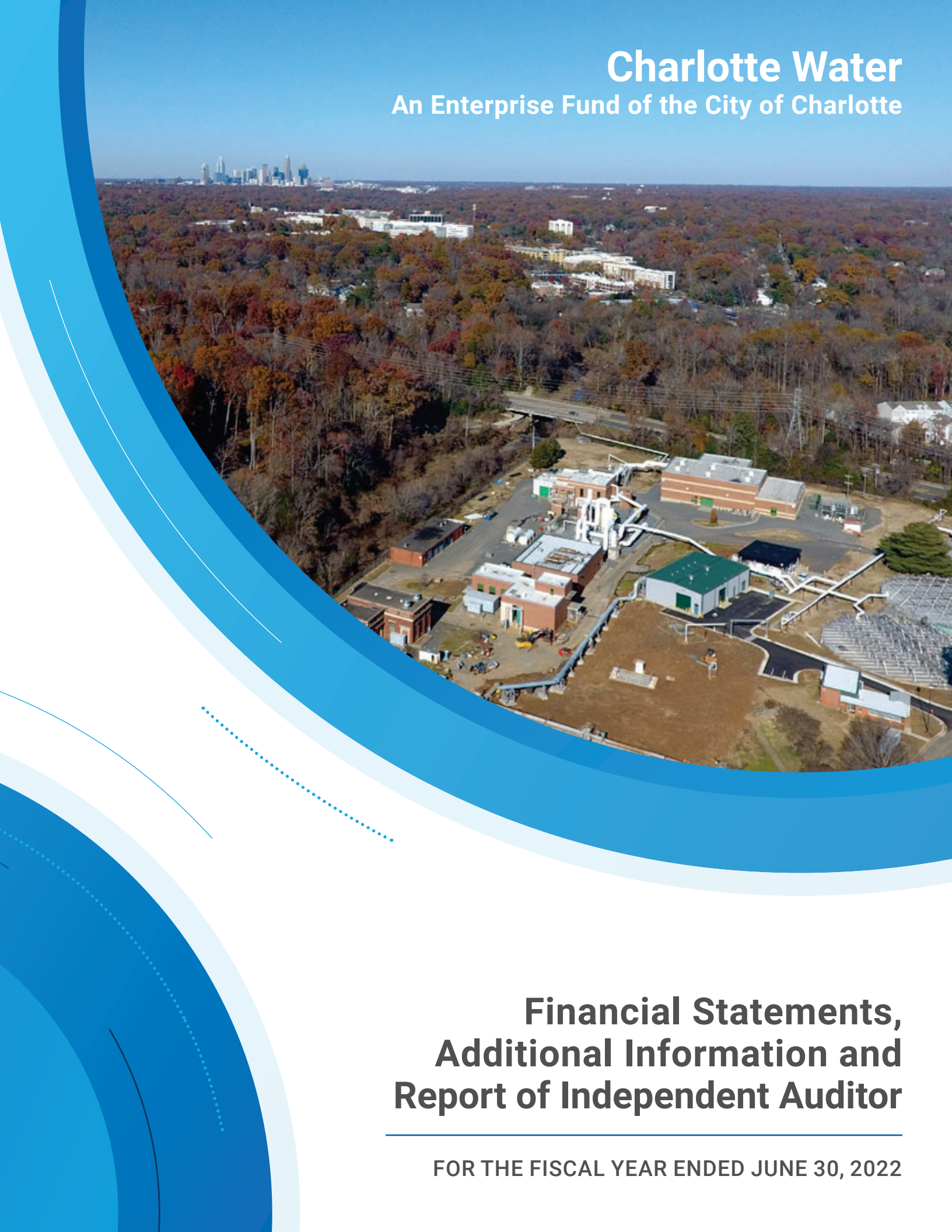


Charlotte Water

An Enterprise Fund of the City of Charlotte



Financial Statements, Additional Information and Report of Independent Auditor

FOR THE FISCAL YEAR ENDED JUNE 30, 2022

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CHARLOTTE WATER



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FINANCIAL SECTION

CHARLOTTE WATER





Report of Independent Auditor

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

Opinion

We have audited the accompanying statement of net position of Charlotte Water, an enterprise fund of the City of Charlotte, North Carolina (the “City”), as of June 30, 2022, and the statements of revenues, expenses, and changes in net position and cash flows for the year then ended, and the related notes to the financial statements, which collectively comprise Charlotte Water’s basic financial statements as listed in the table of contents.

In our opinion the financial statements referred to above present fairly, in all material respects, the financial position of Charlotte Water as of June 30, 2022 and the changes in its financial position and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the *Auditor’s Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the City, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

As discussed in Note 1, the financial statements present only Charlotte Water and do not purport to, and do not, present fairly the financial position of the City as of June 30, 2022 and the changes in its financial position and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Responsibilities of Management 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Charlotte Water’s ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor’s Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards we:

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

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

Required Supplementary Information

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

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

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

Cherry Bekaert LLP

Charlotte, North Carolina
February 28, 2023



MANAGEMENT'S DISCUSSION AND ANALYSIS



MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's Discussion and Analysis (MD&A) serves as an introduction, overview, and analysis of the financial statements of Charlotte Water, an enterprise fund of the City of Charlotte. The information contained herein pertains to the financial performance of Charlotte Water for the Fiscal Year (FY) ended June 30, 2022. This MD&A should be read in conjunction with the Financial Statements and Notes that follow.

FINANCIAL HIGHLIGHTS

- Total net position of the Charlotte Water Enterprise Fund on June 30, 2022 was \$2,962.9 million; 5.1 percent or \$152.2 million of that total was unrestricted. The net position increased by \$183.9 million (6.6 percent) from the net position on June 30, 2021.
- Operating revenues were \$499.1 million in FY2022, an increase of \$40.5 million (8.8 percent) compared to FY2021, which was due to an increase in our customer base, and increased revenues from Connection Fees, User Fees, and System Development Fees.
- Total operating expenses increased by \$133.2 million to \$429.6 million in FY2022. This was primarily due to an accrued expense related to a potential lawsuit settlement, cost of contracted services and chemicals in the treatment of water and sewer; salary savings were realized in FY2022.
- Non-operating net expenses decreased by \$4.9 million to \$44.4 million. This was primarily due to a \$4.7 million decrease in interest expense and other charges to issue debt instruments.
- Capital contributions decreased by \$2.9 million to \$159.0 million in FY2022. These contributions consisted of donated water and sewer system construction and refundable contract agreements between the City and various developers.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Financial Section of this report consists of two parts: Management's Discussion & Analysis (this section) and the Basic Financial Statements. The Basic Financial Statement section includes Notes to the Financial Statements that provide explanations and detailed data on pages 19 through 39.

Charlotte Water is an enterprise fund of the City that accounts for the operations of the public water and wastewater utility systems. All assets and liabilities associated with Charlotte Water's activities are included on the Statement of Net Position. Charlotte Water's 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.

The following is a summary of Charlotte Water's Net Position as of June 30:

Net Position		
(In thousands)		
	2022	2021
ASSETS		
Current and other noncurrent assets	\$ 314,012	\$ 346,990
Capital assets, net	4,641,223	4,240,792
Total assets	4,955,235	4,587,782
DEFERRED OUTFLOWS OF RESOURCES	49,925	62,775
LIABILITIES		
Current liabilities	280,657	191,725
Noncurrent liabilities	1,701,332	1,633,641
Total liabilities	1,981,989	1,825,366
DEFERRED INFLOWS OF RESOURCES	60,254	46,165
NET POSITION		
Net investment in capital assets	2,796,494	2,503,569
Restricted	14,218	30,412
Unrestricted	152,205	245,045
TOTAL NET POSITION	\$ 2,962,917	\$ 2,779,026

Total assets increased by \$367.5 million or 8.0 percent in FY2022 compared to FY2021. The increase was primarily due to capitalization of capital projects, such as Irwin Creek WWTP Upgrades, Sugar Creek WWTP Improvements, and Long Creek WWTP Improvements.

Total liabilities increased by \$156.6 million compared to FY2021. This increase was primarily attributable to the issuance of revenue bond anticipation notes and state revolving loans to be used for financing construction and maintenance projects for the water and sewer system and an accrual for potential lawsuit settlement.

Total net position increased by \$183.9 million or 6.6 percent compared to FY2021. As of June 30, 2022, \$2.8 billion was invested in capital assets, \$14.2 million was restricted for OPEB, while \$152.2 million was unrestricted and available for short-term operational needs. This increased net position was primarily due to ongoing capital development for Charlotte Water operations, increasing the utility's capital assets.

The following is a summary of Changes in Net Position as of June 30:

Changes in Net Position

(In thousands)

	2022	2021
Operating revenues	\$ 499,139	\$ 458,669
Operating expenses	429,609	296,367
Operating income	69,530	162,302
Nonoperating revenues (expenses)		
Investment earnings	(2,675)	(1,133)
Interest expense and other charges	(45,146)	(49,861)
Miscellaneous	3,413	1,640
Total nonoperating revenues (expenses)	(44,408)	(49,354)
Income before contributions	25,122	112,948
Capital contributions	159,046	161,958
Transfers out	(277)	(345)
Change in net position	183,891	274,561
Total net position - beginning	2,779,026	2,504,465
Total net position - ending	\$ 2,962,917	\$ 2,779,026

Charlotte Water's Changes in Net Position provides information concerning what contributed to the net changes reported in the Statement of Net Position. Several financial factors positively and negatively impacted the increase in Net Position highlighted below.

Charlotte Water's operating revenues were \$499.1 million in FY2022, an increase of \$40.5 million or 8.8 percent compared to FY2021. This was due to an average rate increase of 3.42 percent effective July 1, 2021, an increase in our customer base and billed charges.

Operating expenses increased by \$133.2 million or 45.0 percent, to \$429.6 million in FY2022. This was primarily due to \$80.0 million being accrued for a potential lawsuit settlement.

Other expenses decreased by \$10.4 million in FY2022 to \$1.2 million. FY2021 included \$10.0 million in refunding savings used to pre-fund the other postemployment benefit trust.

The following table highlights Charlotte Water's operating expenses for fiscal years 2022 and 2021:

Operating Expenses

(In thousands)

	<u>2022</u>	<u>2021</u>
Administration	\$ 129,997	\$ 30,794
Operations and maintenance	139,655	109,675
Other	1,245	11,694
Amortization	178	-
Depreciation	158,534	144,204
Total operating expenses	<u>\$ 429,609</u>	<u>\$ 296,367</u>

Capital Assets

Charlotte Water's net capital assets were \$4,641.2 million in FY 2022 and \$4,240.8 million in FY 2021.

The following is a summary of capital assets at June 30, 2022 and 2021:

Capital Assets

(In thousands)

	<u>2022</u>	<u>2021</u>
Land	\$ 61,878	\$ 56,424
Construction in progress	264,032	417,865
Buildings	51,938	48,804
Water and sewer systems	6,442,203	5,750,408
Intangibles	28,008	26,274
Machinery and equipment	80,508	72,818
Total capital assets	<u>6,928,567</u>	<u>6,372,593</u>
Less: accumulated depreciation	<u>2,288,233</u>	<u>2,131,801</u>
Total capital assets, net	<u>4,640,334</u>	<u>4,240,792</u>
Leased land	47	-
Leased machinery and equipment	<u>1,020</u>	<u>-</u>
Total right to use assets	<u>1,067</u>	<u>-</u>
Less: accumulated amortization	<u>178</u>	<u>-</u>
Total right to use assets, net	<u>889</u>	<u>-</u>
Net capital assets	<u>\$ 4,641,223</u>	<u>\$ 4,240,792</u>

New capital assets added during FY2022 included:

- Major Water Main Replacement and Rehabilitation - \$19.9 million
- McAlpine Aeration and Clarifier Rehabilitation - \$34.3 million
- Long Creek WWTP - \$41.6 million
- Irwin Creek WWTP Upgrades - \$51.0 million
- Sugar Creek WWTP Improvements - \$57.0 million

Additional information on the Charlotte Water Enterprise Fund's Capital Assets can be found in Note 3 in the Notes to the Financial Statements on page 23.

DEBT ADMINISTRATION

At June 30, 2022, Charlotte Water's outstanding bonds and loans debt totaled \$1,759.5 million net of applicable premiums. These amounts consisted of general obligation bonds, revenue bonds, installment purchases, bond anticipation notes (BANs), low-interest and interest-free loans from the state of North Carolina, and refundable construction deposits.

New debt for FY2022 resulted from issuing \$10.0 million in direct placement installment purchases, \$165.0 million in revenue bond anticipation notes, and \$15.6 million in state revolving loans.

Charlotte Water's credit ratings for its bonds were AAA by Standard & Poor's, Aaa by the Moody's, and AAA by Fitch Ratings. These ratings reflect Charlotte Water's strong fiscal policy and standards.

Charlotte Water is required by bond covenants to maintain a revenue bond coverage ratio of 1.25 for principal and interest. The revenue bond coverage excluding surplus fund ratio was 1.8 for FY2022 compared to 1.9 for FY2021.

Additional information on Charlotte Water's long-term debt can be found in Note 5 in the Notes to the Financial Statements.

Economic Factors Affecting the Charlotte Water Enterprise Fund

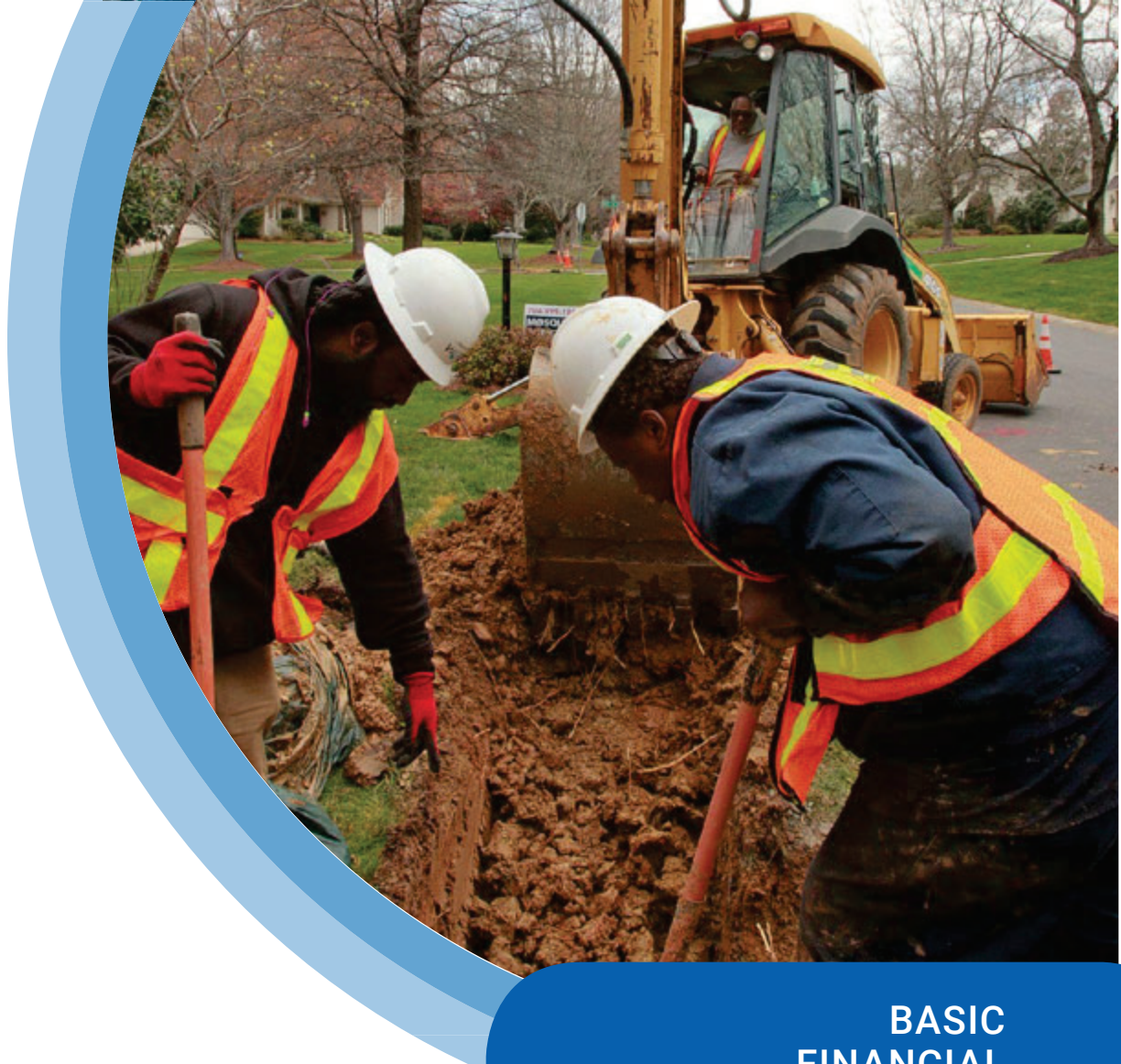
- The City of Charlotte and Mecklenburg County are geographically located along a ridgeline separating the Catawba River basin and the Rocky River basin. This location tends to make regional provision of utility services an effective strategy. The City has established cooperative working relationships with the cities, counties, and utility agencies within and surrounding Charlotte-Mecklenburg.
- Agreements are in place with the Water and Sewer Authority of Cabarrus County that provide for that agency to treat up to 6 million gallons of wastewater from northeast Mecklenburg County. Separate agreements provide for the City to treat wastewater from Union County and Lancaster County, South Carolina. The agreements provide for future expansions, industrial pretreatment programs, and other operational and management concerns. The City also sells treated potable water to York County, South Carolina; the Town of Harrisburg, North Carolina, and to the Lancaster County Water and Sewer District, South Carolina. In addition, the City sells treated potable water to the City of Concord, North Carolina on an as needed basis.
- Charlotte Water's operating budget for FY 2023 is \$195.7 million, a 9.8 percent increase over FY 2022, which includes an increase to the Water and Sewer Fee by approximately 3.54 percent. The budget focuses on maintaining a high quality drinking water and wastewater system, improving safety and security, and guaranteeing a high level of customer satisfaction.

REQUESTS FOR FINANCIAL INFORMATION

This annual financial report is designed to provide a general overview of Charlotte Water's finances.

Questions concerning any of the information provided in 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.

For other City financial information please visit the City of Charlotte's Finance Department website at: charlottenc.gov/finance/Pages/publications.aspx.



BASIC FINANCIAL STATEMENTS





STATEMENT OF NET POSITION
JUNE 30, 2022
(Dollar Amounts In Thousands)

ASSETS:

Current assets:

Cash, cash equivalents and investments	\$ 227,741
Receivables, net of allowance for uncollectibles (\$11,228)	
Accounts	59,777
Lease receivable	308
Other	360
Total receivables	60,445
Due from other governmental agencies	5,524
Due from other funds	307
Inventories	2,297
Restricted assets-	
Cash and cash equivalents	3
Investments	205
Total current assets	296,522

Noncurrent assets:

Lease receivable	3,272
Net OPEB asset	14,218
Capital assets-	
Land	61,878
Buildings	51,938
Water and sewer systems	6,442,203
Intangibles	28,008
Machinery and equipment	80,508
Construction in progress	264,032
Total capital assets	6,928,567
Less accumulated depreciation	2,288,233
Total capital assets, net	4,640,334
Right to use leased assets	1,067
Less accumulated right to use amortization	178
Total right to use leased assets, net	889
Total noncurrent assets	4,658,713
Total assets	4,955,235

DEFERRED OUTFLOWS OF RESOURCES:

Pension deferrals	13,478
OPEB deferrals	9,203
Contributions to pension plan in current fiscal year	6,921
Accumulated decreases in fair value of hedging derivatives	15,557
Unamortized bond refunding charges	4,766
Total deferred outflows of resources	49,925

Continued on next page

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

STATEMENT OF NET POSITION - (Continued)
JUNE 30, 2022
(Dollar Amounts In Thousands)

LIABILITIES:

Current liabilities:

Accounts payable	\$ 141,197
Deposits and retainage payable	17,980
Accrued interest payable	26,536
Current maturities of noncurrent liabilities	94,944
Total current liabilities	280,657

Noncurrent liabilities:

General obligation bonds payable - net of unamortized premiums of \$736	1,706
Revenue bonds payable - net of unamortized premiums of \$178,312	1,311,865
Revenue bond anticipation notes payable	250,000
Installment purchases - net of unamortized premiums of \$196	14,131
Derivative instrument liability	15,557
State revolving loan payable	85,866
Refundable water and sewer construction deposits	4,500
Lease payable	680
Compensated absences payable	3,845
Net pension liability	13,182
Total noncurrent liabilities	1,701,332

Total liabilities	1,981,989
--------------------------	------------------

DEFERRED INFLOWS OF RESOURCES:

Leases	3,507
Pension deferrals	18,833
OPEB deferrals	11,345
Gain on refundings	26,569
Total deferred inflows of resources	60,254

NET POSITION:

Net investment in capital assets	2,796,494
Restricted for:	
Net OPEB asset	14,218
Unrestricted	152,205
Total net position	\$ 2,962,917

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



**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2022
(Dollar Amounts In Thousands)**

OPERATING REVENUES:

Charges for services	\$ 396,831
Availability fees	52,190
System development fees	45,377
Miscellaneous	4,741

Total operating revenues	499,139
---------------------------------	----------------

OPERATING EXPENSES:

Administration	129,997
Operations and maintenance	139,655
Other	1,245
Right to use lease amortization	178
Depreciation	158,534

Total operating expenses	429,609
---------------------------------	----------------

Operating income	69,530
------------------	--------

NONOPERATING REVENUES (EXPENSES):

Investment earnings	(2,675)
Interest expense and other charges	(45,146)
Miscellaneous	3,413

Total nonoperating revenues (expenses)	(44,408)
---	-----------------

Income before contributions and transfers	25,122
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CAPITAL CONTRIBUTIONS	159,046
------------------------------	----------------

TRANSFERS OUT	(277)
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Change in net position	183,891
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Total net position - beginning	2,779,026
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Total net position - ending	\$ 2,962,917
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The notes to the financial statements are an integral part of this statement.

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2022
(Dollar Amounts In Thousands)

CASH FLOWS FROM OPERATING ACTIVITIES:

Receipts from customers	\$ 501,034
Payments to suppliers	(90,288)
Payments to other City funds	(33,381)
Payments to employees	(60,964)
Other receipts (payments)	18,081
Net cash provided by operating activities	334,482

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:

Transfers	(277)
-----------	-------

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:

Proceeds from capital debt	190,605
Acquisition and construction of capital assets	(405,917)
Leases	(289)
Principal paid on capital debt	(79,574)
Interest and other charges paid on capital debt	(57,400)
Capital contributions	2,702
Net cash used by capital and related financing activities	(349,873)

CASH FLOWS FROM INVESTING ACTIVITIES:

Proceeds from sale and maturities of investments	5
Interest received	(2,643)
Net cash used by investing activities	(2,638)
Net decrease in cash and cash equivalents	(18,306)

Cash, cash equivalents and investments - beginning of year	246,050
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Cash, cash equivalents and investments - end of year	\$ 227,744
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continued on next page

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



STATEMENT OF CASH FLOWS - (Continued)
FOR THE YEAR ENDED JUNE 30, 2022
(Dollar Amounts In Thousands)

RECONCILIATION OF OPERATING INCOME TO NET CASH

PROVIDED BY OPERATING ACTIVITIES:

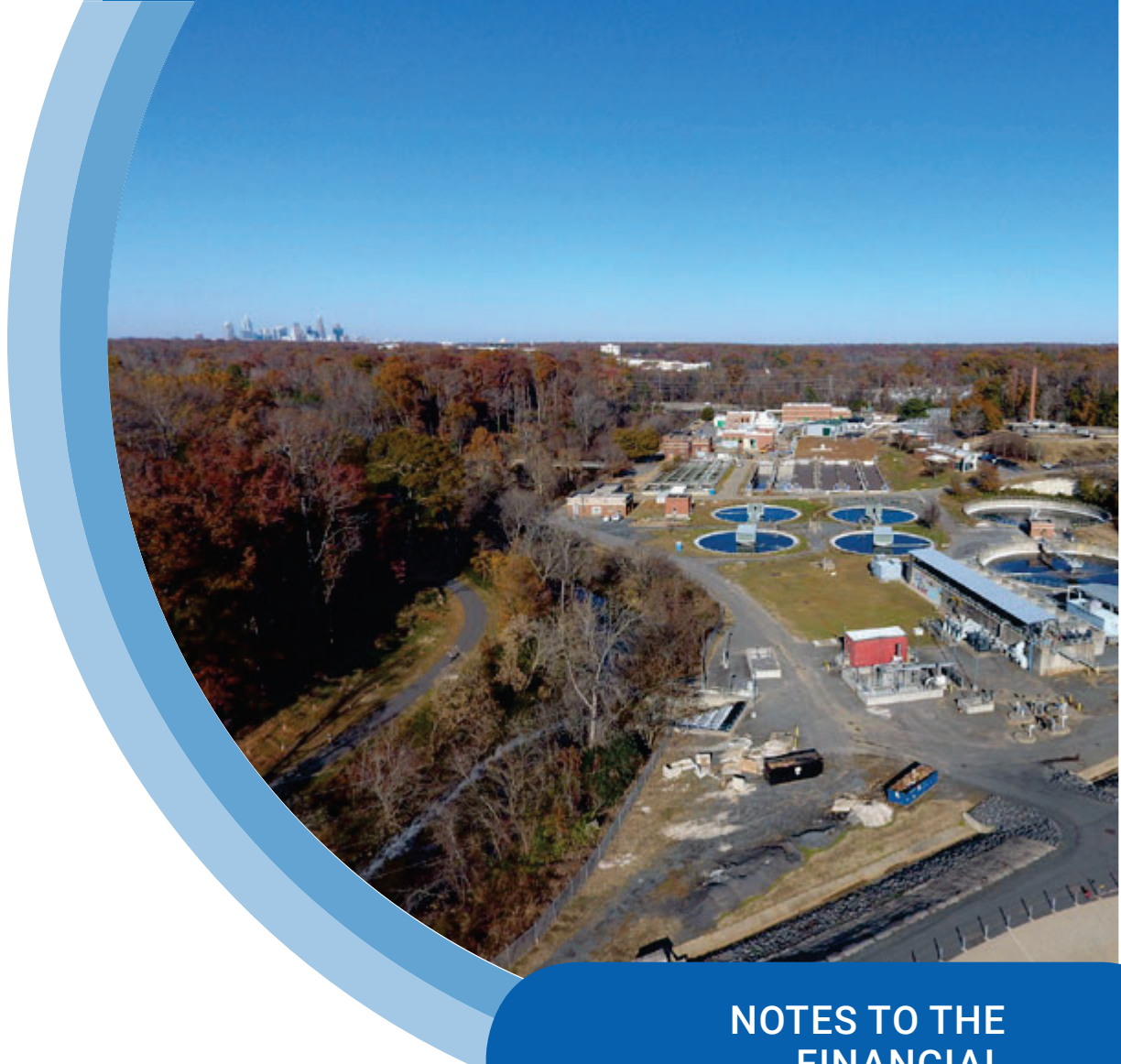
Operating income	\$	69,530
Adjustments to reconcile operating income to net cash provided by operating activities-		
Depreciation		158,534
Amortization		178
Other receipts		18,081
Change in assets and liabilities-		
Decrease in receivables		1,721
(Increase) in due from other governmental agencies		(294)
(Increase) in inventories		(371)
(Increase) in deferred outflows of resources for pensions		(3,996)
Decrease in net OPEB asset		16,194
(Increase) in deferred outflows of resources for OPEB		(4,353)
Increase in accounts payable		81,347
Increase in deposits and retainage payable		174
(Decrease) in net pension liability		(15,546)
Increase in deferred inflows of resources for pensions		18,833
(Decrease) in deferred inflows of resources for OPEB		(5,449)
(Decrease) in compensated absences payable		(101)
Total adjustments		264,952
Net cash provided by operating activities	\$	334,482

NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

Donated assets	\$	161,174
Acquisition of capital assets through leases		1,067
Net noncash investing, capital and financing activities	\$	162,241

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





**NOTES TO THE
FINANCIAL
STATEMENTS**



1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

a. Reporting Entity

The accompanying financial statements present only the activities and resources of Charlotte Water, an enterprise fund of the City of Charlotte (City), North Carolina, and, accordingly, do not purport to and do not present the financial position of the City of Charlotte, North Carolina.

b. Basis of Presentation

Charlotte Water is an enterprise fund of the City that accounts for the operations of the public water and wastewater utility systems. All assets and liabilities associated with Charlotte Water's activities are included on the Statement of Net Position. Charlotte Water's 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.

c. Cash and Cash Equivalents/Investments

The City maintains a cash management pool (pool) that is used by Charlotte Water and other funds of the City. The pool facilitates disbursement and investment and maximizes 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 Charlotte Water 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. Therefore, for the Statement of Net Position and Statement of Cash Flows, Charlotte Water's portion of pooled cash is considered cash and cash equivalents. The restricted cash and cash equivalents/investments are held by trustees as required by revenue bond covenants. All restricted money market funds are considered cash and cash equivalents. The remaining amount of restricted assets is considered investments.

d. Accounts Receivables

Accounts receivables are shown net of an allowance for uncollectibles. This amount is estimated by identifying receivables unlikely to be paid but not yet eligible for final write-off.

e. Lease Receivables

The City's lease receivables are measured at the present value of lease payments expected to be received during the lease term. Under the lease agreements, the City may receive variable lease payments that are dependent upon the lessee's revenue. The variable payments are recorded as an inflow of resources in the period of the payment.

A deferred inflow of resources is recorded for the lease. The deferred inflow of resources is recorded at the initiation of the lease in an amount equal to the initial recording of the lease receivable. The deferred inflow of resources is amortized on a straight-line basis over the term of the lease.

f. Capital Assets

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	40 years
Water and sewer systems	5 - 40 years
Intangibles	5 years
Machinery and equipment	3 - 40 years

g. Right to Use Leased Assets

The right to use assets are initially measured at an amount equal to the present value of the related lease liability plus any lease payments made prior to the lease term, less lease incentives, and plus ancillary charges necessary to place the lease into service. The right to use assets are amortized on a straight-line basis over the life of the related lease.

h. 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 assets that applies to future periods and so will not be recognized as an expense until then. Charlotte Water has

pension, OPEB deferrals, contributions to the pension plan in the current fiscal year, accumulated decreases in fair value of hedging derivatives, and unamortized bond refunding charges that meet these criteria in the follow amounts:

	<u>2022</u>
Pension deferrals	\$ 13,478
OPEB deferrals	9,203
Contributions to the pension plan in the current fiscal year	6,921
Accumulated decreases in fair value of hedging derivatives	15,557
Unamortized bond refunding charges	<u>4,766</u>
Total	<u>\$ 49,925</u>

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 assets that applies to future periods and so will not be recognized as revenue until then. Charlotte Water has leases, pensions and OPEB deferrals, and gains on refundings that meet these criteria in the following amounts:

	<u>2022</u>
Leases	\$ 3,507
Pension deferrals	18,833
OPEB deferrals	11,345
Gain on refundings	<u>26,569</u>
Total	<u>\$ 60,254</u>

i. Noncurrent Liabilities

Bond premiums are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of applicable premiums. Bond issuance costs are expensed in the reporting period in which they are incurred.

j. 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 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 employee's effective date of retirement is within 365 days of the termination or resignation. However, twenty percent of outstanding sick leave, with a maximum of 43.5 days, is payable upon retirement or death.

Compensated absences payable includes accumulated unpaid vacation leave and sick leave.

k. Net Position

Net position is classified as net investment in capital assets, restricted, and unrestricted. Net investment in capital assets consists of capital assets, net of accumulated depreciation/amortization and reduced by outstanding balances of bonds, notes, and other debt that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are included in this component of net position. Restricted net position represents constraints on resources that are externally imposed by creditors, grantors, contributors, bond covenants, or regulations of other governments. Unrestricted net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that does not meet the definition of the preceding categories.

l. Revenues

Rates and charges. The City Council sets the water and sanitary sewer rates. No State or other authority regulates the City's water and sanitary sewer rates. Monthly service charges consist of minimum fixed charges, an availability fee and tiered consumption charges. In addition, charges are imposed for various specific services including charges on discharged sewage that contains suspended solids or has a biological oxygen demand greater than normal domestic sewage. Rates and charges are reviewed and approved annually by the City Council on consideration of the next fiscal year's operating budget, existing debt service and future debt service for obligations supported by revenues. Water and Sewer System rates do not differentiate between City and County residents.

In 1994, the City implemented an inclining block rate structure designed to promote water conservation. In April of 2008, the City Council approved a change in the water rate methodology that adjusts the inclining block rate structure to more aggressively promote water conservation. This modified rate structure is intended to allocate the cost of providing infrastructure for peak and excess demand to the users creating the demand. In February 2011, the city again modified the water and sewer rate methodology by adding an availability fee which was initially implemented in fiscal year 2012. The availability fee applies to both water and sewer. While the initial target was the recovery of 20% of Charlotte Water's annual debt service costs, the target now reflects a long-term goal to recover 40% of annual debt service costs through this fee. Charlotte Water will recommend adjusting the recovery percentage each year as needed and appropriate until achieving the 40% recovery goal. Revenue from the availability fee helps pay for projects as well as reduce impact of consumption variability due to weather. The fee varies proportionally based on the size of each customer's meter.

System Development Fees. On July 20, 2017, House Bill 436, Session Law 2017-138, also known as the "Public Water and Sewer System Development Fee Act" became law in North Carolina. In addition, on June 22, 2018, House Bill 826, Session Law 2018-34, also known as "An Act to Revise System Development Fees", collectively with the System Development Fee Act, became law in North Carolina. The System Development Fee acts provide uniform authority to local government units, including the City, to implement system development fees for public water and sewer systems. The City meets the requirements of the System Development Fee Acts. System development fees are subject to the pledge of net revenues of the water and sewer system pursuant to the general trust indentures. Additional information on contingencies related to system development fees can be found in Note 9 on page 39.

m. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

n. Pensions

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

For purposes of measuring the net OPEB asset or liability, deferred outflows and inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Employee Benefit Trust Plan (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 are reported at fair value.

o. Leases

As of July 1, 2021, the City adopted the provisions of GASB 87, Leases, which amended the existing accounting standards for lease reporting. The new guidance requires lessees in a leasing arrangement recognize a right to use asset and a lease liability for most leases (other than leases that meet the definition of a short-term lease) at lease commencement. The liability will be equal to the present value of lease payments. Additionally, the new guidance requires lessors in a leasing arrangement to recognize a lease receivable and a deferred inflow of resources for

most leases (other than leases that meet the definition of a short-term lease) at lease commencement. The liability (lessees) or deferred inflow (lessors) will be equal to the present value of lease payments.

2. LEASE RECEIVABLE

a. Lease Receivable

Charlotte Water leases land, water and sewer systems, and infrastructure capital assets to various third-party tenants doing business in the City of Charlotte. These leases have terms including options to extend between 12 and 99 years, with payments required monthly, semiannually, or annually.

In fiscal year 2022, Charlotte Water recognized \$374 of lease principal revenue and \$51 of interest revenue related to these leases. As of June 30, 2022, Charlotte Water's lease receivables were valued at \$3,587. The deferred inflow of resources associated with these leases to be recognized as revenue over the remaining terms of the leases is \$3,507.

The principal and interest requirements to maturity for the lease receivable at June 30, 2022, are as follows:

Year Ending June 30	Principal	Interest
2023	\$ 308	\$ 48
2024	322	45
2025	305	41
2026	296	37
2027	231	34
2028-2032	613	138
2033-2037	554	92
2038-2042	265	59
2043-2047	213	44
2048-2052	268	26
2053-2057	165	7
2058-2062	2	3
2063-2067	2	3
2068-2072	2	3
2073-2077	3	2
2078-2082	3	2
2083-2087	3	2
2088-2092	3	2
2093-2097	3	2
2098-2102	4	1
2103-2107	4	1
2108-2112	4	1
2113-2117	5	-
2118-2120	2	-
	<u>\$ 3,580</u>	<u>\$ 593</u>

3. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2022, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	\$ 56,424	\$ 5,454	\$ -	\$ 61,878
Construction in progress	417,865	411,550	565,383	264,032
Total capital assets not being depreciated	474,289	417,004	565,383	325,910
Capital assets being depreciated:				
Buildings	48,804	3,134	-	51,938
Water and sewer systems	5,750,408	691,795	-	6,442,203
Intangibles	26,274	1,734	-	28,008
Machinery and equipment	72,818	9,836	2,146	80,508
Total capital assets being depreciated	5,898,304	706,499	2,146	6,602,657
Less accumulated depreciation for:				
Buildings	14,074	1,236	-	15,310
Water and sewer systems	2,051,929	148,363	-	2,200,292
Intangibles	21,710	1,589	-	23,299
Machinery and equipment	44,088	7,346	2,102	49,332
Total accumulated depreciation	2,131,801	158,534	2,102	2,288,233
Total capital assets being depreciated, net	3,766,503	547,965	44	4,314,424
Right to use assets being amortized:				
Leased land	-	47	-	47
Leased machinery and equipment	-	1,020	-	1,020
Total right to use assets being amortized	-	1,067	-	1,067
Less accumulated amortization for:				
Leased land	-	1	-	1
Leased machinery and equipment	-	177	-	177
Total accumulated amortization	-	178	-	178
Total right to use assets, net	-	889	-	889
Capital assets, net	\$ 4,240,792	\$ 965,858	\$ 565,427	\$ 4,641,223

4. INTERFUND TRANSFERS:

Charlotte Water transferred \$277 to the Capital Projects Fund to fund the Enterprise Business System software.

5. NONCURRENT LIABILITIES:

A summary of changes in long-term liabilities for the year ended June 30, 2022 follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
General obligation bonds	\$ 11,835	\$ -	\$ 5,076	\$ 6,759	\$ 5,224
Plus unamortized premiums	2,100	-	1,364	736	565
Revenue bonds	1,272,740	-	65,315	1,207,425	65,745
Plus unamortized premiums	186,439	-	8,127	178,312	8,127
Total bonds payable	1,473,114	-	79,882	1,393,232	79,661
Direct placement installment purchases	13,484	10,005	4,427	19,062	6,636
Installment purchases	4,920	-	1,640	3,280	1,640
Plus unamortized premiums	327	-	131	196	131
Total installment purchases	18,731	10,005	6,198	22,538	8,407
Direct placement revenue bond anticipation notes	85,000	165,000	-	250,000	-
Direct borrowing state revolving loan	72,807	15,600	1,270	87,137	1,271
Derivative instrument liability	35,248	-	19,691	15,557	-
Refundable construction deposits	3,648	4,830	1,846	6,632	2,132
Lease liabilities	-	1,043	185	858	178
Compensated absences	7,241	4,683	4,784	7,140	3,295
Net pension liability (LGRS)	28,728	-	15,546	13,182	-
Total	\$ 1,724,517	\$ 201,161	\$ 129,402	\$ 1,796,276	\$ 94,944

a. 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. The following table summarizes the Charlotte Water's general obligation bonds:

Purpose	Interest Rates	Date Issued	Final Maturity	Original Issue	Balance June 30, 2022
General Obligation Refunding, Series 2015	4.00% - 5.00%	06/01/2015	2023	\$ 27,144	\$ 3,659
General Obligation Refunding, Series 2018A	5.00%	08/01/2018	2024	26,920	3,100
Total					\$ 6,759

The principal and interest on the General Obligation Bonds are wholly payable from net revenue of the Water and Sewer systems.

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

Year Ended June 30	Principal	Interest
2023	\$ 5,224	\$ 208
2024	1,535	38
	\$ 6,759	\$ 246

b. Revenue Bonds

The following table summarizes Charlotte Water's revenue bonds:

Purpose	Interest Rates	Date Issued	Final Maturity	Original Issue	Balance June 30, 2022
Water and Sewer, Series 2006B	Variable	07/26/2006	2037	\$ 300,000	\$ 126,470
Water and Sewer, Refunding Series 2011	1.50% - 5.00%	08/03/2011	2025	93,390	26,205
Water and Sewer, Refunding Series 2015	1.00% - 5.00%	08/27/2015	2046	459,585	301,030
Water and Sewer, Refunding Series 2018	3.00% - 5.00%	04/25/2018	2049	409,915	376,020
Water and Sewer, Refunding Series 2019	3.00% - 5.00%	09/10/2019	2036	58,750	53,850
Water and Sewer, Refunding Series 2020	2.00% - 5.00%	09/24/2020	2051	333,445	323,850
Total					\$ 1,207,425

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. Additional information can be found in Note 5.g on page 28.

The principal and interest on the Water and Sewer Bonds are payable from net revenues of water and sewer systems. 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 the 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 FY 2022 Water and Sewer Fund budgets, revenue bond debt service coverage including surplus fund was at least 2.9 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. Neither the credit nor the taxing power of the City is pledged for the payment of the principal and 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.

Revenue bond debt service requirements to maturity are as follows:

Year Ended	June 30	
	Principal	Interest
2023	\$ 65,745	\$ 47,563
2024	68,845	44,836
2025	66,650	41,742
2026	52,860	39,016
2027	55,420	36,582
2028-2032	267,245	147,370
2033-2037	323,975	86,777
2038-2042	174,750	38,219
2043-2047	95,850	14,911
2048-2051	36,085	1,477
	<u>\$ 1,207,425</u>	<u>\$ 498,493</u>

c. Installment Purchases

The following table summarizes Charlotte Water's installment purchases:

Purpose	Interest Rates	Date Issued	Final Maturity	Original Issue	Balance June 30, 2022
Equipment, Series 2018	5.00%	11/08/2018	2024	\$ 8,205	\$ 3,280
Equipment, 2019, Direct Placement	1.52%	10/11/2019	2024	20,000	9,057
Equipment, 2022, Direct Placement	1.498%	03/15/2022	2027	10,005	10,005
Total					<u>\$ 22,342</u>

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 for the purchase of capital equipment. These financings are payable over five years.

Water Sewer's outstanding non-direct and direct placement installment purchases are secured with collateral of equipment purchased.

Installment purchases debt service requirements to maturity are as follows:

Year Ended	Direct Placements							
	June 30	Principal	Interest	Principal	Interest			
2023	\$	1,640	\$	123	\$	6,636	\$	294
2024		1,640		41		6,767		159
2025		-		-		2,238		76
2026		-		-		2,272		43
2027		-		-	\$	1,149	\$	9
	\$	3,280	\$	164	\$	19,062	\$	581

d. Revenue Bond Anticipation Note

The City has available a Water and Sewer direct placement revenue bond anticipation note program to finance the cost of water and sewer system improvements. The aggregate principal amount of the note outstanding at any one time shall not exceed \$250,000. The note is payable from net revenues of the water and sewer systems. The note does not constitute a legal or equitable pledge, charge, lien or encumbrance upon any of the City's property or upon any of its income, receipts or revenues, except as provided in the Revenue Bond Orders. Neither the credit nor the taxing power of the City is pledged for the payment of the principal or interest, and no owner has the right to compel the exercise of the taxing power of the City or the forfeiture of any of its property in connection with any default on the note. In addition, the City has entered into a Note Purchase and Advance Agreement. The note will be replaced by water and sewer revenue bonds. The note will mature no later than the third anniversary of the closing date or June 10, 2024. The City had direct placement Water and Sewer revenue bond anticipation notes payable of \$250,000 outstanding at June 30, 2022. Interest rates are based upon market conditions.

Direct placement revenue bond anticipation note debt service requirements to maturity are as follows:

Year Ended June 30	Principal	Interest
2023	\$ -	\$ 2,812
2024	250,000	2,666
	\$ 250,000	\$ 5,478

e. State Revolving Loan

Pursuant to the North Carolina Clean Water Revolving Loan & Grant Act of 1987, the City was awarded a direct borrowing state revolving loan through the North Carolina Department of Environmental Quality. The City utilized loan proceeds to construct wastewater treatment works projects. As of June 30, 2022, direct borrowing loans totaling \$97,436 have been approved (but not fully disbursed). The maximum loan term is twenty years. As of June 30, 2022, interest rates varied from zero to 1.71 percent.

Debt service requirements to maturity are as follows:

Year Ended June 30	Principal	Interest
2023	\$ 1,271	\$ 105
2024	4,518	1,210
2025	4,518	1,149
2026	4,518	1,087
2027	4,518	1,026
2028-2032	22,589	4,209
2033-2037	22,589	2,674
2038-2042	19,369	1,146
2043	3,247	55
	\$ 87,137	\$ 12,661

f. Leases

Charlotte Water has entered into agreements to lease certain land, machinery, and other equipment. The lease agreements qualify as other than short-term leases under GASB 87 and, therefore, have been recorded at the present value of the future minimum lease payments as of the date of their inception. The terms and conditions for these leases vary and generally contain renewal options for periods ranging from four to ten years. If the City is not reasonably certain to exercise these renewal options, the options are not considered in determining the lease term and associated potential option payments are excluded from the present value calculation of the right-to-use lease asset and the lease liability determination. Charlotte Water's leases generally do not include termination options for

either party to the lease or restrictive financial or other covenants. As a result of the leases, the City has recorded the right to use assets with a total net book value of \$889. The right to use assets is discussed in more detail in this note.

Payments due under the lease contracts include fixed, periodic payments over the lease terms plus, for many of the City's leases, variable and non lease component payments. For Charlotte Water's leases, variable lease payments that depend on future performance or usage of the underlying asset and non lease components are excluded from the measurement of the lease liability and recognized as outflows of resources.

In fiscal year 2022, Charlotte Water recognized \$101 in variable lease payments not previously included in the measurement of the lease liability. As of June 30, 2022, the Charlotte Water's lease payables were valued at \$858.

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2022 were as follows:

Year Ending June 30	Principal	Interest
2023	\$ 178	\$ 10
2024	129	8
2025	129	7
2026	131	5
2027	137	3
2028-2031	154	2
	<u>\$ 858</u>	<u>\$ 35</u>

g. Derivative Instruments

The fair value balances and notional amounts of derivative instruments outstanding at June 30, 2022 classified by type, and the changes in fair value of such derivative instruments for the year ended are as follows:

	Changes in Fair Value		Fair Value at June 30, 2022		Notional
	Classification	Amount	Classification	Amount	
Cash flow hedges:					
Pay-fixed interest rate swap	Deferred outflow	\$ 19,691	Debt	\$ (15,557)	\$ 126,470

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 Charlotte Water's hedging derivative instruments outstanding at June 30, 2022 along with the credit rating of the associated counterparty:

Type	Objective	Notional Amount	Effective Date	Maturity Date	Terms	Counterparty Credit Rating
Pay-fixed interest rate swap	Hedge of changes in cash flows on the 2006B Water and Sewer Revenue Bonds	\$ 126,470	8/1/2006	7/1/2036	Pay 4.04%; receive SIFMA swap index	Aa2/A+

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 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, 2022, the rate received by the City for the 2006B agreement was 0.42 percent, whereas the bond floating rate paid by the City was 0.90 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, 2022, 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.

Year Ending June 30	Variable Rate Bonds		Hedging Derivatives, Net	Total
	Principal	Interest		
2023	\$ 5,875	\$ 807	\$ 4,199	\$ 10,881
2024	6,090	1,056	3,685	10,831
2025	6,320	1,003	3,500	10,823
2026	6,540	944	3,294	10,778
2027	6,780	884	3,084	10,748
2028-2032	37,785	3,441	12,004	53,230
2033-2037	57,080	1,490	5,198	63,768
	<u>\$ 126,470</u>	<u>\$ 9,625</u>	<u>\$ 34,964</u>	<u>\$ 171,059</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 Standards & Poor's. 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, 2022, the aggregate fair value of all hedging derivative instruments with these collateral posting provisions is (\$15,557). If the collateral posting requirements were triggered at June 30, 2022 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, 2022.

h. Other Debt Information

Under an irrevocable letter of credit issued by MUFG Bank, Ltd, the City is entitled to draw an amount sufficient to pay the amount demanded under the sewer construction contract between the City and Crescent River District, LLC (the total amount not to exceed \$2,800). The letter of credit is valid through August 16, 2021 (automatically extended for successive one-year periods, unless MUFG Bank, Ltd. notifies the City at least 30 days before the then current expiration date that issuer elects not to extend the expiration date). The final expiration date is August 16, 2022.

In the event of default of any City debt, the City agrees to pay the purchaser on-demand interest on any and all amounts due and owing by the City under the related documents. New debt is issued on parity with existing debt. General obligation debt is backed by the full faith and credit of the City, installment purchase contracts are backed by pledged collateral, and revenue bonds are backed by revenue bond covenants.

i. Subsequent Events

On August 12, 2022, the City received \$2,849 in a direct borrowing state revolving loan through the North Carolina Department of Environmental Quality to be used for wastewater treatment plant improvements.

On September 14, 2022, the City issued \$464,680 in Water Sewer Refunding Revenue Bonds, Series 2022A, along with \$8,340 in available funds from the City, to refund \$120,595 of outstanding variable rate Water and Sewer System Revenue Bonds, Series 2006B, refund \$26,205 in fixed rate Water and Sewer System Revenue Refunding Bonds, Series 2011, prepay \$250,000 of outstanding Revenue Bond Anticipation Notes, Series 2021, and finance the cost

of various water and sewer system improvements. The City completed the refunding to reduce the total debt service payments over a period of 31 years by \$1,587 and to obtain an economic gain (difference between the present values of the old and new debt service payments) of \$1,286.

On September 14, 2022, the City issued \$13,405 in taxable Water and Sewer System Revenue Bonds, Series 2022B, to pay the swap termination payment associated with the interest rate swap agreement related to the refunded 2006B bonds.

On September 14, 2022, the City entered into a direct placement Water and Sewer System Revenue Bond Anticipation Note, Series 2022, to finance the cost of various water and sewer system improvements. The aggregate principal amount of the note outstanding at any one time shall not exceed \$500,000.

Under an irrevocable letter of credit issued by Pinnacle Bank, as of October 25, 2022, amended December 20, 2022, the City is entitled to draw an amount sufficient to pay the amount demanded under the sewer construction contract between the City and McEwen Manor Partners, LLC on behalf of Arey Properties, LLC (the total amount not to exceed \$300). The letter of credit is valid through June 7, 2023.

On October 28, 2022, the City received \$203 in a direct borrowing state revolving loan through the North Carolina Department of Environmental Quality to be used for wastewater treatment plant improvements.

6. TRANSACTIONS WITH THE CITY OF CHARLOTTE:

Expenses include certain costs charged to Charlotte Water by other funds of the City. These charges are as follows:

Administrative and other City Services	\$	27,256
Revenue Services		6,125
	\$	<u>33,381</u>

7. PENSION PLAN AND OTHER BENEFITS:

a. Local Governmental Employees' Retirement System (LGERS)

The City of Charlotte, and Charlotte Water as an enterprise fund of the City, is a participating employer 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 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 Annual Comprehensive Financial Report (ACFR) for the State of North Carolina. The State's ACFR 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 at 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. 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 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.

Contributions: Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. Charlotte Water employees are required to contribute six percent of their compensation.

Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The contractually required contribution rate for the year ended June 30, 2022, was 11.35 percent for general employees of Charlotte Water, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from Charlotte Water were \$6,921 for the year ended June 30, 2022.

Refund of Contributions: Charlotte Water 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.

At June 30, 2022, Charlotte Water reported a liability of \$13,182 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2020. The total pension liability was then rolled forward to the measurement date of June 30, 2021 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, 2021, the City's proportion was 6.844 percent which was an increase of 0.365 percent from its proportion measured as of June 30, 2020.

For the year ended June 30, 2022, Charlotte Water recognized a pension expense of \$6,212. At June 30, 2022, Charlotte Water 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	\$ 4,193	\$ -
Changes of assumptions	8,282	-
Net difference between projected and actual earnings on pension plan investments	-	18,833
Changes in proportion and differences between Charlotte Water contributions and proportionate share of contributions	1,003	-
Charlotte Water's contributions subsequent to the measurement date	6,921	-
Total	<u>\$ 20,399</u>	<u>\$ 18,833</u>

\$6,921 reported as deferred outflows of resources related to pensions resulting from Charlotte Water contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2023	\$ 1,631
2024	(23)
2025	(1,200)
2026	(5,763)
	<u>\$ (5,355)</u>

Actuarial Assumptions: The total pension liability in the December 31, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Salary increases	3.25 to 8.25%, including inflation and productivity factor
Investment rate of return	6.50%, 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, 2020 valuation were based on the results of an actuarial experience study for the period January 1, 2015 through December 31, 2019.

Future ad hoc cost of living adjustment 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.

The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2021 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 asset, liability and investment policy study for the North Carolina Retirement Systems. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.00 percent. All rates of return and inflation are annualized.

Discount Rate: The discount rate used to measure the total pension liability was 6.50 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 Liability to Changes in the Discount Rate: The following presents Charlotte Water's proportionate share of the net pension liability calculated using the discount rate of

6.50 percent, as well as what Charlotte Water's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (5.50 percent) or one percentage point higher (7.50 percent) than the current rate.

	1% Decrease (5.50)%	Discount Rate (6.50)%	1% Increase (7.50)%
Charlotte Water's proportionate share of the net pension liability	\$ 51,171	\$ 13,182	\$ (18,081)

Pension Plan Fiduciary Net Position: Detailed information about the pension plan's fiduciary net position is available in the separately issued Annual Comprehensive Financial Report for the State of North Carolina.

b. Other Postemployment Benefits

Charlotte Water participates in the City of Charlotte Employee Benefit Trust Plan (EBTP).

Plan Description: The EBTP is a single-employer defined benefit healthcare plan administered by the City of Charlotte. The EBTP provides health and welfare benefit plans for the benefit of eligible retired employees of the City. Section 4.05 of the Charlotte City Code assigns the authority to establish benefit provisions for EBTP to the City Council. The EBTP is included in the Annual Comprehensive Financial Report for the City of Charlotte. The City's ACFR includes financial statements and required supplementary information for the EBTP. That report may be obtained by writing to the City of Charlotte, Finance Department, Charlotte-Mecklenburg Government Center, 600 East Fourth Street, 10th Floor, Charlotte, North Carolina 28202-2848.

Plan Membership: At June 30, 2021 the EBTP membership consisted of the following:

	2021
Inactive plan members or beneficiaries currently receiving benefit payments	2,208
Active plan members	3,003
Total	5,211

Benefits Provided: The EBTP provided healthcare benefits for retirees hired before July 1, 2009 and have at least ten years of consecutive City service in a benefit eligible position and immediately begin drawing a retirement benefit. The City pays a percentage of the cost of coverage for employees' benefits through private insurers based on years of service.

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 \$221 to \$4,709 per retiree.

City Contributions to EBTP based on years of creditable service

Years of Creditable Service	Date Hired	
	Pre-July 1, 2009	On or after July 1, 2009
10 less than 15 years	0%	0%
15 to 20 years	51%	0%
20+ years	60%	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 \$16,081 to the plan. Charlotte Water's proportionate share of the employer contribution was \$1,346.

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 fair 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
Non-Domestic Equity	18%
Domestic equity	50%
Non-Domestic Fixed Income	20%
Domestic fixed income	12%
Total	100%

Rate of Return: For the year ended June 30, 2022, the annual money market weighted rate of return on investment, net of investment expenses was 7.25 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, 2022 were as follows:

	City	Charlotte Water's Proportionate Share
Total OPEB liability	\$ 463,295	\$ 25,501
Plan fiduciary net position	131,184	39,719
Net OPEB liability (asset)	\$ 332,111	\$ (14,218)
Plan fiduciary net position as a percentage of the total OPEB liability	28.32%	155.75%

Actuarial Assumptions: The total OPEB liability of the City was determined on an actuarial valuation as of June 30, 2021, using the following key actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50%
Real wage growth	0.75%
Wage inflation	3.25%
Salary increases, including wage inflation	
General Employees	3.25% - 8.41%
Firefighters	3.75% - 9.00%
Law Enforcement Officers	3.25% - 7.90%
Long-term Investment Rate of Return, net of OPEB plan investment expense, including price inflation	7.25%
Municipal Bond Index Rate	
Prior Measurement Date	2.16%
Measurement Date	3.54%
Year FNP is projected to be depleted	
Prior Measurement Date	N/A
Measurement Date	2047
Single Equivalent Interest Rate, net of OPEB plan investment expense, including price inflation	
Prior Measurement Date	7.40%
Measurement Date	5.28%
Health Care Cost Trends	
Pre-Medicare Medical and Prescription Drug	7.00% for 2021 decreasing to an ultimate rate of 4.50% by 2031
Medicare Medical and Prescription Drug	5.25% for 2021 decreasing to an ultimate rate of 4.50% by 2025

Total OPEB liabilities were rolled forward to June 30, 2021 and June 30, 2022 for the employer and the plan, respectively, utilizing updated procedures incorporating the actuarial assumptions.

Mortality rates were based on the Pub-2010 mortality tables, with adjustments for LGERS experience and generational mortality improvements using Scale MP-2019.

Discount Rate: The discount rate used to measure the total OPEB liability at June 30, 2021 was 5.28 percent. The projection's basis was an actuarial valuation performed as of June 30, 2020.

Sensitivity of the Proportionate Share of the Net OPEB Liability (Asset) to Changes in the Discount Rate: The following presents Charlotte Water's proportionate share of the net OPEB asset of the EBTP as of June 30, 2022, as well as what Charlotte Water's proportionate share of the EBTP's asset would be if it were calculated using a discount rate that is one-percentage-point lower (4.28 percent) or one-percentage-point higher (6.28 percent) than the current rate.

	1% Decrease (4.28)%	Discount Rate (5.28)%	1% Increase (6.28)%
Net OPEB (asset)	\$ (11,890)	\$ (14,218)	\$ (17,092)

Sensitivity of the Proportionate Share of the Net OPEB Liability (Asset) to Changes in the Healthcare Cost Trend Rates. The following presents Charlotte Water's proportionate share of the net OPEB asset of the EBTP as of June 30, 2022, as well as what Charlotte Water's proportionate share of the EBTP asset would be if it were to calculate the healthcare cost trend rates that are one percentage point lower or one percentage point higher than the current healthcare cost trend rate.

	Healthcare Cost Trend Rates		
	1% Decrease	Current Rate	1% Increase
Net OPEB (asset)	\$ (17,689)	\$ (14,218)	\$ (11,436)

Changes in Net OPEB Liability (Asset), OPEB Expenses and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB: At June 30, 2022, Charlotte Water's proportionate share of the EBTP's reported net OPEB asset was \$(14,218). The total OPEB liability used to calculate the net OPEB asset was determined by an actuarial valuation as of June 30, 2021. The total OPEB asset was then rolled forward to the measurement date of June 30, 2022 utilizing update procedures incorporating the actuarial assumptions.

At June 30, 2022, the components of Charlotte Water's proportionate share of the net OPEB asset of the EBTP, measured as of June 30, 2022, were as follows:

		Increase (Decrease)	
	Total OPEB	Plan Fiduciary	Net OPEB
	Liability (a)	Net Position (b)	Asset (a) - (b)
Balances at June 30, 2021	\$ 18,313	\$ 48,725	\$ (30,412)
Changes for the year:			
Service Cost	255	-	255
Interest	1,383	-	1,383
Difference between expected and actual experience	637	-	637
Changes of Assumptions	5,713	-	5,713
Contributions-employers	-	11,346	(11,346)
Net investment income	-	(15,375)	15,375
Administrative expense	-	(4,401)	4,401
Benefit payments	(800)	(576)	(224)
Net change	7,188	(9,006)	16,194
Balances at June 30, 2022	\$ 25,501	\$ 39,719	\$ (14,218)

Changes of Assumptions: Changes of assumptions and other inputs reflect a change in the discount rate from 7.40 percent in 2021 to 5.28 percent in 2022. 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 healthcare 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, 2022, Charlotte Water's proportionate share of the EBTP's recognized OPEB income was (\$1,340). At June 30, 2022, Charlotte Water's proportionate share of the EBTP's reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred	Deferred
	Outflows of	Inflows of
	Resources	Resources
Differences between expected and actual experience	\$ 75	\$ 2,618
Changes of assumptions or other inputs	7,795	8,727
Net difference between projected and actual earnings on plan investment	1,333	-
Total	\$ 9,203	\$ 11,345

Total amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year ended June 30:</u>	
2023	\$ (2,425)
2024	(1,177)
2025	588
2026	<u>872</u>
	<u>\$ (2,142)</u>

Below are the City's Statement of Net Position and Statement of Changes in Net Position for the Employee Benefit – Other Employee Benefit Trust:

Statement of Net Position - Other Employee Benefit Trust

Assets:

Cash, cash equivalents and investments	\$ 845
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Receivables:

Interest and dividends	3
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Investments:

Mutual Funds	<u>130,339</u>
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Total assets	<u>131,187</u>
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Liabilities:

Accounts payable	<u>3</u>
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Net Position:

Net position restricted for OPEB	<u>\$ 131,184</u>
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Statement of Changes in Net Position - Other Employee Benefit Trust

Additions:	
Contributions-	
Employer	\$ 15,550
Investment income -	
Net appreciation in fair value of investments	(29,677)
Interest	242
Total investment income	(29,435)
Investment expense	240
Net investment income	(29,675)
Total additions	(14,125)
Deductions:	
Benefits	6,792
Insurance premiums	7,745
Administration	1,902
Total deductions	16,439
Change in net position	(30,564)
Net position - beginning	161,748
Net position - ending	\$ 131,184

c. Deferred Compensation Plan

The City offers 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.

The City participates in the NC 401(k) Plan which is a retirement savings plan administered by the North Carolina Department of the State Treasurer, and available exclusively to North Carolina public employees who are actively contributing to one of the NC Retirement Systems.

8. INSURANCE:

a. 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 five-hundred thousand. 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.

Charlotte Water participates and makes 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 basic life insurance and accidental death and dismemberment benefits for employees in the amount of two times the employees' salary up to a maximum of five-hundred thousand. Employees may purchase additional life insurance up to a maximum of five times their salary. The City provides short-term disability that equal 60 percent of salary for up to 26 weeks. Charlotte Water made payments to the EHLIF for the year ended June 30, 2022 in the amount of \$7,218.

b. Risk Management

Charlotte Water is exposed to various risks of loss related to torts; thefts of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City has a Risk Management Fund (RMF), an internal service fund, to account for and finance its insured and uninsured risks of loss. Currently, insurance coverage is purchased for excess property damage for buildings, contents, and 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 \$250 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 \$40,000 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 \$500. The actuarially determined losses for the remaining risks and deductible amounts are funded in the RMF. Settled claims have not exceeded insurance coverage in the past three years. Charlotte Water participates in the risk management program and makes 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. Charlotte Water made payments to the RMF for the year ended June 30, 2022 in the amount of \$4,801.

9. COMMITMENTS AND CONTINGENCIES:

On April 5, 2022, the North Carolina Court of Appeals issued an opinion affirming the partial summary judgment granted to Plaintiffs, which required the City to pay the Plaintiffs all capacity fees assessed between FY15 and FY18. The City filed a petition for discretionary review with the North Carolina Supreme Court, which the Court subsequently denied on August 19, 2022. At this time, a determination on the exact liability remains outstanding, however the City estimates the amount to be at least \$80 million as of June 30, 2022 and has recorded this as accounts payable and administrative expenses on the accompanying financial statements.

There also is a case before the Mecklenburg County Superior Court for all capacity fees assessed between FY19 to present and litigation is ongoing. A separate case, Daedalus, LLC v. City of Charlotte (State Court 21-CVS-6852), was consolidated into this litigation. If the Court rules against the City for all capacity fees assessed between FY19 to present, then the city would have a right to appeal as well.

An agreement was reached in January 2023 and approved by the City Council to settle both lawsuits for \$106,000. Final resolution will not occur until the Mecklenburg County Superior Court has completed its judicial process for signoff on the final order.

Charlotte Water 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 the terms of the grants. The City management believes that such disallowances, if any, would not be significant.

Charlotte Water had authorized capital projects at June 30 as follows:

	<u>2022</u>
Project authorization	\$ 4,162,513
Expended	<u>3,488,203</u>
Unexpended	<u>\$ 674,310</u>

Financial resources are available to fund the total amount of unexpended authorizations. Charlotte Water had construction and other contractual commitments of approximately \$329,867 at June 30, 2022.



REQUIRED SUPPLEMENTARY INFORMATION

CHARLOTTE WATER

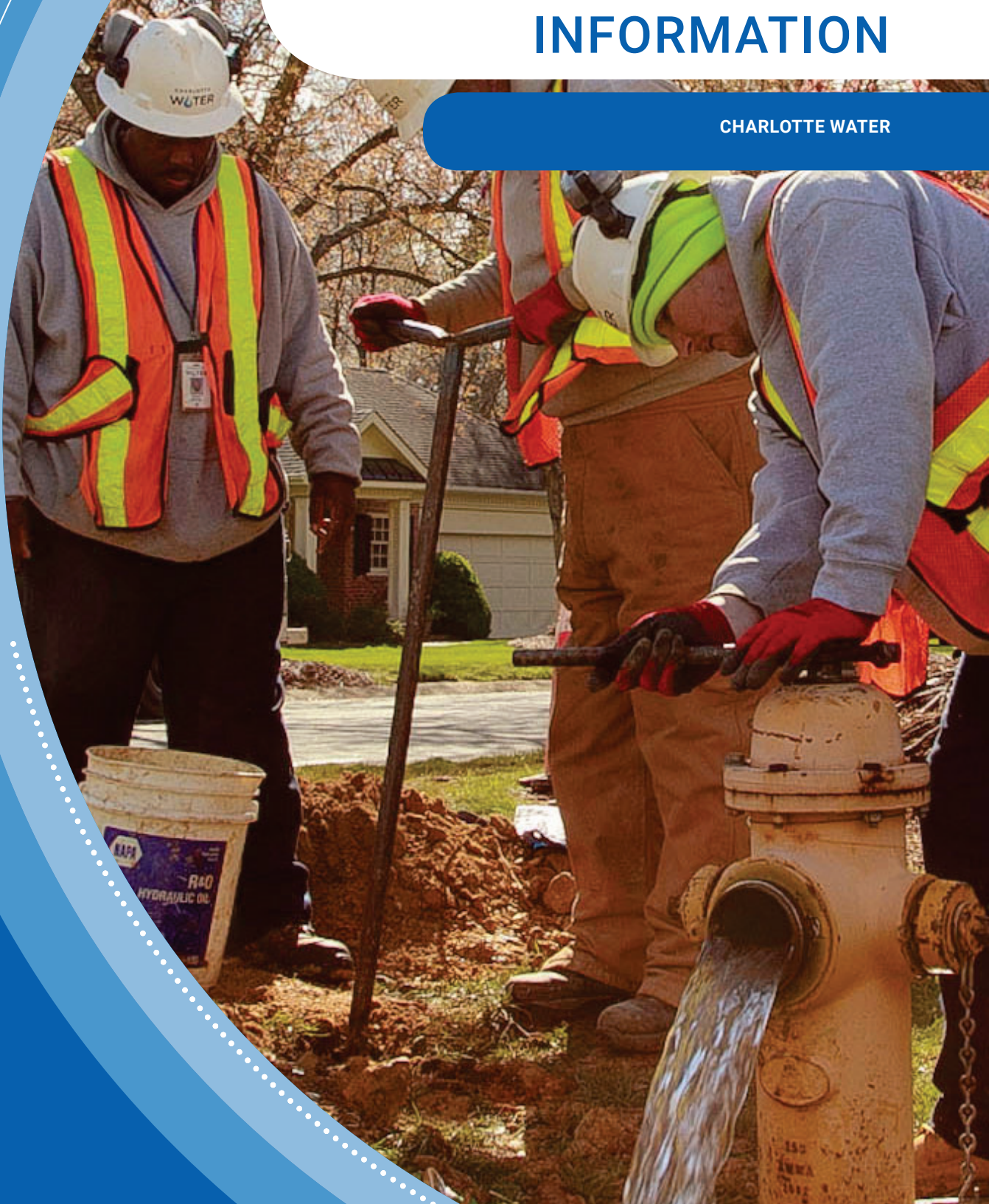


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CHARLOTTE WATER



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CHARLOTTE WATER
LOCAL GOVERNMENTAL EMPLOYEES' RETIREMENT SYSTEM
PROPORTIONATE SHARE OF NET PENSION LIABILITY (ASSET) FOR THE CITY OF CHARLOTTE
LAST NINE FISCAL YEARS (Dollar Amounts in Thousands)

Valuation Date Measurement Date Reporting Date	December 31, 2012 June 30, 2013 June 30, 2014	December 31, 2013 June 30, 2014 June 30, 2015	December 31, 2014 June 30, 2015 June 30, 2016	December 31, 2015 June 30, 2016 June 30, 2017	December 31, 2016 June 30, 2017 June 30, 2018	December 31, 2017 June 30, 2018 June 30, 2019	December 31, 2018 June 30, 2019 June 30, 2020	December 31, 2019 June 30, 2020 June 30, 2021	December 31, 2020 June 30, 2021 June 30, 2022
City of Charlotte's proportion of the net pension liability (asset) (%)	5.89%	(5.88%)	5.89%	6.05%	6.12%	6.25%	6.32%	6.48%	6.84%
City of Charlotte's proportion of the net pension liability (asset) (\$)	\$ 71,032	\$ (32,461)	\$ 26,455	\$ 128,378	\$ 93,421	\$ 148,334	\$ 172,606	\$ 231,494	\$ 104,952
Charlotte Water's proportion of the net pension liability (asset) (\$)	\$ 7,954	\$ (3,885)	\$ 3,189	\$ 14,961	\$ 11,070	\$ 18,275	\$ 21,179	\$ 28,728	\$ 13,182
City of Charlotte's covered payroll	\$ 317,369	\$ 358,413	\$ 327,094	\$ 350,856	\$ 381,739	\$ 397,056	\$ 425,364	\$ 454,357	\$ 473,265
City of Charlotte's proportionate share of the net pension (asset) as a percentage of its covered payroll	22.38%	(9.06%)	8.09%	36.59%	24.47%	37.36%	40.58%	50.95%	22.18%
Plan fiduciary net position as a percentage of the total pension liability ⁽¹⁾	94.35%	102.47%	98.09%	91.47%	94.18%	91.63%	90.86%	88.61%	95.51%

NOTES:

⁽¹⁾ This will be the same percentage for all participant employers in the LGERS plan. Information shown on this page is for the employer, the City of Charlotte, unless otherwise noted. This schedule will not present ten years' of fiscal information until 2023.

CHARLOTTE WATER
LOCAL GOVERNMENTAL EMPLOYEES' RETIREMENT SYSTEM
CITY OF CHARLOTTE'S CONTRIBUTIONS
LAST NINE FISCAL YEARS (Dollar Amounts in Thousands)

	2014	2015	2016	2017	2018	2019	2020	2021	2022
City of Charlotte's contractually required contribution	\$ 23,348	\$ 24,288	\$ 23,959	\$ 28,613	\$ 30,712	\$ 33,945	\$ 41,715	\$ 49,054	\$ 55,104
City of Charlotte's contributions in relation to the contractually required contribution	23,348	24,288	23,959	28,613	30,712	33,945	41,715	49,054	55,104
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
City of Charlotte's covered payroll	\$ 358,413	\$ 327,094	\$ 350,856	\$ 381,739	\$ 397,056	\$ 425,364	\$ 454,357	\$ 473,265	\$ 476,720
City of Charlotte's contributions as a percentage of covered payroll	6.51%	7.43%	6.83%	7.50%	7.73%	7.98%	9.18%	10.37%	11.56%
Charlotte Water's proportion of contractually required contribution	\$ 2,615	\$ 2,750	\$ 2,757	\$ 3,335	\$ 3,639	\$ 4,182	\$ 5,118	\$ 6,088	\$ 6,921
Charlotte Water's proportion of contributions in relation to the contractually required contribution	2,615	2,750	2,757	3,335	3,639	4,182	5,118	6,088	6,921
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

NOTES:
Information shown on this page is for the employer, the City of Charlotte, unless otherwise noted.
This schedule will not present ten years' of fiscal information until 2023.



REQUIRED SUPPLEMENTARY INFORMATION

CHARLOTTE WATER
 EMPLOYEE BENEFIT TRUST PLAN (EBTP)
 SCHEDULE OF CHANGES IN THE NET OPEB LIABILITY
 LAST SIX FISCAL YEARS (Dollar Amounts in Thousands)

Valuation Date	July 1, 2017	July 1, 2017	June 30, 2018	June 30, 2018	June 30, 2019	June 30, 2019	June 30, 2020	June 30, 2020	June 30, 2021	June 30, 2021	June 30, 2022	June 30, 2022
Measuring Date	June 30, 2017	June 30, 2017	June 30, 2018	June 30, 2018	June 30, 2019	June 30, 2019	June 30, 2020	June 30, 2020	June 30, 2021	June 30, 2021	June 30, 2022	June 30, 2022
Reporting Date	June 30, 2017	June 30, 2017	June 30, 2018	June 30, 2018	June 30, 2019	June 30, 2019	June 30, 2020	June 30, 2020	June 30, 2021	June 30, 2021	June 30, 2022	June 30, 2022
City of Charlotte's Total OPEB Liability												
Service cost at end of year	\$	7,002	\$	7,545	\$	8,123	\$	10,615	\$	17,691	\$	4,634
Interest on the total OPEB liability		23,432		24,372		24,031		22,012		19,173		25,121
Difference between expected and actual experience		(294)		-		(106,807)		3,218		(39,053)		(2,333)
Changes of assumptions or other inputs		-		-		(45,850)		145,782		(275,389)		103,796
Benefit payments		(14,639)		(25,143)		(15,592)		(18,016)		(8,819)		(14,537)
Net change in Total OPEB Liability		15,501		6,774		(136,095)		163,611		(286,397)		116,681
Total OPEB Liability - beginning		583,220		598,721		605,495		469,400		633,011		346,614
Total OPEB Liability - ending		598,721		605,495		469,400		633,011		346,614		463,295
Plan Fiduciary Net Position												
Contributions - employer		16,361		20,454		21,689		19,957		44,303		15,550
Net investment income		7,532		5,881		4,730		1,224		26,988		(29,674)
Benefit payments		(14,639)		(14,782)		(15,592)		(18,016)		(8,818)		(14,537)
Additional contributions into the trust		-		20,325		-		-		-		-
Administrative expense		(232)		(266)		(223)		(1,984)		(1,774)		(1,903)
Other		(1,844)		(2,746)		-		(41)		-		-
Net change in Plan Fiduciary Net Position		7,178		28,866		10,604		1,140		60,699		(30,564)
Plan Fiduciary Net Position - beginning		53,261		60,439		89,305		99,909		101,049		161,748
Plan Fiduciary Net Position - ending		60,439		89,305		99,909		101,049		161,748		131,184
Net OPEB Liability - ending		538,282		516,190		369,491		531,962		184,866		332,111

NOTES:

Information shown on this page is for the employer, the City of Charlotte, unless otherwise noted.
 This schedule will not present ten years' of fiscal information until 2026.

CHARLOTTE WATER
EMPLOYEE BENEFIT TRUST PLAN (EBTP)
SCHEDULE OF CHANGES OF TOTAL LIABILITY AS A PERCENTAGE OF COVERED PAYROLL
LAST SIX FISCAL YEARS (Dollar Amounts in Thousands)

	2017	2018	2019	2020	2021	2022
City of Charlotte's total OPEB liability	\$ 598,721	\$ 605,495	\$ 469,400	\$ 633,011	\$ 346,614	\$ 463,295
Plan fiduciary net position	60,439	89,305	99,909	101,049	161,748	131,184
City of Charlotte's net OPEB liability	\$ 538,282	\$ 516,190	\$ 369,491	\$ 531,962	\$ 184,866	\$ 332,111
Plan fiduciary net position as a percentage of the total OPEB liability	10.09%	14.75%	21.28%	15.96%	46.67%	28.32%
City of Charlotte's covered payroll	\$ 402,489	\$ 402,489	\$ 252,834	\$ 252,834	\$ 240,688	\$ 222,802
City of Charlotte's net OPEB liability as a percentage of covered payroll	133.74%	128.25%	146.14%	210.40%	76.81%	149.06%

NOTES:
Information shown on this page is for the employer, the City of Charlotte, unless otherwise noted.
This schedule will not present ten years' of fiscal information until 2026.

CHARLOTTE WATER
EMPLOYEE BENEFIT TRUST PLAN (EBTP)
SCHEDULE OF CITY CONTRIBUTIONS AND INVESTMENT RETURNS
LAST SIX FISCAL YEARS (Dollar Amounts in Thousands)

	2017	2018	2019	2020	2021	2022
Actuarially determined contribution	\$ 22,729	\$ 25,967	\$ 26,605	\$ 26,605	\$ 26,605	\$ 24,483
Contributions in relation to actuarially determined contribution	24,630	40,778	21,689	19,957	44,303	15,550
Contribution deficiency (excess)	<u>\$ (1,901)</u>	<u>\$ (14,811)</u>	<u>\$ 4,916</u>	<u>\$ 6,648</u>	<u>\$ (17,698)</u>	<u>\$ 8,933</u>
City of Charlotte's covered payroll	\$ 402,489	\$ 402,489	\$ 252,834	\$ 252,834	\$ 240,688	\$ 222,802
Contributions in relation to actuarially determined contribution as a percentage of covered payroll	6.12%	10.13%	8.58%	7.89%	18.41%	6.98%

The total OPEB liability was determined based on actuarial valuation as of June 30, 2020, using the following key actuarial assumptions and other inputs:

Inflation	2.50%
Real wage growth	0.75
Wage inflation	3.25%
Salary increases, including wage inflation	
General employees	3.25% - 8.41%
Firefighters	3.75% - 9.00%
Law Enforcement Officers	3.25% - 7.90%
Long-term investment rate of return, net of OPEB plan investment expense, including price inflation	7.25%
Municipal Bond Index Rate	
Prior measurement date	2.16%
Measurement date	3.54%
Year FNP is projected to be depleted	
Prior measurement date	N/A
Measurement date	2047
Single Equivalent Interest Rate, net of OPEB plan investment expense, including price inflation	
Prior measurement date	7.40%
Measurement date	5.28%
Healthcare cost trends	
Pre-Medicare medical and prescription drug	7.00% for 2020 decreasing to an ultimate rate of 4.50% by 2030
Medicare medical and prescription drug	5.25% for 2020 decreasing to an ultimate rate of 4.50% by 2024

	2017	2018	2019	2020	2021	2022
Annual money-weighted rate of return, net of investment expenses	13.84%	7.60%	4.38%	1.30%	25.41%	(18.28%)

NOTES:

Information shown on this page is for the employer, the City of Charlotte, unless otherwise noted.

This schedule will not present ten years worth of fiscal information until 2026.

INDIVIDUAL FUND AND OTHER SUPPLEMENTARY INFORMATION

CHARLOTTE WATER



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**CHARLOTTE WATER
OPERATING FUND
SCHEDULE OF REVENUES, EXPENDITURES AND TRANSFERS-
BUDGET AND ACTUAL (NON-GAAP BASIS)
FOR THE YEAR ENDED JUNE 30, 2022
(Dollar Amounts In Thousands)**

	Budget	Actual	Variance- Positive (Negative)
REVENUES:			
Volumetric rates	\$ 346,771	\$ 344,821	\$ (1,950)
Fixed rates	77,784	81,758	3,974
System development fees	18,000	45,377	27,377
Other	26,941	30,560	3,619
Investment earnings	659	(2,913)	(3,572)
Total revenues	470,155	499,603	29,448
EXPENDITURES:			
Water supply and treatment	16,979	16,801	178
Sewer system and treatment	53,097	51,974	1,123
Administration and engineering	43,696	42,991	705
Other operating	72,009	69,015	2,994
Total expenditures	185,781	180,781	5,000
Revenues over expenditures	284,374	318,822	34,448
TRANSFERS OUT:			
Water and Sewer Debt Service	139,119	135,108	4,011
Water and Sewer Capital Projects	184,566	184,787	(221)
Capital Projects	277	277	-
Total transfers out	323,962	320,172	3,790
Revenues (under) expenditures and transfers	\$ (39,588)	\$ (1,350)	\$ 38,238



CHARLOTTE WATER
DEBT SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND TRANSFERS-
BUDGET AND ACTUAL (NON-GAAP BASIS)
FOR THE YEAR ENDED JUNE 30, 2022
(Dollar Amounts In Thousands)

	Budget	Actual	Variance- Positive (Negative)
REVENUES:			
Investment earnings	\$ -	\$ (2)	\$ (2)
EXPENDITURES:			
Bonds-			
Principal retirement	70,391	70,391	-
Interest	55,266	53,883	1,383
Other financing agreements-			
Principal retirement	8,384	7,337	1,047
Interest	4,334	1,468	2,866
Bond issue expense	89	89	-
Other	957	612	345
Total expenditures	139,421	133,780	5,641
Revenues (under) expenditures	(139,421)	(133,782)	5,639
TRANSFERS IN:			
Water and Sewer Operating	139,119	135,108	(4,011)
Water and Sewer Capital Projects	302	-	(302)
Total transfers in	139,421	135,108	(4,313)
Revenues and transfers over expenditures	\$ -	\$ 1,326	\$ 1,326

CHARLOTTE WATER
SCHEDULE OF RECONCILIATION OF BUDGETARY (NON-GAAP BASIS)
TO FULL ACCRUAL BASIS
FOR THE YEAR ENDED JUNE 30, 2022
(Dollar Amounts In Thousands)

Revenues and transfers over (under) expenditures and transfers:

Operating Fund	\$	(1,350)
Debt Service Fund		1,326
Lease revenue		80
Capital Projects Fund investment earnings		240
Current year encumbrances		8,027
Deferred outflows of resources for pensions		3,996
Net pension liability		15,546
Deferred inflows of resources for pensions		(18,833)
Deferred outflows of resources for OPEB		4,353
Net OPEB asset		(16,194)
Deferred inflows of resources for OPEB		5,449
Depreciation		(158,534)
Amortization		(178)
Debt principal retirement		77,728
Capital outlay		20
Amortization of deferred charges		(1,508)
Amortization of premium		9,622
Deferred inflows of gains on refundings		2,802
Lease rent expense		213
Lease interest expense		(10)
Capital contributions		159,046
Other		(92,838)
Net transfers to (from) Water and Sewer Capital Projects Fund:		
Water and Sewer Operating		184,787
Compensated absences		101
Change in net position	\$	<u>183,891</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.



**CHARLOTTE WATER
CAPITAL PROJECTS FUND
SCHEDULE OF EXPENDITURES COMPARED WITH AUTHORIZATIONS
FOR THE YEAR ENDED JUNE 30, 2022
(Dollar Amounts In Thousands)**

	<u>Authorizations</u>	<u>Expenditures</u>			<u>Unexpended Authorizations</u>
		<u>Current Year</u>	<u>Prior Years</u>	<u>Total</u>	
Water:					
Capacity for growth	\$ 539,723	\$ 60,147	\$ 383,048	\$ 443,195	\$ 96,528
Commitment public projects/operations	180,043	10,302	136,206	146,508	33,535
Rehab and replacement	512,272	39,348	406,525	445,873	66,399
Regulatory requirements	46,117	634	40,049	40,683	5,434
Sewer:					
Capacity for growth	1,271,172	170,483	870,736	1,041,219	229,953
Commitment public projects/operations	129,342	4,309	106,245	110,554	18,788
Rehab and replacement	1,065,830	61,906	873,156	935,062	130,768
Regulatory requirements	234,845	44,188	158,061	202,249	32,596
New facilities	56,324	13,211	5,759	18,970	37,354
Facility renovations	4,365	609	1,869	2,478	1,887
Facilities maintenance	6,454	147	1,913	2,060	4,394
Technology	66,923	2,804	51,422	54,226	12,697
Capital equipment	49,103	3,462	41,664	45,126	3,977
Total water and sewer capital projects	\$ 4,162,513	\$ 411,550	\$ 3,076,653	\$ 3,488,203	\$ 674,310



STATISTICAL SECTION

CHARLOTTE WATER

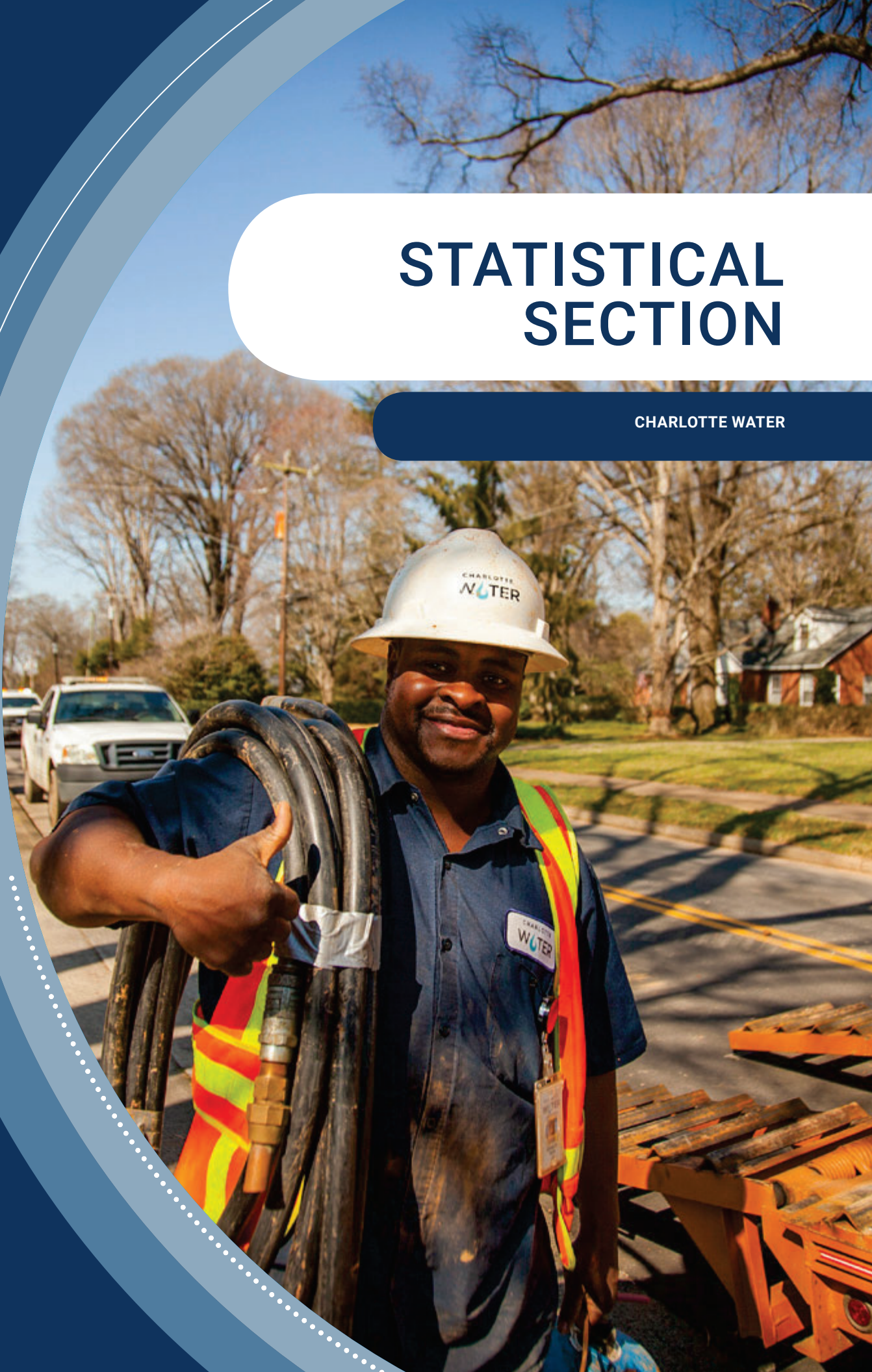


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CHARLOTTE WATER



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CHARLOTTE WATER
NET POSITION
LAST TEN FISCAL YEARS (Dollar Amounts in Thousands)

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Net investments in capital assets	\$ 1,464,238	\$ 1,517,997	\$ 1,523,291	\$ 1,583,337	\$ 1,720,933	\$ 1,786,625	\$ 1,977,806	\$ 2,184,781	\$ 2,503,569	\$ 2,796,494
Restricted for:										
Debt Service	3,304	3,310	3,154	-	-	-	-	-	-	-
Net OPEB Asset	-	-	-	-	-	-	-	-	30,412	14,218
Unrestricted	186,600	224,887	289,999	334,392	363,349	411,160	382,121	319,684	245,045	152,205
Total	\$ 1,654,142	\$ 1,746,194	\$ 1,816,444	\$ 1,917,729	\$ 2,084,282	\$ 2,197,785	\$ 2,359,927	\$ 2,504,465	\$ 2,779,026	\$ 2,962,917

SOURCE:
City of Charlotte Finance Department

CHARLOTTE WATER
CHANGES IN NET POSITION
LAST TEN FISCAL YEARS (Dollar Amounts in Thousands)

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Operating revenues	\$ 304,348	\$ 318,859	\$ 340,764	\$ 377,127	\$ 402,309	\$ 407,344	\$ 424,327	\$ 438,105	\$ 458,669	\$ 499,139
Operating expenses (2)	(192,841)	(199,869)	(242,850)	(225,916)	(258,927)	(256,734)	(280,334)	(311,501)	(296,367)	(429,609)
Nonoperating revenues (expenses)	(59,406)	(51,744)	(49,172)	(76,196)	(40,939)	(53,980)	(47,665)	(44,935)	(49,354)	(44,408)
Income before capital contributions	52,101	67,246	48,742	75,015	102,443	96,630	96,328	81,669	112,948	25,122
Capital contributions (1)	10,976	24,806	26,847	26,270	60,729	48,478	65,912	57,158	161,958	159,046
Transfers in (out)	(1,878)	-	-	-	3,381	(331)	(98)	5,711	(345)	(277)
Change in net position	\$ 61,199	\$ 92,052	\$ 75,589	\$ 101,285	\$ 166,553	\$ 144,777	\$ 162,142	\$ 144,538	\$ 274,561	\$ 183,891

SOURCE:

City of Charlotte Finance Department

⁽¹⁾ The increase in capital contributions from 2020 to 2021 was primarily due to an increase in donated assets.

⁽²⁾ The increase in 2022 was primarily due to an \$80,000 accrual for potential lawsuit settlement and costs of contracted services and chemicals in the treatment of water and sewer.

CHARLOTTE WATER
OPERATING REVENUES BY SOURCE
LAST TEN FISCAL YEARS (Dollar Amounts in Thousands)

	2013	2014	2015	2016	2017	2018 ⁽²⁾	2019	2020	2021	2022
Operating Revenues:										
Charges for services	\$ 260,146	\$ 271,438	\$ 289,303	\$ 313,781	\$ 324,311	\$ 318,084	\$ 343,705	\$ 355,501	\$ 363,572	\$ 396,831
Availability fees	29,517	30,857	31,766	37,113	44,913	51,039	51,141	47,903	50,813	52,190
Capacity fees ⁽¹⁾	10,352	11,795	13,098	19,157	24,290	-	-	-	-	-
System development fees ⁽¹⁾	-	-	-	-	-	28,316	23,829	30,115	38,890	45,377
Miscellaneous	4,333	4,769	6,597	7,076	8,795	9,905	5,652	4,586	5,394	4,741
Total operating revenues	\$ 304,348	\$ 318,859	\$ 340,764	\$ 377,127	\$ 402,309	\$ 407,344	\$ 424,327	\$ 438,105	\$ 458,669	\$ 499,139

SOURCE:

City of Charlotte Finance Department

NOTES:

⁽¹⁾ Capacity fees changed to system development fees due to House Bill 436, Session Law 2017-138, passed on July 20, 2017, also known as the "Public Water and Sewer Development Fee Act".

⁽²⁾ Fiscal year 2018 has been restated to reflect recategorization of capacity fees from nonoperating revenues to operating revenues in the amount of \$28,316.

**CHARLOTTE WATER
OPERATING EXPENSES
LAST TEN FISCAL YEARS (Dollar Amounts in Thousands)**

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Operating Expenses:										
Administration ⁽¹⁾	\$ 25,275	\$ 26,327	\$ 28,963	\$ 28,728	\$ 39,864	\$ 36,598	\$ 26,136	\$ 43,394	\$ 30,794	\$ 129,997
Operating and maintenance ⁽²⁾	74,635	79,255	92,038	91,487	104,917	99,496	127,432	132,641	109,675	139,655
Other ⁽³⁾	1,473	1,629	1,648	1,929	2,183	121	542	1,078	11,694	1,245
Right of use lease amortization	-	-	-	-	-	-	-	-	-	178
Depreciation	91,458	92,658	120,201	103,772	111,963	120,519	126,224	134,388	144,204	158,534
Total operating expenses	\$ 192,841	\$ 199,869	\$ 242,850	\$ 225,916	\$ 258,927	\$ 256,734	\$ 280,334	\$ 311,501	\$ 296,367	\$ 429,609

SOURCE:

City of Charlotte Finance Department

NOTES:

⁽¹⁾ In fiscal year 2020, administration increased due to paying additional costs through cost allocation and direct salaries for services provided by other City departments. In fiscal year 2021, the decrease was related to the change in OPEB from a liability to an asset in addition to changes in deferred inflow and outflows related to OPEB. In fiscal year 2022, the increase is due an \$80,000 accrual for a potential lawsuit settlement.

⁽²⁾ In fiscal year 2015, operating and maintenance increased due to additional environmental services related to sludge disposal. In fiscal year 2019, increased expenses were due to changes in deferred inflows for OPEB. In fiscal year 2021, decreased expenses resulted from salary savings, reduced chemical and power costs at treatment plants, and reduced third-party contractual services. In fiscal year 2022, increased expenses resulted from costs of contracted services and chemicals in the treatment of water and sewer.

⁽³⁾ In fiscal year 2021, other expenses increased due to refunding savings being used to pre-fund other postemployment benefit trust.

CHARLOTTE WATER
NONOPERATING REVENUES AND EXPENSES
LAST TEN FISCAL YEARS (Dollar Amounts in Thousands)

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Nonoperating Revenues (Expenses):										
Investment earnings ⁽¹⁾	\$ (176)	\$ 1,175	\$ 1,155	\$ 1,768	\$ 1,600	\$ 5,830	\$ 10,287	\$ 6,838	\$ (1,133)	\$ (2,675)
Interest expense and other charges	(56,545)	(56,653)	(55,084)	(82,368)	(49,192)	(66,976)	(61,377)	(56,921)	(49,861)	(45,146)
Miscellaneous	(2,685)	3,734	4,757	4,404	6,653	7,166	3,425	5,148	1,640	3,413
Total nonoperating (expenses)	\$ (59,406)	\$ (51,744)	\$ (49,172)	\$ (76,196)	\$ (40,939)	\$ (53,980)	\$ (47,665)	\$ (44,935)	\$ (49,354)	\$ (44,408)

SOURCE:

City of Charlotte Finance Department

NOTES:

⁽¹⁾ In fiscal year 2021 and 2022, investment earnings decreased \$3 million and 3.3 million, respectively, due to market value losses.



**CHARLOTTE WATER
WATER AND SEWER CUSTOMERS
CURRENT YEAR AND NINE YEARS AGO**

The following table presents information on the ten largest users of the water and sewer system during the fiscal year ended June 30, 2022 and nine years ago. There have been no substantial new users added to the water and sewer system since June 30, 2022.

Customer	2022			2013		
	Revenues	Rank	Percentage	Revenues	Rank	Percentage
Frito Lay, Inc.	\$ 606,394	1	16.76%	\$ 465,508	3	10.70%
City of Charlotte	561,975	2	15.54	263,634	5	6.06
Chesapeake Treatment Co, LLC	499,099	3	13.80	538,318	2	12.37
Blue Granite Water Company	369,265	4	10.21	-	-	-
University of North Carolina - Charlotte 375221	352,494	5	9.75	245,311	6	5.64
Pedcor Investments	300,185	6	8.30	-	-	-
Lance, Inc.	253,396	7	7.01	-	-	-
Presbyterian Hospital	231,214	8	6.39	-	-	-
Lancaster County Water and Sewer District	230,270	9	6.37	-	-	-
University of North Carolina - Charlotte 84	212,852	10	5.87	245,242	7	5.64
York County Water & Sewer	-	-	-	1,590,783	1	36.55
Independent Beverage Company	-	-	-	312,231	4	7.17
Town of Harrisburg	-	-	-	242,349	8	5.57
Carolinas Healthcare System	-	-	-	228,941	9	5.26
Paramount Carowinds	-	-	-	219,514	10	5.04
Total	\$ 3,617,144		100.00%	\$ 4,351,831		100.00%

SOURCE:

Charlotte Water

**CHARLOTTE WATER
REVENUE BOND COVERAGE
LAST TEN FISCAL YEARS**
(Dollar Amounts in Thousands)

Fiscal Year	Allowable Revenues ⁽¹⁾	Current Expenses ^{(1) (2)}	Debt Service Requirement	Revenue Bond Coverage	50% of Surplus Fund ⁽¹⁾	Revenue Bond Coverage, Including Surplus Fund
2013	308,137	108,679	143,074	1.4	85,595	2.0
2014	323,047	114,147	145,837	1.4	83,019	2.0
2015	345,228	125,272	142,804	1.5	71,888	2.0
2016	382,826	129,059	150,528	1.7	92,803	2.3
2017	410,308	146,262	150,819	1.8	119,415	2.5
2018	418,226	142,433	146,441	1.9	133,664	2.8
2019	435,750	150,082	153,687	1.9	142,773	2.8
2020	446,647	168,420	147,719	1.9	136,712	2.8
2021	458,253	182,782	143,370	1.9	143,355	2.9
2022	499,603	260,781	133,079	1.8	144,814	2.9

SOURCE:

City of Charlotte Finance Department

NOTES:

⁽¹⁾ Allowable revenues, current expenses and Surplus Fund as defined by the Revenue Bond Order.

⁽²⁾ FY 2022 increase in current expenses is due to \$80,000 being accrued for potential lawsuit settlement.

**CHARLOTTE WATER
DEMOGRAPHICS AND ECONOMIC STATISTICS FOR THE CITY OF CHARLOTTE
LAST TEN FISCAL YEARS**

Year	Population	Personal Income (thousands of dollars) ⁽²⁾	Per Capita Personal Income ^{(3) (4)}	Median Age ⁽⁴⁾	Unemployment Rate ⁽¹⁾
2013	796,921	\$ 33,809,373	\$ 42,425	33.9	8.4
2014	796,921	35,380,902	44,397	34.5	6.0
2015	809,958	37,872,826	46,759	35.4	5.3
2016	827,097	39,761,861	48,074	35.5	4.5
2017	856,062	43,070,191	50,312	34.7	4.1
2018	875,318	45,719,610	52,232	35.1	4.0
2019	919,503	49,732,239	54,086	34.7	4.2
2020	940,144	53,289,242	56,682	37.6	8.8
2021	958,788	N/A	N/A	37.7	5.1
2022	979,096	N/A	N/A	37.6	3.9

SOURCE:

⁽¹⁾ Population and unemployment rate are for Charlotte.

⁽²⁾ Personal income is calculated using Per Capita Personal income and population.

⁽³⁾ Prior years Per Capita Personal Income amounts are restated to reflect new data source.

⁽⁴⁾ Per Capita Personal Income and Median Age are for the Metropolitan Statistical Area (Charlotte - Concord - Gastonia). Source for Per Capita Personal Income - Federal Reserve Economic Data.

N/A: Information not available.

CHARLOTTE WATER
PRINCIPAL EMPLOYERS FOR THE CITY OF CHARLOTTE
CURRENT YEAR AND NINE YEARS AGO

Employer	2022			2013		
	Employees	Rank	Percentage to Total City Employment	Employees	Rank	Percentage to Total City Employment
Atrium Health (formerly Carolinas Healthcare System)	37,000	1	5.92%	35,000	1	7.04%
Wells Fargo	30,291	2	4.85	20,300	2	4.08
Charlotte-Mecklenburg Schools	18,495	3	2.96	18,143	3	3.65
Bank of America	15,000	4	2.40	15,000	5	3.02
Novant Health/Presbyterian Regional Healthcare Corporation	11,698	5	1.87	11,000	6	2.21
American Airlines/US Airways Group, Incorporated	11,000	6	1.76	-	-	-
Harris Teeter, Incorporated	8,239	7	1.32	8,239	7	1.66
Duke Energy Corporation	7,900	8	1.26	7,800	8	1.57
Lowe's Companies, Incorporated	7,801	9	1.25	-	-	-
City of Charlotte	6,800	10	1.09	-	-	-
Wal-Mart Stores, Incorporated	-	-	-	16,100	4	3.24
Delhaize America Incorporated/ Food Lion LLC	-	-	-	7,734	9	1.56
North Carolina State Government	-	-	-	7,684	10	1.55
Total	154,224		24.68%	147,000		29.58%

SOURCE:

Number of employees provided by Charlotte Regional Business Alliance. Total city employment provided by NC Department of Commerce.

**CHARLOTTE WATER
FULL-TIME EQUIVALENT EMPLOYEES BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS**

Function/Program	Full-time Equivalent Employees as of June 30									
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Water and Sewer ⁽¹⁾	746.50	761.50	796.00	822.00	846.00	912.00	958.00	997.00	997.00	1,019.00

⁽¹⁾ 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 through 2019 and 2022 positions were added to keep pace with the growth in customer base. In 2020, positions were added to support rehabilitation and replacement efforts and to maintain regulatory compliance.

SOURCE:

Position allocations per Strategy and Budget Department.

CHARLOTTE WATER OPERATING INDICATORS BY FUNCTION/PROGRAM LAST TEN FISCAL YEARS

Function/Program	Fiscal Year									
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Water										
Number of service connections	257,683	262,607	267,664	273,574	279,380	285,092	290,442	297,098	304,029	310,541
Average daily pumped (in millions of gallons)	99	101	103	107	107	106	108	109	110	118
Sewer										
Number of service connections	238,854	242,959	247,165	246,299	256,327	260,580	264,981	270,640	276,498	281,983
Average daily treatment (in millions of gallons)	79	83	81	80	80	78	91	89	87	80

SOURCE:
Charlotte Water

CHARLOTTE WATER
CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS

Function/Program	Fiscal Year									
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Water										
Treatment plants	3	3	3	3	3	3	3	3	3	3
Miles of water mains	4,198	4,209	4,232	4,269	4,314	4,353	4,393	4,431	4,482	4,526
Fire hydrants	16,889	16,631	16,766	16,901	17,109	17,344	17,517	17,677	17,925	18,128
Sewer										
Treatment plants	5	5	5	5	5	5	7	7	7	7
Miles of sanitary sewer lines	4,170	4,320	4,200	4,244	4,288	4,330	4,376	4,420	4,475	4,526

SOURCE:

Charlotte Water





Charlotte Water

An Enterprise Fund of the City of Charlotte