	251	2,437	2,688	20
Miscellaneous aviation projects	86,473	-	86,433	86,433	40
Terminal building	489,456	143,612	146,090	289,702	199,754
Ground transportation	373,883	17,962	327,993	345,955	27,928
Fueling facilities	18,702	68	8,517	8,585	10,117
Airport service fees (ASF)	91,856	20,660	21,179	41,839	50,017
Land acquisition - non-airfield	153,403	12,074	110,416	122,490	30,913
Included miscellaneous	20,640	2,733	4,967	7,700	12,940
Excluded miscellaneous	10,029	3,031	5,367	8,398	1,631
Fixed base operator (FBO)	29,846	2,382	12,708	15,090	14,756
Deicing	5,678	-	5,678	5,678	-
Environmental services program	41,147	-	41,147	41,147	-
Facilities maintenance	74	-	74	74	-
Technology	2,172	8	2,164	2,172	-
Vehicles	99	-	99	99	-
Total airport capital projects	<u>\$ 1,640,272</u>	<u>\$ 243,161</u>	<u>\$ 986,181</u>	<u>\$ 1,229,342</u>	<u>\$ 410,930</u>



THIS PAGE INTENTIONALLY BLANK

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, 2018
(In Thousands)

	<u>Budget</u>	<u>Actual</u>	<u>Variance- Positive (Negative)</u>
REVENUES:			
Passenger fares	\$ 41,446	\$ 29,585	\$ (11,861)
Sales tax	95,074	103,022	7,948
Intergovernmental	15,369	26,343	10,974
Other	2,165	358	(1,807)
Investment earnings	373	843	470
Total revenues	<u>154,427</u>	<u>160,151</u>	<u>5,724</u>
EXPENDITURES:			
Transit operations and maintenance	137,736	137,402	334
Administration	13,172	13,172	-
Total expenditures	<u>150,908</u>	<u>150,574</u>	<u>334</u>
Revenues over expenditures	<u>3,519</u>	<u>9,577</u>	<u>6,058</u>
TRANSFERS IN:			
Public Transit Debt Service	5,450	5,450	-
Public Transit Capital Projects	120	-	(120)
Capital Projects	23,251	23,251	-
Total transfers in	<u>28,821</u>	<u>28,701</u>	<u>(120)</u>
TRANSFERS OUT:			
Public Transit Capital Projects	6,672	4,607	2,065
Public Transit Debt Service	33,979	33,979	-
Total transfers out	<u>40,651</u>	<u>38,586</u>	<u>2,065</u>
Revenues and transfers (under) expenditures and transfers	<u>\$ (8,311)</u>	<u>\$ (308)</u>	<u>\$ 8,003</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, 2018
(In Thousands)

	<u>Budget</u>	<u>Actual</u>	<u>Variance- Positive (Negative)</u>
REVENUES:			
Grant contributions	\$ 5,680	\$ 7,610	\$ 1,930
Investment earnings	536	659	123
Total revenues	<u>6,216</u>	<u>8,269</u>	<u>2,053</u>
EXPENDITURES:			
Installment purchases-			
Principal retirement	4,825	4,825	-
Interest	16,942	16,942	-
Other	110	110	-
Total expenditures	<u>21,877</u>	<u>21,877</u>	<u>-</u>
Revenues (under) expenditures	<u>(15,661)</u>	<u>(13,608)</u>	<u>2,053</u>
TRANSFERS IN:			
Public Transit Operating	<u>33,979</u>	<u>33,979</u>	<u>-</u>
TRANSFERS OUT:			
Public Transit Operating	<u>5,450</u>	<u>5,450</u>	<u>-</u>
Revenues and transfers over expenditures and transfers	<u>\$ 12,868</u>	<u>\$ 14,921</u>	<u>\$ 2,053</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, 2018
(In Thousands)

Revenues and transfers over (under)	
expenditures and transfers:	
Operating Fund	\$ (308)
Debt Service Fund	14,921
Investment earnings in the	
Capital Projects Fund	1,829
Current year encumbrances	5,245
Deferred outflows of resources for pensions	(1,908)
Net pension liability	1,615
Deferred inflows of resources for pensions	99
Deferred outflows of resources for OPEB	669
Deferred inflows of resources for OPEB	(9)
Depreciation	(51,711)
Debt principal retirement	4,825
Amortization of deferred charges	(30)
Amortization of premium	900
Capital contributions	62,156
Other	(5,518)
Net transfers to Public Transit	
Capital Projects Fund:	
Public Transit Operating	4,607
Change in net position	<u>\$ 37,382</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, 2018
(In Thousands)

	Authorizations	Expenditures			Unexpended Authorizations
		Current Year	Prior Years	Total	
Transit corridor development	\$ 1,758,115	\$ 74,442	\$ 1,459,674	\$ 1,534,116	\$ 223,999
Transit vehicles	199,811	21,988	162,503	184,491	15,320
Transit facilities	121,369	1,464	114,175	115,639	5,730
Transit maintenance & equipment	46,990	1,707	38,042	39,749	7,241
Transit support	25,809	887	12,877	13,764	12,045
Facilities maintenance	275	-	275	275	-
Total public transit capital projects	<u>\$ 2,152,369</u>	<u>\$ 100,488</u>	<u>\$ 1,787,546</u>	<u>\$ 1,888,034</u>	<u>\$ 264,335</u>

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, 2018
(In Thousands)

	Risk Management	Employee Health and Life	Total
ASSETS			
Current assets:			
Cash, cash equivalents and investments	\$ 78,225	\$ 50,143	\$ 128,368
Receivables - other	575	268	843
Due from other governmental agencies	6	2	8
Due from other funds	-	566	566
Prepaid items	17	-	17
Total current assets	<u>78,823</u>	<u>50,979</u>	<u>129,802</u>
Capital assets:			
Machinery and equipment	181	-	181
Less accumulated depreciation	<u>167</u>	<u>-</u>	<u>167</u>
Total capital assets, net	<u>14</u>	<u>-</u>	<u>14</u>
Total assets	<u>78,837</u>	<u>50,979</u>	<u>129,816</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension deferrals	181	-	181
OPEB deferrals	46	-	46
Contributions to pension plan in current fiscal year	<u>132</u>	<u>-</u>	<u>132</u>
Total deferred outflows of resources	<u>359</u>	<u>-</u>	<u>359</u>
LIABILITIES			
Current liabilities:			
Accounts payable	433	2,032	2,465
Claims payable	39,975	10,425	50,400
Current maturities of noncurrent liabilities	106	-	106
Noncurrent liabilities:			
Due to participants	17,711	-	17,711
Compensated absences payable	63	-	63
Net pension liability	402	-	402
Net OPEB liability	<u>1,238</u>	<u>-</u>	<u>1,238</u>
Total noncurrent liabilities	<u>19,414</u>	<u>-</u>	<u>19,414</u>
Total liabilities	<u>59,928</u>	<u>12,457</u>	<u>72,385</u>
DEFERRED INFLOWS OF RESOURCES			
Pension deferrals	12	-	12
OPEB deferrals	<u>1</u>	<u>-</u>	<u>1</u>
Total deferred inflows of resources	<u>13</u>	<u>-</u>	<u>13</u>
NET POSITION			
Net investment in capital assets	14	-	14
Unrestricted	<u>19,241</u>	<u>38,522</u>	<u>57,763</u>
Total net position	<u>\$ 19,255</u>	<u>\$ 38,522</u>	<u>\$ 57,777</u>

CITY OF CHARLOTTE, NORTH CAROLINA
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
FOR THE YEAR ENDED JUNE 30, 2018
(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	\$ 3,240	\$ 9,525	\$ 12,765
Claims:			
Employer	12,419	49,050	61,469
Employee	-	9,939	9,939
Other	203	436	639
Total claims	12,622	59,425	72,047
Premiums	5,536	20,889	26,425
Reimbursement from trust	-	25,143	25,143
Total operating revenues	21,398	114,982	136,380
OPERATING EXPENSES:			
Administration	4,148	10,796	14,944
Claims	17,584	76,210	93,794
Insurance premiums	5,661	20,889	26,550
Depreciation	4	-	4
Total operating expenses	27,397	107,895	135,292
Operating income (loss)	(5,999)	7,087	1,088
NONOPERATING REVENUES:			
Investment earnings	704	866	1,570
TRANSFERS OUT	(7,350)	-	(7,350)
Change in net position	(12,645)	7,953	(4,692)
Total net position - beginning, previously reported	32,878	30,569	63,447
Restatement (Note 6.k.)	(978)	-	(978)
Total net position - beginning	31,900	30,569	62,469
Total net position - ending	\$ 19,255	\$ 38,522	\$ 57,777

CITY OF CHARLOTTE, NORTH CAROLINA
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2018
(In Thousands)

	Risk Management	Employee Health and Life	Total
CASH FLOWS FROM OPERATING ACTIVITIES:			
Receipts from participants	\$ 16,138	\$ 30,828	\$ 46,966
Payments to suppliers	(2,453)	(9,577)	(12,030)
Internal activity - receipts from other funds	19,838	58,629	78,467
Receipts from trust	-	25,143	25,143
Receipts from recovery of losses	332	-	332
Payments to employees	(1,620)	-	(1,620)
Payments for claims	(27,716)	(76,451)	(104,167)
Payments for premiums	(9,233)	(20,825)	(30,058)
Other receipts (payments)	-	436	436
Net cash provided (used) by operating activities	(4,714)	8,183	3,469
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Transfers	(7,350)	-	(7,350)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Interest received	874	693	1,567
Net increase (decrease) in cash and cash equivalents	(11,190)	8,876	(2,314)
Cash, cash equivalents and investments - beginning of year	89,415	41,267	130,682
Cash, cash equivalents and investments - end of year	\$ 78,225	\$ 50,143	\$ 128,368
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:			
Operating income (loss)	\$ (5,999)	\$ 7,087	\$ 1,088
Adjustments to reconcile operating income (loss) to net cash provided by (used) operating activities-			
Depreciation	4	-	4
Change in assets and liabilities:			
(Increase) in receivables	(119)	-	(119)
(Increase) in due from other governments	(1)	-	(1)
Decrease in due from other funds	-	54	54
(Increase) in prepaid items	(17)	-	(17)
Decrease in deferred outflows of resources for pensions	210	-	210
(Increase) in deferred outflows of resources for OPEB	(9)	-	(9)
Increase in accounts payable	340	1,283	1,623
(Decrease) in claims payable	(3,715)	(241)	(3,956)
Increase in due to participants	4,780	-	4,780
(Decrease) in compensated absences payable	(8)	-	(8)
(Decrease) in net pension liability	(203)	-	(203)
Increase in net OPEB liability	32	-	32
(Decrease) in deferred inflows of resources for pensions	(10)	-	(10)
Increase in deferred inflows of resources for OPEB	1	-	1
Total adjustments	1,285	1,096	2,381
Net cash provided (used) by operating activities	\$ (4,714)	\$ 8,183	\$ 3,469

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 provisions of other postemployment benefit payments for retirees and their beneficiaries.

CITY OF CHARLOTTE, NORTH CAROLINA
FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2018
(In Thousands)

	Firefighters' Retirement Pension Trust	Employee Benefit - Other Employee Benefit Trust	Total
ASSETS			
Cash, cash equivalents and investments	\$ 6,575	\$ 2,858	\$ 9,433
Receivables:			
Employer contributions	179	-	179
Member contributions	179	120	299
Interest and dividends	575	20	595
Total receivables	933	140	1,073
Investments:			
Equity securities - stocks	148,249	-	148,249
Fixed income securities - bonds	109,303	-	109,303
Mutual funds	287,235	89,305	376,540
Total investments	544,787	89,305	634,092
Capital assets, at cost, net of accumulated depreciation of \$290	267	-	267
Total assets	552,562	92,303	644,865
LIABILITIES			
Accounts payable	670	14	684
Total liabilities	670	14	684
NET POSITION			
Restricted for pensions	\$ 551,892		551,892
Held in trust for other postemployment benefits		\$ 92,289	92,289
			<u>\$ 644,181</u>

CITY OF CHARLOTTE, NORTH CAROLINA
FIDUCIARY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEAR ENDED JUNE 30, 2018
(In Thousands)

	Firefighters' Retirement Pension Trust	Employee Benefit - Other Employee Benefit Trust	Total
ADDITIONS:			
Contributions-			
Member	\$ 9,909	\$ -	\$ 9,909
Employer	9,333	20,454	29,787
Other	-	337	337
Total contributions	19,242	20,791	40,033
Investment income -			
Net appreciation (depreciation) in fair value of investments	43,781	5,317	49,098
Interest	2,442	564	3,006
Dividends	3,615	-	3,615
Other	3	-	3
Total investment income	49,841	5,881	55,722
Investment expense	2,860	266	3,126
Net investment income	46,981	5,615	52,596
Total additions	66,223	26,406	92,629
DEDUCTIONS:			
Benefits	33,120	5,683	38,803
Refunds	212	-	212
Insurance premiums	-	7,829	7,829
Administration	735	1,270	2,005
Depreciation	28	-	28
Total deductions	34,095	14,782	48,877
Change in net position	32,128	11,624	43,752
Net position - beginning	519,764	80,665	600,429
Net position - ending	\$ 551,892	\$ 92,289	\$ 644,181



THIS PAGE INTENTIONALLY BLANK

STATISTICAL SECTION



PHOTO BY: LEW HARFORD,
RETIRED 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.

	Page
Financial Trends.....	165-171
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.....	172-176
These schedules contain information to help the reader assess the government's most significant local revenue source, the property tax.	
Debt Capacity.....	178-185
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.....	186-187
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	188-190
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.



THIS PAGE INTENTIONALLY BLANK

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

	Fiscal Year									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Governmental activities										
Net investment in capital assets	\$ 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	\$ 4,814,247
Restricted	237,956	237,147	233,293	221,832	248,404	252,385	349,992	356,435	324,070	324,406
Unrestricted ³	392,995	417,562	428,842	421,933	447,428	496,553	351,862	428,719	345,073	(165,257)
Total governmental activities net position	4,975,379	5,109,993	5,198,005	5,299,122	5,362,825	5,417,781	5,357,056	5,349,033	5,359,894	4,973,396
Business-type activities										
Net investment in capital assets ¹	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	4,153,959
Restricted ²	199,530	245,033	256,055	316,914	356,516	391,966	430,577	443,384	345,499	364,684
Unrestricted	642,533	605,019	772,884	792,697	755,548	740,933	848,115	957,704	1,389,110	1,380,816
Total business-type activities net position	3,210,175	3,317,320	3,484,098	3,652,696	3,906,234	4,210,644	4,659,392	5,077,697	5,659,229	5,899,459
Primary government										
Net investment in capital assets	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	8,968,206
Restricted	437,486	482,180	489,348	538,746	604,920	644,351	780,569	799,819	669,569	689,090
Unrestricted	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	1,215,559
Total primary government net position	\$ 8,185,554	\$ 8,427,313	\$ 8,682,103	\$ 8,951,818	\$ 9,269,059	\$ 9,628,425	\$10,016,448	\$10,426,730	\$ 11,019,123	\$ 10,872,855

¹ 2010 through 2013 have been restated for the effects of a prior period adjustment.

² 2017 reflects use of passenger facility charges for Airport projects.

³ 2018 reflects the City's implementation of GASB Statement 75, Accounting and Financial Reporting for Postemployment Benefit Plans Other Than Pensions.

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

	Fiscal Year									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Expenses										
Governmental activities:										
Public safety ¹	\$ 301,866	\$ 318,576	\$ 324,920	\$ 347,380	\$ 372,986	\$ 348,428	\$ 350,556	\$ 374,328	\$ 432,355	\$ 450,771
Sanitation	49,817	55,721	48,210	47,925	49,572	52,871	53,912	55,717	59,011	63,956
General administration	48,798	38,188	38,272	45,030	45,273	47,158	49,897	58,256	44,998	53,366
Support services	23,719	21,066	21,454	35,427	25,599	28,820	30,398	31,210	36,894	41,625
Engineering and property management	33,049	29,232	27,265	24,876	31,637	25,769	26,331	52,044	38,831	52,342
Streets and highways ⁶	103,289	116,141	119,024	114,400	122,168	125,518	159,892	174,912	48,548	51,839
Culture and recreation	13,914	17,834	10,085	17,856	28,744	32,826	43,617	45,158	44,830	56,956
Community planning and development	74,104	81,691	83,608	73,513	68,789	67,154	88,651	75,889	71,844	82,197
Interest and other charges ²	46,334	62,585	57,059	56,080	56,373	54,329	55,000	57,498	53,220	50,059
Total governmental activities expenses	694,890	741,034	729,897	762,487	801,141	782,873	858,254	925,012	830,531	903,111
Business-type activities:										
Water	104,087	99,239	104,711	116,628	103,934	104,925	136,759	143,992	142,697	148,429
Sewer	161,607	158,744	141,380	132,824	144,972	149,865	160,104	163,565	165,039	175,447
Storm water ⁵	21,605	53,449	20,186	20,766	22,117	19,934	21,374	16,614	17,517	24,664
Airport	158,136	138,372	159,443	170,298	172,091	185,178	189,466	205,860	234,432	261,333
Public transit ⁸	155,481	155,104	150,994	160,655	168,183	162,511	167,482	173,243	177,312	219,192
Total business-type activities expenses	600,916	604,908	576,714	601,171	611,297	622,413	675,185	703,274	736,997	829,065
Total primary government expenses	\$ 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	\$ 1,732,176
Program Revenues										
Governmental activities:										
Fees, fines, and charges for services:										
Public safety	\$ 24,692	\$ 23,719	\$ 24,959	\$ 23,761	\$ 28,281	\$ 28,452	\$ 29,474	\$ 38,772	\$ 40,271	\$ 43,696
Sanitation	11,503	11,895	12,148	12,336	12,341	13,084	12,491	8,824	11,156	13,773
General administration	15,930	14,853	16,980	16,851	15,779	17,418	3,162	2,913	2,033	2,156
Community planning and development	7,954	11,440	4,571	3,290	7,162	3,437	5,171	4,859	3,767	5,389
Other activities	29,196	26,478	28,610	37,684	34,446	33,829	54,833	59,761	60,216	60,022
Operating grants and contributions ¹	63,714	65,051	64,049	78,593	97,294	50,978	33,471	51,192	50,295	56,547
Capital grants and contributions ³	450,950	165,500	102,965	121,645	14,469	22,629	53,241	20,810	19,304	20,601
Total governmental activities program revenues	603,939	318,936	254,282	294,160	209,772	169,827	191,843	187,131	187,042	202,184
Business-type activities:										
Fees, fines, and charges for services:										
Water	90,866	98,954	101,868	115,459	119,718	129,115	145,234	166,043	171,798	171,796
Sewer	144,033	151,653	163,622	177,377	184,630	189,744	195,530	211,084	230,511	235,548
Storm water	43,642	45,782	48,589	52,075	57,642	56,885	61,786	70,042	70,496	71,985
Airport	190,052	188,935	212,935	219,990	243,874	254,331	264,139	277,891	289,450	313,113
Public transit	23,132	21,548	25,025	26,508	29,122	28,820	33,955	32,404	31,823	29,585
Operating grants and contributions	14,413	12,803	12,923	12,586	12,197	12,082	11,406	10,945	12,053	33,953
Capital grants and contributions ⁹	119,356	98,504	85,319	73,900	145,792	153,666	312,823	241,970	381,724	114,107
Total business-type activities program revenues	625,494	618,179	650,281	677,895	792,975	824,643	1,024,873	1,010,379	1,187,855	970,087
Total primary government program revenues	\$ 1,229,433	\$ 937,115	\$ 904,563	\$ 972,055	\$ 1,002,747	\$ 994,470	\$ 1,216,716	\$ 1,197,510	\$ 1,374,897	\$ 1,172,271

	Fiscal Year									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Net (Expense)/Revenue										
Governmental activities	\$ (90,951)	\$ (422,098)	\$ (475,615)	\$ (468,327)	\$ (591,369)	\$ (613,046)	\$ (666,411)	\$ (737,881)	\$ (643,489)	\$ (700,927)
Business-type activities	24,578	13,271	73,567	76,724	181,678	202,230	349,688	307,105	450,858	141,022
Total primary governmental net expense	<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>	<u>\$ (559,905)</u>
General Revenues and Other Changes in Net Position										
Governmental activities:										
Taxes-										
Property	\$ 345,755	\$ 356,913	\$ 362,780	\$ 377,309	\$ 397,629	\$ 436,597	\$ 396,985	\$ 452,209	\$ 454,908	\$ 467,815
Sales ²	74,434	72,715	73,340	82,730	84,890	92,853	105,623	114,192	118,385	128,402
Utility franchise ²	35,158	36,911	36,804	36,442	38,069	38,915	52,403	53,545	52,627	52,933
Occupancy	27,036	25,999	29,448	32,590	37,963	40,087	45,092	49,079	51,917	56,398
Prepared foods	19,226	19,598	20,378	22,523	24,643	25,514	28,358	30,026	31,509	33,632
Business privilege ⁷	16,390	16,250	15,430	16,375	17,721	9,188	17,098	283	29	23
Municipal vehicle	15,527	14,388	14,695	15,740	14,783	19,001	16,430	17,068	18,280	18,060
Grants and contributions not restricted to specific programs	16,756	13,508	16,979	18,513	19,067	20,546	22,205	23,383	24,952	26,222
Investment earnings ²	15,218	7,212	5,369	(16,546)	35,063	3,842	3,890	4,670	5,150	11,884
Miscellaneous ²	9,099	11,683	6,806	2,167	(1,001)	(450)	1,441	7,012	475	9,168
Special items ⁴	-	-	-	-	-	-	14,100	-	-	-
Transfers	(18,410)	(18,465)	(18,402)	(18,399)	(13,755)	(18,091)	(20,270)	(21,609)	(25,402)	(22,920)
Total governmental activities	<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>	<u>781,617</u>
Business-type activities:										
Sales taxes levied for Public transit ²	59,510	57,870	57,355	65,754	66,505	71,233	81,150	89,617	92,601	103,022
Investment earnings	29,516	13,181	8,842	6,461	(1,107)	7,738	6,098	7,065	7,830	23,412
Miscellaneous	3,685	4,358	8,612	1,260	(7,293)	5,118	3,319	(7,091)	4,841	3,372
Transfers	18,410	18,465	18,402	18,399	13,755	18,091	20,270	21,609	25,402	22,920
Total business-type activities	<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>	<u>152,726</u>
Total primary government	<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>	<u>\$ 934,343</u>
Change in Net Position										
Governmental activities	\$ 465,238	\$ 134,614	\$ 88,012	\$ 101,117	\$ 63,703	\$ 54,956	\$ 16,944	\$ (8,023)	\$ 89,341	\$ 80,690
Business-type activities	135,699	107,145	166,778	168,598	253,538	304,410	460,525	418,305	581,532	293,748
Total primary government	<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>	<u>\$ 374,438</u>

Notes:

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

² 2009 has been restated for the effects of a prior period adjustment.

³ In 2009, more street miles were added due to annexation.

⁴ In 2015, a discounted payoff was accepted in full satisfaction of a portion of private loan.

⁵ 2010, 2012, and 2013 have been restated for the effects of a prior period adjustment.

⁶ In 2017, expense decreased due to increased capitalization of streets and right-of-way maintained by the City.

⁷ In 2016, the Business Privilege License Tax ended.

⁸ In 2018, Public Transit blue line light rail extension to the University area went into operation and the Airport expanded Concourse A.

⁹ In 2017, Public Transit grant reimbursements for blue line light rail extension that went into operations in 2018.

CITY OF CHARLOTTE, NORTH CAROLINA
FUND BALANCES, GOVERNMENTAL FUNDS, POST-GASB 54
LAST EIGHT FISCAL YEARS¹
(In Thousands)
(modified accrual basis of accounting)

		Fiscal Year							
		2011	2012	2013	2014	2015	2016	2017	2018
General fund									
Nonspendable:									
Inventories	\$ 951	\$ 1,004	\$ 985	\$ 1,208	\$ 1,378	\$ 1,426	\$ 1,218	\$ 1,385	
Long-term notes receivable	-	-	-	-	29	13	28	9	
Restricted - State statute	59,131	61,679	73,571	65,521	63,151	62,967	65,499	73,510	
Committed:									
Capital projects	3,790	5,674	12,539	5,311	14,382	21,795	2,751	5,540	
Component unit	848	1,100	1,738	2,146	2,610	3,215	3,441	3,765	
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	111,102	
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>	<u>\$ 195,311</u>	
All other governmental funds									
Nonspendable:									
Perpetual care	\$ 3,120	\$ 3,121	\$ 3,111	\$ 3,111	\$ 3,111	\$ 3,111	\$ 3,111	\$ 3,111	
Inventories	-	-	-	-	-	-	130	112	
Prepaid items	-	-	-	-	-	-	119	501	
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	6,342	
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	13,590	
Streets and highways	10,878	8,359	13,373	14,332	15,141	10,809	7,923	7,541	
Culture and recreation	121,702	120,924	129,869	138,774	144,780	167,391	183,899	185,310	
Community planning and development	4,291	5,034	5,111	5,762	4,560	7,507	38,773	35,002	
Committed:									
Capital projects	91,572	86,946	87,751	137,488	191,797	238,041	255,898	242,615	
Culture and recreation	1,896	1,500	1,016	396	4,814	34,510	45,016	68,130	
Assigned:									
Debt service	206,124	216,209	210,586	251,590	278,219	239,681	218,640	191,069	
Unassigned ²	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>	<u>\$ 753,323</u>	

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

² 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 TWO FISCAL YEARS¹
(In Thousands)
(modified accrual basis of accounting)

	Fiscal Year	
	2009	2010
General Fund		
Reserved	\$ 31,887	\$ 54,512
Unreserved ²	119,197	100,740
Total general fund	<u>\$ 151,084</u>	<u>\$ 155,252</u>
All Other Governmental Funds		
Reserved	\$ 35,463	\$ 34,430
Unreserved, reported in:		
Debt service funds ²	187,409	195,577
Capital projects funds ²	110,301	128,574
Special revenue funds	142,212	122,833
Total all other governmental funds	<u>\$ 475,385</u>	<u>\$ 481,414</u>

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

² 2009 has 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									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
REVENUES:										
Property taxes	\$ 344,248	\$ 359,279	\$ 363,060	\$ 378,409	\$ 395,789	\$ 430,657	\$ 401,040	\$ 451,563	\$ 456,176	\$ 467,717
Other taxes ¹	130,187	127,482	133,558	149,564	159,787	171,864	193,197	208,513	217,719	235,000
Intergovernmental ^{1,2}	135,380	137,647	129,561	149,958	176,661	136,198	172,109	166,463	163,711	172,575
Licenses, fees and fines ¹	62,994	60,330	60,118	61,103	63,914	63,001	68,421	43,363	46,287	50,347
Investment earnings	18,662	10,588	4,677	3,544	(14)	4,739	3,350	3,745	3,815	8,373
Private contributions ³	14,172	7,598	12,230	2,377	3,872	9,428	4,745	4,039	1,671	3,612
Administrative charges	25,721	25,446	28,513	29,406	24,636	25,227	29,361	34,793	37,031	39,589
Charges for current services	7,477	7,717	9,004	8,325	6,187	6,364	6,919	7,234	8,670	8,126
Miscellaneous	9,636	8,196	9,173	8,614	9,714	9,828	8,151	10,051	10,458	11,782
Total revenues	748,477	744,283	749,894	791,300	840,546	857,306	887,293	929,764	945,538	997,121
EXPENDITURES:										
Public safety ²	286,542	305,527	317,255	340,387	366,574	335,977	346,524	359,187	382,427	391,301
Sanitation	45,736	46,200	45,930	45,694	46,680	49,278	50,764	52,265	55,610	59,179
General administration	46,183	37,295	36,649	41,979	43,596	45,295	44,042	40,294	42,078	47,143
Support services	20,069	18,523	19,895	30,848	22,563	25,956	29,414	29,728	31,823	31,885
Engineering and property management	23,793	21,808	21,164	22,717	22,056	22,479	22,739	20,973	22,095	21,927
Streets and highways	52,132	58,332	63,922	56,366	51,097	57,313	57,580	62,924	65,102	62,376
Culture and recreation ⁴	13,478	17,798	10,068	13,632	17,793	21,035	24,571	27,312	29,835	38,743
Community planning and development	55,330	54,381	52,248	51,215	46,683	51,947	56,613	49,813	46,119	46,868
Debt service-										
Principal ⁵	74,356	68,766	64,029	72,849	68,812	77,139	86,287	112,033	97,190	116,416
Interest and other charges	49,710	70,900	60,296	58,606	59,210	61,053	61,334	66,557	60,790	60,238
Capital outlay	280,708	252,408	126,119	137,506	170,522	162,571	160,745	154,320	166,087	175,209
Total expenditures	948,037	951,938	817,575	871,799	915,586	910,043	940,613	975,406	999,156	1,051,285
(Deficiency) of revenues (under) expenditures	(199,560)	(207,655)	(67,681)	(80,499)	(75,040)	(52,737)	(53,320)	(45,642)	(53,618)	(54,164)

	Fiscal Year									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
OTHER FINANCING SOURCES (USES):										
Sales of capital assets ⁶	953	3,160	1,435	1,943	4,768	1,117	1,003	34,027	6,238	2,518
Bonds issued	-	20,000	-	-	-	34,370	-	-	34,503	57,062
Commercial paper issued	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	49,102	393,509	-	177,485	130,470	266,893	62,755	33,010	116,230	-
Premium on debt issuance	3,629	35,845	-	36,025	5,123	31,544	15,199	5,906	19,377	-
Private loan ⁷	357	32,558	3,785	270	-	-	-	-	-	-
Payment to refunded bond escrow agent	(47,731)	(425,542)	-	(209,457)	(130,590)	(293,020)	(71,580)	(38,650)	(135,000)	-
Transfers in	82,201	96,718	126,518	111,204	126,402	121,528	123,605	186,997	191,445	175,007
Transfers out	(100,611)	(115,183)	(144,920)	(129,603)	(140,157)	(139,619)	(140,475)	(208,606)	(216,847)	(190,577)
Total other financing sources (uses)	266,027	217,852	49,604	85,868	104,812	145,862	151,171	102,582	17,623	44,010
Net change in fund balances	<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>	<u>\$ (10,154)</u>
Debt service as a percentage of noncapital expenditures	18.3%	19.3%	17.7%	17.6%	17.0%	18.4%	18.1%	19.4%	18.0%	18.2%

¹ 2009 has been restated for the effects of a prior period adjustment related to the recognition of revenues.

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

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

⁴ In 2018, Federal Court House was sold and design fees for Convention Center were incurred.

⁵ In 2009, the City early extinguished \$21,215 of installment purchases. In 2016, the Hall of Fame private loan was paid.

⁶ In 2016, land was sold to pay off NASCAR Hall of Fame private loan.

⁷ 2009 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: Tax-Exempt Property	Total Taxable Assessed Value	Total Direct Tax Rate
	Real Property			Personal Property							
	Residential Property	Commercial Property	Motor Vehicles	Other							
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				
2018	45,442,308	35,137,507	7,199,466	8,404,556	306,676	95,877,161	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					Mecklenburg County
					District 1	District 2	District 3	District 4	District 5	
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
2018	.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	2018			2009		
	Taxable Assessed	Percentage of Total		Taxable Assessed	Percentage of	
	Value	Rank	City Taxable Assessed Value	Value	Rank	Total City Taxable Assessed Value
Wells Fargo/Wachovia Corporation	\$ 1,494,520	1	1.56%	\$ 737,096	2	0.99%
Duke Energy Corporation	1,309,376	2	1.37	727,089	3	0.98
Bank of America	1,089,672	3	1.14	899,332	1	1.21
American Airlines/US Airways Group Incorporated	824,920	4	0.86	312,341	5	0.42
Time Warner Entertainment	362,891	5	0.38	286,624	6	0.39
Southpark Mall	328,336	6	0.34	213,132	8	0.29
AT&T/BellSouth, Incorporated	308,128	7	0.32	374,793	4	0.50
TIAA-Cref, LLC	233,262	8	0.24	189,378	9	0.25
Piedmont Natural Gas	231,082	9	0.24	238,136	7	0.32
Parkway Properties	210,118	10	0.22	-	-	-
Panthers Stadium, LLC	-		-	187,971	10	0.25
Total	\$ 6,392,305		6.67%	\$ 4,165,892		5.60%

Source: Mecklenburg County.

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

Fiscal Year ¹	Taxes Levied for the		Collected within the		Collections		Total Collections to Date	
	Fiscal Year	Amount	Fiscal Year of the Levy	Percentage of Levy	in Subsequent Years ²	Amount	Amount	Percentage of Levy
2009	\$ 344,391	\$ 336,270		97.64%	\$ 6,544	\$ 342,814		99.54%
2010	357,494	350,248		97.97	5,664	355,912		99.56
2011	362,833	355,258		97.91	5,038	360,296		99.30
2012	395,901	387,890		97.98	(15,644)	372,246		94.03
2013	395,392	386,270		97.69	(8,587)	377,683		95.52
2014	415,447	408,956		98.44	2,065	411,021		98.93
2015	392,831	390,339		99.37	7,104	397,443		100.00
2016	422,527	420,153		99.44	8,752	428,905		100.00
2017	422,768	419,751		99.29	8,869	428,620		100.00
2018	432,044	429,926		99.51	-	429,926		99.51

Source: Mecklenburg County.

¹ 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, 2018, for the fiscal year 2019, were based on the assessed values listed as of January 1, 2018.

² 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, 2018
(In Thousands)

	City - Wide		Total Levy	
	Property Valuation	Rate	Property excluding Registered Motor Vehicles	Registered Motor Vehicles
Original Levy:				
Property taxed at current year's rate	\$ 88,845,075	0.4787	\$ 425,301	\$ 17,955
Discoveries - current and prior years	386,737	-	-	-
Total property valuation	<u>\$ 89,231,812</u>		<u>425,301</u>	<u>17,955</u>
Net Levy			409,111	17,955
Unpaid (by taxpayer) taxes at June 30, 2017			(2,103)	-
Current year's taxes collected			<u>\$ 407,008</u>	<u>\$ 17,955</u>
Current levy collection percentage			<u>99.49%</u>	<u>100.00%</u>

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

² Property valuation amounts are only for property and does not include registered motor vehicles



THIS PAGE INTENTIONALLY BLANK

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				Percentage of		Other Governmental Activities Debt						
	Governmental Activities		Business-Type Activities		Actual Taxable Value of	Per Capita ²	Special Obligation Bonds		Installment Purchases ^{3,4}	Construction Period Notes ⁶	Private Loan		
	General Obligation Bonds ³	General Obligation	Bonds ³	General Obligation	Property ¹								
2009	\$	385,286	\$	336,796	0.97%	\$	1,007	\$	10,970	\$	293,812	\$	2,322
2010		515,359		311,791	1.07		1,093		10,970		777,594		35,045
2011		485,333		286,002	0.99		1,055		10,970		739,441		38,830
2012		606,204		258,998	0.96		1,120		10,120		730,252		39,100
2013		577,431		231,267	0.89		1,015		9,220		727,912		35,331
2014		729,362		203,241	1.03		1,170		8,270		747,191		35,331
2015		691,351		174,812	0.97		1,069		7,270		803,723		16,231
2016		647,449		145,373	0.87		959		6,215		767,855		-
2017		737,220		114,415	0.87		995		5,100		708,206		-
2018		685,147		85,211	0.80		880		-		639,406		-

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

¹ See Schedule of Assessed Value and Actual Value of Taxable Property for value data.

² See Schedule of Demographic and Economic Statistics for population and personal income data.

³ 2009 through 2012 have been restated for the implementation of GASB 65.

⁴ 2009 through 2012 have been restated for a prior period adjustment.

⁵ N/A = Data not available

⁶ 2009 through 2016 includes Commercial Paper Notes. 2017 and 2018 includes General Obligation Bond Anticipation Notes.

Other Business-Type Activities Debt

Fiscal Year	Revenue										Percentage of	
	Revenue			Bond		Other		Total Primary		Personal Income ²	Per Capita ²	
	Bonds ³	Installment Purchases ³	Commercial Paper Notes	Anticipation Notes	Financing Agreements	Revolving Loans	TIF/IA Loan	Government				
2009	\$ 1,943,826	\$ 207,374	\$ 55,612	\$ -	\$ 7,975	\$ -	\$ -	\$ 3,775,635	16.88%	\$ 5,425		
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	3,730	137,685	4,607,031	N/A ⁵	5,382		
2018	2,524,153	371,318	-	52,405	675	3,438	180,000	4,633,318	N/A ⁵	5,293		

CITY OF CHARLOTTE, NORTH CAROLINA
DIRECT AND OVERLAPPING BONDED DEBT
JUNE 30, 2018
(Dollar Amounts in Thousands)

Jurisdiction	Net General Obligation Bonded Debt Outstanding	Percentage Applicable to City ¹	Amount Applicable to City
Direct:			
City of Charlotte	\$ 770,358	100%	\$ 770,358
Overlapping:			
Mecklenburg County	1,371,719	75	1,028,789
Total	<u>\$ 2,142,077</u>		<u>\$ 1,799,147</u>

¹ Percentage of direct and overlapping debt is based on June 30, 2018 assessed valuation of the City of Charlotte (\$95,877,161) as compared to the June 30, 2018 assessed valuation of Mecklenburg County (\$127,005,628).

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 ^{1,2}		
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
2018	7,670,173	2,158,926	5,511,247	28.15

¹ Excludes debt not applicable to the limit.

² 2009 through 2012 have been restated for the implementation of GASB 65.

Legal Debt Margin Calculation for Fiscal Year 2018:

Assessed value	\$ 95,877,161
Debt limit (8% of assessed value)	7,670,173
Total outstanding general obligation bonded debt	\$ 770,358
Amounts due under installment purchases primarily for Convention Center, tourism, capital improvements and equipment	1,010,724
Bonds authorized but unissued	405,849
Less- Water general obligation bonds	2,186,931
Outstanding debt, net	28,005
Legal debt margin	2,158,926
	\$ 5,511,247

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

Fiscal Year	Allowable Revenues ¹	Debt Service Requirement ²	Bond Coverage
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

¹ Allowable revenues as defined by the Revenue Bond Order.

² Bonds were paid off in fiscal year 2018.

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

Fiscal Year	Allowable Revenues ¹	Current Expenses ¹	Net Revenues		Debt Service Requirement	Revenue Bond Coverage
			Available for Debt Service			
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
2018	417,456	136,215	281,241		111,105	2.5

¹ 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 ¹	Current Expenses ¹	Net Revenues		
			Available for Debt Service	Debt Service Requirement	Revenue Bond Coverage
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
2018	76,364	10,143	66,221	12,523	5.3

¹ 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		Debt Service Requirement ²	Revenue Bond Coverage ³
	Revenues ¹		Revenues ¹		Debt Service	Available for		
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
2018		226,000		119,984		106,016	17,775	6.0

¹ Gross revenues and application of revenues as defined by the Revenue Bond Order.

² Net of capitalized interest.

³ 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)			
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	35.5	4.5
2017	856,062		N/A	37,687	37.4	4.1
2018	875,318		N/A	N/A	35.1	4.0

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

	2018			2009		
	Employees	Rank	Percentage to Total City Employment	Employees	Rank	Percentage to Total City Employment
<u>Employer</u>						
Atrium Health (formerly Carolinas Healthcare System)	35,700	1	6.01%	26,283	1	6.33%
Wells Fargo/Wachovia Corporation	23,500	2	3.96	20,000	2	4.82
Charlotte-Mecklenburg Schools	18,495	3	3.11	19,485	3	4.69
Wal-Mart Stores, Incorporated	17,100	4	2.88	13,192	5	3.18
Bank of America	15,000	5	2.53	13,960	4	3.36
Novant Health	11,698	6	1.97	-	-	-
American Airlines	11,000	7	1.85	-	-	-
Delhaize America Incorporated/ Food Lion LLC	9,078	8	1.53	8,658	7	2.09
Harris Teeter Incorporated	8,239	9	1.39	-	-	-
Lowe's Companies Incorporated	7,801	10	1.31	-	-	-
Presbyterian Regional Healthcare Corporation	-	-	-	9,000	6	2.17
Duke Energy Corporation	-	-	-	7,757	8	1.87
State of North Carolina	-	-	-	7,479	9	1.80
US Airways Group, Incorporated	-	-	-	5,955	10	1.43
Total	157,611		26.54%	131,769		31.74%

Sources: Number of employees provided by Mecklenburg County. 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									
	2009	2010	2011 ¹	2012	2013	2014	2015	2016	2017	2018
Public safety ^{2,5,7}	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	3,705.50
Sanitation	289.00	296.00	283.00	289.00	289.00	289.00	302.00	302.00	305.00	314.00
General administration ⁸	350.25	367.25	371.25	373.25	370.50	370.50	348.50	366.75	372.75	294.00
Shared services ⁷	235.00	223.00	246.00	254.50	257.00	257.00	288.00	249.00	257.00	268.00
Engineering and property management	330.00	329.00	330.00	330.00	322.00	322.00	322.00	325.00	343.00	347.00
Streets and highways ⁷	429.50	434.50	432.50	431.50	431.50	431.50	431.50	408.75	410.75	422.75
Community planning and development ⁸	226.00	233.00	229.00	220.00	220.00	225.00	228.00	214.00	218.00	329.75
Water and Sewer ³	812.50	802.50	791.50	746.25	746.50	761.50	796.00	822.00	846.00	912.00
Storm water	86.00	83.00	84.00	84.00	95.00	100.00	108.00	124.00	131.00	136.00
Airport ⁴	268.00	268.00	266.00	283.00	251.00	262.00	432.00	503.00	553.00	595.00
Public transit ⁶	392.75	392.75	360.75	361.75	361.75	361.75	384.75	419.75	522.75	522.75
Risk management	27.00	27.00	27.00	27.00	27.00	27.00	28.00	28.00	28.00	27.00
Total	6,669.50	6,848.50	6,809.50	6,808.75	6,843.75	6,879.75	7,169.25	7,236.75	7,581.75	7,873.75

Source: Actual position allocations per Strategy and Budget Department.

¹ In 2011, vacant positions were eliminated.

² 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.

³ 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.

⁴ 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.

⁵ In 2013, positions were transferred from public safety at the airport to public safety.

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

⁷ In 2016, vacant positions were eliminated.

⁸ In 2018, Char Meck 311 positions were moved from General administration to Community planning and development.

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

Function/Program	Fiscal Year									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Public safety										
Police physical arrests	29,703	28,326	27,800	25,389	22,839	23,018	22,144	20,794	19,697	18,937
911 call volume	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	1,179,451
Fire calls answered	91,309	93,139	98,569	95,922	97,361	103,474	110,710	117,315	123,159	124,123
Sanitation ¹										
Refuse collected (in tons)	179,814	178,752	221,868	218,792	212,296	211,407	206,535	219,901	228,819	226,199
Refuse collected by City contractors (in tons)	100,585	100,285	74,646	77,195	62,153	63,971	65,768	72,548	84,794	87,853
Recyclables and organics collected (in tons) ^{2,3,4}	68,509	67,317	53,264	54,587	54,557	58,173	88,332	50,995	57,832	57,600
Recyclables and organics collected by City contractors (in tons) ³	13,482	14,843	45,206	46,599	47,666	49,183	10,283	49,313	49,994	48,377
Support services	3,367	3,470	3,465	3,577	3,331	3,280	3,250	3,233	3,342	3,294
Fleet maintained										
Streets and highways	319	246	325	222	149	211	221	234	272	206
Miles resurfaced	576	895	790	768	856	1,205	1,101	1,173	1,183	1,524
Potholes repaired										
Community planning and development	3,749	3,142	3,196	3,070	2,498	2,670	2,779	2,300	2,141	2,320
Housing inspections conducted	1,093	1,172	1,310	1,614	1,368	1,083	824	768	1,033	1,248
Affordable housing production ⁴										
Water										
Number of service connections	242,631	245,854	248,257	253,557	257,683	262,607	267,664	273,574	279,380	285,092
Average daily pumped (in millions of gallons)	99	108	110	101	99	101	103	107	107	106
Sewer										
Number of service connections	223,855	226,978	229,002	235,157	238,854	242,959	247,165	246,299	256,327	260,580
Average daily treatment (in millions of gallons)	81	83	76	78	79	83	81	80	80	78
Storm water										
Requests for services completed	2,021	2,266	1,890	2,862	1,809	1,886	1,711	2,565	2,405	2,369
Airport										
Number of airline arrivals and departures per day	1,289	1,281	1,359	1,371	1,415	1,401	1,399	1,389	1,402	1,383
Passengers boarding (in thousands)	17,305	17,725	19,614	20,010	21,108	21,977	22,193	22,376	22,515	23,075
Public transit ³										
Revenue miles operated (in thousands)	17,280	15,617	15,598	15,925	16,226	16,195	16,518	14,750	15,831	11,725
Passengers (in thousands)	26,034	24,355	24,901	26,500	26,110	25,572	25,201	23,900	22,734	21,230

¹ Operating indicators for Sanitation have been restated to break out between City services and contractor provided services for fiscal years 2009 through 2012.

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

³ Recycling contract was cancelled in 2015. Recycling contract started in 2016.

⁴ 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									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Public safety										
Police stations	13	13	13	13	13	13	13	13	13	13
Patrol units	1,169	1,251	1,267	1,352	1,386	1,391	1,388	1,392	1,443	1,490
Fire stations	39	40	41	42	42	42	42	42	42	42
Sanitation										
Collection trucks	198	200	178	171	180	177	188	177	180	178
Streets and highways										
Lane miles of streets ¹	5,091	5,140	5,185	5,245	5,261	5,265	5,271	5,284	5,323	5,371
Number of street lights	67,345	70,000	69,695	70,862	71,851	72,316	73,185	73,634	74,140	74,310
Water										
Treatment plants	3	3	3	3	3	3	3	3	3	3
Miles of water mains	4,025	4,064	4,094	4,206	4,198	4,209	4,232	4,269	4,314	4,353
Fire hydrants ²	12,425	12,541	12,568	16,756	16,889	16,631	16,766	16,901	17,109	17,344
Sewer										
Treatment plants	5	5	5	5	5	5	5	5	5	5
Miles of sanitary sewer lines	4,028	4,047	4,073	4,180	4,170	4,320	4,200	4,244	4,288	4,330
Airport										
Feet of runway ³	26,345	35,175	35,175	35,175	35,175	35,175	35,175	35,175	35,175	35,175
Public transit										
Motor buses	342	324	324	323	322	322	316	316	315	312
Light rail vehicles ⁴	16	20	20	20	20	20	20	24	36	40
Streetcar vehicles ⁵	-	-	-	-	-	-	-	3	3	3

¹ 2009 through 2016 have been restated to record lane miles of street verses miles of streets.

² Beginning 2009, data represents only assets owned and maintained by the City.

³ In 2010, the Airport opened its third parallel runway.

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

⁵ In 2016, streetcar operations began.

SINGLE AUDIT



PHOTO BY: LEW HARFORD,
RETIRED CITY OF CHARLOTTE EMPLOYEE

**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, 2018, 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, 2018. 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. The financial statements of the Charlotte Firefighters' Retirement System were not audited in accordance with *Government Auditing Standards*.

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.

A handwritten signature in black ink that reads "Cherry R. Smith LLP". The signature is written in a cursive, flowing style.

Charlotte, North Carolina
October 31, 2018

**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, 2018. The City’s major federal programs are identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

Our audit, described below, did not include the operations of the Charlotte Regional Visitors Authority (the “CRVA”), a discretely presented component unit of the City, since it was audited by other auditors.

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, 2018.

Report on Internal Control over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the 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.

A handwritten signature in black ink that reads "Cherry R. Smith LLP". The signature is written in a cursive, flowing style.

Charlotte, North Carolina
October 31, 2018

**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, 2018. 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.

Our audit, described below, did not include the operations of the Charlotte Regional Visitors Authority (the “CRVA”), a discretely presented component unit of the City, since it was audited by other auditors.

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 U.S. *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, 2018.

Report on Internal Control over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the 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.

Handwritten signature of Cherry R. Smith, LLP in black ink.

Charlotte, North Carolina
October 31, 2018

CITY OF CHARLOTTE, NORTH CAROLINA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED JUNE 30, 2018

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 ☒ no
- Significant deficiency(ies) identified that are not considered to be material weaknesses? _____ yes ☒ no

Noncompliance material to financial statements noted? _____ yes ☒ no

Federal Awards

Internal control over major federal 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 federal awards? _____ yes ☒ 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 ☒ no

Identification of major federal programs:

CFDA Numbers

20.106

20.500

20.507

20.525

20.526

20.205

Names of Federal Program or Cluster

Airport Improvement Program

Federal Transit Cluster:

Capital Investment Grants

Formula Grants

State of Good Repair Grants Program

Bus and Bus Facilities Formula Program

Highway Planning and Construction Cluster

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

\$ 3,000,000

Auditee qualified as low-risk auditee?

_____ yes ☒ no

CITY OF CHARLOTTE, NORTH CAROLINA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED JUNE 30, 2018

Section 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

State Aid to Airports

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.

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, 2018

Section V – Schedule of Prior Year Audit Findings

None reported.

CITY OF CHARLOTTE, NORTH CAROLINA
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2018

Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	State/Pass-Through Grantor's Award Number	Fed. (Direct & Pass-Through) Expenditures **Rounded	State Expenditures **Rounded	Pass-Through to Subrecipients **Rounded
FEDERAL AWARDS:					
<u>Executive Office of the President</u>					
Direct Programs:					
High Intensity Drug Trafficking Areas	95.001	G16GA0007A	\$ 24,254	\$ -	\$ -
High Intensity Drug Trafficking Areas	95.001	G17GA0007A	37,395	-	-
Total Executive Office of the President			\$ 61,649	\$ -	\$ -
<u>U.S. Department of Homeland Security</u>					
Direct Programs:					
Assistance to Firefighters	97.044	EMW-2015-FO-04997	\$ 182,018	\$ -	\$ -
Rail and Transit Security	97.075	EMW-2015-RA-00045-S01	125,996	-	-
TSA-NEDCTP	97.U01	HSTS02-16-H-NCP416 TSA (K-9)	145,526	-	-
TSA-Credentialing Screening & Intel Division	97.U02	HSTS02-16-H-SLR722 TSA (LEO)	110,883	-	-
Total Direct Programs			564,423	-	-
<u>Pass-Through N.C. Department of Crime Control and Public Safety:</u>					
Disaster - Public Assistance (Presidentially Declared)	97.036	TX-1262-RR-6401 Harvey	133,917	-	-
Disaster - Public Assistance (Presidentially Declared)	97.036	2Z55 - Irma	6,403	-	-
Disaster - Public Assistance (Presidentially Declared)	97.036	NC-1288-RR-7088 Puerto Rico	29,163	-	-
Disaster - Public Assistance (Presidentially Declared)	97.036	NC-1437-RR-7659 Hawaii	9,194	-	-
Homeland Security	97.067	EMW-2014-SS-00069-S01 / 1551	1,063,655	-	-
Homeland Security	97.067	EMW-2015-SS-00062-S01 / 1500-2	54,801	-	-
Homeland Security	97.067	EMW-2016-SS-00011-S01 / 1649	709,678	-	-
Homeland Security	97.067	EMW-2015-SS-00062-S01 / 1500-9	3,981	-	-
Homeland Security	97.067	EMW-2017-SS-00085-S01 / 1754	45,110	-	-
Total Pass-Through N.C. Department of Crime Control and Public Safety			2,055,902	-	-
<u>Pass-Through Mecklenburg County:</u>					
Emergency Management Performance	97.042	EMPG-2016-37119	62,500	-	-
Emergency Management Performance	97.042	EMPG-2017-37119	17,132	-	-
Total Pass-Through Mecklenburg County			79,632	-	-
Total U.S. Department of Homeland Security			\$ 2,699,957	\$ -	\$ -

CITY OF CHARLOTTE, NORTH CAROLINA
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2018

Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	State/Pass-Through Grantor's Award Number	Fed. (Direct & Pass-Through) Expenditures **Rounded	State Expenditures **Rounded	Pass-Through to Subrecipients **Rounded
U.S. Department of Housing and Urban Development					
Direct Programs:					
CDBG - Entitlement Grants Cluster:					
Community Development Block Grants/Entitlement	14.218	24361483	(70)	-	\$ -
Community Development Block Grants/Entitlement	14.218	B-15-MC-37-0003	764,386	-	-
Community Development Block Grants/Entitlement	14.218	B-16-MC-37-0003	5,351,235	-	3,248,697
Community Development Block Grants/Entitlement	14.218	B-17-MC-37-0003	383,329	-	-
Total CDBG - Entitlement Grants Cluster			6,498,880	-	3,248,697
Other U.S. Dept. of Housing and Urban Development Grants:					
Emergency Shelter	14.231	E-16-MC-37-0003	195,292	-	195,292
Emergency Shelter	14.231	E-17-MC-37-0003	313,025	-	262,442
HOME Investment Partnerships	14.239	M15-DC370212	1,892,827	-	1,405,623
HOME Investment Partnerships	14.239	M16-DC370212	36,044	-	-
Housing Opportunities For Persons With AIDS	14.241	NCH15-F001	1,566,169	-	1,566,169
Housing Opportunities For Persons With AIDS	14.241	NCH17-F001	124,164	-	124,164
Continuum of Care Program	14.267	NC0336L4F051500	49,704	-	-
Fair Housing Assistance	14.401	FF204K174008	86,480	-	-
Lead-Based Paint Hazard Control in Privately-Owned Housing	14.900	NCLHB0539-12	101,976	-	-
Lead-Based Paint Hazard Control in Privately-Owned Housing	14.900	NCLHB0539-12	614,147	-	-
Lead-Based Paint Hazard Control in Privately-Owned Housing	14.900	NCLHB0539-12	75,444	-	-
Total Other U.S. Dept. of Housing and Urban Development Grants			5,055,272	-	3,553,690
Total U.S. Department of Housing and Urban Development			\$ 11,554,152	\$ -	\$ 6,802,387
U.S. Department of Justice					
Direct Programs:					
Public Safety Partnership and Community Policing	16.710	2007CKW0044	210,250	\$ -	\$ -
Public Safety Partnership and Community Policing	16.710	2015GVW0010	51,453	-	-
Public Safety Partnership and Community Policing	16.710	2016ULW0046/NC06001	574,483	-	-
DNA Backlog Reduction	16.741	2015-DN-BX-0101	151,456	-	-
DNA Backlog Reduction	16.741	2016-DN-BX-0081	80,864	-	-
Special Data Collections and Statistical Studies	16.734	2016-FU-CX-K053	138,926	-	-
Edward Byrne Memorial Justice Assistance	16.738	2014-DJ-BX-1028	15,069	-	9,745
Edward Byrne Memorial Justice Assistance	16.738	2015-DJ-BX-1028	42,736	-	1,439
Edward Byrne Memorial Justice Assistance	16.738	2016-DJ-BX-1073	278,595	-	119,749
Criminal and Juvenile Justice and Mental Health Collaboration Program	16.745	2015-MO-BX-0019	67,121	-	-
National Sexual Assault Kit Initiative	16.833	2016-AK-BX-K019	471,977	-	-
National Sexual Assault Kit Initiative	16.833	2017-AK-BX-0020	93,335	-	-
Money Laundering and Asset Recovery - Justice	16.922	ESAC 07/01/2017	482,224	-	-
Total Direct Programs			2,658,489	-	130,933

CITY OF CHARLOTTE, NORTH CAROLINA
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2018

Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	State/Pass-Through Grantor's Award Number	Fed. (Direct & Pass-Through) Expenditures **Rounded	State Expenditures **Rounded	Pass-Through to Subrecipients **Rounded
Pass-Through N.C. Department of Public Safety:					
Juvenile Justice and Delinquency Prevention	16.540	2016-JF-FX-0028	\$ 26,164	\$ -	\$ -
Juvenile Justice and Delinquency Prevention	16.540	2017-JF-FX-0058	84,638	-	-
Violence Against Women	16.588	2015-WF-AX-0025	8,326	-	-
Violence Against Women	16.588	2016-WF-AX-0021/PROJ011688	98,720	-	-
Total Pass-Through N.C. Department of Public Safety			217,848	-	-
Total U.S. Department of Justice			\$ 2,876,337	\$ -	\$ 130,933
U.S. Department of Treasury					
Direct Programs:					
Money Laundering and Asset Recovery - Treasury	21.016	ESAC 07/01/2017	\$ 64,275	\$ -	\$ -
Total U.S. Department of Treasury			\$ 64,275	\$ -	\$ -
U.S. Department of Labor					
Pass-Through N.C. Department of Commerce:					
Workforce Investment Act Cluster:					
WIOA Youth Activities	17.259	2016-4050-7018 / AA-28327-16-55-A-37	\$ 151,921	\$ -	\$ 151,921
WIOA Youth Activities	17.259	2016-4050-8014 & 8015 / AA-28327-16-55-A-37	106,543	-	106,543
WIOA Youth Activities	17.259	2017-4050-8024 / AA-23827-16-55-A-37	5,148	-	5,148
WIA/WIOA Dislocated Worker	17.278	2016-4031-7037 / AA-28327-16-55-A-37	10,000	-	10,000
WIA/WIOA Dislocated Worker	17.278	2016-4050-7018 / AA-28327-16-55-A-37	29,695	-	29,695
WIA/WIOA Dislocated Worker	17.278	2016-4050-8031 / AA-28327-16-55-A-37	12,776	-	12,776
Total Workforce Investment Act Cluster			316,083	-	316,083
Other U.S. Department of Labor Grants:					
Workforce Investment Act	17.267	2015-4030	275,720	-	275,720
Workforce Investment Act	17.267	2016-4010	26,470	-	26,470
Workforce Investment Act	17.267	2016-4020	1,013,305	-	1,013,305
Workforce Investment Act	17.267	2016-4030	828,076	-	828,076
Workforce Investment Act	17.267	2016-4040	1,050,977	-	1,050,977
Workforce Investment Act	17.267	2017-4010	314,074	-	314,074
Workforce Investment Act	17.267	2017-4020	1,055,622	-	1,055,622
Workforce Investment Act	17.267	2017-4030	589,035	-	589,035
Workforce Investment Act	17.267	2017-4040	1,199,380	-	1,199,380
WIOA On-the-Job Training Apprenticeship with Disabilities	17.268	WIOA-OJT-CW0604-06	1,462	-	-
WIOA National Dislocated Worker /					
WIA National Emergency	17.277	2015-3130-7041 / EM-27361-15-60-A-37	77,120	-	77,120
Total Other U.S. Department of Labor Grants			6,431,241	-	6,429,779
Total U.S. Department of Labor			\$ 6,747,324	\$ -	\$ 6,745,862

CITY OF CHARLOTTE, NORTH CAROLINA
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2018

Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	State/Pass-Through Grantor's Award Number	Fed. (Direct & Pass-Through) Expenditures **Rounded	State Expenditures **Rounded	Pass-Through to Subrecipients **Rounded
U.S. Department of Transportation					
Direct Programs:					
Federal Aviation Administration:					
Airport Improvement Program	20.106	3-37-0012-076-2016	\$ 1,896,630	\$ -	\$ -
Airport Improvement Program	20.106	3-37-0012-075-2016	947,807	-	-
Airport Improvement Program	20.106	3-37-0012-077-2017	7,261,998	-	-
Total Federal Aviation Administration			10,106,435	-	-
Federal Transit Administration:					
National Infrastructure Investments	20.933	NC-79-0002-00	2,659,845	-	-
National Infrastructure Investments	20.933	FR-TII-0047-17	215,009	-	-
Total Federal Transit Administration			2,874,854	-	-
Federal Transit Administration:					
Federal Transit Cluster:					
Federal Transit - Capital Investment		NC-03-0082-00; 36224.26.4.3 / 13-BL-001; and			
Federal Transit - Capital Investment, continued	20.500	36224.26.1.1 / 09-NS-082	36,073,562	31,499,505	-
Federal Transit - Capital Investment	20.500	NC-04-0018-00 / 36232.1.11.3	5,288	661	-
Federal Transit - Capital Investment	20.500	NC-03-0084-00	222,625	-	-
Federal Transit - Capital Investment	20.500	NC-04-0046-00	35,126	-	-
Federal Transit - Capital Investment	20.500	NC-2016-001-00	6,624,925	-	-
Federal Transit - Formula	20.507	NC-90-X403-00 / 36231.14.10.3 / 16-95-080	49,947	1,313	-
Federal Transit - Formula	20.507	NC-90-X499	682,682	-	-
Federal Transit - Formula	20.507	NC-90-X541 / 36231.14.11.5 / 17-90-541	305,102	-	-
Federal Transit - Formula	20.507	NC-90-X569-00	4,450,714	-	-
Federal Transit - Formula	20.507	NC-95-X068-00	141,856	-	-
Federal Transit - Formula	20.507	NC-2016-043-00	2,113,693	-	96,779
Public Transportation Section 5307 Capital Program	20.507	NC-2017-022-00	5,047,750	-	-
Public Transportation Section 5307 Capital Program	20.507	NC-2017-019-00	11,120,452	-	-
Public Transportation Section 5307 Capital Program	20.507	NC-2018-008-00	3,864,000	-	-
Public Transportation Section 5307 Capital Program	20.507	NC-2018-015-00	4,000,000	-	-
Federal Transit - State of Good Repair Program	20.525	NC-2017-009-00	42,366	-	-
Federal Transit - State of Good Repair Program	20.525	NC-2017-045-00	571,359	-	-
Federal Transit - Bus and Bus Facilities Program	20.526	NC-2017-016-00	3,426,529	-	-
Total Federal Transit Cluster			78,777,976	31,501,479	96,779

**CITY OF CHARLOTTE, NORTH CAROLINA
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2018**

Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	State/Pass-Through Grantor's Award Number	Fed. (Direct & Pass-Through) Expenditures **Rounded	State Expenditures **Rounded	Pass-Through to Subrecipients **Rounded
Transit Services Programs Cluster:					
Enhance Mobility of Seniors and Individuals with Disabilities	20.513	NC-16-X015-00	\$ 60,550	\$ -	\$ 39,128
Enhance Mobility of Seniors and Individuals with Disabilities	20.513	NC-2016-033-00	203,400	-	197,477
Enhance Mobility of Seniors and Individuals with Disabilities	20.513	NC-2017-030-00	239,156	-	231,123
Total Transit Services Programs Cluster			503,106	-	467,728
Total Direct Programs			92,262,371	31,501,479	564,507
Federal Transit Administration:					
Pass-Through N.C. Department of Transportation:					
Federal Transit - Metropolitan Planning	20.505	36230.5.17.6 / 18-08-102	406,697	-	-
Total Pass-Through N.C. Department of Transportation			406,697	-	-
Federal Highway Administration:					
Highway Planning and Construction Cluster:					
Pass-Through Programs:					
Pass-Through N.C. Department of Transportation:					
Highway Planning and Construction	20.205	Y-4810 G	74,628	-	-
Highway Planning and Construction	20.205	46093.1.1 / BRSTP-1003(97)	2,023	-	-
Highway Planning and Construction	20.205	42844.1.1 / BRZ-1003	508,420	-	-
Highway Planning and Construction	20.205	CMS-1003(125)/C-5540/51010.1.1/51010.2.1	457,181	-	-
Highway Planning and Construction	20.205	CMS-1003(124)/C-5542/51012.1.1/51012.2.1	288,231	-	-
Highway Planning and Construction	20.205	CMS-1003(121)/C-5533/45506.1.1, 2.1, 3.1	419,775	-	-
Highway Planning and Construction	20.205	CMS-1003(133) / 51013.1.F1/2.F1/3.F1/C-5543	1,213,247	-	-
Highway Planning and Construction	20.205	CMS-1003(132) / 51011.3.1/C-5541	218,677	-	-
Highway Planning and Construction	20.205	HSIP-0485(39) / W-5601BJ / 50138.1.63	4,561	-	-
Highway Planning and Construction	20.205	CMS-1003(144)	10,795	-	-
Highway Planning and Construction	20.205	W-5601B1	6,000	-	-
Highway Planning and Construction	20.205	50152.1/2/3.F1/BRSTP-1003(143)	302,653	-	-
Highway Planning and Construction	20.205	50152.1/2/3.F1/BRSTP-1003(142)	183,219	-	-
Highway Planning and Construction	20.205	HSIP-0485(045)/W-5601K/50138.3.246	5,864	-	-
Highway Planning and Construction	20.205	NHPBA-0771(230)/I-5405C/45454.1.9,45454.3.10	643,520	-	-
Highway Planning and Construction	20.205	44842.1.19/44860.1.19	286,431	-	156,315
Highway Planning and Construction	20.205	44509.1.19	122,286	-	-
Highway Planning and Construction	20.205	HSIP-2805 (002) / 44962.1.1 / SS-4910CP	2,999	-	-
Highway Planning and Construction	20.205	Section 104f/39225.1.14(PL)/39225.1.19(STP-DA)	1,817,399	-	-
Highway Planning and Construction	20.205	M-0512 / 44843.10.1 / SPR-OSPR(102)	72,000	-	-
Highway Planning and Construction	20.205	C-56131 / CMAQ-0051(034)	191,298	-	-
Highway Planning and Construction	20.205	U-5874 / 46437.2.1 / STBGDA-0085(036)	176,740	-	-
Total Pass-Through N.C. Department of Transportation			7,007,947	-	156,315
Other Pass-Through Programs:					
Pass-Through S.C. Department of Transportation:					
Highway Planning and Construction	20.205	M-0512 / 44843.10.1 / SPR-OSPR(102)	8,000	-	-

CITY OF CHARLOTTE, NORTH CAROLINA
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2018

Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	State/Pass-Through Grantor's Award Number	Fed. (Direct & Pass-Through) Expenditures **Rounded	State Expenditures **Rounded	Pass-Through to Subrecipients **Rounded
<u>Pass-Through Rock Hill:</u>					
Highway Planning and Construction	20.205	M-0512 / 44843.10.1 / SPR-OSPR(102)	\$ 7,414	\$ -	\$ -
Pass-Through Gastonia:					
Highway Planning and Construction	20.205	M-0512 / 44843.10.1 / SPR-OSPR(102)	14,149	-	-
Pass-Through Concord:					
Highway Planning and Construction	20.205	M-0512 / 44843.10.1 / SPR-OSPR(102)	11,707	-	-
Total Other Pass-Through Programs			41,270	-	-
Total Highway Planning and Construction Cluster			7,049,217	-	156,315
Total Federal Transit Administration			99,718,285	31,501,479	720,822
 National Highway Traffic Safety Administration:					
Pass-Through N.C. Department of Transportation:					
Highway Safety Cluster:					
State and Community Highway Safety	20.600	PT-17-06-10	358	-	-
State and Community Highway Safety	20.600	PT-18-06-06	36,229	-	-
State and Community Highway Safety	20.616	M5HVE-17-15-01	82,027	-	-
State and Community Highway Safety	20.616	M5HVE-18-15-18	122,435	-	-
Total Highway Safety Cluster			241,049	-	-
Total U.S. Department of Transportation			\$ 99,959,334	\$ 31,501,479	\$ 720,822
 <u>U.S. Department of Energy</u>					
Pass-Through Envision Charlotte:					
State Energy Program	81.041	DE-EE0007066	522	-	\$ -
Total U.S. Department of Energy			522	-	\$ -
 STATE AWARDS:					
 <u>N.C. Department of Commerce</u>					
One NC Fund		2012-8501	-	\$ 79,908	\$ -
Total N.C. Department of Commerce			-	\$ 79,908	\$ -
 <u>N.C. Department of Public Safety</u>					
Direct Programs:					
Regional Response Team		RRT 7 2018	-	\$ 67,810	\$ -
Total Direct Programs			-	67,810	-
 Pass-Through Mecklenburg County:					
Juvenile Offender Diversion Program		17589 (JCPC)	-	95,053	-
Total Pass-Through Mecklenburg County			-	95,053	-
Total U.S. Department of Public Safety			\$ -	\$ 162,863	\$ -

CITY OF CHARLOTTE, NORTH CAROLINA
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2018

Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	State/Pass-Through Grantor's Award Number	Fed. (Direct & Pass-Through) Expenditures **Rounded	State Expenditures **Rounded	Pass-Through to Subrecipients **Rounded
N.C. Department of Transportation					
State Maintenance Assistance FY2018		FY2018 SMAP Letter 01/11/2018	\$ -	\$ 11,063,205	\$ -
State Street Aid-Powell Bill		32570	-	25,465,628	-
Apprenticeship/Intern Program Non Capital		36223.5.24.2 / 18-DG-024A	-	20,453	-
Apprenticeship/Intern Program Non Capital		36223.5.24.3 / 18-DG-024B	-	24,783	-
Apprenticeship/Intern Program Non Capital		36223.5.24.1 / 18-DG-024C	-	25,206	-
Transit Development Program		36225.1.16.1 / 18-RS-102	-	84,653	-
Metropolitan Planning Program		36230.5.17.6 / 18-08-102	-	50,837	-
Technology Program		36235.2.13.8 / 18-AT-102	-	63,000	-
State-Aid to Airports		36244.17.15.1	-	1,000,000	-
Locally Administered Project-State		44377.3.1 / U-5808	-	135,083	-
Reimbursement Agreement		38550.3-FR1 / B-4779	-	25,243	-
Reimbursement Agreement		44296	-	2,070	-
Traffic - Construction Agreement		10-206012	-	83,000	-
Traffic - Construction by Others Agreement		50000.3-STR08T4F	-	123,500	-
Traffic - Construction by Others Agreement		46450.1.1, 46450.2.1, 46450.3.1 / U-5905	-	256,253	-
Traffic - Construction by Others Agreement		SS-41910CO / 44961.3.1	-	1,687	-
Total N.C. Department of Transportation			\$ -	\$ 38,424,601	\$ -
N.C. Department of Environmental Quality					
Clean Water Management Trust Fund		2014-1002	\$ -	\$ 135,000	\$ -
Total N.C. Department of Environmental Quality			\$ -	\$ 135,000	\$ -
N.C. Office of Emergency Medical Services					
Pass-Through Metrolina Trauma Advisory Committee:					
SMAT III		Letter	\$ -	\$ 3,952	\$ -
Total N.C. Office of Emergency Medical Services			\$ -	\$ 3,952	\$ -
TOTAL FEDERAL AND STATE AWARDS			\$ 123,963,550	\$ 70,307,803	\$ 14,400,004


CITY OF CHARLOTTE, NORTH CAROLINA
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
JUNE 30, 2018

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, 2018. 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.

2: Summary of Significant Accounting Policies

Expenditures reported in the SEFSA are reported on the modified 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.



**FINANCE DEPARTMENT- FINANCIAL REPORTING
CHARLOTTE-MECKLENBURG GOVERNMENT CENTER
600 EAST FOURTH STREET, 10TH FLOOR
CHARLOTTE, NORTH CAROLINA 28202-2848
WWW.CHARLOTTENC.GOV**