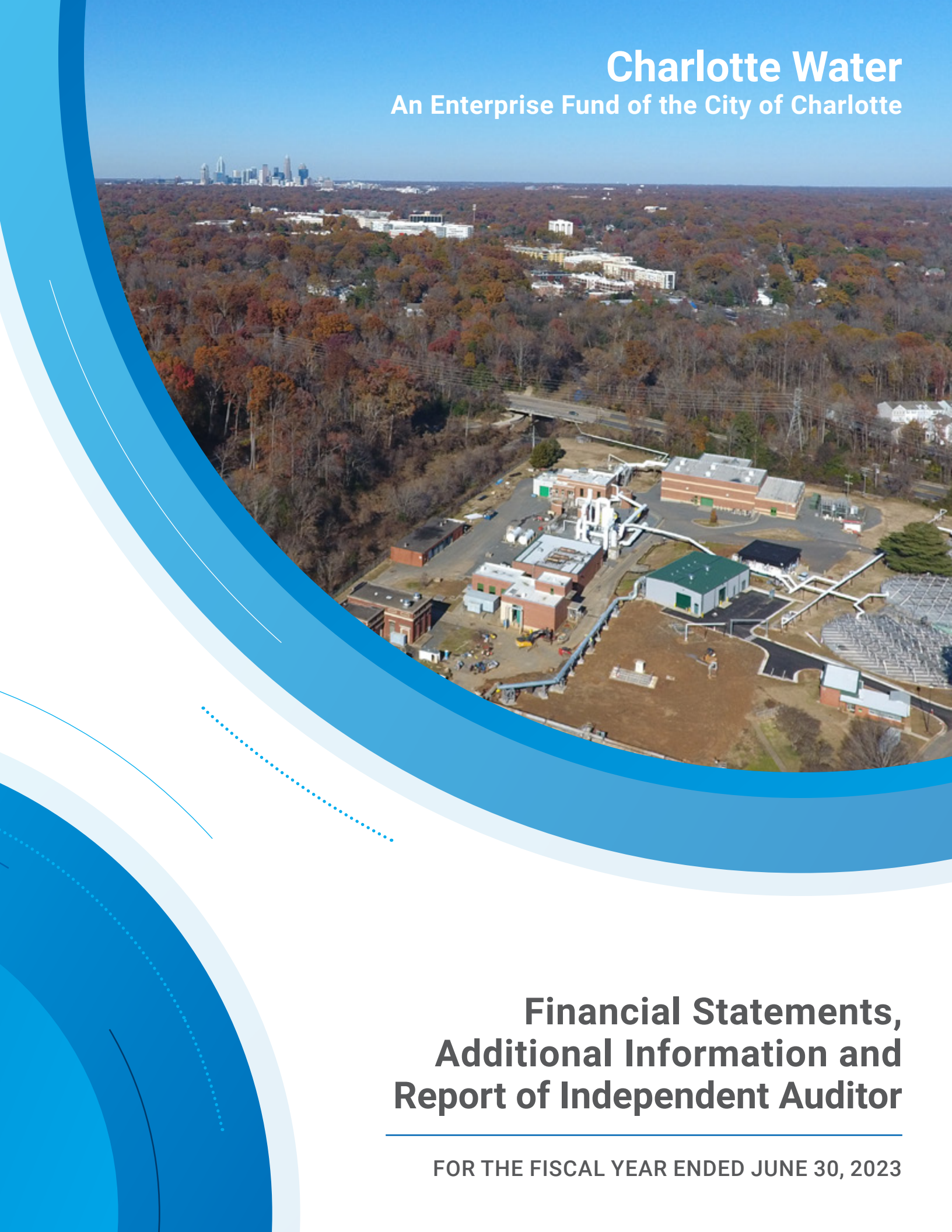


Charlotte Water

An Enterprise Fund of the City of Charlotte



Financial Statements, Additional Information and Report of Independent Auditor

FOR THE FISCAL YEAR ENDED JUNE 30, 2023

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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, 2023, 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, 2023 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, 2023 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. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis (MD&A) and the 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Charlotte Water, an enterprise fund of the City of Charlotte, North Carolina, basic financial statements. The Individual Fund and Other Supplemental Information, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Individual Fund and Other Supplemental Information, as listed in the table of contents, are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory and statistical sections but does not include the basic financial statements and our 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.



Charlotte, North Carolina
February 23, 2024





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, 2023. 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, 2023 was \$3,150.0 million; 1.7 percent or \$53.4 million of that total was unrestricted. The net position increased by \$187.1 million (6.3 percent) from the net position on June 30, 2022.
- Operating revenues were \$540.5 million in FY2023, an increase of \$41.4 million (8.3 percent) compared to FY2022, which was due to an average rate increase along with an increase in the customer base and billed charges.
- Total operating expenses decreased by \$9.7 million to \$419.9 million in FY2023. This was primarily due to an FY2022 accrued expense related to a lawsuit settlement. This decrease was offset by increases in personnel costs, chemicals for the treatment of water and sewer, and depreciation.
- Non-operating net expenses increased by \$4.1 million to \$48.5 million. This was primarily due to a \$15.4 million increase in interest expense and other charges to issue debt instruments offset by a \$12.0 million increase in investment earnings.
- Capital contributions decreased by \$42.4 million to \$116.6 million in FY2023. These contributions consisted of donated water and sewer system construction.
- During the year, the City implemented GASB Statement 96, Subscription-Based Information Technology Arrangements (SBITAs). The implementation of this standard requires reporting of the right to use another party's subscription-based information technology software and recognizing a subscription liability based on the subscription contract.

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 23 through 42.

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)		
	2023	2022
ASSETS		
Current and other noncurrent assets	\$ 447,587	\$ 314,012
Capital assets, net	5,032,513	4,641,223
Total assets	5,480,100	4,955,235
DEFERRED OUTFLOWS OF RESOURCES	50,253	49,925
LIABILITIES		
Current liabilities	344,321	280,657
Noncurrent liabilities	1,997,229	1,701,332
Total liabilities	2,341,550	1,981,989
DEFERRED INFLOWS OF RESOURCES	38,817	60,254
NET POSITION		
Net investment in capital assets	3,071,617	2,796,494
Restricted	24,984	14,218
Unrestricted	53,385	152,205
TOTAL NET POSITION	\$ 3,149,986	\$ 2,962,917

Total assets increased by \$524.9 million or 10.6 percent in FY2023 compared to FY2022. The increase was primarily due to capitalization of capital projects, such as Stowe WRRF Improvements, Zone 4 Facility, McAlpine Aeration and Clarifier Rehabilitation, and 960 Zone North/South Transmission Main. Additionally, cash increased as a result of reimbursement of construction expenses from debt proceeds.

Total liabilities increased by \$359.6 million in FY2023 compared to FY2022. This increase was primarily attributable to the issuance of revenue refunding bonds to refund revenue bonds and prepay bond anticipation notes, revenue bond anticipation notes to be used for financing construction and maintenance projects for the water and sewer system, and an accrual for a lawsuit settlement.

Total net position increased by \$187.1 million in FY2023 or 6.3 percent compared to FY2022. As of June 30, 2023, \$3.1 billion was invested in capital assets, \$25.0 million was restricted for OPEB, while \$53.4 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)

	<u>2023</u>	<u>2022</u>
Operating revenues	\$ 540,536	\$ 499,139
Operating expenses	419,928	429,609
Operating income	120,608	69,530
Nonoperating revenues (expenses)		
Investment earnings	9,291	(2,675)
Interest expense and other charges	(60,544)	(45,146)
Miscellaneous	2,793	3,413
Total nonoperating revenues (expenses)	(48,460)	(44,408)
Income before contributions	72,148	25,122
Capital contributions	116,633	159,046
Transfers out	(1,712)	(277)
Change in net position	187,069	183,891
Total net position - beginning	2,962,917	2,779,026
Total net position - ending	\$ 3,149,986	\$ 2,962,917

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 \$540.5 million in FY2023, an increase of \$41.4 million or 8.3 percent compared to FY2022. This was due to an average rate increase of 3.54 percent for an average customer effective July 1, 2022, and an increase in our customer base and billed charges.

Operating expenses decreased by \$9.7 million or 2.3 percent, to \$419.9 million in FY2023. This was primarily due to \$80.0 million being accrued for a potential lawsuit settlement in FY2022 versus \$26.0 million in FY2023. This decrease was offset by a \$49.0 million increase primarily from increased personnel, fleet, and chemical costs and depreciation.

The following table highlights Charlotte Water's operating expenses for fiscal years 2023 and 2022:

Operating Expenses

(In thousands)

	<u>2023</u>	<u>2022</u>
Administration	\$ 69,946	\$ 129,997
Operations and maintenance	171,295	139,655
Other	2,068	1,245
Amortization	758	178
Depreciation	175,861	158,534
Total operating expenses	<u>\$ 419,928</u>	<u>\$ 429,609</u>

Capital Assets

Charlotte Water's net capital assets were \$5,032.5 million in FY 2023 and \$4,641.2 million in FY 2022.

The following is a summary of capital assets at June 30, 2023 and 2022:

Capital Assets

(In thousands)

	<u>2023</u>	<u>2022</u>
Land	\$ 66,528	\$ 61,878
Construction in progress	143,767	264,032
Buildings	96,992	51,938
Water and sewer systems	7,046,256	6,442,203
Intangibles	48,832	28,008
Machinery and equipment	89,169	80,508
Right to use land	47	47
Right to use machinery and equipment	1,062	1,020
Right to use SBITAs	3,067	-
Total capital assets	7,495,720	6,929,634
Less accumulated depreciation	2,462,275	2,288,233
Less accumulated right to use lease asset amortization	354	178
Less accumulated right to use SBITA asset amortization	578	-
Total capital assets, net	<u>\$ 5,032,513</u>	<u>\$ 4,641,223</u>



New capital assets added during FY2023 included:

- Major Water Main Replacement and Rehabilitation - \$20.8 million
- 960 Zone North/South Transmission Main - \$23.9 million
- Zone 4 Facility - \$42.4 million
- Stowe WRRF - \$50.9 million
- McAlpine Aeration and Clarifier Rehabilitation - \$62.3 million
- Donated water and sewer systems - \$115.6 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 27.

DEBT ADMINISTRATION

At June 30, 2023, Charlotte Water's outstanding bonds and loans debt totaled \$2,044.1 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 FY2023 resulted from issuing \$478.1 million in revenue refunding bonds, \$239.6 million in revenue bond anticipation notes, and \$3.2 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 2.3 for FY2023 compared to 2.4 for FY2022.

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 7 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 and Union County, North Carolina on an as needed basis.
- Charlotte Water's operating budget for FY 2024 is \$226.4 million, a 15.7 percent increase over FY 2023, which includes an increase to the Water and Sewer Fee by approximately 4.25 percent. The budget focuses on maintaining a high quality drinking water and wastewater system, while ensuring operational efficiency and compliance.

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, 2023
(Dollar Amounts In Thousands)

ASSETS:

Current assets:

Cash, cash equivalents and investments	\$ 340,580
Receivables, net of allowance for uncollectibles (\$12,139)	
Accounts	59,116
Lease receivable	371
Other	2,581
Total receivables	62,068
Due from other governmental agencies	13,555
Due from other funds	307
Inventories	2,230
Restricted assets-	
Investments	880
Total current assets	419,620

Noncurrent assets:

Lease receivable	2,983
Net OPEB asset	24,984
Capital assets-	
Land	66,528
Buildings	96,992
Water and sewer systems	7,046,256
Intangibles	48,832
Machinery and equipment	89,169
Construction in progress	143,767
Right to use lease assets	1,109
Right to use SBITA assets	3,067
Total capital assets	7,495,720
Less accumulated depreciation	2,462,275
Less accumulated right to use lease asset amortization	354
Less accumulated right to use SBITA asset amortization	578
Total capital assets, net	5,032,513
Total noncurrent assets	5,060,480
Total assets	5,480,100

DEFERRED OUTFLOWS OF RESOURCES:

Pension deferrals	22,289
OPEB deferrals	5,653
Contributions to pension plan in current fiscal year	8,145
Loss on refundings	10,839
Unamortized bond refunding charges	3,327
Total deferred outflows of resources	50,253

Continued on next page

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



STATEMENT OF NET POSITION - (Continued)
JUNE 30, 2023
(Dollar Amounts In Thousands)

LIABILITIES:

Current liabilities:

Accounts payable	\$	175,605
Deposits and retainage payable		23,795
Accrued interest payable		34,302
Unearned revenue		6,276
Current maturities of noncurrent liabilities		103,682
Current liabilities payable from restricted assets-		
Accounts payable		661
Total current liabilities		344,321

Noncurrent liabilities:

Revenue bonds payable - net of unamortized premiums of \$213,968		1,613,121
Revenue bond anticipation notes payable		239,610
Installment purchases - net of unamortized premiums of \$65		5,659
State revolving loan payable		84,056
Refundable water and sewer construction deposits		2,368
Lease payable		569
SBITA payable		1,684
Compensated absences payable		4,348
Net pension liability		45,814
Total noncurrent liabilities		1,997,229

Total liabilities		2,341,550
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DEFERRED INFLOWS OF RESOURCES:

Leases		3,217
Pension deferrals		1,011
OPEB deferrals		10,604
Gain on refundings		23,985
Total deferred inflows of resources		38,817

NET POSITION:

Net investment in capital assets		3,071,617
Restricted for:		
Net OPEB asset		24,984
Unrestricted		53,385
Total net position	\$	3,149,986

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, 2023
(Dollar Amounts In Thousands)

OPERATING REVENUES:

Charges for services	\$ 424,449
Availability fees	53,896
System development fees	57,126
Miscellaneous	5,065

Total operating revenues	540,536
---------------------------------	----------------

OPERATING EXPENSES:

Administration	69,946
Operations and maintenance	171,295
Other	2,068
Right to use lease amortization	180
Right to use SBITA amortization	578
Depreciation	175,861

Total operating expenses	419,928
---------------------------------	----------------

Operating income	120,608
------------------	---------

NONOPERATING REVENUES (EXPENSES):

Investment earnings	9,291
Interest expense and other charges	(60,544)
Miscellaneous	2,793

Total nonoperating revenues (expenses)	(48,460)
---	-----------------

Income before contributions and transfers	72,148
---	--------

CAPITAL CONTRIBUTIONS	116,633
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TRANSFERS OUT	(1,712)
----------------------	----------------

Change in net position	187,069
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Total net position - beginning	2,962,917
---------------------------------------	------------------

Total net position - ending	\$ 3,149,986
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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, 2023
(Dollar Amounts In Thousands)

CASH FLOWS FROM OPERATING ACTIVITIES:

Receipts from customers	\$ 547,620
Payments to suppliers	(123,208)
Payments to other City funds	(30,272)
Payments to employees	(68,385)
Other receipts (payments)	40,298
Net cash provided by operating activities	366,053

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:

Transfers	(1,712)
-----------	---------

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:

Proceeds from capital debt	766,901
Acquisition and construction of capital assets	(477,840)
Lease expenses	(238)
SBITA expenses	(705)
Principal paid on capital debt	(471,291)
Interest and other charges paid on capital debt	(75,771)
Capital contributions	1,045
Net cash used by capital and related financing activities	(257,899)

CASH FLOWS FROM INVESTING ACTIVITIES:

Purchase of investments	(121,363)
Proceeds from sale and maturities of investments	120,688
Interest received	7,069
Net cash provided by investing activities	6,394

Net increase in cash and cash equivalents **112,836**

Cash, cash equivalents and investments - beginning of year **227,744**

Cash, cash equivalents and investments - end of year **\$ 340,580**

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, 2023
(Dollar Amounts In Thousands)

RECONCILIATION OF OPERATING INCOME TO NET CASH

PROVIDED BY OPERATING ACTIVITIES:

Operating income	\$	120,608
Adjustments to reconcile operating income to net cash provided by operating activities-		
Depreciation		175,861
Amortization		758
Other receipts		40,298
Change in assets and liabilities-		
Decrease in receivables		6,937
(Increase) in due from other governmental agencies		(1,760)
Decrease in inventories		67
(Increase) in deferred outflows of resources for pensions		(10,035)
(Increase) in net OPEB asset		(10,766)
Decrease in deferred outflows of resources for OPEB		3,550
Increase in accounts payable		25,597
Increase in deposits and retainage payable		147
Increase in net pension liability		32,632
(Decrease) in deferred inflows of resources for pensions		(17,822)
(Decrease) in deferred inflows of resources for OPEB		(741)
Increase in compensated absences payable		722
Total adjustments		245,445
Net cash provided by operating activities	\$	366,053

NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

Donated assets	\$	115,588
Acquisition of capital assets through leases		52
Acquisition of capital assets through SBITAs		3,067
Proceeds from refunding bonds		396,800
Payment to refunded bond escrow agent		(396,800)
Net noncash investing, capital and financing activities	\$	118,707

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. Inventory

Inventories are valued at cost (first-in, first-out), which approximates market. Inventories consist of materials and supplies held for subsequent use. The cost of these inventories is expensed when consumed rather than when purchased.

g. Capital Assets

Donated capital assets are recorded at acquisition value. All other purchased or constructed assets are reported at cost or estimated historical cost. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized.

Capital assets are assets with an initial, individual cost of \$5 or more for equipment, \$50 for buildings and improvements other than buildings, and \$100 for intangible assets and subscription-based information technology arrangements. 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

The right to use lease 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 lease assets are amortized on a straight-line basis over the life of the related lease.

The right to use Subscription-Based Information Technology Arrangement (SBITA) assets are initially measured at an amount equal to the initial measurement of the SBITA liability plus any SBITA payments made at the start of the SBITA term, if applicable, plus capitalizable initial implementation costs at the start of the SBITA term, less any incentives received from the SBITA vendor at the start of the SBITA term. The right to use SBITA assets are amortized on a straight-line basis over the SBITA term.

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 the following amounts that meet these criteria:

	2023
Pension deferrals	\$ 22,289
OPEB deferrals	5,653
Contributions to the pension plan in the current fiscal year	8,145
Loss on refundings	10,839
Unamortized bond refunding charges	3,327
Total	<u>\$ 50,253</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 the following amounts that meet these criteria:

	2023
Leases	\$ 3,217
Pension deferrals	1,011
OPEB deferrals	10,604
Gain on refundings	23,985
Total	<u>\$ 38,817</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 wellbeing leave balance. Unused vacation days are payable upon termination, resignation, retirement or death.

Employees accumulate wellbeing leave at the rate of one day per month and can accrue an unlimited number of days. Wellbeing leave can be taken for the physical or mental health care of the employee or family member. Wellbeing leave is lost upon termination or resignation, unless the employee retires and immediately begins drawing



a retirement benefit. Twenty percent of outstanding wellbeing leave, with a maximum of 43.5 days, is payable upon retirement or death of an employee.

Compensated absences payable includes accumulated unpaid vacation leave and wellbeing 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 adopts the rate methodology that determines the annual water and 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 annually by the City Council in 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 based on the location of the customer.

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 42.

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 LGER's 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. Subscription-Based Information Technology Arrangements (SBITA)

As of July 1, 2022, the City adopted the provisions of GASB 96, Subscription-Based Information Technology Arrangements. The new GASB 96 guidance requires the government to disclose a general description of its SBITAs, which includes the basis, terms, and conditions on which variable payments not included in the measurement of the subscription liability are determined. GASB 96, SBITAs is new guidance issued by the GASB which is largely based on GASB 87 and applies to subscriptions for software. The new standard will, for the first time, require a subscription asset and a corresponding liability to be recognized on the statement of net position for any SBITA arrangements a government has with software vendors.

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 3 and 99 years, with payments required monthly, semiannually, or annually.

In fiscal year 2023, Charlotte Water recognized \$420 of lease principal revenue and \$50 of interest revenue related to these leases. As of June 30, 2023, Charlotte Water's lease receivables were valued at \$3,354. The deferred inflow of resources associated with these leases to be recognized as revenue over the remaining terms of the leases is \$3,217.

The principal and interest requirements to maturity for the lease receivable at June 30, 2023, are as follows:

Year Ending June 30	Principal	Interest
2024	\$ 371	\$ 46
2025	339	41
2026	296	37
2027	231	34
2028	116	31
2029-2033	636	129
2034-2038	504	84
2039-2043	214	56
2044-2048	223	41
2049-2053	281	22
2054-2058	104	4
2059-2063	2	3
2064-2068	2	3
2069-2073	2	3
2074-2078	3	2
2079-2083	3	2
2084-2088	3	2
2089-2093	3	2
2094-2098	3	2
2099-2103	4	1
2104-2108	4	1
2109-2113	4	1
2114-2118	5	-
2119	1	-
	<u>\$ 3,354</u>	<u>\$ 547</u>

3. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2023, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	\$ 61,878	\$ 4,650	\$ -	\$ 66,528
Construction in progress	264,032	486,508	606,773	143,767
Total capital assets not being depreciated	325,910	491,158	606,773	210,295
Capital assets being depreciated:				
Buildings	51,938	45,054	-	96,992
Water and sewer systems	6,442,203	604,053	-	7,046,256
Intangibles	28,008	21,720	896	48,832
Machinery and equipment	80,508	9,878	1,217	89,169
Total capital assets being depreciated	6,602,657	680,705	2,113	7,281,249
Less accumulated depreciation for:				
Buildings	15,310	1,790	-	17,100
Water and sewer systems	2,200,292	164,445	-	2,364,737
Intangibles	23,299	1,892	661	24,530
Machinery and equipment	49,332	7,734	1,158	55,908
Total accumulated depreciation	2,288,233	175,861	1,819	2,462,275
Total capital assets being depreciated, net	4,314,424	504,844	294	4,818,974
Right to use assets being amortized:				
Land	47	-	-	47
Machinery and equipment	1,020	52	10	1,062
SBITAs	-	3,067	-	3,067
Total right to use assets being amortized	1,067	3,119	10	4,176
Less accumulated amortization for:				
Land	1	5	-	6
Machinery and equipment	177	176	5	348
SBITAs	-	578	-	578
Total accumulated amortization	178	759	5	932
Total right to use assets, net	889	2,360	5	3,244
Capital assets, net	\$ 4,641,223	\$ 998,362	\$ 607,072	\$ 5,032,513

4. INTERFUND TRANSFERS:

Charlotte Water transferred \$1,712 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, 2023 follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
General obligation bonds	\$ 6,759	\$ -	\$ 5,224	\$ 1,535	\$ 1,535
Plus unamortized premiums	736	-	565	171	171
Revenue bonds	1,207,425	478,085	204,205	1,481,305	73,435
Plus unamortized premiums	178,312	45,961	10,305	213,968	8,717
Total bonds payable	1,393,232	524,046	220,299	1,696,979	83,858
Direct placement installment purchases	19,062	-	6,636	12,426	6,767
Installment purchases	3,280	-	1,640	1,640	1,640
Plus unamortized premiums	196	-	131	65	65
Total installment purchases	22,538	-	8,407	14,131	8,472
Direct placement revenue bond anticipation notes	250,000	239,610	250,000	239,610	-
Direct borrowing state revolving loan	87,137	3,245	1,454	88,928	4,872
Derivative instrument liability	15,557	-	15,557	-	-
Refundable construction deposits	6,632	-	2,132	4,500	2,132
Lease liabilities	858	52	185	725	156
SBITA liabilities	-	3,067	705	2,362	678
Compensated absences	7,140	5,848	5,126	7,862	3,514
Net pension liability (LGRS)	13,182	32,632	-	45,814	-
Total	\$ 1,796,276	\$ 808,500	\$ 503,865	\$ 2,100,911	\$ 103,682

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, 2023
General Obligation Refunding, Series 2018A	5.00%	08/01/2018	2024	26,920	\$ 1,535

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
2024	\$ 1,535	\$ 38

b. Revenue Bonds

The following table summarizes Charlotte Water's revenue bonds:

Purpose	Interest Rates	Date Issued	Final Maturity	Original Issue	Balance June 30, 2023
Water and Sewer, Refunding Series 2015	1.00% - 5.00%	08/27/2015	2046	459,585	\$ 273,780
Water and Sewer, Refunding Series 2018	3.00% - 5.00%	04/25/2018	2049	409,915	364,525
Water and Sewer, Refunding Series 2019	3.00% - 5.00%	09/10/2019	2036	58,750	51,155
Water and Sewer, Refunding Series 2020	2.00% - 5.00%	09/24/2020	2051	333,445	313,760
Water and Sewer, Refunding Series 2022A	3.47% - 5.00%	09/14/2022	2053	464,680	464,680
Water and Sewer, Refunding Series 2022B	3.45% - 3.55%	09/14/2022	2026	13,405	13,405
Total					<u><u>\$ 1,481,305</u></u>

Interest on the variable-rate bonds is determined by a remarketing agent based upon market conditions.

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 2023 Water and Sewer Fund budgets, revenue bond debt service coverage including surplus fund was at least 3.0 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
2024	\$ 73,435	\$ 64,969
2025	71,450	61,437
2026	58,170	58,253
2027	61,025	55,285
2028	64,050	52,158
2029-2033	303,120	216,860
2034-2038	362,445	136,294
2039-2043	204,040	75,973
2044-2048	166,480	38,505
2049-2053	117,090	10,356
	<u><u>\$ 1,481,305</u></u>	<u><u>\$ 770,090</u></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, 2023
Equipment, Series 2018	5.00%	11/08/2018	2024	\$ 8,205	\$ 1,640
Equipment, 2019, Direct Placement	1.52%	10/11/2019	2024	20,000	4,562
Equipment, 2022, Direct Placement	1.498%	03/15/2022	2027	10,005	7,864
Total					<u>\$ 14,066</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 June 30	Direct Placements			
	Principal	Interest	Principal	Interest
2024	\$ 1,640	\$ 41	\$ 6,767	\$ 159
2025	-	-	2,238	76
2026	-	-	2,272	43
2027	-	-	1,149	9
	<u>\$ 1,640</u>	<u>\$ 41</u>	<u>\$ 12,426</u>	<u>\$ 287</u>

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 \$500,000. The note is payable from net revenues of the water and sewer systems. The note does not constitute a legal or equitable pledge, charge, lien or encumbrance upon any of the City's property or upon any of its income, receipts or revenues, except as provided in the Revenue Bond Orders. Neither the credit nor the taxing power of the City is pledged for the payment of the principal or interest, and no owner has the right to compel the exercise of the taxing power of the City or the forfeiture of any of its property in connection with any default on the note. In addition, the City has entered into a Note Purchase and Advance Agreement. The note will be replaced by water and sewer revenue bonds. The note will mature no later than the third anniversary of the closing date or September 14, 2025. The City had direct placement Water and Sewer revenue bond anticipation notes payable of \$239,610 outstanding at June 30, 2023. 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
2024	\$ -	\$ 7,188
2025	-	7,188
2026	239,610	1,497
	\$ 239,610	\$ 15,873

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, 2023, direct borrowing loans totaling \$108,436 have been approved (but not fully disbursed). The maximum loan term is twenty years. As of June 30, 2023, interest rates varied from zero to 1.71 percent.

Debt service requirements to maturity are as follows:

Year Ended June 30	Principal	Interest
2024	\$ 4,872	\$ 1,373
2025	4,668	1,146
2026	4,669	1,084
2027	4,669	1,023
2028	4,669	962
2029-2033	23,344	3,892
2034-2038	23,117	2,361
2039-2043	18,920	848
	\$ 88,928	\$ 12,689

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 5 to 10 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 \$755. 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 2023, Charlotte Water recognized \$705 in variable lease payments not previously included in the measurement of the lease liability. As of June 30, 2023, the Charlotte Water's lease payables were valued at \$725.

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2023 were as follows:

Year Ending June 30	Principal	Interest
2024	\$ 156	\$ 9
2025	134	7
2026	135	5
2027	142	4
2028	144	2
2029-2031	14	-
	<u>\$ 725</u>	<u>\$ 27</u>

g. Subscription-based Information Technology Arrangements (SBITAs)

For the year ended June 30, 2023, the City implemented the requirements of GASB Statement No. 96, Subscription-Based Information Technology Arrangements (SBITAs). The Statement provides a definition of SBITAs and provides uniform guidance for accounting and financial reporting for such transactions. The guidance will decrease diversity in the accounting and financial reporting for these transactions, thereby, increasing comparability in financial reporting among governments. Further, the reporting of a SBITA asset (a right to use intangible capital asset) and a SBITA liability will enhance the relevance and reliability of the financial statements.

SBITAs in effect at the end of the prior fiscal year had their assets and liabilities initially measured at the present value of the subscription payments expected over the remaining term of the SBITA after July 1, 2022. Accordingly, the City's estimated incremental borrowing rates of 2.41% to 3.37% were used to discount the SBITA payments. As a result, the amount of \$3,067 was added as a right to use SBITA asset and a SBITA liability as of July 1, 2022. The SBITA asset, net of amortization, was \$2,489 and the liability balance was \$2,362 at June 30, 2023.

The future SBITA payments as of June 30, 2023 were as follows:

Year Ending June 30	Principal	Interest
2024	\$ 678	\$ 65
2025	626	47
2026	527	30
2027	319	16
2028	212	7
	<u>\$ 2,362</u>	<u>\$ 165</u>

h. Refundings

In September 2022, the City issued \$464,680 in Water Sewer Refunding Revenue Bonds, Series 2022A with interest rates ranging from 3.47 to five percent. The net proceeds of \$508,460 (after payment of \$2,181 in underwriting fees and other issue costs) along with \$8,340 in available funds from the City were used 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 refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$11,241. This difference, reported in the accompanying financial statements as a loss on refundings, is being charged to operations through the year 2037 using the straight-line method. The City completed the refunding to reduce the total debt service payments over a period of 30 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.

i. Other Debt Information

Under an irrevocable letter of credit issued by Truist Bank, the City is entitled to draw an amount sufficient to pay the amount demanded under the sewer construction contract between the City and Classic Neighborhood Development, LLC (the total amount not to exceed \$2,200). The letter of credit is valid through May 2, 2024 (automatically extended for successive one-year periods, unless Truist Bank notifies the City at least 30 days before the then current expiration date that issuer elects not to extend the expiration date).

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.

j. Subsequent Events

On July 21, 2023, the City received \$10,450 in a direct borrowing state revolving loan through the North Carolina Department of Environmental Quality to be used for water infrastructure 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	\$ 25,065
Revenue Services	5,207
	<u>\$ 30,272</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) 707-0500, 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, 2023, was 12.85 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 \$8,145 for the year ended June 30, 2023.

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, 2023, Charlotte Water reported a liability of \$45,814 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2021. The total pension liability was then rolled forward to the measurement date of June 30, 2022 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, 2022 (measurement date), the City's proportion was 6.466 percent which was an increase of 0.378 percent from its proportion measured as of June 30, 2021.

For the year ended June 30, 2023, Charlotte Water recognized a pension expense of \$12,920. At June 30, 2023, 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	\$ 1,975	\$ 194
Changes of assumptions	4,571	-
Net difference between projected and actual earnings on pension plan investments	15,142	817
Changes in proportion and differences between Charlotte Water contributions and proportionate share of contributions	601	-
Charlotte Water's contributions subsequent to the measurement date	8,145	-
Total	<u>\$ 30,434</u>	<u>\$ 1,011</u>

\$8,145 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 ending June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2024	\$ 6,877
2025	5,755
2026	1,432
2027	7,214
	<u>\$ 21,278</u>

Actuarial Assumptions: The total pension liability in the December 31, 2021 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, 2021 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, 2022 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Fixed Income	29.0%	1.1%
Global Equity	42.0%	6.5%
Real Estate	8.0%	5.9%
Alternatives	8.0%	7.5%
Credit	7.0%	5.0%
Inflation Protection	6.0%	2.7%
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 2.25 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	\$ 82,688	\$ 45,814	\$ 15,427

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, 2022 the EBTP membership consisted of the following:

Inactive plan members or beneficiaries currently receiving benefit payments	2,207
Active plan members	2,654
Total	4,861

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 \$5,350 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
less than 10 years	0%	0%
10 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 \$16,395 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, 2023, the annual money market weighted rate of return on investment, net of investment expenses was 13.85 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, 2023 were as follows:

	City	Charlotte Water's Proportionate Share
Total OPEB liability	\$ 362,261	\$ 20,117
Plan fiduciary net position	147,982	45,101
Net OPEB liability (asset)	\$ 214,279	\$ (24,984)
Plan fiduciary net position as a percentage of the total OPEB liability	40.85%	224.19%

Actuarial Assumptions: The total OPEB liability of the City was determined on an actuarial valuation as of June 30, 2022, 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	3.54%
Measurement Date	3.65%
Year FNP is projected to be depleted	
Prior Measurement Date	2047
Measurement Date	NA
Single Equivalent Interest Rate, net of OPEB plan investment expense, including price inflation	
Prior Measurement Date	5.28%
Measurement Date	7.25%
Health Care Cost Trends	
Pre-Medicare Medical and Prescription Drug	7.00% for 2022 decreasing to an ultimate rate of 4.50% by 2032
Medicare Medical and Prescription Drug	5.125% for 2022 decreasing to an ultimate rate of 4.50% by 2026

Total OPEB liabilities were rolled forward to June 30, 2022 and June 30, 2023 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, 2023 was 7.25 percent. The projection's basis was an actuarial valuation performed as of June 30, 2022.

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, 2023, 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 (6.25 percent) or one-percentage-point higher (8.25 percent) than the current rate.

	1% Decrease (6.25)%	Discount Rate (7.25)%	1% Increase (8.25)%
Net OPEB (asset)	\$ (20,720)	\$ (24,984)	\$ (30,118)

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, 2023, 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)	\$ (30,842)	\$ (24,984)	\$ (20,143)

Changes in Net OPEB Liability (Asset), OPEB Expenses and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB: At June 30, 2023, Charlotte Water's proportionate share of the EBTP's reported net OPEB asset was \$(24,984). The total OPEB liability used to calculate the net OPEB asset was determined by an actuarial valuation as of June 30, 2022. The total OPEB asset was then rolled forward to the measurement date of June 30, 2023 utilizing update procedures incorporating the actuarial assumptions.

At June 30, 2023, the components of Charlotte Water's proportionate share of the net OPEB asset of the EBTP, measured as of June 30, 2023, were as follows:

	Total OPEB Liability (a)	Increase (Decrease) Plan Fiduciary Net Position (b)	Net OPEB Asset (a) – (b)
Balances at June 30, 2022	\$ 25,501	\$ 39,719	\$ (14,218)
Changes for the year:			
Service Cost	457	-	457
Interest	1,337	-	1,337
Difference between expected and actual experience	(1,523)	-	(1,523)
Changes of Assumptions	(4,836)	-	(4,836)
Contributions-employers	-	1,346	(1,346)
Net investment income	-	9,141	(9,141)
Administrative expense	-	(4,494)	4,494
Benefit payments	(819)	(611)	(208)
Net change	(5,384)	5,382	(10,766)
Balances at June 30, 2023	\$ 20,117	\$ 45,101	\$ (24,984)

Changes of Assumptions: Changes of assumptions and other inputs reflect a change in the discount rate from 5.28 percent in 2022 to 7.25 percent in 2023. Medical claims cost and rates were changed based on most recent experience and changed to the current schedule. The impacts of the Affordable Care Act (ACA) and the Inflation Reduction Act (IRA) were addressed in this valuation. The impact of the COVID-19 pandemic was considered in the valuation; however, no changes were incorporated at this time due to the level of uncertainty regarding the impact on both plan costs and contribution levels going forward.

For the year ended June 30, 2023, Charlotte Water's proportionate share of the EBTP's recognized OPEB income was \$(2,771). At June 30, 2023, 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 Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 41	\$ 2,261
Changes of assumptions or other inputs	4,976	8,343
Net difference between projected and actual earnings on plan investment	636	-
Total	\$ 5,653	\$ 10,604

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

Year ended June 30:

2024	\$	(3,011)
2025		(1,230)
2026		(615)
2027		(95)
	\$	<u>(4,951)</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	\$	69
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Receivables:

Interest and dividends		3
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Investments:

Mutual Funds		147,941
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Total assets		<u>148,013</u>
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Liabilities:

Accounts payable		31
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Net Position:

Net position restricted for OPEB	\$	<u>147,982</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	17,633
Interest	625
Total investment income	18,258
Investment expense	258
Net investment income	18,000
Total additions	33,550
Deductions:	
Benefits	6,943
Insurance premiums	7,804
Administration	2,005
Total deductions	16,752
Change in net position	16,798
Net position - beginning	131,184
Net position - ending	\$ 147,982

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 equals 60 percent of salary for up to 26 weeks. Charlotte Water made payments to the EHLIF for the year ended June 30, 2023 in the amount of \$8,171.

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, 2023 in the amount of \$4,632.

9. COMMITMENTS AND CONTINGENCIES:

Charlotte Water settled previously reported litigation for \$106M. On July 3, 2023, Charlotte Water made its first settlement payment of \$90M. On or around July 1, 2024, Charlotte Water will make its second and final settlement payment of \$16M.

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:

	2023
Project authorization	\$ 4,587,891
Expended	3,973,983
Unexpended	<u>\$ 613,908</u>

Financial resources are available to fund the total amount of unexpended authorizations. Charlotte Water had construction and other contractual commitments of approximately \$303,477 at June 30, 2023.

REQUIRED SUPPLEMENTARY INFORMATION

CHARLOTTE WATER

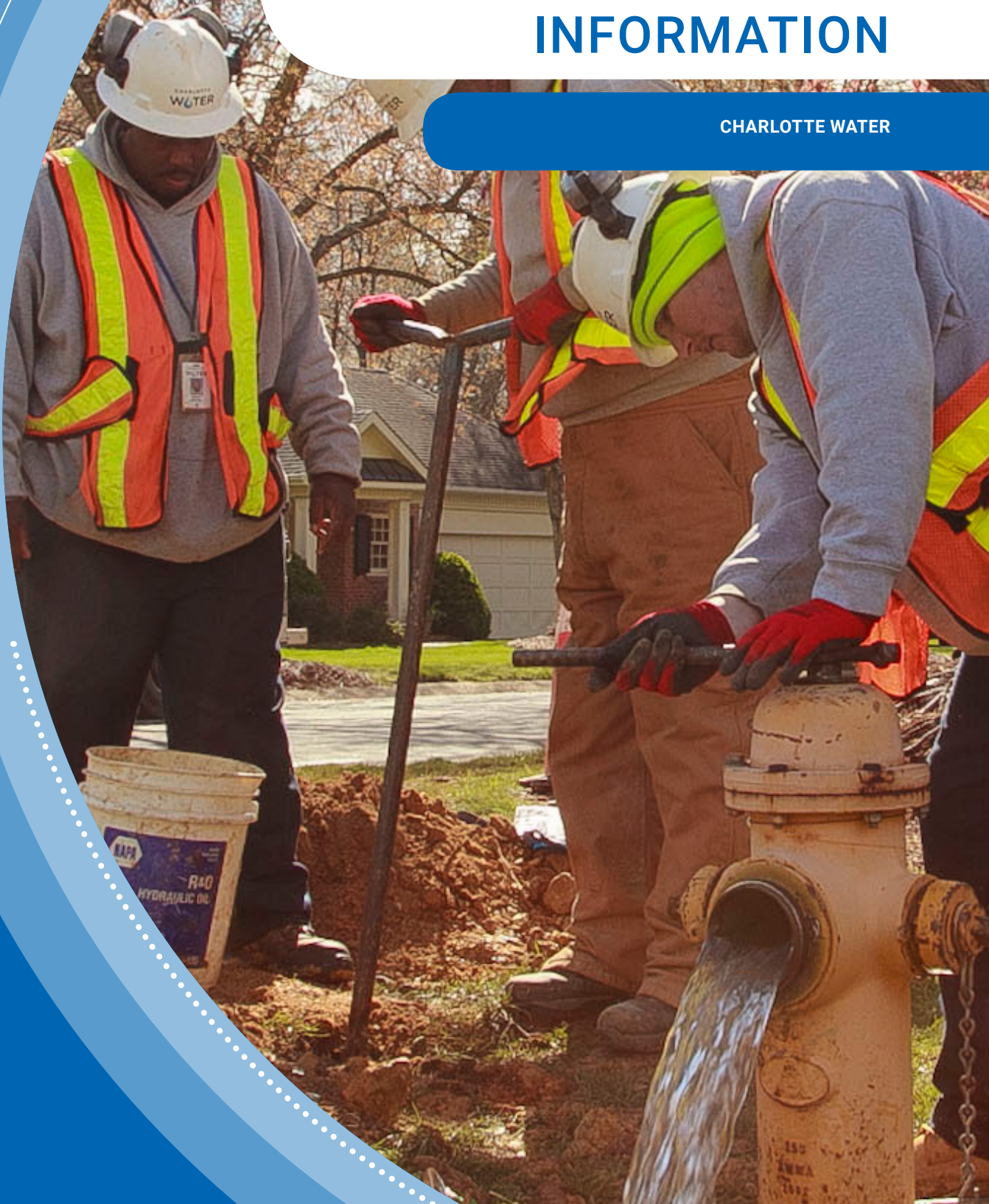


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CHARLOTTE WATER



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**CHARLOTTE WATER
LOCAL GOVERNMENTAL EMPLOYEES' RETIREMENT SYSTEM
PROPORTIONATE SHARE OF NET PENSION LIABILITY (ASSET) FOR THE CITY OF CHARLOTTE
LAST TEN 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	December 31, 2021 June 30, 2022 June 30, 2023
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%	6.47%
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	\$ 364,760
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	\$ 45,814
City of Charlotte's covered payroll	\$ 317,369	\$ 358,413	\$ 327,094	\$ 350,856	\$ 381,739	\$ 397,056	\$ 425,364	\$ 454,357	\$ 473,265	\$ 476,720
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%	76.51%
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%	84.14%

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.

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

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
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	\$ 64,848
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	64,848
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City of Charlotte's covered payroll	\$ 358,413	\$ 327,094	\$ 350,856	\$ 381,739	\$ 397,056	\$ 425,364	\$ 454,357	\$ 473,265	\$ 476,720	\$ 524,305
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%	12.37%
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	\$ 8,145
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	8,145
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

NOTES:

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

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

Valuation Date (June 30)	2017 ⁽¹⁾	2017 ⁽¹⁾	2018	2019	2020	2021	2022
Measurement Date (June 30)	2017	2018	2019	2020	2021	2022	2023
Reporting Date (June 30)	2017	2018	2019	2020	2021	2022	2023
City of Charlotte's Total OPEB Liability							
Service cost	\$ 7,002	\$ 7,545	\$ 8,123	\$ 10,615	\$ 17,691	\$ 4,634	\$ 8,225
Interest	23,432	24,372	24,031	22,012	19,173	25,121	24,078
Difference between expected and actual experience	(294)	-	(106,807)	3,218	(39,053)	(2,333)	(31,499)
Changes of assumptions or other inputs	-	-	(45,850)	145,782	(275,389)	103,796	(87,091)
Benefit payments	(14,639)	(25,143)	(15,592)	(18,016)	(8,819)	(14,537)	(14,747)
Net change in Total OPEB Liability	15,501	6,774	(136,095)	163,611	(286,397)	116,681	(101,034)
Total OPEB Liability - beginning	583,220	598,721	605,495	469,400	633,011	346,614	463,295
Total OPEB Liability - ending	598,721	605,495	469,400	633,011	346,614	463,295	362,261
Plan Fiduciary Net Position							
Contributions - employer	16,361	20,454	21,689	19,957	44,303	15,550	15,550
Net investment income	7,532	5,881	4,730	1,224	26,988	(29,674)	18,000
Benefit payments	(14,639)	(14,782)	(15,592)	(18,016)	(8,818)	(14,537)	(14,747)
Additional contributions into the trust	-	20,325	-	-	-	-	-
Administrative expense	(232)	(266)	(223)	(1,984)	(1,774)	(1,903)	(2,005)
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)	16,798
Plan Fiduciary Net Position - beginning	53,261	60,439	89,305	99,909	101,049	161,748	131,184
Plan Fiduciary Net Position - ending	60,439	89,305	99,909	101,049	161,748	131,184	147,982
Net OPEB Liability - ending	\$ 538,282	\$ 516,190	\$ 369,491	\$ 531,962	\$ 184,866	\$ 332,111	\$ 214,279

NOTES:

⁽¹⁾ Valuation dates for 2017 were as of July 1, 2017

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 SEVEN FISCAL YEARS (Dollar Amounts in Thousands)

	2017	2018	2019	2020	2021	2022	2023
City of Charlotte's total OPEB liability	\$ 598,721	\$ 605,495	\$ 469,400	\$ 633,011	\$ 346,614	\$ 463,295	\$ 362,261
Plan fiduciary net position	60,439	89,305	99,909	101,049	161,748	131,184	147,982
City of Charlotte's net OPEB liability	\$ 538,282	\$ 516,190	\$ 369,491	\$ 531,962	\$ 184,866	\$ 332,111	\$ 214,279
Plan fiduciary net position as a percentage of the total OPEB liability	10.09%	14.75%	21.28%	15.96%	46.67%	28.32%	40.85%
City of Charlotte's covered payroll (1)	\$ 402,489	\$ 402,489	\$ 252,834	\$ 252,834	\$ 240,688	\$ 222,802	\$ 222,893
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%	96.14%

NOTES:

⁽¹⁾ Historical City of Charlotte's covered payroll amounts updated to reflect total payroll.
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 SEVEN FISCAL YEARS (Dollar Amounts in Thousands)

	2017	2018	2019	2020	2021	2022	2023
Actuarially determined contribution	\$ 22,729	\$ 25,967	\$ 26,605	\$ 26,605	\$ 26,605	\$ 24,483	\$ 24,483
Contributions in relation to actuarially determined contribution	24,630	40,778	21,689	19,957	44,303	15,550	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>	<u>\$ 8,933</u>
City of Charlotte's covered payroll	\$402,489	\$ 402,489	\$ 252,834	\$252,834	\$240,688	\$ 222,802	\$ 222,893
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%	6.98%

The total OPEB liability was determined based on actuarial valuation as of June 30, 2022, 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	3.54%
Measurement date	3.65%
Year FNP is projected to be depleted	
Prior measurement date	2047
Measurement date	N/A
Single Equivalent Interest Rate, net of OPEB plan investment expense, including price inflation	
Prior measurement date	5.28%
Measurement date	7.25%
Healthcare cost trends	
Pre-Medicare medical and prescription drug	7.00% for 2022 decreasing to an ultimate rate of 4.50% by 2032
Medicare medical and prescription drug	5.125% for 2022 decreasing to an ultimate rate of 4.50% by 2025

	2017	2018	2019	2020	2021	2022	2023
Annual money-weighted rate of return, net of investment expenses	13.84%	7.60%	4.38%	1.30%	25.41%	(18.28%)	13.85%

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



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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, 2023
(Dollar Amounts In Thousands)

	Budget	Actual	Variance- Positive (Negative)
REVENUES:			
Volumetric rates	\$ 349,979	\$ 357,142	\$ 7,163
Fixed rates	79,750	91,368	11,618
System development fees	36,000	57,126	21,126
Other	31,381	37,907	6,526
Investment earnings	975	8,177	7,202
Total revenues	498,085	551,720	53,635
EXPENDITURES:			
Water supply and treatment	18,853	18,104	749
Sewer system and treatment	58,555	57,747	808
Administration and engineering	70,308	62,708	7,600
Other operating	82,895	81,376	1,519
Total expenditures	230,611	219,935	10,676
Revenues over expenditures	267,474	331,785	64,311
TRANSFERS OUT:			
Water and Sewer Debt Service	148,686	140,806	7,880
Water and Sewer Capital Projects	161,800	161,800	-
Capital Projects	1,712	1,712	-
Total transfers out	312,198	304,318	7,880
Revenues over (under) expenditures and transfers	\$ (44,724)	\$ 27,467	\$ 72,191



CHARLOTTE WATER
DEBT SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND TRANSFERS-
BUDGET AND ACTUAL (NON-GAAP BASIS)
FOR THE YEAR ENDED JUNE 30, 2023
(Dollar Amounts In Thousands)

	Budget	Actual	Variance- Positive (Negative)
REVENUES:			
Investment earnings	\$ 50	\$ 6	\$ (44)
Revenue bonds issued	13,405	13,405	-
Refunding bonds issued	344,680	344,680	-
Premium on debt issuance	45,961	45,961	-
Revenue bond anticipation notes issued	-	45	45
Total revenues	404,096	404,097	1
EXPENDITURES:			
Bonds-			
Principal retirement	62,629	62,629	-
Interest	63,476	63,476	-
Other financing agreements-			
Principal retirement	9,730	9,730	-
Interest	4,070	4,070	-
Payment to refunded bond escrow agent	396,800	396,800	-
Bond issue expense	15,714	15,714	-
Other	363	194	169
Total expenditures	552,782	552,613	169
Revenues (under) expenditures	(148,686)	(148,516)	170
TRANSFERS IN:			
Water and Sewer Operating	148,686	140,806	(7,880)
Revenues and transfers (under) expenditures	\$ -	\$ (7,710)	\$ (7,710)

CHARLOTTE WATER
SCHEDULE OF RECONCILIATION OF BUDGETARY (NON-GAAP BASIS)
TO FULL ACCRUAL BASIS
FOR THE YEAR ENDED JUNE 30, 2023
(Dollar Amounts In Thousands)

Revenues and transfers over (under) expenditures and transfers:

Operating Fund	\$	27,467
Debt Service Fund		(7,710)
Lease revenue		63
Capital Projects Fund investment earnings		1,108
Current year encumbrances		8,126
Deferred outflows of resources for pensions		10,035
Net pension liability		(32,632)
Deferred inflows of resources for pensions		17,822
Deferred outflows of resources for OPEB		(3,550)
Net OPEB asset		10,766
Deferred inflows of resources for OPEB		741
Depreciation		(175,861)
Amortization		(758)
Bond proceeds		(358,130)
Premium on debt issuance		(45,961)
Debt principal retirement		469,159
Capital outlay		209
Amortization of deferred charges		(1,439)
Amortization of premium		11,001
Deferred inflows of gains on refundings		2,584
Deferred outflows of loss on refundings		10,839
Lease rent expense		188
SBITA expense		743
Lease interest expense		(9)
SBITA interest expense		(66)
Capital contributions		116,633
Other		(35,377)
Net transfers to (from) Water and Sewer Capital Projects Fund:		
Water and Sewer Operating		161,800
Compensated absences		(722)
Change in net position	\$	<u>187,069</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, 2023
(Dollar Amounts In Thousands)

	Authorizations	Expenditures			Unexpended Authorizations
		Current Year	Prior Years	Total	
Water:					
Capacity for growth	\$ 589,284	\$ 80,889	\$ 443,195	\$ 524,084	\$ 65,200
Commitment public projects/operations	195,435	7,080	145,780	152,860	42,575
Rehab and replacement	549,070	35,671	445,873	481,544	67,526
Regulatory requirements	61,653	1,427	40,683	42,110	19,543
Sewer:					
Capacity for growth	1,477,213	218,771	1,041,219	1,259,990	217,223
Commitment public projects/operations	133,895	1,673	110,554	112,227	21,668
Rehab and replacement	1,110,319	57,940	935,062	993,002	117,317
Regulatory requirements	275,863	42,655	202,249	244,904	30,959
New facilities	57,888	33,562	18,970	52,532	5,356
Facility renovations	6,519	337	2,478	2,815	3,704
Facilities maintenance	6,854	105	2,060	2,165	4,689
Technology	72,195	3,083	54,226	57,309	14,886
Capital equipment	51,703	3,315	45,126	48,441	3,262
Total water and sewer capital projects	\$ 4,587,891	\$ 486,508	\$ 3,487,475	\$ 3,973,983	\$ 613,908



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)**

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Net investments in capital assets	\$ 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	\$ 3,071,617
Restricted for:										
Debt Service	3,310	3,154	-	-	-	-	-	-	-	-
Net OPEB Asset	-	-	-	-	-	-	-	30,412	14,218	24,984
Unrestricted	224,887	289,999	334,392	363,349	411,160	382,121	319,684	245,045	152,205	53,385
Total	\$ 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	\$ 3,149,986

SOURCE:

City of Charlotte Finance Department

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

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Operating revenues:										
Water	\$ 129,115	\$ 145,234	\$ 166,043	\$ 171,798	\$ 171,796	\$ 181,823	\$ 173,923	\$ 177,114	\$ 193,947	\$ 215,157
Sewer	189,744	195,530	211,084	230,511	235,548	242,504	264,182	281,555	305,192	325,379
Total operating revenues	318,859	340,764	377,127	402,309	407,344	424,327	438,105	458,669	499,139	540,536
Operating expenses (2)										
Water	(80,293)	(113,552)	(105,490)	(122,216)	(124,368)	(137,648)	(161,981)	(154,111)	(223,397)	(218,363)
Sewer	(119,576)	(129,298)	(120,426)	(136,711)	(132,366)	(142,686)	(149,520)	(142,256)	(206,212)	(201,565)
Total operating expenses	(199,869)	(242,850)	(225,916)	(258,927)	(256,734)	(280,334)	(311,501)	(296,367)	(429,609)	(419,928)
Nonoperating revenues (expenses):										
Water	(25,533)	(23,764)	(38,887)	(20,680)	(23,975)	(20,149)	(18,319)	(14,790)	(12,350)	(14,947)
Sewer	(31,120)	(31,320)	(43,481)	(28,512)	(43,001)	(41,228)	(38,602)	(35,071)	(32,796)	(45,597)
Investment earnings	1,175	1,155	1,768	1,600	5,830	10,287	6,838	(1,133)	(2,675)	9,291
Miscellaneous	3,734	4,757	4,404	6,653	7,166	3,425	5,148	1,640	3,413	2,793
Total nonoperating revenues (expenses)	(51,744)	(49,172)	(76,196)	(40,939)	(53,980)	(47,665)	(44,935)	(49,354)	(44,408)	(48,460)
Income before capital contributions	67,246	48,742	75,015	102,443	96,630	96,328	81,669	112,948	25,122	72,148
Capital contributions (1)	24,806									
Water	10,889	10,790	11,032	21,725	18,726	21,181	20,627	69,311	47,244	54,640
Sewer	13,917	16,057	15,238	39,004	29,752	44,731	36,531	92,647	111,802	61,993
Total capital contributions	24,806	26,847	26,270	60,729	48,478	65,912	57,158	161,958	159,046	116,633
Transfers in (out)	-	-	-	3,381	(331)	(98)	5,711	(345)	(277)	(1,712)
Change in net position	\$ 92,052	\$ 75,589	\$ 101,285	\$ 166,553	\$ 144,777	\$ 162,142	\$ 144,538	\$ 274,561	\$ 183,891	\$ 187,069

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)

	2014	2015	2016	2017	2018 ⁽²⁾	2019	2020	2021	2022	2023
Operating Revenues:										
Charges for services	\$ 271,438	\$ 289,303	\$ 313,781	\$ 324,311	\$ 318,084	\$ 343,705	\$ 355,501	\$ 363,572	\$ 396,831	\$ 424,449
Availability fees	30,857	31,766	37,113	44,913	51,039	51,141	47,903	50,813	52,190	53,896
Capacity fees ⁽¹⁾	11,795	13,098	19,157	24,290	-	-	-	-	-	-
System development fees ⁽¹⁾	-	-	-	-	28,316	23,829	30,115	38,890	45,377	57,126
Miscellaneous	4,769	6,597	7,076	8,795	9,905	5,652	4,586	5,394	4,741	5,065
Total operating revenues	\$ 318,859	\$ 340,764	\$ 377,127	\$ 402,309	\$ 407,344	\$ 424,327	\$ 438,105	\$ 458,669	\$ 499,139	\$ 540,536

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)

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Operating Expenses:										
Administration ⁽¹⁾	\$ 26,327	\$ 28,963	\$ 28,728	\$ 39,864	\$ 36,598	\$ 26,136	\$ 43,394	\$ 30,794	\$ 129,997	\$ 69,946
Operating and maintenance ⁽²⁾	79,255	92,038	91,487	104,917	99,496	127,432	132,641	109,675	139,655	171,295
Other ⁽³⁾	1,629	1,648	1,929	2,183	121	542	1,078	11,694	1,245	2,068
Right to use lease amortization	-	-	-	-	-	-	-	-	178	180
Right to use SBITA amortization	-	-	-	-	-	-	-	-	-	578
Depreciation	92,658	120,201	103,772	111,963	120,519	126,224	134,388	144,204	158,534	175,861
Total operating expenses	\$ 199,869	\$ 242,850	\$ 225,916	\$ 258,927	\$ 256,734	\$ 280,334	\$ 311,501	\$ 296,367	\$ 429,609	\$ 419,928

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. In fiscal year 2023, an additional \$26,000 was accrued for the 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. In fiscal year 2023, increased expenses resulted from increased personnel costs, increased materials, supplies, and internal fleet costs as well as increased prices of chemicals for waste and sludge disposal.

⁽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)

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Nonoperating Revenues (Expenses):										
Investment earnings ⁽¹⁾	\$ 1,175	\$ 1,155	\$ 1,768	\$ 1,600	\$ 5,830	\$ 10,287	\$ 6,838	\$ (1,133)	\$ (2,675)	\$ 9,291
Interest expense and other charges	(56,653)	(55,084)	(82,368)	(49,192)	(66,976)	(61,377)	(56,921)	(49,861)	(45,146)	(60,544)
Miscellaneous	3,734	4,757	4,404	6,653	7,166	3,425	5,148	1,640	3,413	2,793
Total nonoperating (expenses)	\$ (51,744)	\$ (49,172)	\$ (76,196)	\$ (40,939)	\$ (53,980)	\$ (47,665)	\$ (44,935)	\$ (49,354)	\$ (44,408)	\$ (48,460)

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, 2023 and nine years ago. There have been no substantial new users added to the water and sewer system since June 30, 2023.

Customer	2023			2014		
	Revenues	Rank	Percentage	Revenues	Rank	Percentage
Frito Lay, Inc.	\$ 746,009	1	16.76%	\$ 471,804	3	8.61%
City of Charlotte	706,317	2	16.59	360,837	5	6.59
Chesapeake Treatment Co, LLC	573,930	3	13.48	629,162	2	11.49
University of North Carolina - Charlotte 375221	402,368	4	9.45	241,931	8	4.42
Vue on University, LP	373,662	5	8.77	-	-	-
Independent Beverage Company	325,880	6	7.65	325,040	6	5.93
Lance, Inc.	312,654	7	7.34	-	-	-
Presbyterian Hospital	293,511	8	6.89	214,403	10	3.91
Paramount Carowinds	271,898	9	6.38	225,103	9	4.11
Blue Granite Water Company	252,402	10	5.93	-	-	-
York County Water & Sewer	-	-	-	2,313,426	1	42.24
Town of Harrisburg	-	-	-	430,501	4	7.86
Atrium Health (formerly Carolinas Healthcare System)	-	-	-	265,036	7	4.84
Total	\$ 4,258,631		100.00%	\$ 5,477,243		100.00%

SOURCE:

Charlotte Water

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

Fiscal Year	Allowable Revenues ⁽¹⁾	Final Budgeted Expenses ^{(1) (2)}	Debt Service Requirement	Revenue Bond Coverage	50% of Surplus Fund ⁽¹⁾	Revenue Bond Coverage, Including Surplus Fund
2014	323,047	122,549	145,837	1.4	82,495	1.9
2015	345,228	134,788	142,804	1.5	70,972	2.0
2016	382,826	132,948	150,528	1.7	92,141	2.3
2017	410,308	153,487	150,819	1.7	118,010	2.5
2018	418,226	159,952	146,441	1.8	132,748	2.7
2019	435,750	166,869	153,687	1.7	142,149	2.7
2020	446,647	181,441	147,719	1.8	135,666	2.7
2021	458,253	189,558	143,370	1.9	141,997	2.9
2022	499,601	186,738	133,079	2.4	144,166	3.4
2023	551,726	230,974	139,905	2.3	103,878	3.0

SOURCE:

City of Charlotte Finance Department

NOTES:

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

⁽²⁾ In fiscal year 2023, final budgeted expenses include \$26,000 for a capacity fee lawsuit settlement.

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

Year	Population ⁽¹⁾	Personal Income (thousands of dollars) ⁽²⁾	Per Capita Personal Income ^{(3) (4)}	Median Age ⁽⁴⁾	Unemployment Rate ⁽¹⁾
2014	796,921	\$ 35,380,902	\$ 44,498	34.5	6.0
2015	809,958	37,872,826	46,896	35.4	5.3
2016	827,097	39,761,861	48,249	35.5	4.5
2017	856,062	43,070,191	50,495	34.7	4.1
2018	875,318	45,719,610	52,452	35.1	4.0
2019	919,503	49,732,239	54,809	34.7	4.2
2020	940,144	53,289,242	57,713	37.6	8.8
2021	958,788	N/A	62,056	37.7	5.1
2022	979,096	N/A	N/A	37.6	3.9
2023	1,001,146	N/A	N/A	38.0	3.5

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	2023			2014		
	Employees	Rank	Percentage to Total City Employment	Employees	Rank	Percentage to Total City Employment
Atrium Health (formerly Carolinas Healthcare System)	37,000	1	5.68%	35,000	1	7.39%
Wells Fargo	30,291	2	4.65	22,000	2	4.64
Charlotte-Mecklenburg Schools	18,495	3	2.84	18,143	3	3.83
Bank of America	15,000	4	2.30	15,000	5	3.17
Novant Health/Presbyterian Regional Healthcare Corporation	11,698	5	1.80	11,000	7	2.32
American Airlines/US Airways Group, Incorporated	11,000	6	1.69	10,600	8	2.24
Harris Teeter, Incorporated	8,239	7	1.26	8,239	9	1.74
Duke Energy Corporation	7,900	8	1.21	7,800	10	1.65
Lowe's Companies, Incorporated	7,801	9	1.20	12,960	6	3
City of Charlotte	6,800	10	1.04	-	-	-
Wal-Mart Stores, Incorporated	-		-	16,100	4	3.40
Total	154,224		23.67%	156,842		33.12%

SOURCE:

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

For The Fiscal Year Ended June 30, 2023

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

	Full-time Equivalent Employees as of June 30									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Function/Program										
Water and Sewer ⁽¹⁾	761.50	796.00	822.00	846.00	912.00	958.00	997.00	997.00	1,019.00	1,050.00

⁽¹⁾ 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. In 2023, positions were added for operation and maintenance of facilities and for the management and administrative functions related to increased construction projects.

SOURCE:
Position allocations per Strategy and Budget Department.

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

Function/Program	Fiscal Year									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Water										
Number of service connections	262,607	267,664	273,574	279,380	285,092	290,442	297,098	304,029	310,541	318,067
Average daily pumped (in millions of gallons)	101	103	107	107	106	108	109	110	118	116
Sewer										
Number of service connections	242,959	247,165	246,299	256,327	260,580	264,981	270,640	276,498	281,983	287,499
Average daily treatment (in millions of gallons)	83	81	80	80	78	91	89	87	80	85

SOURCE:
Charlotte Water

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

	Fiscal Year									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Function/Program										
Water										
Treatment plants	3	3	3	3	3	3	3	3	3	3
Miles of water mains	4,209	4,232	4,269	4,314	4,353	4,393	4,431	4,482	4,526	4,570
Fire hydrants	16,631	16,766	16,901	17,109	17,344	17,517	17,677	17,925	18,128	18,340
Sewer										
Treatment plants	5	5	5	5	5	7	7	7	7	6
Miles of sanitary sewer lines	4,320	4,200	4,244	4,288	4,330	4,376	4,420	4,475	4,526	4,562

SOURCE:

Charlotte Water





Charlotte Water

An Enterprise Fund of the City of Charlotte