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**Ratings:**  
**Moody's:** Aaa  
**S&P:** AAA  
**Fitch:** AAA  
(See "Ratings" herein)

## PRELIMINARY OFFICIAL STATEMENT DATED SEPTEMBER 12, 2025

### **NEW ISSUE—Book-Entry Only**

*This Official Statement has been prepared by the Local Government Commission of North Carolina and the City of Charlotte, North Carolina to provide information in connection with the sale and issuance of the Bonds described herein. Selected information is presented on this cover page for the convenience of the user. To make an informed decision regarding the Bonds, a prospective investor should read this Official Statement in its entirety. Unless indicated, capitalized terms used on this cover page have the meanings given in this Official Statement.*

**\$75,000,000**

### **City of Charlotte, North Carolina Taxable General Obligation Housing Bonds, Series 2025A**

**Dated: Date of Delivery**

**Due: As shown on inside cover page**

*Tax Treatment*

In the opinion of Parker Poe Adams & Bernstein LLP, Bond Counsel, under existing law, interest on the Bonds (1) is taxable as ordinary income for federal income tax purposes and (2) is exempt from State of North Carolina income taxation. See "TAX TREATMENT" herein.

*Redemption*

The Bonds are subject to redemption before their maturities as set forth herein.

*Security*

The Bonds constitute general obligations of the City, secured by a pledge of the faith and credit and taxing power of the City.

*Interest Payment Dates*

January 1 and July 1, beginning January 1, 2026.

*Denominations*

\$5,000 or any integral multiple thereof.

*Expected Closing/Settlement Date*

October 15, 2025.

*Bond Counsel*

Parker Poe Adams & Bernstein LLP.

*Municipal Advisor*

DEC Associates, Inc.

*Sale Date*

September 23, 2025.

*Sale of Bonds*

*Pursuant to sealed and electronic bids in accordance with the Notice of Sale.*

***The date of this Official Statement is September \_\_, 2025.***

## MATURITY SCHEDULE

### \$75,000,000 Taxable General Obligation Housing Bonds, Series 2025A

Due July 1 of the year indicated

<u>Year</u>	<u>Amount</u>	<u>Rate</u>	<u>Yield<sup>1</sup></u>	<u>CUSIP+</u>
2026	\$3,750,000			
2027	3,750,000			
2028	3,750,000			
2029	3,750,000			
2030	3,750,000			
2031	3,750,000			
2032	3,750,000			
2033	3,750,000			
2034	3,750,000			
2035	3,750,000			
2036	3,750,000			
2037	3,750,000			
2038	3,750,000			
2039	3,750,000			
2040	3,750,000			
2041	3,750,000			
2042	3,750,000			
2043	3,750,000			
2044	3,750,000			
2045	3,750,000			

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<sup>1</sup>Information obtained from the underwriters of the Bonds.

+CUSIP® is a registered trademark of the American Bankers Association. CUSIP Global Services is managed on behalf of the American Bankers Association by FactSet Research Systems, Inc. Copyright ©2025 CUSIP Global Services. All rights reserved. CUSIP data herein is provided for convenience of reference only. The Local Government Commission, the City and their respective agents do not take responsibility for the accuracy of such data. Also, investors should be aware that under certain circumstances the CUSIP identification number assigned to a maturity of the Bonds may be changed to a new replacement number.

**CITY OF CHARLOTTE, NORTH CAROLINA**

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**City Council**

Vi Alexander Lyles ..... Mayor

Dante Anderson..... Mayor Pro Tem

Dimple Ajmera

Tiawana Brown

LaWana Mayfield

Renee Johnson

James Mitchell Jr.

Marjorie Molina

Dr. Victoria Watlington

Edwin Peacock III

Malcolm Graham

Edmund H. Driggs

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**City Staff**

Marcus D. Jones ..... City Manager

Teresa T. Smith<sup>1</sup> ..... Chief Financial Officer

Anthony Fox ..... Interim City Attorney

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**Municipal Advisor**

DEC Associates, Inc.  
Charlotte, North Carolina

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**Bond Counsel**

Parker Poe Adams & Bernstein LLP  
Charlotte, North Carolina

<sup>1</sup>Teresa T. Smith is the current Chief Financial Officer of the City as of the date of this Official Statement. On September 30, 2025, Ms. Smith will retire from her role with the City. On October 1, 2025, Matthew G. Hastedt will be the new Chief Financial Officer of the City and will sign this Official Statement in such capacity.

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STATE AND LOCAL GOVERNMENT FINANCE DIVISION  
LOCAL GOVERNMENT COMMISSION

## INTRODUCTION

This Official Statement, including the cover page and the appendices hereto, is intended to furnish information in connection with the issuance, sale and delivery of the \$75,000,000 Taxable General Obligation Housing Bonds, Series 2025A (the "*Bonds*") of the City of Charlotte, North Carolina (the "*City*").

The information furnished herein includes a brief description of the City and its economic condition, government, debt management, tax structure, financial operations, budget, pension plans and contingent liabilities. The City has assisted the Local Government Commission in gathering and assembling the information contained herein.

This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy any securities other than the Bonds offered hereby, nor shall there be any offer or solicitation of such offer or sale of the Bonds in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. Neither the delivery of this Official Statement nor the sale of any of the Bonds implies that the information herein is correct as of any date subsequent to the date hereof. The information contained herein is subject to change after the date of this Official Statement, and this Official Statement speaks only as of its date.

This Official Statement is deemed to be a final official statement with respect to the Bonds within the meaning of Rule 15c2-12 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended (the "*Rule*") except when it is in its preliminary form, for the omission of certain pricing and other information to be made available by the successful bidder or bidders for the Bonds by the Commission. In accordance with the requirements of the Rule, the City has agreed in a resolution adopted by the City Council of the City to certain continuing disclosure obligations. See the caption "Continuing Disclosure" herein.

## THE LOCAL GOVERNMENT COMMISSION OF NORTH CAROLINA

The Local Government Commission of North Carolina (the "*Commission*"), a division of the Department of State Treasurer, State of North Carolina (the "*State*"), is a State agency that supervises the issuance of the bonded indebtedness of all units of local government and assists these units in the area of fiscal management. **Appendix A** to this Official Statement contains additional information concerning the Commission and its functions.

## THE BONDS

### DESCRIPTION

The Bonds will be dated as of their date of delivery and will bear interest from their date. Interest on the Bonds will be payable semiannually on each January 1 and July 1, beginning January 1, 2026. The Bonds will mature on the dates set forth on the inside cover page of this Official Statement. The record date for the Bonds will be the fifteenth day of the month (whether or not a business day) preceding each interest payment date or bond payment date.

The Bonds will be issuable as fully registered bonds in a book-entry system maintained by The Depository Trust Company, a New York corporation (the "*DTC*"). DTC will act as securities depository for the Bonds. Purchases and transfers of the Bonds may be made only in denominations of \$5,000 and in accordance with the practices and procedures of DTC. See **Appendix F** hereto for a description of the book-entry system and DTC.

### AUTHORIZATION AND PURPOSES

The Bonds are being issued pursuant to the provisions of The Local Government Bond Act, as amended, Article 7, as amended, of Chapter 159 of the General Statutes of North Carolina. The Bonds are to be issued pursuant to bond orders adopted by the City Council of the City (the "*City Council*") on July 11, 2022 and June 24, 2024, respectively, and which were approved by a majority of voters at referenda held on November 8, 2022 and November 5, 2024, respectively. Terms of the Bonds were established in the resolution duly adopted by the City Council on August 25, 2025 related to the Bonds (the "*Bond Resolution*").

The Bonds are being issued to provide funds, together with other available funds of the City, to acquire, construct, develop and equip housing projects for the benefit of persons with low or moderate incomes or to assist developers of housing for persons with low or moderate incomes, and to pay the costs of issuing the Bonds.

### REDEMPTION

The Bonds maturing on or before July 1, 2035 are not subject to call and redemption prior to their maturities. The Bonds maturing on and after July 1, 2036 may be redeemed prior to their maturities, at the City's option from any funds that may be available for such purpose, in whole or in part on any date on or after July 1, 2035, at a redemption price equal to 100% of the principal amount of Bonds to be redeemed, together with accrued interest, if any, to the redemption date.

If less than all of the Bonds are called for redemption, the City shall select the maturity or maturities of the Bonds to be redeemed in such manner as the City in its discretion may determine and DTC and its participants shall determine which of the Bonds within a maturity are to be redeemed in accordance with its rules and procedures (or if the Bonds are not in book-entry, the City will select by lot), provided, however, that the portion of any Bond to be redeemed is to be in principal amount of \$5,000 or integral multiples thereof and that, in selecting Bonds for redemption, each Bond is to be considered as representing that number of Bonds which is obtained by dividing the principal amount of such Bond by \$5,000.

Whenever the City elects to redeem Bonds, notice of such redemption of Bonds, stating the redemption date, redemption price and any conditions to the redemption and identifying the Bonds or portions thereof to be redeemed and further stating that on such redemption date there shall become due and payable on each Bond or portion thereof so to be redeemed, the principal thereof, and interest accrued to the redemption date and that from and after such date interest thereon shall cease to accrue, is to be given not less than 30 days nor more than 60 days before the redemption date in writing to DTC or its nominee as the registered owner of the Bonds, by prepaid certified or registered United States mail (or by such other means as may be permitted by DTC's rules and procedures), at the address provided to the City by DTC, but any failure or defect in respect of such mailing will not affect the validity of the redemption. If DTC or its nominee is not the registered owner of the Bonds, the City will give notice at the time set forth above by prepaid first class United States mail to the then-registered owners of

the Bonds or portions thereof to be redeemed at the last address shown on the registration books kept by the City.

If at the time of mailing of the notice of redemption there is not on deposit money sufficient to redeem the Bonds called for redemption, such notice may state that it is conditional on the deposit of money for the redemption on the date of redemption as set forth in the notice. Any notice, once given, may be withdrawn by notice delivered in the same manner as the notice of redemption was given.

**SECURITY**

**The Bonds are general obligations of the City. The City is authorized and required by law to levy on all property taxable by the City such *ad valorem* taxes, without limitation as to rate or amount, as may be necessary to pay the Bonds and the interest thereon.**

**THE CITY**

**GENERAL DESCRIPTION AND DEMOGRAPHIC CHARACTERISTICS**

The City, a municipal corporation of the State located in Mecklenburg County (the "*County*"), is the 15<sup>th</sup> most populated city in the United States. The City was incorporated in 1768, became the County seat in 1774, and has grown from an initial 360 acres to a present area covering 314 square miles of the 524 square-mile County.

The City's Planning, Design and Development Department has estimated the City's population to be 1,028,689 in Fiscal Year 2024. In 2023, the United States Census Bureau ranked the City as having the 5th largest numeric population increase between July 1, 2021 and July 1, 2022 among U.S. cities with at least 50,000 residents.

The United States Census Bureau has recorded the population of the City as follows:

<u>1990</u>	<u>2000</u>	<u>2010</u>	<u>2020</u>
395,934	540,828	731,424	874,579

The City is the core of the Charlotte – Concord Combined Statistical Area (the "*CSA*"), a region of over 3.6 million people as of 2024, which includes the Charlotte-Concord-Gastonia, NC-SC metropolitan statistical area, the Albemarle, NC micropolitan statistical area, and the Shelby, NC micropolitan statistical area. The combination of population growth and location reinforces the City's role as a regional center in the Southeast.

**BUSINESS AND ECONOMIC PROFILE**

The City has a diversified economy comprised of a broad range of industries, including finance, healthcare, energy, higher education, and international business. The City and County are important locations for regional headquarters of major national and international companies. A number of national corporations have selected the City and County for establishment of sales offices, division headquarters, research and development facilities and other administrative units.

The Charlotte region is home to approximately 425 corporate headquarters, including seven of the nation's "Fortune 500" companies. According to the North Carolina Department of Commerce Labor & Economic Analysis Division, the City's unemployment rate (not seasonally adjusted) was 3.7% in 2024, compared to 3.6% for the State and 4.0% for the United States for the same period.

The following table lists the ten largest employers in the City as of June 30, 2024:

<b><u>Company</u></b>	<b><u>Number of Employees</u></b>	<b><u>Percentage of Total City Employment</u></b>
Atrium Health	35,700	5.29%
Wells Fargo	24,000	3.55
Charlotte-Mecklenburg Schools	18,495	2.74
Wal-Mart Stores, Incorporated	17,100	2.53
Bank of America	15,000	2.22
Novant Health/Presbyterian Regional Healthcare Corporation	11,698	1.73
American Airlines/US Airways Group, Incorporated	11,000	1.63
Delhaize America Inc.	9,078	1.34
Harris Teeter, Incorporated	8,239	1.22
Duke Energy Corporation	7,900	1.17
Total	158,210	23.42%

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Source: City of Charlotte Annual Comprehensive Financial Report for the Fiscal Year ended June 30, 2024.

Retail taxable sales for the County for the Fiscal Years 2021 through 2025 are shown in the following table:

<b><u>Fiscal Year Ended June 30</u></b>	<b><u>Total Taxable Sales</u></b>	<b><u>Increase (Decrease) Over the Previous Year</u></b>
2021	\$26,097,009,350	9.9%
2022	31,011,893,464	18.8
2023	34,108,420,190	9.9
2024	35,006,490,918	2.7
2025	36,027,444,827	2.9

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Note: Separate data for the City is not available.

Source: North Carolina Department of Revenue, Sales and Use Tax Division.

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**Business Investments.** The Charlotte Regional Business Alliance continues to pursue new investments in various types of industries including finance, healthcare and energy. The following chart indicates new and expanded business growth in the County for calendar years 2021 through 2025:

<b><u>Calendar Year</u></b>	<b><u>Number of Projects</u></b>	<b><u>Jobs Announced</u></b>	<b><u>Capital Investment Announced (Millions)</u></b>
2021	13	2,062	\$ 57.9
2022	13	1,138	312.6
2023	13	1,205	67.0
2024	12	844	186.8
2025*	3	676	110.4

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Source: Based on information provided by the Charlotte Regional Business Alliance.

\* The most recent data available is through June, 2025.

On July 8, 2025, Governor Josh Stein announced that Citigroup will expand its operations in Charlotte, Mecklenburg County, creating 510 new jobs with an average annual salary of approximately \$131,800—well above the County average. The Citigroup will invest \$16.1 million in a new facility supporting roles in banking, finance, compliance, and wealth management. The project is supported by a Job Development Investment Grant (the "JDIG") valued at up to \$8.94 million over 10 years, with the State of North Carolina projecting a 255% return on its investment. Additionally, the expansion will generate a \$2.98 million contribution to North Carolina's Industrial Development Fund – Utility Account, supporting infrastructure in rural areas. This announcement reinforces the City's status as a major financial services hub and signals continued regional economic growth.

## **DEVELOPMENT ACTIVITY**

Construction activity in the City and County is illustrated by the following table showing the number and value of building permits issued by the County Building Inspection Department as reported by the County:

<b><u>Calendar Year</u></b>	<b><u>Number of Building Permits<sup>1</sup></u></b>	<b><u>Value (Millions) Residential</u></b>	<b><u>Value (Millions) Nonresidential</u></b>	<b><u>Total Value (Millions)</u></b>
2021	10,314	2,259	3,976	6,235
2022	10,271	1,972	5,596	7,568
2023	11,283	1,674	5,268	6,942
2024	11,131	1,779	5,083	6,862
2025 <sup>2</sup>	3,882	603	1,606	2,209

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<sup>1</sup>Includes Townhomes, Condos, Multi-family, Commercial, Industrial and Other types.

<sup>2</sup>The most recent data is for the five-month period ended May 31, 2025.

Source: Mecklenburg County Land Use and Environmental Services Agency.

## LABOR FORCE AND UNEMPLOYMENT

As of the first quarter of 2025 (the most recent data available)<sup>1</sup>, the North Carolina Department of Commerce Labor & Economic Analysis Division estimated the employment by industry in the County to be approximately as follows:

Service-Providing	45.06%	Construction	2.64%
Trade, Transportation and Utilities	10.29	Manufacturing	2.23
Professional and Business Services	9.88	Information	1.37
Education and Health Services	8.80	Other Services	1.32
Financial Activities	6.78	Public Administration	1.32
Leisure and Hospitality	5.31	Natural Resources and Mining	0.07
Goods-Producing	4.94		

<sup>1</sup><https://d4.nccommerce.com/QCEWSelection.aspx> (super sector, all industries, aggregate of all types, 2025, average employment)

The North Carolina Department of Commerce Labor & Economic Analysis Division has estimated the percentage of unemployment (not seasonally adjusted) in the City to be as follows:

	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>
January	3.6%	6.2%	4.0%	3.7%	3.9%	4.0%
February	3.5	6.1	3.8	3.6	4.1	3.9
March	4.3	5.6	3.7	3.6	3.8	3.7
April	14.4	5.4	3.5	3.1	3.4	3.5
May	13.1	5.4	3.5	3.4	3.5	3.7
June	11.2	5.7	3.9	3.5	3.9	4.1
July	10.5	5.3	3.6	3.5	4.2	3.9 <sup>1</sup>
August	7.7	5.0	3.9	3.5	4.1	
September	7.0	4.4	3.3	3.1	3.4	
October	5.8	4.4	3.8	3.3	3.4	
November	5.8	3.9	3.7	3.3	3.6	
December	5.6	3.4	3.2	3.3	3.4	

<sup>1</sup>July 2025 is the most recent information available.

The North Carolina Department of Commerce Labor & Economic Analysis Division has estimated the percentage of unemployment (not seasonally adjusted) in the City, the State and the United States to be as follows:

<u>As of</u>	<u>City</u>	<u>State</u>	<u>United States</u>
June 2021	5.8%	5.5%	6.1%
June 2022	3.8	3.9	3.8
June 2023	3.7	3.6	3.8
June 2024	3.9	3.9	4.3
June 2025	4.1	4.0	4.4

## GOVERNMENT AND MAJOR SERVICES

**Government Structure.** The City is governed by a mayor and an 11-member City Council elected biennially on a partisan basis. The mayor presides over all Council meetings and can vote only in case of a tie, but does have limited veto power. The Council enacts all general and technical ordinances, including budgetary appropriations and construction and zoning ordinances, approves contracts and originates general management policies. The Council employs a City Manager who directs the daily operations of the City through department heads appointed by the City Manager. Marcus D. Jones has served as the City Manager since December 2016.

**Transportation.** Major expansion, maintenance and betterment of primary highways within the City limits are primarily the responsibility of the State. The City shares with the State acquisition of right-of-way for such expansion or betterment, and is primarily responsible for related sidewalk improvements, street lighting and landscaping. City residents have historically approved the issuance of general obligation bonds for improvements to state-system roads.

Two interstate highways pass through the City limits, Interstate Highways 77 and 85, running north-south and northeast-southwest, respectively.

The Charlotte Douglas International Airport (the "*Airport*") is a leader in air transportation in the United States. Additional information concerning the Airport is set forth under "***Utility and Public Service Enterprises***" below.

Two major rail systems, Norfolk Southern Railway and CSX Transportation have operations that run through the City weekly and link the City to 23 states and Canada.

The Charlotte Area Transit System (the "*CATS*") provides bus, light rail, streetcar, paratransit and vanpool services. Additional information concerning the CATS is set forth under "***Utility and Public Service Enterprises***" below.

**Healthcare.** Charlotte and Mecklenburg County are served by a number of healthcare providers ranging from nationally recognized hospital systems to specialized practices.

Atrium Health operates or manages more than 40 hospitals and more than 1,400 care locations across the Carolinas and Georgia. Atrium Health partnered with Wake Forest University's School of Medicine Charlotte campus in 2024 to offer clinical rotations for medical students. Atrium Health is part of Advocate Health, the fifth-largest nonprofit health system in the United States, which was created from the combination with Advocate Aurora Health in 2022.

Novant Health is a four-state integrated network of physician clinics, outpatient centers, and hospitals. With a 624-bed medical center and more than 700 physicians on staff, Novant Health Presbyterian Medical Center is one of the largest medical facilities in the region and has been designated a Magnet hospital by the American Nurses Credentialing Center.

**Recreational, Visitor and Cultural Facilities.** The Charlotte Regional Visitors Authority (the "*CRVA*") focuses jointly on tourism promotions and facilities management for the City. Through CRVA, the City provides entertainment and exhibition facilities consisting of an auditorium, two enclosed sports arenas, and a convention center. Visit Charlotte, an unincorporated division of CRVA, serves as a contractor to the City for the purpose of marketing the City as a destination for convention, business and leisure travel.

In March 2006, the City was awarded a license by NASCAR to construct and operate a NASCAR Hall of Fame complex (the "*NASCAR Hall of Fame*"). The NASCAR Hall of Fame opened in May 2010, and consists of an approximately 150,000 square-foot museum, an approximately 80,000 square-foot Great Hall, a ballroom/theater facility with over 5,000 theater-style seats or 2,500 dining seats connected to the existing convention center and ancillary improvements.

The Charlotte Convention Center provides approximately 850,000 square feet of total building area, including approximately 280,000 square feet of exhibition space, more than 126,500 square feet of flexible meeting space, a 35,000 square-foot ballroom and a 40,000 square-foot ballroom. The Convention Center has hosted over 4,483 events, including trade shows, conventions, assemblies, meetings, consumer shows and catering events. During Fiscal Year 2024, the center successfully hosted 387 events with over 476,925 in total reported attendance, including 37 conventions and trade shows, 21 assemblies, 12 consumer shows, and 317 local meetings and events. These events enabled the Convention Center to generate a record \$28.2 million in revenue for the year.

The City is home to three major-league sports franchises: (1) the Carolina Panthers of the National Football League, which play in Bank of America Stadium, a privately owned 73,778-seat facility in uptown Charlotte; (2) the Charlotte Hornets of the National Basketball Association, which play in the Spectrum Center, an approximately 18,500-seat, 780,000 square-foot, uptown sports arena and entertainment facility, and (3) Charlotte Football Club of the Major League Soccer, which play in Bank of America Stadium.

In addition, the City is home to the Charlotte Knights Triple-A baseball club which plays in the Truist Field, a 10,000-seat baseball stadium in the City's uptown. The City also has: (1) the Charlotte Independence, a United Soccer League soccer team that plays in the American Legion Memorial Stadium, and (2) the Charlotte Checkers of the American Hockey League, which returned to play in the Bojangles' Coliseum in 2015. In August 2024, the United Soccer League Super League launched its inaugural season, introducing a new era of professional women's soccer. Charlotte became home to one of its founding teams, Carolina Ascent Football Club. Carolina Ascent Football Club plays its home matches at American Legion Memorial Stadium, which has a seating capacity of 10,500.

The City also offers diverse facilities for cultural programs, the arts, and nature and science activities. The Charlotte Nature Museum, founded in 1946, provides programs and exhibits centered on a science theme of “Nature and Man.” The oldest and best-known cultural institution is the Mint Museum of Art, founded in 1933.

550 South Tryon, formerly known as The Duke Energy Center, a 48-story office tower, is the focal point of the City's uptown cultural campus called the Levine Center for the Arts. Levine Center for the Arts also includes: (1) the approximately 145,000 square-foot Mint Museum of Art; (2) the approximately 35,000 square-foot Bechtler Museum of Modern Art; (3) the 1,150-seat Knight Theater, which is the home of the Charlotte Ballet, and (4) the Harvey B. Gantt Center for African-American Arts and Culture, which includes an outdoor amphitheater, an indoor theater and two galleries.

In addition to the Levine Center for the Arts, the following facilities are also located in the City's uptown area: (1) Discovery Place, a “hands-on” science and technology museum which features a 300-seat Omnimax theater and the Spitz planetarium, the largest planetarium dome in the United States; (2) the McColl Center, located in a former ARP church, is an artist colony that hosts “Artists in Residence” to promote the development of the arts in the Charlotte region; (3) ImaginOn, a collaborative venture between the Public Charlotte Mecklenburg Library and the Children's Theatre of Charlotte; (4) the Blumenthal Arts Center, a three-level, 125,000 square-foot performing arts center with a 2,100-seat performance hall and a 440-seat theater, and (5) the Levine Museum of the New South, an interactive history museum. In addition, the Foundation for the Carolinas is performing a total renovation of the uptown Carolina Theater, which closed in 1978.

In 2012, the City unveiled its collaboration with the County to develop the Cross Charlotte Trail, a greenway project spanning over 30 miles. Stretching from Pineville through Center City to the UNC Charlotte campus and Cabarrus County line, this initiative aims to promote connectivity and outdoor recreation. Upon completion, the Cross Charlotte Trail will offer seamless travel across Charlotte, benefiting approximately 140,000 residents and connecting them to 130,000 jobs within walking distance. Up to this point, progress entails finishing segments 1-5, amounting to 4.77 miles of the city's designated section within the planned 13-mile stretch of the 30+ miles of trails. Currently, three segments are under construction and three are in the design stage.

***Utility and Public Service Enterprises.*** The City presently owns and operates several utility and public service enterprises as described below.

Water and Sanitary Sewer System. Charlotte Water administers and operates a unified water and sanitary sewer system for the City, the County and six incorporated towns in the County. The system provides services to the City and County residents under a rate structure designed to produce revenues sufficient to provide for operating expenses, debt service and adequate working capital. The water system includes 4,610 miles of pipes and has a total treatment capacity of 230 million gallons per day ("MGD"). Its average water processing in Fiscal Year 2024 was 117 MGD. A maximum day water demand of 169.2 MGD was reached in August 2007. The sanitary sewer system includes approximately 4,595 miles of wastewater mains and has a total permitted treatment capacity of 123 MGD. The average wastewater treated daily in Fiscal Year 2024 was 86 MGD. The water sources for the system are the Mountain Island Lake and the Lake Norman impoundments, both on the Catawba River.

Storm Water System. Charlotte-Mecklenburg Storm Water Services ("*Storm Water*") is a joint municipal/county storm water utility that includes the City and the surrounding towns of Davidson, Huntersville, Matthews, Mint Hill and Pineville in the County. Storm Water oversees more than 100,000 storm drains over 5,000 miles of pipes and open streams and works to manage the runoff from rainfall, reduce flooding, restore floodplains and protect the water quality of surface waters. Storm Water plans, designs, constructs and maintains storm water infrastructure to reduce flood risks and protect the traveling public. The utility is self-funded through user fees, which are based on a parcel's impervious surface area, such as rooftops, driveways and private walkways.

Charlotte Douglas International Airport. The Airport occupies approximately 6,000 acres of land within the County and is located approximately seven miles west of the City's central business district. The Airport currently has three runways, all equipped with precision instrument landing systems. The Airport is a gateway for international travelers and is a port of entry and export with customs service and a foreign trade zone designation at the Airport. As of June 30, 2024, the Airport averaged 703 daily departures to 189 non-stop destinations, including 39 foreign countries and territories. In 2024, the Airport was the seventh busiest airport in the nation as measured by enplaned passengers according to the Airport Council International. The Airport is served by eight U.S. mainline passenger air carriers, ten regional domestic carriers and four foreign flag carriers. The Airport currently serves as the second busiest passenger hub for American Airlines, the world's largest airline, which operates about 88.8% of the Airport's daily flights. The Airport is also served by several cargo airlines and is the base for approximately 94 general aviation aircraft. A unit of the North Carolina Air National Guard and other aviation support facilities are also located at the Airport.

Charlotte Area Transit System. CATS was established in 2000 as a division of the City of Charlotte. It is the largest transit system between Washington, D.C. and Atlanta. CATS' primary service area is Mecklenburg County, including the City of Charlotte, and the towns of Pineville, Matthews, Davidson, Huntersville, Cornelius and Mint Hill. Additionally, CATS provides regional service to the City of Concord in Cabarrus County, the City of Gastonia in Gaston County, the Town of Indian Trail in Union County, and the City of Rock Hill in York County, SC. It serves a population of approximately 1,379,873 people.

The Metropolitan Transit Commission (the "*MTC*") is CATS' policy board. The MTC has responsibility for reviewing and recommending all long-range public transportation plans. The board approves the transit system's operating and capital programs and makes recommendations to the Charlotte City Council. The MTC is composed of voting members from the cities and towns located in Mecklenburg County, and non-voting members from the surrounding counties. The voting members include the Mayors of Charlotte, Cornelius, Davidson, Huntersville, Matthews, Mint Hill, and Pineville; the Board Chair of Mecklenburg County Commissioners; and the regional representative from the North Carolina Board of Transportation. The MTC also includes five non-voting members representing local governments outside

Mecklenburg County to ensure regional involvement, including the South Carolina Department of Transportation.

CATS delivers bus and rail services through both direct operations and third-party contracts. Fixed- route bus service is contracted to Transit Management of Charlotte ("*We Drive U*"), microtransit to MV Transportation, and vanpool services will transition to Commute with Enterprise starting July 1, 2025. CATS directly operates light rail, paratransit, and neighborhood shuttles.

CATS runs 63 bus routes, including 16 commuter routes, and offers on-demand microtransit in Davidson, Cornelius, and Huntersville. The Blue Line light rail spans 18.9 miles with 26 stops, connecting I-485, just north of Pineville to UNC Charlotte main campus. The CATS Gold Line streetcar, a four-mile corridor with 17 stops, connects the West End through Center City Charlotte to the Elizabeth neighborhood.

CATS also provides Special Transportation Service ("*STS*"), an ADA-compliant, door-to-door paratransit service within Charlotte, Matthews, and Pineville. STS+ extends this service to areas like Mint Hill.

On July 1, 2025 the North Carolina General Assembly approved the PAVE Act (Session Law 2025-39 of the 2025 Session) authorizing the County to hold a referendum for the approval of an additional 1% local sales and use tax to be used for roadway systems and public transportation system. The County has authorized the referendum to be placed on the ballot on November 4, 2025. If approved by a majority of voters in the County, the County may levy the 1% local sales and use tax and the PAVE Act requires that 40% of the proceeds be used for roadways by the City and the towns in the County and 60% of the proceeds to be used for public transportation (with no more than two-thirds of that amount to be used for rail projects). The PAVE Act also provides that the County may create a metropolitan transit authority that would eventually assume control of the transit system from the City and CATS and the local sales and use tax and other transit revenues. If the authority is formed, the PAVE Act requires that the City and the authority enter into agreements related to the transition of governance, operation and ownership of the transit system over time, but the City expects such agreements will provide for the continued compliance by the City with all of its obligations related to outstanding indebtedness for CATS. The City has hired a new Deputy City Manager, Donny Hamilton, Jr., with national transit expertise, to have a particular focus, pending the results of the referendum, on preparing and managing CATS through its transition to a regional transit authority and collaborating with other internal departments to ensure the City is well-positioned for the successful transition and that residents feel the impact of mobility investments.

## **DEBT INFORMATION**

***Legal Debt Limit.*** In accordance with the provisions of the State Constitution and The Local Government Bond Act, as amended; after giving effect to the issuance of all presently authorized bonds, the City had the statutory capacity to incur additional net debt in the approximate amount of \$15,242,353,000 as of June 30, 2024.

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***Outstanding General Obligation Debt.***

	<u>June 30, 2021</u>	<u>June 30, 2022</u>	<u>June 30, 2023</u>	<u>June 30, 2024</u>	<u>June 30, 2025<sup>4</sup></u>
General Obligation Bonds					
Enterprises <sup>1</sup>					
Water Sewer Bonds	\$ 11,835,000	\$ 6,759,000	\$ 1,535,000	\$ --	\$ --
Storm Water Bonds	1,719,000	816,000	--	--	--
Total Enterprises	13,554,000	7,575,000	1,535,000	--	--
Other Bonds <sup>2</sup>	624,901,000	699,455,000	637,335,000	833,500,000	752,245,000
General Obligation Construction Period Financing <sup>3</sup>	<u>136,595,000</u>	<u>90,538,000</u>	<u>184,837,000</u>	<u>59,730,000</u>	<u>139,829,009</u>
Total Debt Outstanding (excluding refunded/ defeased obligations)	<u>\$775,050,000</u>	<u>\$797,568,000</u>	<u>\$823,707,000</u>	<u>\$893,230,000</u>	<u>\$892,074,009</u>

<sup>1</sup>These are utility and public service enterprise bonds, the primary sources of payment of which are the respective revenues of each enterprise.

<sup>2</sup>These bonds include street, building, recreation, public improvement, housing, solid waste, transit and environmental clean-up bonds.

<sup>3</sup>Since November 2016, the City has utilized a short-term bond program. The amounts listed are outstanding as of June 30 of that fiscal year.

<sup>4</sup>Unaudited. Does not include any debt activity after June 30, 2025. Source: NC State Treasurer's Office.

Source: City of Charlotte Finance Department.

The City expects to issue additional general obligation bonds in calendar year 2025. See "***Debt Outlook***" herein.

Outstanding general obligation debt shown previously does not include outstanding revenue bond indebtedness issued by the City:

<u>Revenue Bonds</u>	<u>Principal Outstanding June 30, 2024<sup>2</sup></u>
Airport General Revenues <sup>1</sup>	\$ 1,604,440
Water and Sewer	1,950,870
Storm Water	199,330
Total Revenue Bonds	\$3,754,640

<sup>1</sup>Does not include the Airport Revenue Bond Anticipation Note (the "*Airport 2023 Note*") issued by the City on September 28, 2023 to provide short-term financing of the cost of various improvements to the Airport pending the issuance of long-term revenue bonds to finance such improvements, which was not issued until after June 30, 2023. The aggregate amount of the Airport 2023 Note that may be outstanding at any one time may not exceed \$280,000,000. As of August 31, 2025, there was approximately \$23,105,920.61 outstanding.

<sup>2</sup>Amounts in thousands.

Source: City of Charlotte Annual Comprehensive Financial Report for the Fiscal Year ended June 30, 2024 and the City Finance Department.

Subsequent Events:

- September 5, 2024, \$181,295,000 Storm Water Fee Revenue Refunding Bonds, Series 2024.
- June 11, 2025, \$281,875,000 Airport Revenue Bonds, Series 2025A (Non-AMT).
- June 11, 2025, \$25,125,000 Airport Revenue Bonds, Series 2025B (AMT).
- July 31, 2025, \$146,110,000 Water and Sewer System Refunding Revenue Bonds, Series 2025.

The City expects to issue additional revenue bonds in calendar year 2025 and the next five years for further improvements to the City's water and sanitary sewer systems, the airport and storm water drainage system. See "***Debt Outlook***" herein.

## DEBT RATIOS

<u>At June 30</u>	<u>Population<sup>1</sup></u>	<u>Assessed Valuation<sup>2,3</sup></u>	<u>Total GO Debt<sup>2,4,5</sup></u>	<u>Total GO Debt to Assessed Valuation</u>	<u>Total GO Debt Per Capita</u>	<u>GO Debt Payable From Enterprise Revenues<sup>2</sup></u>	<u>GO Debt Net of GO Debt Payable From Enterprise Revenues<sup>2</sup></u>	<u>Net GO Debt To Assessed Valuation</u>	<u>Net GO Debt Per Capita</u>	<u>Per Capita Assessed Valuation</u>
2020	940,144	\$143,821,836	\$774,023	0.54%	\$823.30	\$28,665	\$745,358	0.52%	\$792.81	\$152,979
2021	958,788	146,624,520	775,050	0.53	808.36	13,554	761,496	0.52	794.23	152,927
2022	979,096	150,598,470	797,568	0.53	814.60	7,575	789,993	0.52	806.86	153,814
2023	1,001,146	154,420,883	823,707	0.53	822.76	1,535	822,172	0.53	821.23	154,244
2024	1,028,689	219,696,319	893,230	0.41	868.31	0	893,230	0.41	868.31	213,569

<sup>1</sup>Population for FY 2020 – 2024 obtained from FY 2024 ACFR.

<sup>2</sup>Amounts in thousands.

<sup>3</sup>Data provided by the County. Assessed value is 100% of appraised market value as of the last revaluation date. The amount of assessed valuation for the current Fiscal Year reflects the most recent assessed valuation and for prior years is reported as of the end of each Fiscal Year. The valuation of motor vehicles is estimated subject to final adjustment.

<sup>4</sup>Includes water, sanitary sewer and storm water bonds.

<sup>5</sup>Includes construction period financing for each fiscal year ending June 30.

Source: City of Charlotte Annual Comprehensive Financial Reports for the Fiscal Years ended June 30, 2020 through June 30, 2024 and the City Finance Department.

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**GENERAL OBLIGATION DEBT SERVICE REQUIREMENTS AS OF JUNE 30, 2025.**

<u>Fiscal Year</u>	<u>EXISTING DEBT</u>			<u>Bonds Now Offered Taxable Housing, Series 2025*</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal &amp; Interest</u>	
2025-26	\$ 70,985,000.00	\$ 30,692,075.40	\$ 101,677,075.40	\$ --
2026-27	71,085,000.00	27,645,452.25	98,730,452.25	3,750,000.00
2027-28	66,965,000.00	24,570,175.38	91,535,175.38	3,750,000.00
2028-29	62,020,000.00	21,752,850.76	83,772,850.76	3,750,000.00
2029-30	53,010,000.00	19,046,242.01	72,056,242.01	3,750,000.00
2030-31	47,495,000.00	16,829,113.51	64,324,113.51	3,750,000.00
2031-32	47,310,000.00	14,763,820.63	62,073,820.63	3,750,000.00
2032-33	47,160,000.00	12,725,489.50	59,885,489.50	3,750,000.00
2033-34	41,020,000.00	10,818,300.00	51,838,300.00	3,750,000.00
2034-35	41,060,000.00	9,114,175.00	50,174,175.00	3,750,000.00
2035-36	35,010,000.00	7,689,650.00	42,699,650.00	3,750,000.00
2036-37	35,010,000.00	6,411,250.00	41,421,250.00	3,750,000.00
2037-38	29,200,000.00	5,245,800.00	34,445,800.00	3,750,000.00
2038-39	29,200,000.00	4,195,175.00	33,395,175.00	3,750,000.00
2039-40	19,970,000.00	3,137,550.00	23,107,550.00	3,750,000.00
2040-41	19,970,000.00	2,345,150.00	22,315,150.00	3,750,000.00
2041-42	13,175,000.00	1,552,000.00	14,727,000.00	3,750,000.00
2042-43	13,175,000.00	894,000.00	14,069,000.00	3,750,000.00
2043-44	9,425,000.00	235,625.00	9,660,625.00	3,750,000.00
2044-45				3,750,000.00
2045-46				3,750,000.00
Totals	\$ 752,245,000.00	\$219,663,894.44	\$ 971,908,894.44	\$ 75,000,000.00

\* Principal only.

Note: Does not include debt service requirement on the City's General Obligation Bond, Series 2023C (Draw Program) (the "Series 2023C Bond") issued on November 7, 2023, in connection with the City's bond program to provide short-term financing of various neighborhood and transportation improvements pending the issuance of long-term general obligation bonds to finance such improvements. The aggregate amount of the Series 2023C Bond that may be outstanding at any one time may not exceed \$200,000,000. As of August 31, 2025, there was approximately \$162,741,415.48 outstanding.

***General Obligation Bonds Authorized and Unissued as of June 30, 2025.***

<u>Date Authorized</u>	<u>Housing<sup>1</sup></u>	<u>Neighborhood Improvements<sup>2</sup></u>	<u>Streets<sup>2</sup></u>	<u>Total</u>
11/8/2018		\$ 13,548,694.10	\$ --	\$ 13,548,694.10
11/3/2020		44,500,000.00	89,933,950.41	134,433,950.41
11/8/2022	\$ 50,000,000.00	29,800,000.00	146,200,000.00	226,000,000.00
11/5/2024	<u>100,000,000.00</u>	<u>61,700,000.00</u>	<u>238,300,000.00</u>	<u>400,000,000.00</u>
	<b><u>\$150,000,000.00</u></b>	<b><u>\$149,548,694.10</u></b>	<b><u>\$474,433,950.41</u></b>	<b><u>\$773,982,644.51</u></b>

<sup>1</sup>The City expects to use \$75,000,000 of this authorization for the issuance of the Bonds on or about October 15, 2025.

<sup>2</sup>The Series 2023C Bond was issued to provide short-term financing of various neighborhood and transportation improvements pending the issuance of long-term general obligation bonds to finance such improvements. See "Debt Outlook" below.

Source: City of Charlotte Finance Department.

***Debt Information for Overlapping Unit as of June 30, 2024.***

<u>Unit</u>	<u>2024 Population</u>	<u>Assessed Valuation*</u>	<u>Tax Rate Per \$100</u>	<u>Levy*</u>	<u>Bonds Authorized and Unissued</u>	<u>Total GO Debt</u>	<u>Total GO Debt Per Capita</u>
Mecklenburg County	1,190,614	\$288,428,093	\$0.4731	\$1,286,941	\$2,552,225,000	\$1,552,890,000	\$1,435

\*Amount in thousands.

Source: Mecklenburg County Annual Comprehensive Financial Report for the Fiscal Year ended June 30, 2024.

**Debt Outlook**

On or around November, 2025, the City anticipates issuing approximately \$200,000,000 in general obligation bonds to repay its \$200,000,000 General Obligation Bonds, Series 2023C (Draw Program) which was issued to provide short-term financing of various neighborhood and transportation improvements pending the issuance of long-term general obligation bonds to finance such improvements. City will also enter into another short-term financing for approximately \$200,000,000 for various neighborhood and transportation improvements.

The Capital Investment Plan (the "CIP"), the City's five-year financial plan, details capital projects for the General Government Fund and the Aviation, Charlotte Water, Transit and Storm Water Funds and the estimated revenues dedicated to them. It also includes the estimated financing schedules to support the plan. The CIP development process begins each year with the identification of capital needs. These needs are evaluated and prioritized according to City Council policies. The FY 2026-2030 CIP was considered and approved by the City Council on June 9, 2025, as part of the City's annual budget ordinance. The City's CIP totals \$1.1 billion.

Capital planning and debt capacity forecasts are a large and important part of the overall debt policies and strategies developed and executed by the City. Long-range debt strategies have been one of the most significant elements of the City's ten-year capital plans and measure the continuing debt issuance capabilities within existing resources. Revenue diversification, an objective of the City, has been provided by the occupancy tax (October 1983) and various ½ percent sales taxes (April 1984, January 1987 and April 1999). Variable rate debt, commercial paper programs, bank draw programs, refunding and interest rate swaps are methods employed by the City to diversify its debt portfolio, increase debt capacity and provide savings for the City. Hedge strategies, PAYGO funding and fund balance policies are employed to reduce the risk. Recurring capital improvements are typically funded as part of the annual operating budget utilizing both installment financing options and operating revenues.

The City regularly reviews its capital investment needs and sells bonds or enters into installment financings as it deems appropriate. The City will evaluate and seek voter approval through future referendum.

The City currently expects to hold voter referendum for approval of general obligation debt for transportation, housing and neighborhood in November 2026.

### **Other Long-Term Commitments**

As noted in the “**GOVERNMENT AND MAJOR SERVICES - *Recreational, Visitor and Cultural Facilities***” sections above, four of the City’s major recreational and cultural facilities include: (1) the City’s convention facilities, including the Charlotte Convention Center and certain other convention related venues; (2) the Spectrum Center; (3) the Levine Center for the Arts, and (4) the NASCAR Hall of Fame. The City has entered into installment contract financings involving publicly sold certificates of participation to provide funds for the construction and renovation costs of the convention facilities, the Spectrum Center, a portion of the Levine Center for the Arts and the NASCAR Hall of Fame.

Under the authority of certain State legislation, the County has levied: (1) a room occupancy tax; (2) a prepared food and beverage tax, and (3) a rental car tax. The proceeds from the prepared food and beverage tax and a portion of the proceeds of the room occupancy tax are being transferred to and applied by the City (although not legally and contractually pledged) to pay the installment payments under the installment financing contract for the convention facilities.

A portion of the proceeds from the rental car tax and a portion of the proceeds from the room occupancy tax are being transferred to and applied by the City (although not legally and contractually pledged) to pay the installment payments under the installment financing contract related to the Spectrum Center.

An amount of money in the City’s General Fund equal to a portion of the proceeds from the rental car tax are freed-up annually to expend on other purposes. The City intends to annually transfer the Freed- Up General Revenues to the Cultural Arts Fund to pay a portion of the installment payments (although not legally and contractually pledged) under the installment financing contract related to the Levine Center for the Arts.

A portion of the proceeds from the room occupancy tax are transferred to and applied by the City (although not legally and contractually pledged) to pay the installment payments under the installment financing contract related to the NASCAR Hall of Fame.

In addition, the City has entered into other financing agreements primarily for land, computer equipment, capital improvements and general capital assets, including rolling stock (the “Other Long-Term Commitments”).

The following chart sets forth for each Fiscal Year of the City ending June 30 the amount of principal (whether at maturity or pursuant to mandatory sinking fund prepayment) and interest required to be paid by the City with respect to financing agreements related to the convention facilities, Spectrum Center, the Transit System, the NASCAR Hall of Fame, the Levine Center for the Arts and the Other Long- Term Commitments.

[Chart begins on following page]

**INSTALLMENT PAYMENT REQUIREMENTS OF INSTALLMENT PURCHASE CONTRACT FINANCINGS AS OF JUNE 30, 2024.\***

<b><u>FY Ending June 30</u></b>	<b><u>Convention Center<sup>1</sup></u></b>	<b><u>Arena<sup>2</sup></u></b>	<b><u>Safety Facilities &amp; Capital Equipment<sup>3</sup></u></b>	<b><u>Transit<sup>4</sup></u></b>	<b><u>NASCAR Hall of Fame<sup>5</sup></u></b>	<b><u>Levine Center For the Arts<sup>6</sup></u></b>	<b><u>Total</u></b>
2025	\$ 10,858,175	\$ 11,976,250	\$ 30,829,414	\$ 17,970,106	\$ 8,410,123	\$ 7,637,150	\$ 87,681,219
2026	10,853,925	11,982,000	29,555,488	17,979,856	8,446,184	7,634,900	86,452,353
2027	8,267,050	11,982,750	27,482,907	17,976,906	8,480,960	7,638,400	81,828,973
2028	8,265,050	11,957,750	25,405,800	17,984,769	8,513,924	7,636,900	79,764,192
2029	8,264,550	11,927,250	24,660,325	17,981,913	8,564,603	7,635,150	79,033,790
2030	8,265,050	11,895,500	23,906,719	17,983,963	8,611,579	7,637,650	78,300,460
2031	8,271,050	4,116,500	23,154,475	17,976,513	8,654,380	7,633,650	69,806,568
2032	8,266,800	4,131,500	22,435,256	17,971,200	8,702,534	7,632,900	69,140,190
2033	8,262,300	23,919,000	20,644,538	17,979,463	8,760,095	7,639,650	87,205,045
2034	8,272,050	0	18,798,675	14,326,150	8,815,883	7,637,900	57,850,658
2035	6,429,800	0	17,382,175	14,320,800	8,564,188	7,632,400	54,329,363
2036	6,427,550	0	16,818,775	8,312,000	8,457,350	7,632,650	47,648,325
2037	6,427,300	0	16,291,500	8,312,200	8,455,350	7,637,650	47,124,000
2038	6,429,300	0	15,810,350	8,312,300	8,451,750	7,641,400	46,645,100
2039	6,428,300	0	15,325,838	8,312,150	8,451,150	7,638,800	46,156,238
2040	6,427,100	0	12,071,000	8,311,600	0	0	26,809,700
2041	6,429,100	0	11,689,200	8,310,500	0	0	26,428,800
2042	6,430,850	0	11,307,400	8,313,700	0	0	26,051,950
2043	6,426,850	0	5,606,125	8,310,900	0	0	20,343,875
2044	6,426,850	0	5,345,375	8,312,100	0	0	20,084,325
2045	6,430,100	0	0	8,312,000	0	0	14,742,100
2046	6,430,850	0	0	8,315,450	0	0	14,746,300
2047	6,428,600	0	0	8,312,150	0	0	14,740,750
2048	6,430,000	0	0	8,312,100	0	0	14,742,100
2049	6,427,200	0	0	0	0	0	6,427,200
2050							
Total	<u>\$ 184,275,750</u>	<u>\$ 103,888,500</u>	<u>\$ 374,521,334</u>	<u>\$ 298,510,788</u>	<u>\$ 128,340,051</u>	<u>\$ 114,547,150</u>	<u>\$1,204,083,573</u>
Principal	112,930,000	81,825,000	275,379,464	215,945,000	93,765,000	80,725,000	860,569,464
Interest	71,345,750	22,063,500	99,141,871	82,565,788	34,575,051	33,822,150	343,514,109
Total	<u>\$ 184,275,750</u>	<u>\$ 103,888,500</u>	<u>\$ 374,521,334</u>	<u>\$ 298,510,788</u>	<u>\$ 128,340,051</u>	<u>\$ 114,547,150</u>	<u>\$1,204,083,573</u>

\*Footnotes begin on following page.

<sup>1</sup> Convention Center obligations are paid from a portion of the Occupancy Tax and the Prepared Food Tax.

<sup>2</sup> Arena obligations are paid from a portion of the Occupancy Tax and a portion of the Rental Car Tax, plus an annual contribution from CRVA for annual principal and interest.

<sup>3</sup> A portion of Capital Equipment obligations are paid from Water and Sewer operations (with respect to the 2024 Certificates of Participation and the \$11,500,000 Installment Financing Contract executed March 15, 2022 with JP Morgan Chase Bank (the "2022 IFC") and Storm Water operations (with respect to the 2022 IFC).

<sup>4</sup> Transit obligations are paid from a 1/2 cent sales tax.

<sup>5</sup> NASCAR Hall of Fame obligations are paid from a portion of the Occupancy Tax. \$58,830,000 of NASCAR Hall of Fame obligations are variable rate, the interest of which has been calculated at 4.725% (the synthetic fixed rate in the swap agreement related hereto) and does not include liquidity or remarketing fees.

<sup>6</sup> Levine Center for the Arts obligations are paid from freed-up general fund revenues attributable to an increase in the Rental Car Tax, a contribution from the City's General Fund in the amount of \$1,651,960 through and including 2034 and a contribution from the County pursuant to an interlocal agreement with the City in the amount of \$2,948,040 through and including 2034.

Source: City of Charlotte Finance Department.

Subsequent Events:

- On April 17, 2025, \$91,213,000 Installment Financing Contract executed between the City and Truist Commercial Equity, Inc.
- On August 7, 2025, \$126,295,000 Taxable Certificates of Participation (Governmental Facilities), Series 2025.
- On August 7, 2025, Up to \$136,500,000 Installment Financing Contract executed between the City and PNC Bank, National Association (taxable, variable rate draw program).

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The City has previously entered into various interest rate swap agreements. See Note 4 “DETAILED DISCLOSURES ON ALL FUNDS – (j) Long-term Liabilities – (7) Derivative Instruments” in the Notes to the Financial Statements included as **Appendix D** hereto, for a more complete description of such interest rate swap agreements and the City’s obligations thereunder as of June 30, 2024.

## TAX INFORMATION

### *General Information.*

	<u><i>Fiscal Year Ended June 30,</i></u>		
	<u>2022</u>	<u>2023</u>	<u>2024</u>
Assessed Valuation:			
Assessment Ratio <sup>1</sup>	100%	100%	100%
Real Property <sup>2</sup>	\$131,677,934,000	\$134,756,007,000	\$198,512,293,000
Personal Property <sup>3</sup>	19,425,041,000	20,597,185,000	22,173,269,000
Less Tax-Exempt Property	<u>504,505,000</u>	<u>932,309,000</u>	<u>989,243,000</u>
Total Assessed Valuation <sup>4</sup>	<u>\$150,598,470,000</u>	<u>\$154,420,883,000</u>	<u>\$219,696,319,000</u>
Regular Rate per \$100	\$0.3481	\$0.3481	\$0.2604
Population <sup>5</sup>	979,096	1,001,146	1,028,689
Regular Levy <sup>6</sup>	\$524,233,274	\$537,539,094	\$572,089,215
Valuation Per Capita	\$153,814	\$154,244	\$213,569
Special Districts Levies <sup>6,7</sup>	\$7,630,000	\$9,316,000	\$10,094,000

<sup>1</sup>Percentage of appraised value has been established by statute.

<sup>2</sup>Real property includes State-certified property for transportation and utilities.

<sup>3</sup>Personal property includes registered motor vehicles, business personal property and individual personal property.

<sup>4</sup>The assessed valuation for the 2022 Fiscal Year reflects the most recent assessed valuation and for prior years is reported as of the end of each fiscal year by the County Tax Assessor.

<sup>5</sup>Population estimates provided by the City of Charlotte Planning Department.

<sup>6</sup>Assumes 100% collection rate. Actual FY collection rate averages greater than 99%.

<sup>7</sup>The City has six special tax districts, which were created in 1979, 1985 (2), 2001, 2004 and 2023 to provide funding for capital improvements as well as downtown planning, promotion and revitalization activities in the service districts.

Source: City of Charlotte Finance Department, EMMA/MSRB filing for January 2025.

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### ***Tax Collections.***

<b>Fiscal Year</b>	<b>Taxes Levied for the Fiscal Year <sup>1</sup></b>	<b>Collected within the Fiscal Year of the Levy</b>		<b>Collections in Subsequent Years <sup>2</sup></b>	<b>Total Collections to Date</b>	
		<b>Amount <sup>1</sup></b>	<b>Percentage of Levy</b>		<b>Amount <sup>1</sup></b>	<b>Percentage of Levy</b>
2019	\$453,300	\$451,005	99.49%	\$10,763	\$461,768	100.00%
2020	479,035	473,689	98.88	8,605	482,294	100.00
2021	493,616	489,541	99.17	7,339	496,880	100.00
2022	503,981	501,228	99.45	1,197	502,425	99.69
2023	519,345	516,795	99.51	1,222	518,017	99.74
2024	555,923	552,868	99.45	--	552,868	99.45

<sup>1</sup>Amounts in thousands.

<sup>2</sup>Pursuant to the North Carolina General Statutes, property taxes levied on July 1, the beginning of the fiscal year, are due September 1; however, penalties do not accrue until January 6. For example, the taxes levied effective July 1, 2023, for the Fiscal Year 2024, were based on the assessed values listed as of January 1, 2023.

Source: City of Charlotte Annual Comprehensive Financial Report for the Fiscal Year ended June 30, 2024.

### ***Ten Largest Taxpayers for Fiscal Year 2024.***

<b><u>Taxpayer</u></b>	<b><u>Assessed Valuation<sup>1</sup></u></b>	<b><u>% of Total Assessed Valuation</u></b>
Duke Energy Corporation	\$2,211,000	1.00%
Bank of America	1,729,000	0.79
Wells Fargo	1,604,000	0.73
American Airlines/US Airways Group, Incorporated	782,000	0.36
Truist	771,000	0.35
Spectrum	548,000	0.25
Southpark Mall	340,000	0.19
Piedmont Natural Gas	415,000	0.18
Panthers Stadium	321,000	0.15
AT&T/BellSouth, Incorporated	<u>406,000</u>	<u>0.15</u>
Total	<u>\$9,128,000</u>	<u>4.15%</u>

<sup>1</sup>Amounts in thousands.

Source: City of Charlotte Annual Comprehensive Financial Report for the Fiscal Year ended June 30, 2024.

## **BUDGET COMMENTARY AND OUTLOOK**

***Fiscal Year 2026.*** On June 9, 2025, the City Council adopted a Fiscal Year 2026 budget of \$3.6 billion. The General Fund Budget for Fiscal Year 2026 was \$869 million, and reflected a \$41.6 million (5%) increase compared to the Fiscal Year 2025 adopted budget. The Fiscal Year 2026 adopted budget included property tax rate of 27.41¢ per \$100 of assessed valuation, the same rate as in Fiscal Year 2025. The highlights for the Fiscal Year 2026 budget included enhancing the City's public safety pay plan and providing funds to enhance affordable housing strategies.

**PENSION PLANS**

The City participates in the North Carolina Local Governmental Employees’ Retirement System, the Charlotte Firefighters’ Retirement System, the Law Enforcement Officers’ Separation Allowance, and a Supplemental Retirement Income Plan for Law Enforcement Officers.

The North Carolina Local Governmental Employees’ Retirement System ("*LGERS*") is administered through a board of trustees by the State for public employees of counties, cities, boards, commissions and other similar governmental entities. While the State Treasurer is the custodian of system funds, pension costs are borne by the participating employer governmental entities. The State makes no contributions to the system.

The system provides, on a uniform system-wide basis, retirement and, at each employer’s option, death benefits from contributions made by employers and employees. Retirement benefits are determined as 1.85% of the member’s average final compensation times the member’s year of credible service. Benefit payments are computed by taking an average of the annual compensation for the four consecutive years of membership service yielding the highest average. This average is then adjusted by a percentage formula, by a total years of service factor, and by an age service factor if the individual is not eligible for unreduced benefits.

Members qualify for a vested deferred benefit at age 50 with at least 20 years of creditable service; at age 60 (55 for firefighters) after at least five years of creditable service to the unit of local government. Unreduced benefits are available: at age 65, with at least five years of service; at age 60, with at least 25 years of creditable service; or after 30 years of creditable service, regardless of age.

Contractually required contribution rates for the City, 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 were as follows:

<b><u>Fiscal Year</u></b> <b><u>Ended June 30</u></b>	<b><u>Law</u></b> <b><u>Enforcement Officers</u></b>	<b><u>General</u></b> <b><u>Employees</u></b>
2024	14.04%	12.85%
2025	15.04	13.60
2026	16.08	14.35

Source: North Carolina Department of State Treasurer – Retirement Systems Division.

Contributions to the pension plan from the City were \$74,398,000 for the Fiscal Year ended June 30, 2024. For information concerning the City's participation in the North Carolina Local Governmental Employees' Retirement System and the Supplemental Retirement Income Plan of North Carolina see the Notes to the City's Audited Financial Statements included as **Appendix D** hereto.

Financial statements and required supplementary information for the North Carolina Local Governmental Employees' Retirement System are included in the Annual Comprehensive Financial Report ("*ACFR*") for the State. Please refer to the State's *ACFR* for additional information.

***Charlotte Firefighters’ Retirement System.*** The Charlotte Firefighters’ Retirement System, a single-employer defined benefit plan, provides retirement, disability and death benefits to civil service employees of the City Fire Department.

A member’s average final salary is calculated as the monthly average received by the member during any two consecutive years of membership which produces the highest average and is contained within the last five years of membership. Members are eligible to retire with full retirement at age 60 with five years of creditable service, at age 50 with 25 years of creditable service, or at any age with 30 years of creditable service. Plan members are eligible to retire with partial retirement benefits with 25 years of creditable service.



Contributions are established by State law and may be amended only by the North Carolina General Assembly. For more information see "*Schedule of Changes in the System's Net Pension Liability Last Ten Fiscal Years*" in REQUIRED SUPPLEMENTARY INFORMATION, COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES of the City's ACFR for fiscal year 2024.

***Law Enforcement Officers' Separation Allowance.*** The Law Enforcement Officers' Separation Allowance (the "*LEO Separation*") is a single-employer defined benefit pension plan that provides retirement benefits to the City's qualified sworn law enforcement officers. The LEO Separation is equal to .85% of the annual equivalent of the base rate of compensation most recently applicable to the officer for each year of creditable service.

All full-time law enforcement officers of the City are covered by the LEO Separation. On December 31, 2022, the LEO Separation's membership consisted of 502 retirees receiving benefits and 1,670 active plan members. The City has chosen to fund the LEO Separation on a pay-as-you-go basis. For more information see "PENSION PLANS AND OTHER BENEFITS – *Law Enforcement Officer's Special Separation Allowance*" in Note 5 of the City's ACFR for Fiscal Year 2024 included herein as **Appendix D**.

***Supplemental Retirement Income Plan for Law Enforcement Officers.*** The City contributes to the Supplemental Retirement Income Plan (the "*Plan*"), a defined contribution pension plan administered by the Department of State Treasurer and a Board of Trustees. The Plan provides retirement benefits to law enforcement officers employed by the City. For more information see "PENSION PLANS AND OTHER BENEFITS – *Supplemental Retirement Income Plan for Law Enforcement Officers*" in Note 5 of the City's ACFR for fiscal year 2024 included herein as **Appendix D**. See Note 5 "PENSION PLANS AND OTHER BENEFITS" – (a) "Local Governmental Employees Retirement System (*LGERS*)", (b) "Charlotte Firefighters' Retirement System," (c) "Law Enforcement Officers' Special Separation Allowance," (d) "Supplemental Retirement Income Plan for Law Enforcement Officers" and (e) "Death Benefit Plan" in the Notes to the Financial Statements included as **Appendix D** hereto for a more complete description of such benefits and the City's obligations thereunder.

## **HEALTH AND LIFE BENEFITS**

The City provides health and life benefits to employees and retirees. See Note 6 "OTHER INFORMATION" in the Financial Statements included as **Appendix D** hereto for a more complete description of such benefits and the City's obligations thereunder.

## **OTHER POST-EMPLOYMENT BENEFITS**

Prior to July 1, 2009, the City provided retiree medical benefits as part of the total compensation offered to attract and retain the services of qualified employees. These benefits qualified as Other Post- Employment Benefits ("*OPEB*") under Governmental Accounting Standards Board ("*GASB*") Statement No. 45 relating to the Accounting and Financial Reporting by Employers for Postemployment Benefit Plans Other Than Pension Plans.

In accordance with the requirements of Statement No. 75, the City engages an actuarial firm to prepare a report which assists in reporting the cost of other postemployment benefits in its financial report. As of July 1, 2023, the City-wide total OPEB liability was approximately \$373.9 million. The plan fiduciary net position was approximately \$166.0 million, resulting in a net OPEB liability of approximately \$207.9 million.

The City has taken actions to continue to manage its OPEB liability. In December 2007, the City established an irrevocable trust qualifying under Section 115 of the Internal Revenue Code (the "*Employee Benefit Trust*") to meet the requirements of GASB 45 and segregate assets for this benefit. The North Carolina General Assembly enacted legislation in July 2007 that provides the City with expanded investment options, including investment in equities and other long-term investments which will allow improved asset/liability matching. In addition, the City has eliminated retiree medical benefits for employees hired after July 1, 2009. See Note 5 "PENSION PLANS AND OTHER BENEFITS" – (f) "Other Postemployment Benefits" in the Notes to the Financial Statements included as **Appendix D** hereto for a more complete description of such benefits and the City's obligations thereunder.

## CONTINGENT LIABILITIES

The City is a large and complex organization. At all times, there are litigation matters that are threatened and on-going, audits, compliance reviews and investigations that arise in the normal course of the City's activities. Such litigation, audits, compliance reviews and investigations may relate to any activity at the City. The following is a discussion of such on-going matters that the City has determined may be material.

The City is a party defendant to a number of civil injustice lawsuits and legal actions. In one of these, seven plaintiffs filed a class action in state court, *Curlee, et al v. City of Charlotte* (21-CVS-12505), alleging that they suffered severe injuries due to the use of riot control agents such as tear gas and smoke bombs by the Charlotte-Mecklenburg Police Department ("*CMPD*") in response to protests in uptown Charlotte after the death of George Floyd. Plaintiffs filed an amended complaint (March 31, 2023), and a second amended complaint (June 2023) that increased the number of plaintiffs to its current 66. The parties unsuccessfully mediated the case on December 3, 2024. The parties anticipated moving forward with identifying one or more test case plaintiffs and asking the court to set a trial date with additional discovery deadlines in 2025. However, on December 23, 2024, the plaintiffs filed a motion seeking partial summary judgment, which was heard by the court on March 7, 2025. The court denied the plaintiffs' motion on April 4, 2025.

In another case, *Durham v. City of Charlotte*, (No. 3:21-CV-638 (W.D.N.C)), a plaintiff alleged a class action claiming that the City violated her and other alleged class members' rights under the federal Drivers Privacy Protection Act (the "*DPPA*") by disclosing their driver's license information as part of state crash report forms released to the public—most frequently to personal injury attorneys upon request. *CMPD* released these reports in reliance on a North Carolina Attorney's General Opinion finding that the reports constituted public records under North Carolina law. Plaintiff alleges that the release of the reports resulted in personal injury attorneys sending unwanted solicitations. Plaintiff seeks damages (\$2,500 per violation under the *DPPA* statute) for all alleged class members and equitable relief. The *CMPD* no longer makes unredacted copies of DMV-349s publicly available. On March 5, 2024, Plaintiffs moved for class certification and both parties moved for summary judgment. On September 24, 2024, the federal trial court granted summary judgment against the City, determining that the City violated the *DPPA*. The Court also certified a proposed class of plaintiffs. On October 8, 2024, the City filed a petition asking for an appeal of the Court's class certification order and the plaintiff followed with a motion to dismiss that appeal. On March 27, 2025, the 4th Circuit Court of Appeals granted plaintiff's motion to dismiss the City's appeal. The City also intends to appeal the summary judgment order ruling. For fiscal year 2024, the City accrued \$7.3 million related to the summary judgement. If the City is unsuccessful in its appeals, the City estimates the amount of the liability could range up to \$50 million.

In *Thalle Construction Co. v. City of Charlotte* (24-CVO-23884-590), an airport contractor filed state claims. The City has counterclaimed for liquidated damages. The case is currently in discovery with a trial date scheduled for August 4, 2025. In the opinion of the City's attorney and management, the ultimate outcome of these legal matters is not expected to have a material adverse impact on the Airport's financial position.

The City is subject to a range of federal and state environmental laws and regulations, including those governing the management and remediation of hazardous substances. The City has three historic environmental sites. Currently, the City is under an Administrative Order-on-Consent ("*AOC*") with the North Carolina Department of Environmental Quality ("*DEQ*") for the City's Fire Training Academy. Under the *AOC*, the City must annually provide financial assurance that the City is capable of covering up to 30 years post-closure sampling at this site.

Approximately every five years, the DEQ reviews and updates the AOC. The DEQ recently conducted a review and the City expects an updated AOC in the next few weeks.

One area of emerging regulatory concern is per-and polyfluoroalkyl substances ("*PFAS*"), a group of synthetic chemicals that have been widely used in industrial and consumer products, including firefighting foams. Federal and state regulatory agencies have recently increased efforts to regulate PFAS under various environmental statutes, including the federal Safe Drinking Water Act and the Comprehensive Environmental Response, Compensation, and Liability Act (the "*CERCLA*"). These efforts include the establishment of maximum contaminant levels in drinking water, potential designation of certain PFAS compounds as hazardous substances, and requirements for investigation and remediation of contaminated sites. The City expects the updated AOC to include monitoring for PFAS given the historical use of PFAS containing firefighting foam. If PFAS contamination is discovered, the City could be subject to investigation, enforcement actions, and cleanup obligations. In addition, evolving PFAS regulations may require capital improvements to municipal drinking water or wastewater systems, potentially resulting in increased operational or compliance costs. On the other hand, there are significant political and legislative efforts under way to limit or shield passive recipients of PFAS from liability.

At this time, how the nation will address the proliferation of PFAS is at best unclear; and therefore, the City cannot predict the extent to which PFAS-related liabilities, if any, may impact its financial condition.

The other two historic environmental sites are former landfills. The former York Road landfill (Renaissance Park) is monitored under the DEQ's Solid Waste Section. Another prior landfill, Statesville Road, is monitored by the DEQ's "Pre-Regulatory Landfill Unit." For the Fiscal Year ending June 30, 2024, the annual combined cleanup costs totaled approximately \$130,000 for the two landfill sites and \$270,000 for the Fire Training Academy.

Additionally, the City may receive a Notice of Violation ("*NOV*") or Notice of Regulatory Requirement ("*NORR*"), from time to time, from the DEQ for current/historical operations at a property. These are typically due to current or historical operations of petroleum underground tanks. The City addresses and seeks to close out these issues in a timely manner. In the opinion of City management, costs incurred for addressing environmental issues are not expected to have a material adverse impact on the City's financial position after giving effect to the provision for clean-up costs.

The City has received a number of federal and state grants for specific purposes that are subject to review by the grantor agencies. Such reviews could lead to requests for reimbursement to the grantor agencies for expenditures disallowed under terms of the grants. The City management believes that such disallowances, if any, would not have a material adverse impact on the City's financial position.

Through a report by local media and attributed to a campaign communication by a current Council member, the City has been made aware of recent allegations of corruption and illegality within City government. The Council member subsequently stated that none of her concerns were related to financial or widespread corruption. The City will take all necessary steps to assess the merits of the allegations and will respond accordingly.

On August 22, 2025, a passenger was killed while riding on the CATS light rail system, and criminal investigations are underway. In response, the Federal Transit Administration (FTA) has initiated an audit to determine whether conditions exist that endanger transit workers and passengers on the CATS' system by assessing CATS' compliance with the FTA's Public Transportation Agency Safety Plans program pursuant to 49 CFR Part 673. The audit will include evaluation of the sufficiency of CATS' responses to FTA's directives implemented to mitigate the safety risks associated with assaults on transit workers. The North Carolina State Auditor has also announced a separate review of CATS' public safety practices, including private security contracts, safety data, and budget management.

The City will cooperate with both audits. The City remains committed to maintaining a safe and compliant transit system and the City Council is also exploring other measures to ensure the safety of the riding public. The City has received substantial grant funding from both federal and State sources supporting its transit system.

## **CYBERSECURITY**

The City, like many other large public and private entities, relies on a large and complex technology environment to conduct its operations and faces multiple cybersecurity threats including, but not limited to, hacking, phishing, viruses, malware and other attacks on its computing and other digital networks and systems (collectively, "*Systems Technology*"). As a recipient and provider of personal, private, or sensitive information, the City may be the target of cybersecurity incidents that could result in adverse consequences to the City and its Systems Technology, requiring a response action to mitigate the consequences.

Cybersecurity incidents could result from unintentional events, or from deliberate attacks by unauthorized entities or individuals attempting to gain access to the City's Systems Technology for the purposes of misappropriating assets or information or causing operational disruption and damage. To mitigate the risk of business operations impact and/or damage from cybersecurity incidents or cyber- attacks, the City invests in multiple forms of cybersecurity and operational safeguards. The City currently maintains cyber liability insurance

While the City's cybersecurity and operational safeguards are periodically tested, no assurances can be given by the City that such measures will ensure against other cybersecurity threats and attacks. Cybersecurity breaches could cause material disruption to the City's finances or operations. The costs of remedying any such damage or protecting against future attacks could be substantial. Further, cybersecurity breaches could expose the City to material litigation and other legal risks, which could cause the City to incur material costs related to such legal claims or proceedings.

## **ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG)**

### **Strategic Energy Action Plan**

In 2016, Charlotte City Council adopted a Sustainable Facility Policy (as revised, the "*Sustainability Facility Policy*"), which directs City departments to design, construct, and operate City buildings in alignment with the City's goals of: (1) reducing energy consumption; (2) enabling more on-site renewable energy generation in the form of solar energy; (3) preparing for the transition to electric vehicles, and (4) providing a mechanism to track progress toward the 2030 zero carbon buildings goal. Further in December of 2018, Charlotte City Council adopted the Strategic Energy Action Plan (the "*SEAP*"). The purpose of the SEAP is to provide a framework for the City to reach low carbon goals by 2050. The SEAP also commits to source 100% of energy use in City-owned buildings and fleet from zero carbon sources by 2030. The goals are focused in the areas of transportation, facilities, energy production, workforce development, and policy development for both City operations and the community. The approach to reaching these goals is influenced by technological advancements, operational compatibility, risk management, and the availability of appropriate resources and funding. The City is focused on furthering SEAP implementation by aligning the plan with other major initiatives.

In December 2020, the City announced the hiring of its first Chief Sustainability & Resiliency Officer to oversee the City's Office of Sustainability & Resiliency. The Office of Sustainability & Resiliency is charged with implementing the City's energy and sustainability initiatives. The SEAP calls for the City's Office of Sustainability & Resiliency to work closely with the Planning, Design and Development Department to incorporate the SEAP into the City's 2040 Comprehensive Plan and the Unified Development Ordinance (the "*UDO*"). Current projects that are aligned in these major initiatives include electric vehicle infrastructure and charging stations; energy efficient facilities; accessible and safe transit, bike lanes, and sidewalks; and increased use of renewable energy and renewable energy production.

A total of 23 City buildings have received green building certification, with 16 buildings certified or recertified in 2023. Green building certification includes buildings that are certified by a third party to have been built and/or operated more sustainably. For purposes of green building certifications, sustainability may take into consideration building materials, renewable energy, and energy efficiency to lower carbon emissions. Some of these buildings have received Leadership in Energy and Environmental Design ("*LEED*"), Energy Star, and Green Globes certifications.

In the first few years since adopting the SEAP, the City continues to implement projects aimed at reaching the SEAP 2030 and 2050 goals. In 2023, the number of electric vehicles ("EV") increased by 24% since 2022. The City has 112 EVs which account for 3% of total City fleet, which includes 9% of bus fleet that are battery electric bus ("BEB").

The City has also published two new sustainable fleet policies, revised the sustainable facilities policy, and continued its focus on community engagement to promote sustainable and resilient technology and workforce opportunities.

The City Council has adopted a priority of Well-Managed Government, Great Neighborhoods, Safe Communities, Transportation and Planning, and Workforce and Business Development.

## **Climate Resiliency**

Numerous scientific studies on global climate change demonstrate that, among other effects on the global ecosystem, sea levels will rise, extreme temperatures will become more common and extreme weather events will become more frequent because of increasing global temperatures attributable to atmospheric pollution. In the coming years, such extreme events and conditions are expected to increasingly disrupt and damage critical infrastructure and property as well as regional economies and industries that depend on natural resources and favorable climate conditions. Disruptions could include more frequent and longer-lasting power outages, fuel shortages, supply chain delays, and service disruptions.

The City's geographical location in the Piedmont of North Carolina and only a few hours from North Carolina's Coast increases its vulnerability to flooding, including storm water flooding, and periods of extreme heat. In addition to flooding and extreme heat, the City faces other threats due to climate change, including droughts and damaging wind that could become more severe and frequent. The City cannot accurately predict the timing, extent or severity of climate change and its impact on the City's and System's operations and finances.

Mecklenburg County Storm Water Services ("*County Storm Water Services*") has a program entitled the Floodplain Buyout (Acquisition) Program. County Storm Water Services has determined that buying and removing buildings in the floodplain is one of the most cost-effective ways to reduce long-term flood damage and create other community benefits. County Storm Water Services takes floodplain acquisitions and creates community recreational and open space areas. Over time, the local building stock shifts from older buildings in vulnerable areas, to newer code-compliant buildings in more sustainable locations within Mecklenburg County. Since 1999, County Storm Water Services has contributed towards purchasing 487 flood-prone houses, apartment buildings and businesses that were in floodplains throughout Charlotte-Mecklenburg. Over 800 families and businesses have moved to less vulnerable locations outside of local floodplains. Approximately 199 acres of public open space has been "undeveloped" to allow the floodplain to function during heavy rain and provide a long-term community asset. County Storm Water Services also estimates these buyouts have avoided over \$50 million in losses and will ultimately avoid over \$300 million in future losses. While the program is a County operated program, the City is located within the County and therefore benefits from the program.

## **Affordable Housing**

Charlotte continues to consider the provision of affordable housing options for its residents a top priority. The City completed a review and update to its Housing Trust Fund Program, expanding it to include additional funding sources and new ways to leverage City funding. The Housing Trust Fund and other housing development funds together is now referred to as "Housing Development Funds." This approach leverages public, private, and non-profit dollars to increase the supply and accessibility of housing in the community. Since its inception, over 13,000 units and shelter beds have been created and preserved through the Housing Trust Fund Program. The Housing Trust Fund Program has provided \$304.3 million in gap financing for affordable housing since the fund was established in 2001.

The newly approved Unified Development Ordinance provides several incentives to increase affordable housing supply options, such as enhanced development in Transit-Oriented Development zoning districts in exchange for an increased supply of low to moderate-income housing. These incentives allow developers who want to build at greater density to have options that also increase the supply of low to moderate-income housing units, including paying a fee-in-lieu ("*FIL*") to the City. Funds from these fees are programmed to support additional affordable housing investment.

### **Corridors of Opportunity**

Beautiful, safe and prosperous communities are places where families can grow strong and build legacies for the future. Corridors are vital to the health of Charlotte's communities, serving as links that connect people to the resources and businesses they need to live and thrive. With an investment of more than \$95 million, the City of Charlotte is renewing its commitment to six key corridors: Beatties Ford/Rozzelles Ferry, Central/Albemarle, Freedom/Wilkinson, I-85/West Sugar Creek, North Tryon/Graham, and West Boulevard.

Since Summer 2020, the City of Charlotte has embarked on transformational work in six historically under-invested corridors. The pivotal work includes collaboration among City departments, Mecklenburg County, non-profit organizations and for-profit corporations working together to make systemic changes and build economic opportunity in each corridor. Project types include affordable housing, community safety, infrastructure, transportation, workforce and business development, and urban design.

In 2020-2021, in the face of the pandemic, the initiative gained speed with implementation in West Boulevard and Beatties Ford Road. Strategic engagement began along two more corridors: Albemarle Road and West Sugar Creek Road.

In 2022, two corridor playbooks and road maps (strategic plan documents) were completed for Albemarle and West Sugar Creek. In 2023 North Tryon/North Graham and Freedom/Wilkinson Corridor playbook (strategic plan document) were complete. In the coming years the focus will intensify on implementing corridor-specific strategies for public safety, infrastructure and mobility, workforce development, housing and community identity.

In 2024, the Corridors team implemented programs, projects and partnerships across all six corridors to continue advancing the goals of the Charlotte 2040 Plan. The program leveraged strong community partnerships to accomplish new initiatives through community engagement, private and federal dollar leverage and communications to uplift Corridors stories.

Moving forward, the City is working on the implementation and strategic planning for all six corridors. The Corridors Core Team looks forward to working with residents, business owners and community members to create and measure long-lasting, positive impact.

### **FINANCIAL INFORMATION**

The financial statements of the City have been audited by certified public accountants for the Fiscal Year ended June 30, 2024. Copies of these financial statements containing the unqualified report of the independent certified public accountants are available on the City's web-site at <https://www.charlottenc.gov/City-Government/Departments/Finance/Publications> or from the City's Finance Department, Charlotte-Mecklenburg Government Center, 600 East Fourth Street, Charlotte, North Carolina 28202, (704) 336-2538.

The Government Finance Officers Association ("*GFOA*") has awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its Annual Comprehensive Financial Report for the Fiscal Years ended June 30, 1985 through 2023. To receive this award, the highest form of recognition in governmental financial reporting, a governmental unit must publish a financial report that complies with both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one year. The City anticipates that it will continue to meet the requirements under the Certificate of Achievement Program and has submitted its Annual Comprehensive Financial Report for the Fiscal Year ended June 30, 2024 to the GFOA for review.

The GFOA also presented a Distinguished Budget Presentation Award to the City for its annual budget for Fiscal Year ended June 30, 2024, which was the tenth consecutive year in which the City received this award. To receive this award, a governmental unit must publish a budget document that meets program criteria, as an operations guide, as a financial plan, and as a communications device. A Distinguished Budget Presentation Award is valid for a period of one year. The City anticipates that it will continue to meet the requirements under the Distinguished Budget Presentation Award Program and has submitted its current budget to GFOA for review.

In addition, the City received an Award for Outstanding Achievement in Popular Annual Financial Reporting for the FY 2024 PAFR, the third consecutive year.

### **CONTINUING DISCLOSURE**

In accordance with the requirements of the Rule, the City has undertaken in the Bond Resolution to provide to the Municipal Securities Rulemaking Board (the "*MSRB*"):

- 1) by not later than seven months after the end of each Fiscal Year, beginning with the Fiscal Year ended June 30, 2025, in an electronic format prescribed by the MSRB the audited financial statements of the City for the preceding Fiscal Year, if available, prepared in accordance with Section 159-34 of the General Statutes of North Carolina, as it may be amended from time to time, or any successor statute, or if such audited financial statements are not then available, unaudited financial statements of the City for such Fiscal Year to be replaced subsequently by audited financial statements of the City to be delivered within 15 days after such audited financial statements become available for distribution;
- 2) by not later than seven months after the end of each Fiscal Year, beginning with the Fiscal Year ended June 30, 2025, the financial and statistical data as of a date not earlier than the end of the preceding Fiscal Year for the type of information included under the captions "**THE CITY-- DEBT INFORMATION**" and "**--TAX INFORMATION**" (excluding any information for overlapping units);
- 3) in a timely manner not in excess of 10 Business Days after the occurrence of the event, notice of any of the following events with respect to the Bonds:
  - (a) principal and interest payment delinquencies;
  - (b) non-payment related defaults, if material;
  - (c) unscheduled draws on the debt service reserves reflecting financial difficulties;
  - (d) unscheduled draws on any credit enhancements reflecting financial difficulties;
  - (e) substitution of any credit or liquidity providers, or their failure to perform;
  - (f) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds or other material events affecting the tax status of the Bonds;

- (g) modification of the rights of the Beneficial Owners of the Bonds, if material;
  - (h) call of any of the Bonds for redemption other than mandatory sinking fund redemptions, if material, and tender offers;
  - (i) defeasance of any of the Bonds;
  - (j) release, substitution or sale of any property securing repayment of the Bonds, if material;
  - (k) rating changes;
  - (l) bankruptcy, insolvency, receivership or similar event of the City;
  - (m) the consummation of a merger, consolidation, or acquisition involving the City or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to such actions, other than pursuant to its terms, if material;
  - (n) the appointment of a successor or additional trustee, or the change of name of a trustee, if material;
  - (o) incurrence of a financial obligation of the City, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the City, any of which affect the beneficial owners of the Bonds, if material; and
  - (p) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of the financial obligation of the City, any of which reflect financial difficulties; and
- 4) in a timely manner, notice of a failure by the City to provide the required annual financial information described in (1) and (2) above on or before the date specified.

All information provided to the MSRB as described above shall be provided in an electronic format as prescribed by the MSRB and accompanied by identifying information as prescribed by the MSRB.

The City may meet the continuing disclosure filing requirements described above by complying with any other procedure that may be authorized or required by the United States Securities and Exchange Commission.

For purposes of this section, “financial obligation” means (a) a debt obligation, (b) a derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation, or (c) a guarantee of either clause (a) or (b) above. The term “financial obligation” shall not include municipal securities as to which a final official statement has been provided to the MSRB consistent with the Rule.

At present, Section 159-34 of the General Statutes of North Carolina requires that the City's financial statements be prepared in accordance with generally accepted accounting principles and that they be audited in accordance with generally accepted auditing standards.

The Bond Resolution also provides that the City's undertaking pursuant to the Rule is intended to be for the benefit of the beneficial owners of the Bonds and is enforceable by any of the beneficial owners of the Bonds, including an action for specific performance of the City's obligations described in this Section, but a failure to comply will not be an event of default and will not result in acceleration of the payment of the Bonds. An action must be instituted, had and maintained in the manner provided in the Bond Resolution for the benefit of all of the beneficial owners of the Bonds.

The City may modify from time to time, consistent with the Rule, the information provided or the format of the presentation of such information, to the extent necessary or appropriate in the judgment of the City, but: (1) any such modification may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law or change in the identity, nature or status of the City; (2) the information to be



provided, as modified, would have complied with the requirements of the Rule as of the date of this Official Statement, after taking into account any amendments or interpretations of the Rule as well as any changes in circumstances; and (3) any such modification does not materially impair the interest of the beneficial owners, as determined by nationally recognized bond counsel or by the approving vote of the Owners of a majority in principal amount of the Bonds at the time of the amendment. Any annual financial information containing modified operating data or financial information will explain, in narrative form, the reasons for the modification and the impact of the change in the type of operating data or financial information being provided. The City's undertakings pursuant to the Rule will terminate on payment, or provision having been made for payment in a manner consistent with the Rule, in full of the principal of and interest on the Bonds.

Except as described below, during the previous five years, the City has not knowingly failed to comply in all material respects with its previous continuing disclosure obligations undertaken pursuant to Rule 15c2-12. The City's annual disclosure for fiscal year 2024 for its water and sewer revenue bonds did not include information on a table regarding the City's annual residential water and sewer bill as a percentage of median household income as compared to other cities in the United States.

### **APPROVAL OF LEGAL PROCEEDINGS**

Certain legal matters incident to the authorization and issuance of the Bonds are subject to the approval of Parker Poe Adams & Bernstein LLP, Charlotte, North Carolina, Bond Counsel, whose approving legal opinion will be available at the time of the delivery of the Bonds. The proposed form of such opinion is attached hereto as **Appendix E**.

### **RATINGS**

Moody's Investors Service, S&P Global Ratings (a business unit of Standard & Poor's Financial Services LLC), and Fitch Ratings have given the Bonds ratings of "Aaa," "AAA" and "AAA," respectively.

Those ratings reflect only the respective views of such organizations, and an explanation of the significance of such ratings may be obtained only from the respective organization providing such rating. Certain information and materials not included in the Official Statement were furnished to such organizations.

There is no assurance that such ratings will remain in effect for any given period of time or that any or all will not be revised downward or withdrawn entirely. Any downward revision or withdrawal of a rating may have an adverse effect on the market prices of the Bonds.

### **TAX TREATMENT**

#### **GENERAL**

On the date of issuance of the Bonds, Bond Counsel will render an opinion that, under existing law, the interest on the Bonds will be taxable as ordinary income for federal income tax purposes. Bond Counsel expresses no opinion regarding any other federal income tax consequences relating to the ownership or disposition of, or the accrual of interest on, the Bonds.

Set forth below is a general summary of the anticipated material federal income tax consequences of the purchase, ownership and disposition of the Bonds. Such summary does not address every aspect of the federal income tax laws that may be relevant to prospective purchasers of Bonds in light of their personal investment circumstances or to certain types of owners subject to special treatment under the federal income tax laws (for example, banks and life insurance companies) and is generally limited to investors who will hold Bonds as capital assets within the meaning of Section 1221 of the Internal Revenue Code of 1986, as amended (the "*Code*").

In addition, this summary does not address alternative minimum tax issues or the indirect consequences to a holder of an equity interest in a prospective purchaser. Accordingly, prospective purchasers of the Bonds should consult their own tax advisors regarding federal, state, local, foreign and any other tax consequences with respect to the purchase, ownership and disposition of the Bonds in their own particular circumstances. Such summary is based on the provisions of the Code, as amended, the Treasury Regulations thereunder, and published rulings and court decisions in effect as of the date hereof, all of which are subject to change, possibly retroactively. No ruling on any of the issues summarized below has been or will be sought from the Internal Revenue Service ("IRS") and no assurance can be given that the IRS will not take contrary positions and will not prevail with such positions.

Prospective purchasers of the Bonds should be aware that the acquisition, ownership or disposition of, and the accrual or receipt of interest on, the Bonds may result in collateral federal income tax liability consequences to certain taxpayers as well as any tax consequences that may arise under the laws of any state, local or foreign jurisdiction. The extent of such other collateral tax consequences will depend upon the owner's particular tax status or other items of income or deduction and prospective purchasers of the Bonds, particularly prospective purchasers that are dealers in securities or currencies, traders in securities, persons holding Bonds as a hedge, straddle, conversion or other integrated transaction for federal income tax purposes, insurance companies, financial institutions, tax-exempt organizations and United States holders whose functional currency is not United States dollars, should consult their own tax advisors as to the collateral tax consequences of acquiring, owning or disposing of, and the accrual or receipt of interest on, the Bonds. Bond Counsel expresses no opinion regarding any such collateral tax consequences.

The Code requires debt obligations, such as the Bonds, to be issued in registered form and denies certain benefits to the issuer and the holders of debt obligations failing such registration requirement. Such registration requirement with respect to the Bonds is expected to be satisfied.

Subject to certain exceptions, interest payments to the owners of Bonds will be reported to the IRS. Such information will be filed each year with the IRS on Form 1099 (or such other applicable form), which reflects the name, address and taxpayer identification number of each registered owner of the Bonds. A copy of Form 1099 (or such other applicable form) will be sent to each registered owner of the Bonds for federal income tax reporting purposes.

***Tax Classification of Bonds.*** Bond Counsel is of the opinion that, under existing law, the Bonds will be treated for federal income tax purposes as indebtedness, and interest paid on the Bonds will be included in the income of the owner as it is paid (or, if the owner is an accrual method taxpayer, as it is accrued) as interest.

***Market Discount.*** The resale of any Bond by any owner of such Bond may be affected by the "market discount" provisions of the Code. For such purpose, the market discount on any Bond will generally be equal to the amount, if any, by which the stated redemption price at maturity of such Bond immediately after its acquisition by such owner exceeds such owner's adjusted tax basis in such Bond. Subject to a *de minimis* exception, such market discount provisions generally require an owner of a Bond which is acquired by such owner at a market discount to treat any payment on, or any gain recognized on the sale, exchange, redemption or other disposition of, such Bond as ordinary income to the extent of any "accrued market discount" on such Bond which has not previously been included in income at the time of sale or other disposition by such owner. In general, any market discount on a Bond will be treated as accruing on a straight-line basis over the term of such Bond, or, at the election of the owner of such Bond, under a constant yield method. Prospective purchasers of Bonds should consult their own tax advisors as to the tax consequences of acquiring, owning or disposing of, and the accrual or receipt of interest on, Bonds acquired at a market discount.

**Premium.** If a Bond is purchased by an owner at a premium, the owner may be entitled to amortize such premium as an offset to interest income (with a corresponding reduction in the owner's basis) under a constant yield method over the term of the Bond if an election under Section 171 of the Code is made or is previously in effect.

**Sale of Bonds.** If a Bond is sold or redeemed, the seller will recognize gain or loss equal to the difference between the amount realized on the sale or redemption and the seller's adjusted basis in the Bond. Such adjusted basis generally will equal the cost of the Bond to the seller, increased by any market discount included in the seller's gross income and decreased by any payments on the Bond. Except with respect to market discount, gain or loss recognized on a sale, exchange or prepayment of a Bond will generally give rise to capital gain or loss if the Bond is held as a capital asset and will be long-term if the holding period is more than one year. The holding period analysis may be affected by the determination of whether the Bonds are treated as a single debt instrument or a series of debt instruments and prospective purchasers are especially encouraged to consult with their own tax advisers on this subject.

**Foreign Investors.** Generally, payments of interest with respect to the Bonds to an owner of Bonds that is a nonresident alien individual, foreign corporation or other non-United States person (a "foreign person") not engaged in a trade or business within the United States will not be subject to federal income or withholding tax if such foreign person complies with certain identification requirements (including the delivery of a statement, signed by such owner under penalty of perjury, certifying that such owner is a foreign person and providing the name and address of such owner). Foreign investors should consult their own tax advisors regarding the potential imposition of withholding taxes. The summary herein assumes that the owners of the Bonds are not foreign persons. Special rules may apply to foreign persons with respect to the information reporting requirements and withholding taxes and foreign persons should consult their tax advisors with respect to the application of such reporting requirements and withholding taxes.

**Backup Withholding.** Payments made to an owner with respect to the Bonds and proceeds from the sale of the Bonds will ordinarily not be subject to withholding of federal income tax if such owner is a United States person. However, even a United States person will be subject to withholding of such tax at a rate of 28% under certain circumstances. Except in the case of certain "exempt payees" as defined in the Code, such backup withholding will generally be applicable if an owner (1) fails to furnish to the Trustee such owner's social security number or other taxpayer identification number (collectively, "TIN"), (2) furnishes the Trustee an incorrect TIN, (3) fails to report properly interest, dividends or other "reportable payments" as defined in the Code, or (4) under certain circumstances, fails to provide the City with a certified statement, signed under penalty of perjury, that the TIN provided to the City is correct and that such owner is not subject to backup withholding.

**State Tax Treatment of Interest on the Bonds.** Bond Counsel is further of the opinion that, under existing law, interest on the Bonds is exempt from State of North Carolina income taxation.

Bond Counsel's opinion is based on existing law, which is subject to change. Such opinion is further based on factual representations made to Bond Counsel as of the date thereof. Bond Counsel assumes no duty to update or supplement its opinion to reflect any facts or circumstances that may thereafter come to Bond Counsel's attention, or to reflect any changes in law that may thereafter occur or become effective. Moreover, Bond Counsel's opinion is not a guarantee of a particular result, and is not binding on the IRS or the courts; rather, such opinion represents Bond Counsel's professional judgment based on its review of existing law, and in reliance on the representations and covenants that Bond Counsel deems relevant to such opinion. Bond Counsel's opinion expresses the professional judgment of the attorneys rendering the opinion regarding the legal issues expressly addressed therein. By rendering its opinion, Bond Counsel does not become an insurer or guarantor of the result indicated by that expression of professional judgment, of the transaction on which the opinion is rendered, or of the future performance of the City, nor does the rendering of such opinion guarantee the outcome of any legal dispute that may arise out of the transaction.

## **MUNICIPAL ADVISOR**

DEC Associates, Inc, Charlotte, North Carolina, has served as municipal advisor to the City in connection with the issuance and sale of the Bonds.

## **UNDERWRITING**

The underwriters for the Bonds are \_\_\_\_\_.<sup>1</sup> Such underwriters have jointly and severally agreed, subject to certain conditions, to purchase all, but not less than all, of the Bonds. If all of the Bonds are sold at the public offering yields set forth on the inside cover of this official statement, such underwriters anticipate total underwriters' discount of \$ \_\_\_\_\_.<sup>1</sup> The public offering prices or yields of the Bonds may be changed from time to time by such underwriters.

## **BANKRUPTCY**

Under North Carolina law, a local governmental unit such as the City may not file for bankruptcy protection without (1) the consent of the Commission and (2) the satisfaction of the requirements of § 109(c) of the United States Bankruptcy Code. If the City were to initiate bankruptcy proceedings with the consent of the Commission and satisfy the requirements of 11 U.S.C. § 109(c), the bankruptcy proceedings could have material and adverse effects on holders of the Bonds, including (a) delay in enforcement of their remedies, (b) subordination of their claims to claims of those supplying goods and services to the City after the initiation of bankruptcy proceedings and to the administrative expenses of bankruptcy proceedings and (c) imposition without their consent of a plan of reorganization reducing or delaying payment of the Bonds.

The effect of the other provisions of the United States Bankruptcy Code on the rights and remedies of the holders of the Bonds cannot be predicted and may be affected significantly by judicial interpretation, general principles of equity (regardless of whether considered in a proceeding in equity or at law) and considerations of public policy. In addition to its consent to bankruptcy filings by local government units, North Carolina law vests authority in the Commission to intervene in the financial affairs, including taking full control of the financial affairs, of local government units, including the City, if the unit defaults, or in the opinion of the Commission will default, on a future debt service payment if financial policies and practices are not improved.

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<sup>1</sup>Information obtained from the underwriters of the Bonds.

## **MISCELLANEOUS**

Any statements in the Official Statement involving matters of opinion or estimates, whether or not expressly so stated, are intended as such and not as representations of fact.

Reference herein to the State Constitution and legislative enactments are only brief outlines of certain provisions thereof and do not purport to summarize or describe all provisions thereof.

This Official Statement has been duly authorized by the Local Government Commission of North Carolina and the City Council of the City.

## **LOCAL GOVERNMENT COMMISSION OF NORTH CAROLINA**

By

Jennifer Wimmer  
*Deputy Secretary of the Commission*

## **CITY OF CHARLOTTE, NORTH CAROLINA**

By

Vi A. Lyles  
*Mayor*

By

Marcus D. Jones  
*City Manager*

By

Matthew G. Hastedt  
*Chief Financial Officer*

## THE NORTH CAROLINA LOCAL GOVERNMENT COMMISSION

The Local Government Commission (the "Commission") is composed of nine members: the State Treasurer, the Secretary of State, the State Auditor, the Secretary of Revenue, and five others by appointment (three by the Governor, one by the General Assembly upon recommendation of the President Pro Tempore of the Senate and one by the General Assembly upon recommendation of the Speaker of the House of Representatives). The State Treasurer serves as Chairman and selects the Secretary of the Commission, who heads the administrative staff serving the Commission.

A major function of the Commission is the approval, sale, and delivery of substantially all North Carolina local government bonds and notes. A second key function is monitoring certain fiscal and accounting standards prescribed for units of local government by The Local Government Budget and Fiscal Control Act. In addition, the Commission furnishes, upon request, on-site assistance to units of local government concerning existing financial and accounting systems as well as aid in establishing new systems. Further, educational programs and materials are provided for local officials concerning finance and cash management.

Before any unit of local government can incur bonded indebtedness, the proposed bond issue must be approved by the Commission. In determining whether to give such approval the Commission may consider, among other things, the unit's debt management procedures and policies, its compliance with The Local Government Budget and Fiscal Control Act, and its ability to service the proposed debt. All general obligation issues are customarily sold based on formal sealed bids submitted at the Commission's offices in Raleigh and are subsequently delivered to the successful bidder by the Commission. The Commission maintains records for all units of local government of principal and interest payments coming due on bonded indebtedness in the current and future years and monitors the payment by the units of local government of debt service through a system of monthly reports.

As a part of its role in assisting and monitoring the fiscal programs of units of local government, the Commission attempts to ensure that the units of local government follow generally accepted accounting principles, systems, and practices. The Commission's staff also counsels the units of local government in treasury and cash management, budget preparation, and investment policies and procedures. Educational programs, in the form of seminars or classes, are also provided by the Commission to accomplish these tasks. The monitoring of the financial systems of units of local government is accomplished through the examination and analysis of the annual audited financial statements and other required reports. The Local Government Budget and Fiscal Control Act requires each unit of local government to have its accounts audited annually by a certified public accountant or by an accountant certified by the Commission as qualified to audit local government accounts. A written contract must be submitted to the Secretary of the Commission for his or her approval before the commencement of the audit.

The Commission has the statutory authority to impound the books and records of any unit of local government and assume full control of all its financial affairs (a) when the unit defaults on any debt service payment or, in the opinion of the Commission, will default on a future debt service payment if the financial policies and practices of the unit are not improved or (b) when the unit persists, after notice and warning from the Commission, in willfully or negligently failing or refusing to comply with the provisions of The Local Government Finance Act. When the Commission takes action under this authority, the Commission is vested with all of the powers of the governing board of the unit of local government as to the levy of taxes, expenditure of money, adoption of budgets, and all other financial powers conferred upon such governing board by law.

In addition, if a unit of local government fails to pay any installment of principal or interest on its outstanding debt on or before its due date and remains in default for 90 days, the Commission may take such action as it deems advisable to investigate the unit's fiscal affairs, consult with its governing board and negotiate with its creditors to assist the unit in working out a refinancing plan, adjusting or compromising such debt. When a plan is developed that the Commission finds to be fair and equitable and reasonably within the ability of the unit of local government to meet, the Commission will enter an order finding that the plan is fair, equitable, and within the ability of the unit to meet and will advise the unit to take the necessary steps to implement such plan. If the governing board of the unit declines or refuses to do so within 90 days after receiving the Commission's advice, the Commission may enter an order directing the unit to implement such a plan and may apply for a court order to enforce such order. When a refinancing plan has been put into effect, the Commission has the authority (a) to require any periodic financial reports on the unit's financial affairs that the Secretary of the Commission deems necessary and (b) to approve or reject the unit's annual budget ordinance. The governing board of the unit of local government must also obtain the approval of the Secretary of the Commission before adopting any annual budget ordinance. The power and authority granted to the Commission as described in this paragraph will continue regarding a defaulting unit of local government until the Commission is satisfied that the unit has performed or will perform the duties required of it in the refinancing plan and until agreements made with the unit's creditors have been performed with following such plan.

**CERTAIN CONSTITUTIONAL, STATUTORY AND ADMINISTRATIVE  
PROVISIONS GOVERNING OR RELEVANT TO THE INCURRENCE OF  
GENERAL OBLIGATION BONDED INDEBTEDNESS BY UNITS OF LOCAL  
GOVERNMENT OF THE STATE OF NORTH CAROLINA**

**Constitutional Provisions**

The North Carolina Constitution (the “Constitution”) requires the General Assembly to enact general laws relating to the borrowing of money secured by a pledge of the faith and credit and the contracting of other debts by counties, cities and towns, special districts and other units, authorities and agencies of local government and prohibits enactment of special or local acts on this subject. These general laws may be enacted for classes defined by population or other criteria.

The General Assembly has no power under the Constitution to authorize any unit of local government to contract debts secured by a pledge of its faith and credit unless approved by a majority of the qualified voters of the unit who vote thereon, except for the following purposes:

- (a) to fund or refund a valid existing debt;
- (b) to supply an unforeseen deficiency in the revenue;
- (c) to borrow in anticipation of the collection of taxes due and payable within the current fiscal year to an amount not exceeding 50% of such taxes;
- (d) to suppress riots or insurrections;
- (e) to meet emergencies immediately threatening the public health or safety, as conclusively determined in writing by the Governor; and
- (f) for purposes authorized by general laws uniformly applicable throughout the State, to the extent of two-thirds of the amount by which the issuing unit’s outstanding indebtedness was reduced during the next preceding fiscal year.

The Constitution requires that the power of taxation be exercised in a just and equitable manner, for public purposes only, and never be surrendered, suspended or contracted away. Since general obligation bonded indebtedness pledges the taxing power, it may therefore be incurred only for “public purposes.” The North Carolina Supreme Court determines what is and is not a public purpose within the meaning of the Constitution.

The Constitution requires voter approval for any unit of local government to give or lend its credit in aid of any person, association or corporation, and such lending of credit must be for public purposes as authorized by general law. A loan of credit is defined by the Constitution as occurring when a unit of local government exchanges its obligations with or in any way guarantees the debts of an individual, association or private corporation.

The Constitution does not impose a limit on the total indebtedness of a unit of local government.

Of the sources of revenue available to units of local government, only the property tax is subject to special Constitutional regulation. The Constitution does not mandate a general property tax; rather,



it authorizes the General Assembly to classify property for taxation under two conditions: (1) each class of property selected for taxation must be taxed by uniform rule and (2) every classification must be made by general law uniformly applicable to every unit of local government. No class of property is accorded exemption from ad valorem taxation by the Constitution except property belonging to the State, counties and municipal corporations. The General Assembly may exempt cemeteries and property held for educational, scientific, literary, cultural, charitable or religious purposes and, to a value not exceeding \$300, any personal property. The General Assembly may also exempt from taxation not exceeding \$1,000 in value of property used as the place of residence of the owner. Property of the United States is exempt by virtue of the supremacy clause of the United States Constitution.

The Constitution requires that any property tax must be levied for purposes authorized by general law uniformly applicable throughout the State, unless approved by a majority of the qualified voters of the unit of local government who vote thereon.

Under the Constitution, property taxes levied for unit-wide purposes must be levied uniformly throughout the territorial jurisdiction of the taxing unit, but the General Assembly may enact general laws authorizing the governing body of any county, city or town to define territorial areas and to levy taxes within those areas in order to finance, provide or maintain services, facilities and functions in addition to or to a greater extent than those financed, provided or maintained for the entire county, city or town.

### **The Local Government Bond Act**

No unit of local government has authority to incur general obligation bonded indebtedness otherwise than in accordance with the limitations and procedures prescribed in The Local Government Bond Act, G.S. Ch. 159, Art. 4 (the "Act") and G.S. Ch. 159, Art. 7 or to issue short-term general obligation notes otherwise than in accordance with G.S. Ch. 159, Art. 9.

By statute, the faith and credit of the issuing unit are pledged for the payment of the principal of and interest on all bonds issued under the Act according to their terms, and the power and obligation of the issuing unit to levy taxes and raise other revenues for the prompt payment of installments of principal and interest or for the maintenance of sinking funds is unrestricted as to rate or amount.

The revenues of each utility or public service enterprise owned or leased by a unit of local government are required by statute to be applied in accordance with the following priorities: (1) to pay the operating, maintenance and capital outlay expenses of the utility or enterprise; (2) to pay when due the interest on and principal of outstanding bonds issued for capital projects that are or were a part of the utility or enterprise; and (3) for any other lawful purpose. In its discretion, an issuing unit may pledge the revenues (or any portion thereof) of a utility or enterprise for the payment of the interest on and principal of bonds issued under the Act to finance capital projects that are to become a part of the utility or enterprise.

Bonds may be issued only for purposes specifically authorized by the Act.

No bonds may be issued under the Act without the approval of the Local Government Commission. The criteria for approval have been summarized in the description of the powers of the Commission in Appendix B to this Official Statement.

The Act provides that, subject to certain exceptions, no bond order may be adopted by the governing body of a unit of local government unless it appears from a sworn statement of debt filed in connection therewith that the net debt of the unit does not exceed 8% of the assessed value of property subject to taxation by the issuing unit. Under current law, the mandated assessment ratio is 100% of

appraised value. This limitation does not apply to funding and refunding bonds, bonds issued for water, gas or electric power purposes, or two or more of such purposes, certain sanitary sewer, sewage disposal or sewage purification plant bonds, bonds or notes issued for erosion control purposes or bonds or notes issued for the purposes of erecting jetties or other protective works to prevent encroachment by certain bodies of water.

“Net debt” is defined as gross debt less certain statutory exclusions and deductions. Gross debt, excluding therefrom debt incurred or to be incurred in anticipation of tax or other revenue collections or in anticipation of the sale of bonds other than funding or refunding bonds, is the sum of (i) outstanding debt evidenced by bonds, (ii) bonds authorized by orders introduced but not yet adopted, (iii) unissued bonds authorized by adopted orders and (iv) outstanding debt not evidenced by bonds. From gross debt are deducted (a) funding and refunding bonds (both those authorized by orders introduced but not yet adopted and those authorized but not yet issued), (b) the amount of money held in sinking funds or otherwise for the payment of any part of the principal of gross debt other than debt incurred for the purposes set forth in clause (e) below, (e) the amount of bonded debt included in gross debt and incurred, or to be incurred, for water, gas or electric light or power purposes, or two or more of such purposes, and certain bonded debt for sanitary sewer purposes, and (d) the amount of uncollected special assessments theretofore levied or estimated to be levied for local improvements for which any part of the gross debt (that is not otherwise deducted) was or is to be incurred, to the extent that the special assessments, when collected, will be applied to the payment of any part of the gross debt. Revenue bond indebtedness is not included in, nor deducted from, gross debt.

Bonds may be issued under an approved bond order at any time within seven years after the bond order takes effect. The effective date of the bond order is the date of formal passage of the bond order in the case of bonds that do not require voter approval and the date of voter approval in all other cases. If the issuance of bonds is prevented or prohibited by any order of any court or certain litigation, the period of time is extended by the length of time elapsing between the date of institution of the action or litigation and the date of its final disposition. The General Assembly may, prior to the expiration of the maximum period, also extend such period. In addition, such period may be extended from seven to ten years by the governing body of a unit of local government under certain circumstances with approval by the Commission. In any such case, no further voter approval is required.

The Commission has by regulation established the maximum useful lives of capital projects that may be financed by bonds. The maturity dates of any bonds issued for any project may not exceed the maximum useful life of the project, measured from the date of the bonds.

All bonds must mature in annual installments, the first of which must be payable not more than three years after the date of the bonds and the last of which must be payable within the maximum useful life of the project. Payment of an installment of principal may be provided for by the maturity of a bond, mandatory redemption of principal prior to maturity, a sinking fund, a credit facility or any other means satisfactory to the Commission. In addition, the Act prohibits “balloon installments” in that it requires that no installment of any issue may be greater than four times as large in amount as the smallest prior installment of the same issue. Bonds authorized by two or more bond orders may be consolidated into a single issue, and bonds of each issue may be issued from time to time in series with different provisions for each series. Each series is deemed a separate issue for the purposes of the limitations discussed in this paragraph. Bonds may be made payable from time to time on demand or tender for purchase as provided in the Act, and bonds may be made subject to redemption prior to maturity, with or without premium. The requirement that the bonds must mature in annual installments and the prohibition against balloon installments as described above does not apply to (a) refunding bonds, (b) bonds purchased by a State or federal agency or (c) bonds the interest on which is or may be includable in gross income for purposes of federal income tax, provided that the dates on which such bonds are stated to mature are approved by the Commission and the Commission may

require that payment of all or any part of the principal of and interest and any premium on such bond be provided for by mandatory sinking fund redemption.

#### Short-Term Obligations

*Bond Anticipation Notes* - Units of local government are authorized to issue short term notes in anticipation of the sale of bonds validly authorized for issuance within the maximum authorized amount of the bonds. General obligation bond anticipation notes must be payable not later than seven years after the effective date of the bond order and shall not be renewed or extended beyond that time unless the period of time within which the bonds may be issued has been extended as mentioned above. The faith and credit of the issuing unit are pledged for the payment of general obligation bond anticipation notes, and the power and obligation of the issuing unit to levy taxes and raise other revenues for the prompt payment of such notes is unrestricted as to rate or amount. The proceeds of each general obligation bond issue are also pledged for the payment of any notes issued in anticipation of the sale thereof, and any such notes shall be retired from the proceeds of the bonds as a first priority.

*Tax Anticipation Notes* - Units of local government having the power to levy taxes are authorized to borrow money for the purpose of paying appropriations made for the current fiscal year in anticipation of the collection of taxes due and payable within the current fiscal year, and to issue negotiable notes in evidence thereof. Any tax anticipation note must mature not later than 30 days after the close of the fiscal year in which it is issued and may not be renewed beyond that time. No tax anticipation note shall be issued by the unit of local government if the amount thereof, together with the amount of all authorized or outstanding tax anticipation notes on the date the note is authorized, would exceed 50% of the amount of taxes uncollected as of the date of the proposed note authorization. The faith and credit of the issuing unit are pledged for the payment of tax anticipation notes, and the power and obligation of the issuing unit to levy taxes and raise other revenues for the prompt payment of such notes is unrestricted as to rate or amount.

*Revenue Anticipation Notes* - Units of local government are authorized to borrow money for the purpose of paying appropriations made for the current fiscal year in anticipation of the receipt of the revenues, other than taxes, estimated in their budgets to be realized in cash during such fiscal year, and to issue negotiable notes in evidence thereof. Any revenue anticipation note must mature not later than 30 days after the close of the fiscal year in which it is issued and may not be renewed beyond that time. No revenue anticipation note shall be issued if the amount thereof, together with the amount of all revenue anticipation notes authorized or outstanding on the date the note is authorized, would exceed 80% of the revenues of the issuing unit, other than taxes, estimated in its budget to be realized in cash during such fiscal year. Revenue anticipation notes are special obligations of the issuing unit, and neither the credit nor the taxing power of the issuing unit may be pledged for the payment of revenue anticipation notes.

*Grant Anticipation Notes* - Units of local government are authorized to borrow money for the purpose of paying appropriations made for capital projects in anticipation of the receipt of moneys from grant commitments for such capital projects from the State or the United States or any agencies of either, and to issue negotiable notes in evidence thereof. Grant anticipation notes must mature not later than 12 months after the estimated completion date of such capital project and may be renewed from time to time, but no such renewal shall mature later than 12 months after the estimated completion date of such capital project. No grant anticipation note may be issued if the amount thereof, together with the amount of all other notes authorized or issued in anticipation of the same grant commitment, exceeds 90% of the unpaid amount of said grant commitment. Grant anticipation notes are special obligations of the issuing unit, and neither the credit nor the taxing power of the issuing unit may be pledged for the payment of grant anticipation notes.

## **The Local Government Budget and Fiscal Control Act**

The Local Government Budget and Fiscal Control Act, G.S. Ch. 159, Art. 3 (the “Fiscal Control Act”), sets forth procedures for the adoption and administration of budgets of units of local government. The Fiscal Control Act also prescribes certain accounting and auditing requirements. The Fiscal Control Act attempts to achieve close conformity with the accounting principles contained in the American Institute of Certified Public Accountants’ Industry Audit Guide, Audits of State and Local Government Units.

*Budget* - The Fiscal Control Act requires the adoption of an annual balanced budget, which includes all appropriations required for debt service and for eliminating any deficit. Any deficit is required to be eliminated by the imposition of a property tax at a rate which will produce the revenue necessary to balance revenues and appropriations in the budget. The Secretary of the Commission is required to notify each local government unit by May 1 of each year of its debt service obligations for the coming fiscal year, including sums to be paid into sinking funds. At least 30 days prior to the due date of each installment of principal or interest on outstanding debt, the Secretary must notify each unit of the payment due, the due date, the place which the payments should be sent, and a summary of the legal penalties for failing to meet debt service obligations.

The Fiscal Control Act directs that the budget ordinance be adopted by the governing board of the unit of local government by July 1 of the fiscal year to which it applies. There is no penalty for failure to meet this deadline. The fiscal year begins July 1 and ends the following June 30. The governing board is required to hold a public hearing concerning the budget prior to its adoption. A project ordinance authorizing all appropriations necessary for the completion of a capital project or a grant project may be adopted in lieu of annual appropriations for each project and need not be readopted in any subsequent fiscal year.

*Fiscal Control* – The Fiscal Control Act sets forth certain fiscal control requirements concerning the duties of the finance officer; the system of accounting; budgetary accounting for appropriations; investment of idle funds; semiannual reports of financial information to the Commission; and an annual independent audit.

Except as otherwise provided by regulation of the Commission, the Fiscal Control Act requires a unit of local government to use the modified accrual basis of accounting in recording transactions. The Commission is empowered to prescribe regulations as to (a) features of accounting systems; (b) bases of accounting, including identifying in detail the characteristics of a modified accrual basis, identifying what revenues are susceptible to accrual, and permitting or requiring the use of a basis other than modified accrual in a fund that does not account for the receipt of a tax; and (c) definitions of terms not clearly defined in the Fiscal Control Act.

The Fiscal Control Act requires each unit of local government to have its accounts audited annually by an independent certified public accountant or by an independent accountant certified by the Commission as qualified to audit local government accounts. The audit must be conducted pursuant to a written contract containing the form, terms and fees for the audit. The Secretary of the Commission must approve this contract before the audit may begin and must approve invoices for the audit fee. Approval of final payment is not given until the audit report is rendered in accordance with the requirements of the contract. All audits are to be performed in conformity with generally accepted auditing standards.

## **Major General Fund Revenue Sources**

*Ad Valorem Tax* - Each unit of local government having authority to incur general obligation bonded indebtedness also has authority to levy ad valorem taxes on property having a situs within the

unit. The ad valorem tax is levied on classes of property selected for taxation by the General Assembly through laws that are uniform throughout the State. The statute governing the listing, appraisal and assessment of property for taxation and the collection of taxes levied is the Machinery Act, G.S. Ch. 105, Subchapter II.

*Tax Base* - The basic class of property selected for taxation comprises all real and tangible personal property. Thus, unless a class of property is specifically excluded from the property tax base, exempted from taxation or specifically accorded some kind of preferential tax treatment, it must be taxed by each unit of local government exercising its authority to levy property taxes. Several classes of property have been selected for exclusion from the property tax base, exemption from taxation or taxation at reduced valuation or for special appraisal standards. The most significant of these classes are:

- (1) Tangible household personal property is excluded from the property tax base.
- (2) Stocks and bonds, accounts receivable and certain other types of intangible personal property are excluded from the property tax base.
- (3) Property belonging to certain qualified owners and used wholly and exclusively for religious, educational, charitable, cultural, fraternal or civic purposes is wholly exempted from taxation. Property belonging to the United States, the State and units of local government is also exempt from taxation.
- (4) Real and personal property owned by certain nonprofit homes for the aged, sick or infirm are excluded from property taxation, provided such homes are exempt from the State income tax.
- (5) Certain kinds of tangible personal property held for business purposes are excluded from taxation, the most important of which are:
  - (a) Manufacturers' inventories (raw materials, goods in process, finished goods, materials or supplies consumed in processing, crops, livestock, poultry, feed used in production of livestock and poultry, and other agricultural or horticultural products held for sale) and inventories of retail and wholesale merchants (tangible personal property held for sale and not manufactured, processed or produced by the merchant).
  - (b) Property imported through a North Carolina seaport terminal and stored at such terminal for less than 12 months awaiting further shipment.
  - (c) Certain pollution abatement and resource recovery equipment.
  - (d) "Bill and hold" goods manufactured in North Carolina and held by the manufacturer for shipment to a nonresident customer.
  - (e) Nuclear materials held for or in the process of manufacture or processing or held by the manufacturer for delivery.
  - (f) Motor vehicle frames that belong to nonresidents and enter the State temporarily for the purpose of having a body mounted thereon.
- (6) A homestead exemption of the greater of \$25,000 or 50% of the appraised value of the residence is allowed if the property owner is a North Carolina resident, has income for the

preceding calendar year of not more than the eligibility limit, and is at least 65 years of age or totally and permanently disabled.

- (7) Certain agricultural, horticultural and forest land is eligible for taxation at its value for agricultural, horticultural or forest use

*Appraisal Standard* - All property must be appraised at its true value in money, except agricultural, horticultural and forest land eligible for appraisal at its present-use value. Property must be assessed for taxation at 100% of its appraised value.

*Frequency of Appraisal* - Real property must be appraised at least once in every eight years. The requirement of octennial real property revaluations has been enforced since 1965, and no taxing unit has been permitted to postpone a scheduled revaluation since that time. Many units revalue real property more frequently than every eight years. Personal property is appraised annually.

*Tax Day* - All real and tangible personal property (other than most motor vehicles) subject to ad valorem taxation must be listed for taxation as of January 1 each year. Motor vehicles, with certain exceptions, must be listed annually in the name of the record owner on the day on which the current vehicle registration is renewed or the day on which the application is submitted for a new vehicle registration.

*Tax Levy* - Property taxes are levied in conjunction with the adoption of a budget which covers a July 1 to June 30 fiscal year. The property tax levy must be sufficient to raise during the fiscal year a sum of money equal to the difference between total appropriations and the total estimated receipts of all other revenues. In estimating the percentage of the levy that will be collected during the fiscal year, the taxing unit is prohibited from estimating a greater collection percentage than that of the prior fiscal year.

The tax rate may not exceed \$1.50 per \$100 assessed valuation unless the voters approve a higher rate. Tax levies by counties for the following purposes are not counted against the rate limit: courts, debt service, deficits, elections, jails, schools, mandated social services programs and joint undertakings with any other taxing unit with respect to any of these. Tax levies by cities for the following purposes are not counted against the rate limit: debt service, deficits and civil disorders.

*Tax Collection* - The taxing unit has a lien by operation of law on all real property within its jurisdiction that attaches as of January 1 for all taxes levied for the fiscal year beginning on the following July 1. Taxes levied on a parcel of real property are a lien on that parcel but not on other real property owned by the taxpayer. Taxes levied on personal property are a lien on all real property owned by the taxpayer within the taxing unit. The tax lien enjoys absolute priority against all other liens and claims whatsoever except, in limited circumstances, federal tax liens and certain other prior liens and perfected security interests.

Except for motor vehicles, taxes fall due on September 1 following the date of levy and are payable at par until January 6. For the period January 6 to February 1, interest accrues at the rate of 2%, and for the period February 1 until the principal amount of the taxes, the accrued interest, and any penalties are paid, interest accrues at the rate of 3/4% per month or fraction thereof. Each taxing unit may enforce collection of its tax levy by (a) foreclosure of the lien on real property, (b) levy and sale of tangible personal property and (c) garnishment and attachment of intangible personal property. There is no right of redemption of real property sold in a tax foreclosure action.

Discounts for early payment of property taxes are allowed by some taxing units. To allow such discounts, the unit must adopt a discount schedule which must then be approved by the Ad Valorem Tax Division of the Department of Revenue.

No taxing unit has authority to release or refund any valid tax claim. The members of any governing board voting to make an unlawful release or refund of property taxes are personally liable for the amount unlawfully released or refunded.

The Commission periodically publishes statistics on the percentage of property tax levies collected before the close of the fiscal year for which levied. These statistics are available upon request.

Although the State has not levied a general property tax in more than forty years, it does continue general oversight of property tax administration by units of local government through the Ad Valorem Tax Division of the Department of Revenue. The Division has three main functions: (1) it appraises the property of electric power, gas, telephone and telegraph companies, the rolling stock of bus companies and motor freight carriers and the flight equipment of airlines; (2) it oversees local property tax administration; and (3) it provides staff assistance to the Property Tax Commission, an administrative appellate agency hearing listing and valuation appeals from local taxing units.

### **Local Government Sales and Use Taxes**

The one percent local sales and use tax authorized by the Local Government Sales and Use Tax Act is levied by 99 of the 100 counties of the State (Mecklenburg County levies a virtually identical tax under a 1967 local act). The local sales tax base is the same as the State general sales tax base excluding exempt food sales, except that for goods sold to out-of-county purchasers for delivery out-of-county and sales of certain utility services. The situs of a transaction is the location of the retailer's place of business. Sales of tangible personal property delivered to out-of-county purchasers will be subject to sales tax in the county in which the retailer's place of business is located and will not be subject to the use tax of the destination county. The tax is collected by the State on behalf of local government, and the net proceeds, after deduction of the cost of collection and administration, are returned to the county of collection. The county governing board selects one of two formulas for allocation of the tax among the county and the municipalities therein. One formula calls for allocation on the basis of population and the other on the basis of ad valorem tax levy.

Counties are also authorized under the Supplemental Local Government Sales and Use Tax Act to levy a one-half percent sales tax. This sales tax is collected by the State, allocated to counties on a per capita basis and divided among each county and the municipalities located therein in accordance with the method by which the one percent sales and use taxes are distributed. An adjustment factor is applied to the per capita allocation for each county. All 100 counties levy this one-half percent supplemental sales tax.

Counties are also authorized under the Additional Supplemental Local Government Sales and Use Tax Act to levy an additional one-half percent sales tax. This additional supplemental sales tax is collected and distributed based on a point-of-origin allocation. During the first 16 fiscal years in which this tax is in effect, 60% of the revenue derived by counties from this tax is required to be used for public school capital outlay purposes or to retire any indebtedness incurred by the county for these purposes during the period beginning five years prior to the date the taxes took effect. Counties may be relieved of the percentage restriction if it can demonstrate to the satisfaction of the Local Government Commission that it is able to meet the aforementioned capital outlay needs without resorting to proceeds of such tax. All 100 counties levy this additional supplemental one-half percent sales tax.

### **Alcoholic Beverage Control Store Profits**

The sale of liquor in the State is a government monopoly. Stores are operated by counties and municipalities that have been authorized and have chosen to establish them. The net profits of these stores are distributed to the units of local government in which they operate. The General Assembly

has enacted numerous local acts prescribing different formulas for the distribution of profits. Local elections are authorized to permit sales of liquor by the drink by qualified restaurants and clubs. An additional tax of \$20 per four liters is levied on liquor purchased by restaurants or clubs for resale as mixed beverages, and \$10 of the \$20 is paid to the State's General Fund.

### **Intragovernmental Shared Revenues**

The net amount of excise taxes collected by the State on beer, fortified and unfortified wine is shared with counties and municipalities in which the sale of these beverages is lawful. Counties and municipalities where beer and wine are sold receive on a per capita basis an annual distribution equal to the following percentages of the net amount of excise taxes collected on the sale of beer and wine during the 12-month period ending March 31 each year: 20.47 percent of malt beverage tax revenue, 49.44 percent of unfortified wine tax revenue and 18 percent of fortified wine tax revenue. A municipality or a county is eligible to share in both beer and wine excise tax revenues if beer and wine may legally be sold within its boundaries. If only one beverage may be sold at retail in a municipality located in a county in which the sale of such beverage is otherwise prohibited, only the municipality receives a portion of the amount distributed.

The State levies a tax on the gross receipts derived from the sale of electricity at the combined general rate prescribed by statute. The State distributes 44 percent of the net proceeds of such tax to municipalities, less certain administration costs. Each municipalities' share is calculated pursuant to a formula provided by statute.

The State levies a sales tax on the gross receipts derived from providing telecommunications and ancillary services at the statutorily prescribed combined general rate. Each quarter, the State distributes to municipalities 18.7 percent of the net proceeds from that quarter, minus \$2,620,948.

The State levies a tax on the gross receipts derived from the sale of piped natural gas at the combined general rate. The State distributes quarterly 20 percent of the net proceeds of such tax to municipalities, less certain administration costs. Each municipalities' share is calculated pursuant to a formula provided by statute, with certain "gas cities" eligible for an increase to their shares provided that certain requirements are met.

All cities and counties receive shares of three State sales taxes on video programming service and telecommunications service revenues pursuant to a formula provided by statute. The revenue to be distributed includes 7.7 percent of the net proceeds of taxes collected on telecommunications and ancillary services, 23.6 percent of the net proceeds of taxes collected on video programming services (other than direct-to-home satellite service), and 37.1 percent of the net proceeds of taxes collected on direct-to-home satellite services. Before the distribution of such net proceeds is made, certain cities or counties may receive supplemental public, educational or governmental access channel ("PEG Channel") support funds from such net proceeds, provided that certain requirements are met.

### **State and Local Fiscal Relations**

The State finances from State revenues (primarily individual income taxes, corporate income taxes and sales taxes) several governmental programs that are largely financed from local revenues in other states, thus decreasing reliance on local property taxes for these purposes. The major programs of this nature are as follows:

*Public Schools and Community Colleges* - The State provides approximately 70% of the funds required for current operating costs of the public school and community college systems, while county government finances the greater portion of the capital costs of these systems. North Carolina school administrative units do not have independent tax-levying authority. The local share of the costs of the



public school and community college systems are raised primarily by county government from its general revenues including the local sales tax revenue.

*Court System* - The State finances virtually all of the current operating costs of the General Court of Justice. County government is required to provide courthouses, certain jails and related judicial facilities.

*Correctional System* - The State finances all of the cost of correctional facilities used for confinement of convicted felons and long-term (more than 30 days) misdemeanants. Counties and some municipalities furnish jails for short-term misdemeanants and prisoners awaiting trial.

*Highway System* - The State finances the entire cost of public roads and highways outside the corporate limits of cities and towns. Counties may voluntarily participate in improvements to public roads and highways. Within cities and towns, the State finances the cost of major thoroughfares and streets connecting elements of the State highway system. Cities share responsibility with the State for State-maintained roads inside city limits and take full responsibility for the remaining public streets within city limits.

**Management Discussion and Analysis**

The following is Management's Discussion and Analysis of the financial activities of the City, lifted from the Annual Comprehensive Financial Report of the City of Charlotte for the fiscal year ended June 30, 2024. Management's Discussion and Analysis provides an objective and easily readable short and long-term analysis of the City's financial activities based on currently known facts, decisions, or conditions. Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. The independent auditors of the City have applied certain limited procedures, which consist primarily of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, they did not audit this information and did not express an opinion on it.

MANAGEMENT’S DISCUSSION AND ANALYSIS  
(Dollar Amounts in Millions)

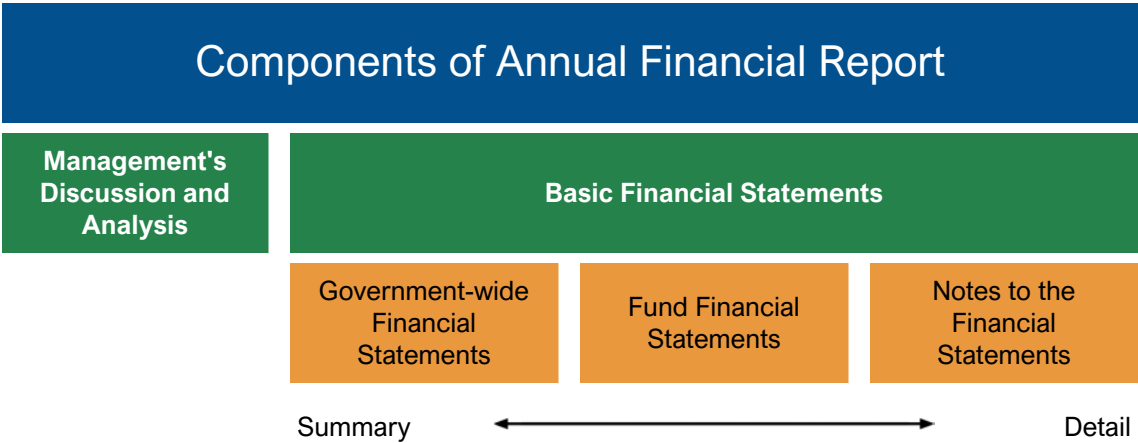
This section of the City of Charlotte’s (City) annual financial report presents a narrative overview and analysis of the City’s financial performance for the fiscal year ended June 30, 2024. Please read it in conjunction with the transmittal letter at the front of this report and the City’s financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$13,859.7 (net position). Of this amount, \$1,343.8 (unrestricted net position) may be used to meet the government’s ongoing obligations to residents and creditors.
- The overall financial position of the City improved in 2024 as evidenced by an increase in total net position of \$804.0. This increase was from business-type activities, \$562.3, and an increase in governmental activities, \$241.7.
- As of the close of the current fiscal year, the City’s governmental funds reported combined ending fund balances of \$1,316.6, an increase of \$205 in comparison with the prior year. This increase resulted from an increase in revenue from property and other taxes.
- Unassigned fund balance in the General fund was \$143.5 at June 30, 2024 and represents a traditional fund balance reserve maintained for emergencies, liquidity and overall financial strength. This meets the City Council’s goal of 16 percent of the budget for fiscal year 2024. The amount exceeding the City Council’s goal of 16 percent, \$13.9, is committed.
- The City has consistently maintained its Aaa rating from Moody’s Investors Service and AAA rating from Standard & Poor’s Ratings Services and Fitch Ratings.
- During the year, the City implemented GASB Statement 100, Accounting Changes and Error Corrections. The implementation of the standard establishes accounting and financial reporting requirements for accounting changes and the correction of an error in previously issued financial statements.

OVERVIEW OF THE FINANCIAL STATEMENTS

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



The first two statements (pages [21-25](#)) are government-wide financial statements that provide both long-term and short-term information about the City's overall financial status. The remaining statements (pages [26-43](#)) are fund financial statements that focus on individual parts of the City government, reporting the City's operations in more detail than the government-wide statements.

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

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data (pages [47-116](#)). A section is also included with required supplementary information and combining statements that provides details about non-major governmental funds, internal service funds, and fiduciary funds, each of which are totaled and presented in single columns in the basic financial statements. This section (pages [120-178](#)) also includes detailed budgetary information required by North Carolina General Statutes.

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

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

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

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

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

- Governmental activities - Most of the City's basic services are included here, such as public safety, community planning and development, and streets and highways. Property taxes, other taxes, and grants and contributions finance most of these activities.
- Business-type activities - The City charges fees to customers to cover the costs of certain services provided. The City's water and sewer system, storm water system, airport, and public transit system are included here.
- Component unit - The City's annual report includes one other entity, the Charlotte Regional Visitors Authority. Although legally separate, the City appoints the governing board and provides financial support.

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



The City has three kinds of funds:

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

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

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



## FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

**Net position.** As noted earlier, net position may serve over time as a useful indicator of a government's financial position. For the City, assets and deferred outflows exceeded liabilities and deferred inflows by \$13,859.7 at the close of the most recent fiscal year. A summary of the City's net position at June 30, 2024 and 2023 is presented below.

	Net Position					
	Governmental Activities		Business-type Activities		Total Primary Government	
	2024	2023 Restated	2024	2023	2024	2023 Restated
Current and other assets	\$ 1,650.7	\$ 1,431.7	\$ 2,778.5	\$ 2,453.6	\$ 4,429.2	\$ 3,885.3
Capital assets	7,024.9	6,759.6	11,021.0	10,161.7	18,045.9	16,921.3
<b>Total assets</b>	<b>8,675.6</b>	<b>8,191.3</b>	<b>13,799.5</b>	<b>12,615.3</b>	<b>22,475.1</b>	<b>20,806.6</b>
<b>Deferred outflows of resources</b>	<b>763.9</b>	<b>958.8</b>	<b>101.2</b>	<b>100.2</b>	<b>865.1</b>	<b>1,059.0</b>
Current and other liabilities	282.5	271.8	467.1	511.5	749.6	783.3
Noncurrent liabilities	3,072.4	2,890.8	4,954.8	4,267.8	8,027.2	7,158.6
<b>Total liabilities</b>	<b>3,354.9</b>	<b>3,162.6</b>	<b>5,421.9</b>	<b>4,779.3</b>	<b>8,776.8</b>	<b>7,941.9</b>
<b>Deferred inflows of resources</b>	<b>513.1</b>	<b>657.7</b>	<b>190.6</b>	<b>210.3</b>	<b>703.7</b>	<b>868.0</b>
Net position:						
Net investment in capital assets	5,335.0	5,145.4	6,250.8	6,301.3	11,585.8	11,446.7
Restricted	447.5	384.7	482.6	482.7	930.1	867.4
Unrestricted	(211.0)	(200.3)	1,554.8	941.9	1,343.8	741.6
<b>Total net position</b>	<b>\$ 5,571.5</b>	<b>\$ 5,329.8</b>	<b>\$ 8,288.2</b>	<b>\$ 7,725.9</b>	<b>\$ 13,859.7</b>	<b>\$ 13,055.7</b>

By far the largest portion of the City's net position (84 percent) reflects its investment in capital assets (land, buildings, roads, bridges, etc.), less any related debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services to residents; consequently, these assets are not available for future spending.

An additional portion of the City's net position (7 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position \$1,343.8 may be used to support operations and provide for payment of long-term debt.

At the end of the current fiscal year, the City is able to report positive balances in all three categories of net position for the government as a whole, as well as for its business-type activities. Unrestricted net position for governmental activities is negative due to pensions and other postemployment benefit plans (OPEB), detailed in Note 5 in the notes to the financial statements.

Government-wide net position increased by \$804.0 during the current fiscal year from an increase in both governmental and business-type activities.



**Changes in net position.** The following table presents the City's changes in net position for the fiscal years ended June 30, 2024 and 2023.

	Change in Net Position					
	Governmental Activities		Business-type Activities		Total Primary Government	
	2024	2023 Restated	2024	2023	2024	2023 Restated
<b>Revenues</b>						
Program revenues:						
Fees, fines and charges for services	\$ 185.0	\$ 168.6	\$ 1,206.2	\$ 1,089.1	\$ 1,391.2	\$ 1,257.7
Operating grants and contributions	66.6	81.3	144.3	107.3	210.9	188.6
Capital grants and contributions	244.2	100.2	270.1	228.5	514.3	328.7
General revenues:						
Property taxes	585.6	553.0	–	–	585.6	553.0
Other taxes	411.7	398.0	155.8	154.6	567.5	552.6
Grants and contributions not restricted to specific programs	38.3	34.8	–	–	38.3	34.8
Other	54.9	38.7	107.0	61.6	161.9	100.3
<b>Total revenues</b>	<b>1,586.3</b>	<b>1,374.6</b>	<b>1,883.4</b>	<b>1,641.1</b>	<b>3,469.7</b>	<b>3,015.7</b>
<b>Program expenses</b>						
Public safety	632.9	577.2	–	–	632.9	577.2
Sanitation	88.7	83.9	–	–	88.7	83.9
General administration	61.0	69.0	–	–	61.0	69.0
Support services	93.3	56.4	–	–	93.3	56.4
Engineering and property management	51.2	37.1	–	–	51.2	37.1
Streets and highways	157.9	145.0	–	–	157.9	145.0
Culture and recreation	66.5	75.1	–	–	66.5	75.1
Community planning and development	110.6	120.3	–	–	110.6	120.3
Business-type grant related	–	–	–	–	–	–
Interest and other charges	57.5	44.8	–	–	57.5	44.8
Water	–	–	243.4	234.8	243.4	234.8
Sewer	–	–	253.7	248.5	253.7	248.5
Storm Water	–	–	55.4	48.9	55.4	48.9
Airport	–	–	504.8	423.8	504.8	423.8
Public Transit	–	–	288.8	274.7	288.8	274.7
<b>Total expenses</b>	<b>1,319.6</b>	<b>1,208.8</b>	<b>1,346.1</b>	<b>1,230.7</b>	<b>2,665.7</b>	<b>2,439.5</b>
Excess (deficit) before transfers	266.7	165.8	537.3	410.4	804.0	576.2
Transfers	(25.0)	(28.5)	25.0	28.5	–	–
<b>Increase (decrease) in net position</b>	<b>241.7</b>	<b>137.3</b>	<b>562.3</b>	<b>438.9</b>	<b>804.0</b>	<b>576.2</b>
Net position - beginning, as previously	5,329.8	5,198.0	7,725.9	7,287.0	13,055.7	12,485.0
Error correction	–	(5.5)	–	–	–	(5.5)
Net position - beginning, restated	5,329.8	5,192.5	7,725.9	7,287.0	13,055.7	12,479.5
<b>Net position - ending</b>	<b>\$ 5,571.5</b>	<b>\$ 5,329.8</b>	<b>\$ 8,288.2</b>	<b>\$ 7,725.9</b>	<b>\$ 13,859.7</b>	<b>\$ 13,055.7</b>

Total government-wide revenues of \$3,469.7 were derived primarily from fees, fines, and charges for services (40 percent) and property and other taxes (33 percent). These sources of revenues increased 7.7 percent from the prior year.

Tax revenues for the year increased primarily due to increased property tax revenue, which grew as a result of an average increase of approximately 14% in taxable property tax values, driven by increased local real estate values. In addition, Capital grants and contributions increased due to growth in annexed street miles year over year.

The total expenses of all programs were \$2,665.7. The expenses cover a range of services with the two largest being transportation (streets and highways, airport and public transit) for 36 percent and public safety (fire and police) for 24 percent.

Public safety expense increased over the prior year as a result of budgeted salary increases as well as increased overtime and pension expense. Additionally, support services expenses increased due to implementation costs related to an enterprise resource planning system. In FY2023, streets and highway expense was reported net of capital contributions related to annexed streets of \$66.4. This amount has been reclassified to capital grants and contributions for comparability. This reclassification had no impact on previously reported fund balance.

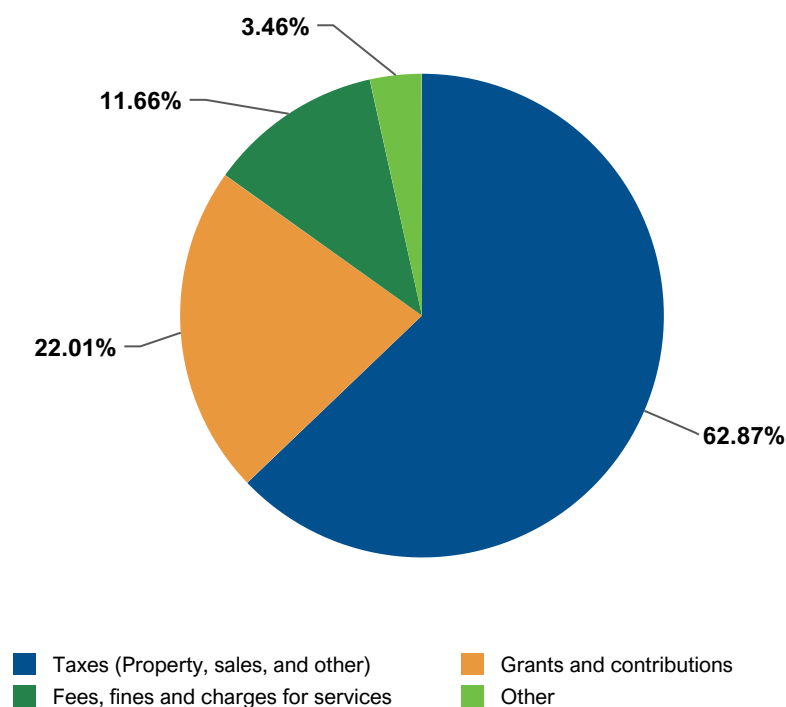
### Governmental Activities

As shown in the chart, property, sales and other taxes (62.9 percent) and grants and contributions (22.0 percent) were the major sources of revenues for governmental activities.

Governmental revenues increased by \$211.7 compared to the prior year with increases in all major sources of revenue. This increase can be attributed to the increases in sales and property taxes and capital grants and contributions.

Governmental expenses increased from \$1,208.8 to \$1,319.6 during this fiscal year. This increase is attributable in part to the increase in public safety salaries and wages. The increase in expenses is also due to the increases in depreciation and amortization from new assets and leases.

**Governmental Revenues by Source**

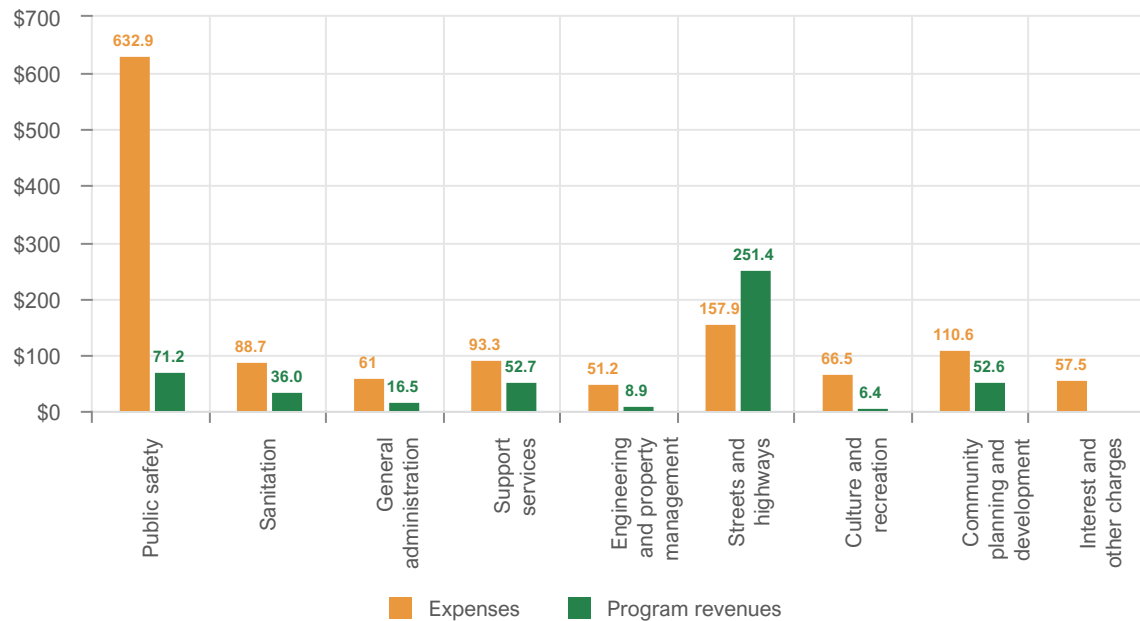


The following chart highlights the net cost (total cost less fees generated by the activities and intergovernmental grants) of the City's governmental programs mainly public safety, sanitation, and community planning and development. The net cost shows the financial support provided by taxes and other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





### Governmental Expenses Compared with Program Revenues



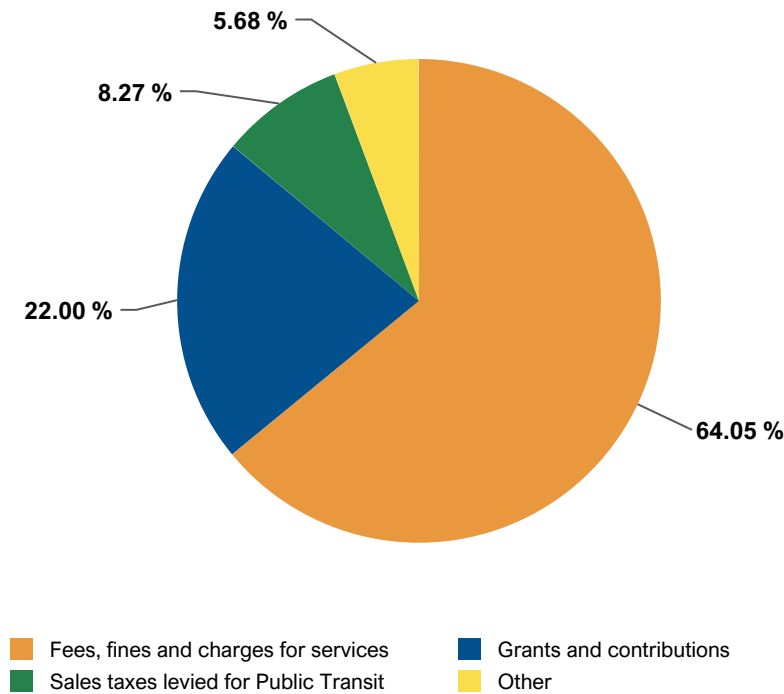
In addition to property and other taxes, the total cost of services of \$1,319.6 was supported by \$310.8 provided by other governments and organizations for specific programs and \$185.0 provided by fees, fines and charges from those who directly benefited from the programs.

### Business-type Activities

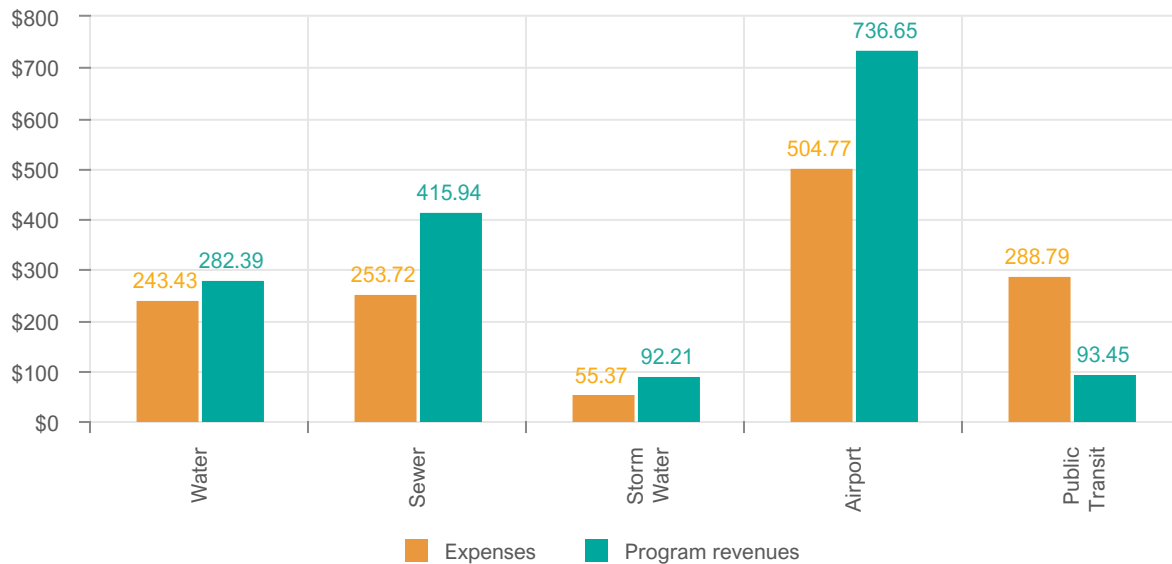
Revenues for the business-type activities were \$1,883.4, an increase of 15 percent from the prior year. This increase is mostly due to increases in fines, fees and charges for services. Specifically, Airport and Public Transit revenues were \$542.7, a 21.2 percent increase from the prior year largely due to the increase in customers traveling.

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

### Business-type Revenues by Source



### Business-type Expenses Compared with Program Revenues



Overall, business-type activities expenses are up \$115.4 over the prior year, which is attributed to increases in salary and benefits, increased miscellaneous contracted services that migrated from CIP, increase costs in materials/supplies, internal fleet costs, increased light rail maintenance and bus maintenance operations.



## FINANCIAL ANALYSIS OF THE CITY'S FUNDS

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

Governmental funds. The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. At June 30, 2024, the governmental funds reported a combined fund balance of \$1,316.6, an increase of \$205, or 17.9 percent, from last year. This amount consists of the following:

- (a) \$14.9 non-spendable for inventories, perpetual care, and prepaid items,
- (b) \$444.0 restricted for State Statute and specific programs,
- (c) \$638.8 committed primarily for capital projects,
- (d) \$79.0 assigned for debt service, and
- (e) \$139.9 unassigned.

The general fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the general fund was \$143.5, while total fund balance reached \$244.9. The City's Capital Investment Plan Financial Policies include a policy to maintain fund balance at 16 percent of the operating budget. Any portion in excess of 16 percent is dedicated to capital expenses, unless otherwise directed by City Council. At June 30, 2024, \$13.9 is committed for capital projects.

Other major governmental funds are the debt service, capital projects, and general COVID relief funds. The debt service fund has a total fund balance of \$190.4, all of which will be used for either the payment of debt service or is restricted by State Statute. Debt service fund balance decreased \$28.0 from the prior year. The capital projects fund has a total fund balance of \$533.5, almost all of which is committed for future capital projects. Capital project fund balance increased \$157.2 from the prior year. The general COVID relief fund has a total fund balance of \$(3.6) all of which is unassigned.

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

Unrestricted net position at the end of the year amounted to \$376.0 in the Water and Sewer fund, \$135.8 in the Storm Water fund, \$804.5 in the Airport fund and \$258.9 in the Public Transit fund. The changes in net position for the funds were \$209.8, \$42.9, \$305.2 and \$9.9, respectively. Factors concerning the finances of these funds have already been addressed in the discussion of the business-type activities.

## GENERAL FUND BUDGETARY HIGHLIGHTS

Revenues were \$24.3 above the final budgeted amount. Property tax, investment earnings, and administrative charges were \$22.3 more than expected. Property tax revenues exceeded expectations due to fiscal year 2024 being a revaluation year and revenues being estimated based on a higher appeals rate than was actually achieved. Higher investment earnings resulted from increased cash balances and interest rates throughout the year. Administrative charges resulted from continuous efforts by city staff to collect fees to reimburse costs.

The fiscal 2024 budget increased 6.2 percent over the fiscal 2023 budget to address the Mayor and Council's strategic priorities: well-managed government, great neighborhoods, safe communities, transportation planning, and workforce and business development. The development of the FY 2024 budget was guided by the strategic priorities with funding directed towards programs and services that support these priorities. The priorities serve as the foundation for funding decisions and setting objectives. The two largest revenue sources in the general fund are property tax and sales tax which comprise 70.6 percent of total revenue.

Actual expenditures agreed to final budget amounts for fiscal year 2024. The proposed budget was developed with the goal of maintaining core services and taking care of our highest priority needs while not burdening residents.

## CAPITAL ASSET AND DEBT ADMINISTRATION

**Capital assets.** At June 30, 2024, the City had \$18,045.9 (net of accumulated depreciation and amortization) in capital assets consisting primarily of land, buildings, roads, and water and sewer lines. This amount represents a net increase of \$1,124.7, or 6.6 percent over last year. The following is a summary of capital assets at June 30, 2024 and 2023:

<b>Capital Assets</b>						
(Net of Depreciation and Amortization)						
	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total Primary Government</b>	
	<b>2024</b>	<b>2023</b>	<b>2024</b>	<b>2023</b>	<b>2024</b>	<b>2023</b>
Land	\$ 3,842.9	\$ 3,706.4	\$ 687.9	\$ 670.2	\$ 4,530.8	\$ 4,376.6
Buildings	945.6	977.0	1,178.2	1,039.9	2,123.8	2,016.9
Improvements other than buildings	—	—	8,149.9	7,044.3	8,149.9	7,044.3
Infrastructure	1,734.9	1,691.2	—	—	1,734.9	1,691.2
Intangibles	5.0	6.1	49.9	40.9	54.9	47.0
Machinery and equipment	98.9	84.1	381.8	381.7	480.7	465.8
Construction in progress	310.6	226.4	547.8	962.5	858.4	1,188.9
Right to use land	—	—	10.2	10.5	10.2	10.5
Right to use buildings	13.9	16.5	—	—	13.9	16.5
Right to use infrastructure	1.4	1.5	—	—	1.4	1.5
Right to use machinery and equipment	1.5	0.4	4.9	1.7	6.4	2.1
SBITAs	70.2	50.0	10.4	9.9	80.6	59.9
<b>Totals</b>	<b>\$ 7,024.9</b>	<b>\$ 6,759.6</b>	<b>\$ 11,021.0</b>	<b>\$ 10,161.6</b>	<b>\$ 18,045.9</b>	<b>\$ 16,921.2</b>

This year's major capital asset additions included:

- Terminal Lobby Expansion - \$232.8
- Concourse A Expansion Phase II - \$189.3
- Stowe Regional WRRF - \$167.2
- North End Around Taxiway Master Program - \$144.2

At June 30, 2024, authorized and unexpended capital projects totaled \$3,476.0 as follows: Governmental \$1,716.5, Water and Sewer \$524.3, Storm Water \$130.0, Airport \$759.0, and Public Transit \$346.2. The City has plans to issue additional debt to finance these projects in addition to using resources currently available.

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



**Long-term debt.** At June 30, 2024, the City had \$6,587.7 of debt outstanding in bonds, installment purchases, derivative instrument liability, and other financing agreements. This was an increase of \$816.9 over last year. Details by type of debt are presented in the following table:

	Outstanding Debt					
	Governmental Activities		Business-type Activities		Total Primary Government	
	2024	2023	2024	2023	2024	2023
General obligation bonds (backed by the City's taxing authority)	\$ 912.6	\$ 711.8	\$ —	\$ 1.7	\$ 912.6	\$ 713.5
Revenue bonds (backed by specific fee revenues)	—	—	4,223.4	3,359.9	4,223.4	3,359.9
Direct placement installment purchases	—	—	6.5	13.6	6.5	13.6
Installment purchases	695.0	627.3	260.1	258.1	955.1	885.4
Direct placement installment purchases draw program	9.4	—	—	—	9.4	—
Direct placement general obligation bond anticipation notes	59.7	184.8	—	—	59.7	184.8
Direct placement revenue bond anticipation notes	—	—	231.0	433.6	231.0	433.6
Derivative instrument liability	2.1	8.8	—	—	2.1	8.8
Swaption borrowing payable	3.3	3.8	—	—	3.3	3.8
Direct borrowing loans and other financing agreements	—	—	98.5	89.5	98.5	89.5
Leases	17.6	18.8	4.9	1.7	22.5	20.5
SBITAs	53.9	48.1	9.7	9.3	63.6	57.4
<b>Totals</b>	<b>\$ 1,753.6</b>	<b>\$ 1,603.4</b>	<b>\$ 4,834.1</b>	<b>\$ 4,167.4</b>	<b>\$ 6,587.7</b>	<b>\$ 5,770.8</b>

New debt for 2024 included the issuance of refunding and taxable Housing GO bonds (\$308.1), revenue bonds for refunding and various Airport and Water Sewer projects (\$996.0), installment purchases for refunding and various City and Water Sewer projects (\$227.5), bond anticipation notes (\$508.1), an installment purchases draw program (\$9.4), and state revolving loans (\$13.9).

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

The City's total debt of \$6,587.7 arises from both governmental and business-type activities. The largest portion of debt is revenue bonds, 64.1 percent, which are backed by specific fee revenues, rather than the City's taxing authority.

North Carolina General Statutes limit the amount of general obligation debt that the City can issue to 8 percent of the total assessed value of taxable property. The legal debt margin for the City at June 30, 2024 was \$15.2 billion. The City had \$454.1 in authorized but unissued debt for streets, housing, and neighborhood improvements.

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

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

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

- During fiscal year 2024, 23,517 building permits were issued with a value of over \$8.1 billion compared to 24,071 permits for 2023.
- Retail sales during fiscal year 2024 were \$35.0 billion compared to \$34.1 billion for fiscal year 2023. Sales tax revenue is projected to increase by 5.5 percent next year.
- The June 2024 unemployment rate was 4.0 percent compared to 4.1 percent for the State and 4.3 percent for the nation. As of March 2024, employment grew by 1.0 percent, adding 14,215 jobs compared to the same period last year.

- Assessed property valuations are expected to exceed \$226.3 billion for 2025 compared to \$214.8 billion for 2024, or an increase of 5.3 percent.

The fiscal 2025 operating budget is \$2,019.1, an increase of 7.6 percent over fiscal year 2024. The development of the 2025 budget included a review of revenue and financial approaches that maintain a good value to tax and rate-payers, are consistent with Council policy, and uphold the city's strong financial ratings.

The 2025 General fund budget increased by \$63.2 to \$896.8 and reflects a 7.6 percent increase from fiscal year 2024. The two largest revenue sources in the General fund are property tax and sales tax which comprise approximately 70.1 percent of total revenue.

The following are highlights for the 2025 budgets for the business-type activities:

- The Water and Sewer budget is \$249.3, a 10.1 percent increase over 2024, and includes an increase of \$8.8 to update funding to more accurately reflect operational needs in contracted services, maintenance materials and supplies, chemicals for treatment, and energy utilities.
- The Storm Water budget is \$32.9, a 12.7 percent increase from 2024 and includes an increase of \$4.5 to adjust cash transfers to capital projects based on Storm Water's financial planning and capital project schedule.
- The Airport budget is \$270.4, a 17.1 percent increase from 2024. This restores funding to reflect the return of passengers and to respond to inflationary pressures. There is also an increase to provide support for increases in costs of goods and services across the aviation department.
- The Public Transit budget is \$261.0, a 14.6 percent increase over 2024, and includes an increase of \$7.7 to provide funds for safety and security along bus routes, light rail lines, CityLYNX Gold Line, and the Charlotte Transportation Center.

## CONTACTING THE CITY'S FINANCIAL MANAGEMENT

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



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### Financial Information

#### Financial Statements

The financial statements of the City have been audited by certified public accountants for the fiscal years ended June 30, 2024, 2023 and 2022. Copies of these financial statements containing the reports of the independent certified public accountants are available in the office of Teresa Smith, Finance Director, at City of Charlotte, 600 East Fourth Street, Charlotte, North Carolina 28202-2848, or on the City's website at: <https://www.charlottenc.gov/City-Government/Departments/Finance/Publications>.

The Government Finance Officers Association (GFOA) awarded the City a Certificate of Achievement for Excellence in Financial Reporting for the 39<sup>th</sup> consecutive year for its Annual Comprehensive Financial Report, including the fiscal year ended June 30, 2023. To receive this award, the highest form of recognition in governmental financial reporting, a governmental unit must publish a financial report that complies with both generally accepted accounting principles and applicable legal requirements. The City believes that the annual financial report for the year ended June 30, 2024, will continue to meet the requirements under the Certificate of Achievement Program.

The City financial statements present the government-wide financial statements, which are shown on pages D-2 through D-5 of this official statement and include fund and budgetary reporting. The government-wide financial statements are prepared on the full accrual basis of accounting. The government-wide statements report capital assets and all long-term obligations, for both governmental-type and business-type activities. As a result, government officials can demonstrate operational accountability in their stewardship of public funds in the long-term, in addition to demonstrating fiscal accountability in the short-term through the budgetary statements.

Fund reporting is presented to report on the government's most important funds individually as *major* funds instead of reporting all funds in the aggregate by fund type. The General Fund is always a major fund for a unit of government, and other governmental or enterprise funds may qualify as well. Also, in addition to presenting the budget as it stands at fiscal year-end, the budget is presented as originally adopted by the governing board as well. This information will provide readers the opportunity to see what changes have been made to the budget over the course of the fiscal year and to evaluate the City's ability to manage and estimate its resources. See page D-10 for the presentation of the City's budgetary statement.

The following financial statements are the basic financial statements of the City and the notes thereto, lifted from the Annual Comprehensive Financial Report of the City for the fiscal year ended June 30, 2024.



**CITY OF CHARLOTTE, NORTH CAROLINA**  
**STATEMENT OF NET POSITION**  
**June 30, 2024**  
**(Dollar Amounts in Thousands)**

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Charlotte Regional Visitors Authority
<b>Assets:</b>				
Cash, cash equivalents and investments	\$ 1,003,496	\$ 1,568,340	\$ 2,571,836	\$ 47,705
Receivables, net	34,726	152,724	187,450	5,951
Lease receivables, net	12,043	157,726	169,769	88
Due from other governmental agencies	121,849	125,261	247,110	2,109
Due from component unit	1,971	—	1,971	—
Due from primary government	—	—	—	905
Due from fiduciary funds	212	—	212	—
Internal balances	20,144	(20,144)	—	—
Inventories	1,502	18,447	19,949	702
Prepaid items	1,037	8,261	9,298	1,618
Restricted assets:				
Temporarily restricted-				
Cash and cash equivalents	43	267,547	267,590	—
Investments	220,562	465,316	685,878	—
Permanently restricted-				
Cash, cash equivalents and investments	3,490	—	3,490	—
Notes receivable	229,676	—	229,676	—
Restricted Net OPEB asset (Note 5.f.)	—	34,970	34,970	—
Capital assets (Note 4.f.)				
Land	3,842,942	687,851	4,530,793	—
Buildings, improvements, infrastructure, intangibles, and machinery and equipment, net of depreciation	2,784,345	9,759,834	12,544,179	—
Construction in progress	310,628	547,823	858,451	—
Right to use lease assets, net of amortization	16,795	15,135	31,930	4,107
Right to use SBITA assets, net of amortization	70,180	10,364	80,544	595
<b>Total assets</b>	<b>8,675,641</b>	<b>13,799,455</b>	<b>22,475,096</b>	<b>63,780</b>
<b>Deferred Outflows Of Resources:</b>				
Pension deferrals (Note 5)	651,368	59,237	710,605	7,398
OPEB deferrals (Note 5.f.)	33,445	4,276	37,721	2,378
Contributions to pension plan in current fiscal year (Note 5)	76,145	24,871	101,016	3,033
Accumulated decrease in fair value of hedging derivatives	2,054	—	2,054	—
Loss on refundings	465	10,036	10,501	—
Unamortized bond refunding charges	411	2,828	3,239	—
<b>Total deferred outflows of resources</b>	<b>763,888</b>	<b>101,248</b>	<b>865,136</b>	<b>12,809</b>

## FINANCIAL SECTION

### Basic Financial Statements

**CITY OF CHARLOTTE, NORTH CAROLINA**  
**STATEMENT OF NET POSITION-(Continued)**  
**June 30, 2024**  
**(Dollar Amounts in Thousands)**

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Charlotte Regional Visitors Authority
<b>Liabilities:</b>				
Accounts payable/claims payable	\$ 159,786	\$ 181,092	\$ 340,878	\$ 11,266
Deposits and retainage payable	5,442	36,129	41,571	8,800
Accrued interest payable	16,470	33,774	50,244	—
Due to component unit	857	48	905	—
Due to primary government	—	—	—	1,971
Unearned revenues	61,617	20,981	82,598	147
Liabilities payable from restricted assets	38,312	195,043	233,355	—
Noncurrent liabilities:				
Due within one year	169,747	129,773	299,520	—
Due after one year-				
Pension liability (Note 5)	991,769	139,075	1,130,844	15,678
Net OPEB liability (Note 5.f.)	240,750	2,164	242,914	20,217
Bonds, notes, claims and compensated absences	1,670,130	4,683,798	6,353,928	5,307
<b>Total liabilities</b>	<b>3,354,880</b>	<b>5,421,877</b>	<b>8,776,757</b>	<b>63,386</b>
<b>Deferred Inflows Of Resources:</b>				
Leases	10,299	148,933	159,232	277
Prepaid taxes	3,177	—	3,177	—
Pension deferrals (Note 5)	399,977	3,245	403,222	400
OPEB deferrals (Note 5.f.)	72,700	9,293	81,993	5,642
Gain on refundings	26,948	29,121	56,069	—
<b>Total deferred inflows of resources</b>	<b>513,101</b>	<b>190,592</b>	<b>703,693</b>	<b>6,319</b>
<b>Net Position:</b>				
Net investment in capital assets	5,335,011	6,250,848	11,585,859	—
Restricted for:				
State statute	96,236	—	96,236	—
Debt service	—	137,286	137,286	—
Perpetual care - Nonexpendable	3,490	—	3,490	—
Other purposes (Note 1.d.(10))	347,808	—	347,808	—
Passenger facility charges	—	237,113	237,113	—
Contract facility charges	—	9,309	9,309	—
Airport working capital	—	63,933	63,933	—
Net OPEB asset (Note 5.f.)	—	34,970	34,970	—
Unrestricted (deficit)	(210,997)	1,554,775	1,343,778	6,884
<b>Total net position</b>	<b>\$ 5,571,548</b>	<b>\$ 8,288,234</b>	<b>\$ 13,859,782</b>	<b>\$ 6,884</b>

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



## FINANCIAL SECTION

### Basic Financial Statements

**CITY OF CHARLOTTE, NORTH CAROLINA**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2024**  
**(Dollar Amounts in Thousands)**

Activities	Expenses	Program Revenues		
		Fees, Fines, and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental-				
Public safety	\$ 632,884	\$ 57,579	\$ 10,833	\$ 2,831
Sanitation	88,708	35,312	716	–
General administration	60,968	4,837	11,647	23
Support services	93,304	52,691	1	–
Engineering and property management	51,203	7,060	1,007	878
Streets and highways	157,860	10,875	4,030	236,536
Culture and recreation	66,543	2,948	1,318	2,151
Community planning and development	110,566	13,732	37,031	1,825
Interest and other charges	57,536	–	–	–
<b>Total governmental</b>	<b>1,319,572</b>	<b>185,034</b>	<b>66,583</b>	<b>244,244</b>
Business-type-				
Water	243,425	223,755	–	58,634
Sewer	253,718	347,738	–	68,204
Storm water	55,368	92,058	–	154
Airport	504,765	522,993	89,904	123,753
Public transit	288,788	19,711	54,385	19,350
<b>Total business-type</b>	<b>1,346,064</b>	<b>1,206,255</b>	<b>144,289</b>	<b>270,095</b>
<b>Total primary government</b>	<b>\$ 2,665,636</b>	<b>\$ 1,391,289</b>	<b>\$ 210,872</b>	<b>\$ 514,339</b>
Component Unit:				
Charlotte Regional Visitors Authority	\$ 105,065	\$ 66,765	\$ –	\$ –
General revenues:				
Taxes-				
Property				
Utility franchise				
Occupancy				
Prepared foods				
Business privilege				
Municipal vehicle				
Intergovernmental-				
Sales				
Sales, levied for Public transit				
Payment from City of Charlotte				
Grants and contributions not restricted to specific programs				
Investment earnings				
Miscellaneous				
Transfers				
<b>Total general revenues and transfers</b>				
Change in net position				
<b>Net position - beginning, as previously reported</b>				
Error correction				
<b>Net position - beginning, restated</b>				
<b>Net position - ending</b>				

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



Net (Expense) Revenue and Changes in Net Position				
Primary Government			Component Unit	
Governmental Activities	Business-type Activities	Total	Charlotte Regional Visitors Authority	
\$ (561,641)	\$ —	\$ (561,641)	\$	—
(52,680)	—	(52,680)		—
(44,461)	—	(44,461)		—
(40,612)	—	(40,612)		—
(42,258)	—	(42,258)		—
93,581	—	93,581		—
(60,126)	—	(60,126)		—
(57,978)	—	(57,978)		—
(57,536)	—	(57,536)		—
<b>(823,711)</b>	<b>—</b>	<b>(823,711)</b>		<b>—</b>
—	38,964	38,964		—
—	162,224	162,224		—
—	36,844	36,844		—
—	231,885	231,885		—
—	(195,342)	(195,342)		—
—	<b>274,575</b>	<b>274,575</b>		—
<b>(823,711)</b>	<b>274,575</b>	<b>(549,136)</b>		<b>—</b>
—	—	—		(38,300)
585,561	—	585,561		—
58,756	—	58,756		—
77,970	—	77,970		—
51,866	—	51,866		—
11	—	11		—
19,208	—	19,208		—
203,843	—	203,843		—
—	155,805	155,805		—
—	—	—		42,881
38,302	—	38,302		—
55,629	102,634	158,263		1,784
(703)	4,402	3,699		160
(25,007)	25,007	—		—
<b>1,065,436</b>	<b>287,848</b>	<b>1,353,284</b>		<b>44,825</b>
241,725	562,423	804,148		6,525
<b>5,335,387</b>	<b>7,725,811</b>	<b>13,061,198</b>		<b>359</b>
(5,564)	—	(5,564)		—
<b>5,329,823</b>	<b>7,725,811</b>	<b>13,055,634</b>		<b>359</b>
<b>\$ 5,571,548</b>	<b>\$ 8,288,234</b>	<b>\$ 13,859,782</b>	<b>\$</b>	<b>6,884</b>

## FINANCIAL SECTION

### Basic Financial Statements

#### CITY OF CHARLOTTE, NORTH CAROLINA

#### BALANCE SHEET

#### GOVERNMENTAL FUNDS

June 30, 2024

(Dollar Amounts in Thousands)

	General	Debt Service	Capital Projects	General COVID Relief	Other Governmental Funds	Total Governmental Funds
<b>Assets:</b>						
Cash, cash equivalents and investments	\$ 216,981	\$ 179,298	\$ 230,296	\$ –	\$ 290,981	\$ 917,556
Receivables, net:						
Property taxes	6,805	1,681	169	–	107	8,762
Accounts	3,939	–	30	–	4,651	8,620
Lease receivable	12,029	–	14	–	–	12,043
Other	111	–	–	–	26	137
<b>Total receivables</b>	<b>22,884</b>	<b>1,681</b>	<b>213</b>	<b>–</b>	<b>4,784</b>	<b>29,562</b>
Due from other governmental agencies	65,861	8,963	21,344	117	25,546	121,831
Due from other funds	–	9,410	8,589	–	–	17,999
Due from component unit	–	1,673	298	–	–	1,971
Inventories	–	–	1,502	–	–	1,502
Prepaid items	26	–	–	–	–	26
Restricted assets:						
Cash and cash equivalents	–	–	43	–	–	43
Investments	–	54	138,407	–	82,101	220,562
<b>Total restricted assets</b>	<b>–</b>	<b>54</b>	<b>138,450</b>	<b>–</b>	<b>82,101</b>	<b>220,605</b>
Notes receivable	8,000	–	193,877	–	27,799	229,676
<b>Total assets</b>	<b>\$ 313,752</b>	<b>\$ 201,079</b>	<b>\$ 594,569</b>	<b>\$ 117</b>	<b>\$ 431,211</b>	<b>\$ 1,540,728</b>
<b>Liabilities, deferred inflows of resources and fund balances</b>						
<b>Liabilities:</b>						
Accounts payable	\$ 39,331	\$ 7,324	\$ 15,693	\$ 36	\$ 7,081	\$ 69,465
Deposits and retainage payable	4,938	–	47	–	457	5,442
Due to other funds	631	–	6,226	3,596	8,545	18,998
Due to component unit	–	–	239	–	618	857
Unearned revenues	–	–	–	35	61,569	61,604
Liabilities payable from restricted assets	–	–	38,312	–	–	38,312
<b>Total liabilities</b>	<b>44,900</b>	<b>7,324</b>	<b>60,517</b>	<b>3,667</b>	<b>78,270</b>	<b>194,678</b>
<b>Deferred inflows of resources:</b>						
Leases	10,283	–	16	–	–	10,299
Prepaid taxes	3,177	–	–	–	–	3,177
Unavailable revenues	10,485	3,354	497	–	1,669	16,005
<b>Total deferred inflows of resources</b>	<b>23,945</b>	<b>3,354</b>	<b>513</b>	<b>–</b>	<b>1,669</b>	<b>29,481</b>
<b>Fund balances:</b>						
Nonspendable:						
Inventories	–	–	1,502	–	–	1,502
Leases	1,857	–	–	–	–	1,857
Perpetual care	–	–	–	–	3,490	3,490
Prepaid items	26	–	–	–	–	26
Long-term notes receivable	8,000	–	–	–	–	8,000
Restricted:						
State statute	77,667	18,569	–	–	–	96,236
Other purposes (Note 1.d.(10))	–	–	–	–	347,808	347,808
Committed:						
Capital Projects	13,874	–	532,037	–	–	545,911
Debt service	–	92,864	–	–	–	92,864
Assigned:						
Debt service	–	78,968	–	–	–	78,968
Other purposes (Note 1.d.(10))	–	–	–	–	–	–
Unassigned (Note 1.d.(10))	143,483	–	–	(3,550)	(26)	139,907
<b>Total fund balances</b>	<b>244,907</b>	<b>190,401</b>	<b>533,539</b>	<b>(3,550)</b>	<b>351,272</b>	<b>1,316,569</b>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 313,752</b>	<b>\$ 201,079</b>	<b>\$ 594,569</b>	<b>\$ 117</b>	<b>\$ 431,211</b>	<b>\$ 1,540,728</b>

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

**CITY OF CHARLOTTE, NORTH CAROLINA**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS**  
**BALANCE SHEET TO THE STATEMENT OF NET POSITION**  
**June 30, 2024**  
**(Dollar Amounts in Thousands)**

Total fund balances for governmental funds	\$ 1,316,569
Total net position reported for governmental activities in the statement of net position is different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds	6,937,915
Right to use lease assets used in governmental activities are not financial resources and therefore are not reported in the funds	16,775
Right to use SBITA assets used in governmental activities are not financial resources and therefore are not reported in the funds	70,180
Contributions to pension plans in the current fiscal year are deferred outflows of resources	75,885
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds	26,604
Deferred outflows and inflows related to changes in noncurrent liabilities are neither financial resources nor due and payable in the current period and therefore are not reported in the funds	(24,018)
Internal service funds are used to charge the costs of insured and uninsured risks of loss as well as employee health and life claims to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position	22,777
Noncurrent liabilities are not due and payable in the current period and, therefore, are not reported in the funds (Note 2.a.)	(1,852,315)
Net pension liability	(990,313)
Pension related deferrals	250,805
Net OPEB liability	(240,148)
OPEB related deferrals	(39,168)
Total net position of governmental activities	<u>\$ 5,571,548</u>

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

## FINANCIAL SECTION

### Basic Financial Statements

#### CITY OF CHARLOTTE, NORTH CAROLINA

#### STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

#### GOVERNMENTAL FUNDS

FOR THE YEAR ENDED JUNE 30, 2024

(Dollar Amounts in Thousands)

	General	Debt Service	Capital Projects	General COVID Relief	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>						
Property taxes	\$ 455,462	\$ 111,602	\$ 8,190	\$ –	\$ 10,094	\$ 585,348
Other taxes	1,703	418	16,042	–	135,138	153,301
Intergovernmental	261,575	33,166	31,180	1,279	83,805	411,005
Licenses, fees and fines	52,914	54	16,061	–	4,641	73,670
Investment earnings	9,716	10,084	11,032	–	16,476	47,308
Administrative charges	62,082	–	–	–	4,141	66,223
Charges for current services	13,752	–	–	–	915	14,667
Miscellaneous	2,905	160	807	–	1,428	5,300
Private contributions	309	–	898	–	5,689	6,896
<b>Total revenues</b>	<b>860,418</b>	<b>155,484</b>	<b>84,210</b>	<b>1,279</b>	<b>262,327</b>	<b>1,363,718</b>
<b>Expenditures:</b>						
Current-						
Public safety	510,281	7,848	–	–	13,695	531,824
Sanitation	82,666	15	–	–	–	82,681
General administration	56,638	19	–	–	10,713	67,370
Support services	49,388	(6)	–	39	7,071	56,492
Engineering and property management	25,136	22	–	–	298	25,456
Streets and highways	42,504	24	–	–	21,241	63,769
Culture and recreation	–	–	–	–	46,784	46,784
Community planning and development	37,801	369	–	2,262	62,305	102,737
Business-type grant funded	–	–	–	–	272	272
Debt service-						
Principal	12,341	295,749	20,832	–	242	329,164
Interest and other charges	1,278	63,919	459	–	8	65,664
Capital outlay	–	–	260,751	–	–	260,751
<b>Total expenditures</b>	<b>818,033</b>	<b>367,959</b>	<b>282,042</b>	<b>2,301</b>	<b>162,629</b>	<b>1,632,964</b>
Excess (deficiency) of revenues over (under) expenditures	42,385	(212,475)	(197,832)	(1,022)	99,698	(269,246)
<b>Other Financing Sources (Uses):</b>						
Proceeds from sales of capital assets	764	–	–	–	1,071	1,835
Capital-related debt issued	–	291	249,326	–	–	249,617
Refunding bonds issued	–	321,275	–	–	–	321,275
Premium on debt issuance	–	22,064	12,240	–	–	34,304
Payment to refunded bond escrow agent	–	(140,690)	–	–	–	(140,690)
Lease liabilities issued	1,760	–	–	–	–	1,760
SBITA liabilities issued	2,150	–	34,835	–	–	36,985
Transfers in	955	70,898	116,731	2,963	18,557	210,104
Transfers out	(40,231)	(89,193)	(58,104)	–	(53,168)	(240,696)
<b>Total other financing sources (uses)</b>	<b>(34,602)</b>	<b>184,645</b>	<b>355,028</b>	<b>2,963</b>	<b>(33,540)</b>	<b>474,494</b>
Net change in fund balances	7,783	(27,830)	157,196	1,941	66,158	205,248
<b>Fund balances - beginning, as previously reported</b>	<b>237,124</b>	<b>218,231</b>	<b>376,343</b>	<b>73</b>	<b>285,114</b>	<b>1,116,885</b>
Error correction	–	–	–	(5,564)	–	(5,564)
<b>Fund balances - beginning, restated</b>	<b>237,124</b>	<b>218,231</b>	<b>376,343</b>	<b>(5,491)</b>	<b>285,114</b>	<b>1,111,321</b>
<b>Fund balances - ending</b>	<b>\$ 244,907</b>	<b>\$ 190,401</b>	<b>\$ 533,539</b>	<b>\$ (3,550)</b>	<b>\$ 351,272</b>	<b>\$ 1,316,569</b>

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



## CITY OF CHARLOTTE, NORTH CAROLINA

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND  
BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2024  
(Dollar Amounts in Thousands)**

Net change in fund balances - total governmental funds	\$ 205,248
The change in net position reported for governmental activities in the statement of activities is different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation and amortization expense. This is the amount by which capital outlays exceeded depreciation and amortization expense in the current period. (Note 2.b.)	53,744
Contributions to the pension plan in the current fiscal year are not included on the statement of activities.	75,885
The net effect of various miscellaneous transactions involving capital assets (ie, sales and donations) is to decrease net position. (Note 2.b.)	211,593
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	3,524
The issuance of long-term debt (eg, bonds and installment purchases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position in the government-wide statements. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items. (Note 2.b.)	(172,947)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. (Note 2.b.)	(138,901)
Internal service funds are used to charge the costs of insured and uninsured risks of loss as well as employee health and life claims to individual funds. The net revenue of certain activities of the internal service funds is reported with governmental activities.	3,579
Change in net position of governmental activities.	<u>\$ 241,725</u>

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



## FINANCIAL SECTION

### Basic Financial Statements

**CITY OF CHARLOTTE, NORTH CAROLINA**  
**STATEMENT OF BUDGETARY COMPARISON (NON-GAAP BASIS)**  
**GENERAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2024**  
**(Dollar Amounts in Thousands)**

	Budgeted Amounts		Actual	Variance with
	Original	Final	(Budgetary Basis)	Final Budget Positive (Negative)
<b>Revenues:</b>				
Property taxes	\$ 443,154	\$ 443,154	\$ 455,462	\$ 12,308
Sales tax	145,093	145,093	146,117	1,024
Other taxes	950	950	1,703	753
Utilities sales tax	55,799	55,799	58,896	3,097
CATV franchises	6,601	6,601	5,838	(763)
Other intergovernmental	48,446	49,571	50,724	1,153
Refuse fees	35,453	35,453	35,037	(416)
Other licenses, fees and fines	17,552	18,251	17,877	(374)
Investment earnings	3,433	3,433	9,716	6,283
Administrative charges	56,708	58,333	62,082	3,749
Charges for current services	15,740	15,740	13,179	(2,561)
Miscellaneous	2,264	2,264	2,978	714
Sales of capital assets	1,335	1,335	764	(571)
Transfers in-				
Debt service	123	123	—	(123)
Capital projects	650	650	650	—
Special Revenue:				
Convention Center tax	250	250	250	—
Perpetual Care	55	55	55	—
<b>Total transfers in</b>	<b>1,078</b>	<b>1,078</b>	<b>955</b>	<b>(123)</b>
Resources available for appropriation	833,606	837,055	861,328	<b>\$ 24,273</b>
Fund balance appropriated (contributed)	—	28,900	4,572	
<b>Total amounts available for appropriation</b>	<b>\$ 833,606</b>	<b>\$ 865,955</b>	<b>\$ 865,900</b>	
<b>Expenditures:</b>				
Public safety	\$ 505,353	\$ 512,408	\$ 517,844	\$ (5,436)
Sanitation	81,989	85,948	86,713	(765)
General administration	56,701	59,443	59,217	226
Support services	52,478	53,185	53,072	113
Engineering and property management	25,821	27,759	25,818	1,941
Streets and highways	43,511	42,969	43,278	(309)
Community planning and development	43,322	44,012	39,727	4,285
Transfers out-				
Debt Service	21,665	21,665	21,665	—
Capital Projects	—	15,735	15,735	—
Special Revenue:				
State Street Aid	1,000	1,000	1,000	—
Tourism	1,308	1,308	1,308	—
Public Safety and Other Grants	458	458	458	—
Public Safety Communications	—	65	65	—
<b>Total transfers out</b>	<b>24,431</b>	<b>40,231</b>	<b>40,231</b>	<b>—</b>
<b>Total charges to appropriations</b>	<b>\$ 833,606</b>	<b>\$ 865,955</b>	<b>\$ 865,900</b>	<b>\$ 55</b>

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



## CITY OF CHARLOTTE, NORTH CAROLINA

RECONCILIATION OF THE STATEMENT OF BUDGETARY COMPARISON TO THE  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GENERAL FUND

FOR THE YEAR ENDED JUNE 30, 2024

(Dollar Amounts in Thousands)

Sources (inflows) of resources:

Actual amounts (budgetary basis) "available for appropriation" from the statement of budgetary comparison	\$	865,900
Differences - budget to GAAP:		
Contributed fund balance is a budgetary resource available for appropriation but is not a current-year revenue for financial reporting purposes.		(4,572)
The difference between lease revenue as measured under GASB 87 and rent revenue received according to the terms of lessor lease agreements is included as an adjustment to charges for current services for financial reporting purposes.		573
Interest revenue recognized on the GASB 87 lease receivable is included as miscellaneous revenue for financial reporting purposes.		236
Transfers from other funds are inflows of budgetary resources but are not revenues for financial reporting purposes.		(955)
Proceeds from the sale of salvage and land are budgetary resources but are regarded as other financing resources, rather than revenue, for financial reporting purposes.		(764)
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds	\$	<u>860,418</u>

Uses (outflows) of resources:

Actual amounts (budgetary basis) "total charges to appropriations" from the statement of budgetary comparison	\$	865,900
Differences - budget to GAAP:		
The difference between lease capital outlay as measured by GASB 87 and lease expense paid according to the terms of lessee lease agreements is included as an adjustment to expenditures by function for reporting purposes		(433)
The difference between SBITA capital outlay as measured by GASB 96 and SBITA expense paid according to the terms of SBITA agreements is included as an adjustment to expenditures by function for reporting purposes		(9,276)
Principal and interest portions of GASB 87 lease payments and GASB 96 SBITA payments are included within Debt service - Principal and Debt service - Interest and other charges for financial reporting purposes.		13,619
Encumbrances for supplies and equipment ordered but not received are reported in the year the order is placed for budgetary purposes, but in the year the supplies are received for financial reporting purposes.		(11,546)
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes.		(40,231)
Total expenditures as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds	\$	<u>818,033</u>

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

## FINANCIAL SECTION

### Basic Financial Statements

**CITY OF CHARLOTTE, NORTH CAROLINA**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**June 30, 2024**  
**(Dollar Amounts in Thousands)**

	Business-type Activities -		
	Water and Sewer	Storm Water	Airport
<b>Assets:</b>			
Current assets:			
Cash, cash equivalents and investments	\$ 385,078	\$ 136,321	\$ 825,913
Receivables, net-			
Accounts	66,654	13,613	48,342
Lease receivable	313	—	17,379
Other	2,798	1,517	14,077
<b>Total receivables</b>	<b>69,765</b>	<b>15,130</b>	<b>79,798</b>
Due from other governmental agencies	17,233	35	55,477
Due from other funds	307	—	61
Prepaid items	—	—	7,524
Inventories	3,032	—	—
Restricted assets-			
Cash and cash equivalents	—	—	267,547
Investments	16,170	—	449,146
<b>Total restricted assets</b>	<b>16,170</b>	<b>—</b>	<b>716,693</b>
<b>Total current assets</b>	<b>491,585</b>	<b>151,486</b>	<b>1,685,466</b>
Noncurrent assets:			
Lease receivable	2,645	—	130,250
Net OPEB asset	25,221	—	9,749
Capital assets-			
Land	69,440	1,530	438,303
Buildings	105,651	—	1,583,165
Improvements other than buildings:			
Water and sewer systems	7,747,175	—	—
Storm water systems	—	1,234,007	—
Runways	—	—	661,336
Transit corridors	—	—	—
Other	—	—	1,006,617
<b>Total improvements other than buildings</b>	<b>7,747,175</b>	<b>1,234,007</b>	<b>1,667,953</b>
Intangibles	63,935	3,619	20,332
Machinery and equipment	96,589	1,622	213,177
Construction in Progress	33,720	40,408	381,544
Right to use lease assets	4,266	60	1,453
Right to use SBITA assets	4,599	—	9,860
<b>Total capital assets</b>	<b>8,125,375</b>	<b>1,281,246</b>	<b>4,315,787</b>
Less accumulated depreciation	2,653,064	171,882	1,308,991
Less accumulated right to use lease asset amortization	583	28	509
Less accumulated right to use SBITA asset amortization	1,650	—	3,419
<b>Total capital assets, net</b>	<b>5,470,078</b>	<b>1,109,336</b>	<b>3,002,868</b>
<b>Total noncurrent assets</b>	<b>5,497,944</b>	<b>1,109,336</b>	<b>3,142,867</b>
<b>Total assets</b>	<b>5,989,529</b>	<b>1,260,822</b>	<b>4,828,333</b>
<b>Deferred Outflows of Resources:</b>			
Pension deferrals	23,089	5,759	18,393
OPEB deferrals	2,139	431	987
Contributions to pension plan in current fiscal year	9,694	2,418	7,722
Loss on refundings	10,036	—	—
Unamortized bond refunding charges	2,419	65	344
<b>Total deferred outflows of resources</b>	<b>47,377</b>	<b>8,673</b>	<b>27,446</b>

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



Enterprise Funds		Governmental Activities-	
Public Transit	Total	Internal Service Funds	
\$ 221,028	\$ 1,568,340	\$ 89,430	
2,829	131,438	—	
587	18,279	—	
2,894	21,286	6,608	
<b>6,310</b>	<b>171,003</b>	<b>6,608</b>	
52,516	125,261	18	
—	368	843	
737	8,261	1,011	
15,415	18,447	—	
—	267,547	—	
—	465,316	—	
—	<b>732,863</b>	—	
<b>296,006</b>	<b>2,624,543</b>	<b>97,910</b>	
6,552	139,447	—	
—	34,970	—	
178,578	687,851	—	
410,769	2,099,585	—	
—	7,747,175	—	
—	1,234,007	—	
—	661,336	—	
1,016,675	1,016,675	—	
48,387	1,055,004	—	
<b>1,065,062</b>	<b>11,714,197</b>	—	
24,765	112,651	—	
463,984	775,372	60	
92,151	547,823	—	
13,795	19,574	37	
1,783	16,242	—	
<b>2,250,887</b>	<b>15,973,295</b>	<b>97</b>	
808,034	4,941,971	60	
3,319	4,439	17	
809	5,878	—	
<b>1,438,725</b>	<b>11,021,007</b>	<b>20</b>	
<b>1,445,277</b>	<b>11,195,424</b>	<b>20</b>	
<b>1,741,283</b>	<b>13,819,967</b>	<b>97,930</b>	
11,996	59,237	620	
719	4,276	74	
5,037	24,871	260	
—	10,036	—	
—	2,828	—	
<b>17,752</b>	<b>101,248</b>	<b>954</b>	

Continued on next page

## FINANCIAL SECTION

### Basic Financial Statements

**CITY OF CHARLOTTE, NORTH CAROLINA**  
**STATEMENT OF NET POSITION-(Continued)**  
**PROPRIETARY FUNDS**  
**June 30, 2024**  
**(Dollar Amounts in Thousands)**

	Business-type Activities -		
	Water and Sewer	Storm Water	Airport
<b>Liabilities:</b>			
Current liabilities:			
Accounts payable	\$ 68,602	\$ 11,051	\$ 72,061
Claims payable	—	—	—
Deposits and retainage payable	30,077	4,377	1,009
Accrued interest payable	31,978	965	143
Due to component unit	—	—	48
Unearned revenues	16,064	—	3,990
Current maturities of noncurrent liabilities	98,745	12,098	5,067
Current liabilities payable from restricted assets-			
Accounts payable	1,028	—	72,350
Deposits and retainage payable	—	—	38,079
Accrued interest payable	—	—	37,545
Revenue bonds payable	—	—	46,041
<b>Total current liabilities payable from restricted assets</b>	<b>1,028</b>	<b>—</b>	<b>194,015</b>
<b>Total current liabilities</b>	<b>246,494</b>	<b>28,491</b>	<b>276,333</b>
Noncurrent liabilities:			
Revenue bonds payable - net of unamortized premium	2,132,640	210,289	1,741,775
Revenue bond anticipation notes payable	94,086	123,225	13,554
Installment purchases - net of unamortized premium	15,106	511	—
Federal revolving loan payable	—	448	—
State revolving loan payable	93,115	—	—
Refundable water and sewer construction deposits	1,656	—	—
Due to participants	—	—	—
Lease payable	3,264	23	769
SBITA payable	1,157	—	4,125
Compensated absences payable	4,661	895	3,595
Net pension liability	54,207	13,521	43,183
Net OPEB liability	—	1,572	—
<b>Total noncurrent liabilities</b>	<b>2,399,892</b>	<b>350,484</b>	<b>1,807,001</b>
<b>Total liabilities</b>	<b>2,646,386</b>	<b>378,975</b>	<b>2,083,334</b>
<b>Deferred Inflows Of Resources:</b>			
Leases	2,775	—	139,593
Pension deferrals	1,265	315	1,008
OPEB deferrals	4,650	936	2,145
Gain on refundings	21,996	1,080	4,723
<b>Total deferred inflows of resources</b>	<b>30,686</b>	<b>2,331</b>	<b>147,469</b>
<b>Net Position:</b>			
Net investment in capital assets	2,958,568	752,370	1,363,087
Restricted for:			
Debt service	—	—	137,286
Passenger facility charges	—	—	237,113
Contract facility charges	—	—	9,309
Working capital	—	—	63,933
Net OPEB asset	25,221	—	9,749
Unrestricted	376,045	135,819	804,499
<b>Total net position</b>	<b>\$ 3,359,834</b>	<b>\$ 888,189</b>	<b>\$ 2,624,976</b>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.			
Net position of business-type activities			

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



Enterprise Funds		Governmental Activities-	
Public Transit	Total	Internal Service Funds	
\$ 29,378	\$ 181,092	\$ 1,628	
—	—	88,907	
666	36,129	—	
688	33,774	—	
—	48	—	
927	20,981	13	
13,863	129,773	82	
—	73,378	—	
—	38,079	—	
—	37,545	—	
—	46,041	—	
—	<b>195,043</b>	—	
<b>45,522</b>	<b>596,840</b>	<b>90,630</b>	
—	4,084,704	—	
—	230,865	—	
234,153	249,770	—	
—	448	—	
—	93,115	—	
—	1,656	—	
—	—	3,529	
189	4,245	17	
431	5,713	—	
4,131	13,282	190	
28,164	139,075	1,456	
592	2,164	602	
<b>267,660</b>	<b>4,825,037</b>	<b>5,794</b>	
<b>313,182</b>	<b>5,421,877</b>	<b>96,424</b>	
6,565	148,933	—	
657	3,245	34	
1,562	9,293	161	
1,322	29,121	—	
<b>10,106</b>	<b>190,592</b>	<b>195</b>	
1,176,823	6,250,848	—	
—	137,286	—	
—	237,113	—	
—	9,309	—	
—	63,933	—	
—	34,970	—	
258,924	1,575,287	2,265	
<b>\$ 1,435,747</b>	<b>8,308,746</b>	<b>\$ 2,265</b>	
	(20,512)		
	<b>\$ 8,288,234</b>		

## FINANCIAL SECTION

### Basic Financial Statements

#### CITY OF CHARLOTTE, NORTH CAROLINA

#### STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION

#### PROPRIETARY FUNDS

FOR THE YEAR ENDED JUNE 30, 2024

(Dollar Amounts in Thousands)

	Business-type Activities -		
	Water and Sewer	Storm Water	Airport
<b>Operating Revenues:</b>			
Charges for services	\$ 443,904	\$ 88,054	\$ 406,633
Availability fees	56,795	—	—
System development fees	62,712	—	—
Licenses, fees and fines	—	4,004	—
Miscellaneous	8,082	—	25,061
<b>Total operating revenues</b>	<b>571,493</b>	<b>92,058</b>	<b>431,694</b>
<b>Operating Expenses:</b>			
Administration	46,505	5,237	47,688
Operations and maintenance	181,609	19,474	172,495
Claims and insurance premiums	—	—	—
Other	1,937	—	36,149
Right to use lease amortization	229	9	199
Right to use SBITA amortization	1,072	282	2,182
Depreciation	192,659	20,228	112,290
<b>Total operating expenses</b>	<b>424,011</b>	<b>45,230</b>	<b>371,003</b>
Operating income (loss)	147,482	46,828	60,691
<b>Nonoperating Revenues (Expenses):</b>			
Sales tax	—	—	—
Grant contributions	—	—	89,904
Passenger facility charges	—	—	76,957
Contract facility charges	—	—	14,342
Investment earnings	9,153	6,506	74,703
Interest expense and other charges	(71,305)	(9,935)	(67,202)
Non-airline terminal revenue distribution	—	—	(65,229)
Miscellaneous	1,105	176	(1,295)
<b>Total nonoperating revenues (expenses)</b>	<b>(61,047)</b>	<b>(3,253)</b>	<b>122,180</b>
Income (loss) before contributions and transfers	86,435	43,575	182,871
Capital Contributions	126,838	154	123,753
Transfers in	—	—	—
Transfers out	(3,425)	(800)	(1,456)
Change in net position	209,848	42,929	305,168
<b>Total net position - beginning</b>	<b>3,149,986</b>	<b>845,260</b>	<b>2,319,808</b>
<b>Total net position - ending</b>	<b>\$ 3,359,834</b>	<b>\$ 888,189</b>	<b>\$ 2,624,976</b>

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

Change in net position of business-type activities

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



Enterprise Funds		Governmental Activities-	
Public Transit	Total	Internal Service Funds	
\$ 19,417	\$ 958,008	\$ 179,140	
—	56,795	—	
—	62,712	—	
—	4,004	—	
294	33,437	—	
<b>19,711</b>	<b>1,114,956</b>	<b>179,140</b>	
30,884	130,314	27,026	
188,575	562,153	—	
—	—	165,036	
—	38,086	—	
333	770	5	
575	4,111	60	
59,411	384,588	3	
<b>279,778</b>	<b>1,120,022</b>	<b>192,130</b>	
(260,067)	(5,066)	(12,990)	
155,805	155,805	—	
54,385	144,289	—	
—	76,957	—	
—	14,342	—	
12,272	102,634	4,341	
(6,970)	(155,412)	(1)	
—	(65,229)	—	
4,416	4,402	—	
<b>219,908</b>	<b>277,788</b>	<b>4,340</b>	
(40,159)	272,722	(8,650)	
20,593	271,338	—	
31,109	31,109	7,071	
(1,664)	(7,345)	(243)	
9,879	567,824	(1,822)	
<b>1,425,868</b>		<b>4,087</b>	
<b>\$ 1,435,747</b>		<b>\$ 2,265</b>	
	(5,401)		
	<b>\$ 562,423</b>		



## FINANCIAL SECTION

### Basic Financial Statements

**CITY OF CHARLOTTE, NORTH CAROLINA**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2024**  
**(Dollar Amounts in Thousands)**

	Business-type Activities -		
	Water and Sewer	Storm Water	Airport
<b>Cash Flows From Operating Activities:</b>			
Receipts from customers	\$ 563,795	\$ 90,024	\$ 430,481
Receipts from participants	—	—	—
Payments to suppliers	(208,926)	(7,447)	(165,589)
Internal activity - (payments to) receipts from other funds	(35,230)	(5,674)	(40,224)
Receipts from trust	—	—	—
Receipts from recovery of losses	—	—	—
Payments to employees	(67,588)	(9,083)	(65,330)
Payments to airlines for non-airline terminal revenue distribution	—	—	(56,165)
Payments for claims	—	—	—
Payments for premiums	—	—	—
Other receipts (payments)	15,269	(142)	2,728
<b>Net cash provided (used) by operating activities</b>	<b>267,320</b>	<b>67,678</b>	<b>105,901</b>
<b>Cash Flows From Noncapital Financing Activities:</b>			
Noncapital contributions	—	—	89,904
Sales tax	—	—	—
Transfers	(3,425)	(800)	(1,456)
<b>Net cash provided (used) by noncapital financing activities</b>	<b>(3,425)</b>	<b>(800)</b>	<b>88,448</b>
<b>Cash Flows From Capital And Related Financing Activities:</b>			
Proceeds from capital debt	984,913	51,103	284,914
Passenger facility charges	—	—	74,073
Contract facility charges	—	—	14,266
Acquisition and construction of capital assets	(533,847)	(86,003)	(466,724)
Lease expenses	(263)	(9)	(1,325)
SBITA expenses	(1,250)	83	(1,799)
Principal paid on capital debt	(590,339)	(9,121)	(38,973)
Interest and other charges paid on capital debt	(82,606)	(11,159)	(59,213)
Capital contributions	10,349	154	121,315
<b>Net cash (used) by capital and related financing activities</b>	<b>(213,043)</b>	<b>(54,952)</b>	<b>(73,466)</b>
<b>Cash Flows From Investing Activities:</b>			
Purchase of investments	(115,346)	—	(458,378)
Proceeds from sale and maturities of investments	100,056	—	282,953
Interest received	8,936	5,890	69,992
<b>Net cash provided (used) by investing activities</b>	<b>(6,354)</b>	<b>5,890</b>	<b>(105,433)</b>
Net increase (decrease) in cash, cash equivalents and investments	44,498	17,816	15,450
<b>Cash, cash equivalents and investments - beginning</b>	<b>340,580</b>	<b>118,504</b>	<b>1,078,010</b>
<b>Cash, cash equivalents and investments - ending</b>	<b>\$ 385,078</b>	<b>\$ 136,320</b>	<b>\$ 1,093,460</b>

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

Enterprise Funds		Governmental Activities-
Public Transit	Total	Internal Service Funds
\$ 19,534	\$ 1,103,834	\$ —
—	—	49,534
(104,294)	(486,256)	(26,746)
(22,328)	(103,456)	114,851
—	—	29,300
—	—	235
(100,245)	(242,246)	(1,774)
—	(56,165)	—
—	—	(131,711)
—	—	(46,026)
4,621	22,476	50
<b>(202,712)</b>	<b>238,187</b>	<b>(12,287)</b>
56,627	146,531	—
154,783	154,783	—
29,444	23,763	6,828
<b>240,854</b>	<b>325,077</b>	<b>6,828</b>
—	1,320,930	—
—	74,073	—
—	14,266	—
(45,076)	(1,131,650)	—
(253)	(1,850)	(6)
(192)	(3,158)	(78)
(9,365)	(647,798)	—
(8,662)	(161,640)	(2)
25,714	157,532	—
<b>(37,834)</b>	<b>(379,295)</b>	<b>(86)</b>
—	(573,724)	—
—	383,009	—
11,419	96,237	5,256
<b>11,419</b>	<b>(94,478)</b>	<b>5,256</b>
11,727	89,491	(289)
<b>209,301</b>	<b>1,746,395</b>	<b>89,719</b>
<b>\$ 221,028</b>	<b>\$ 1,835,886</b>	<b>\$ 89,430</b>

Continued on next page

## FINANCIAL SECTION

### Basic Financial Statements

**CITY OF CHARLOTTE, NORTH CAROLINA**  
**STATEMENT OF CASH FLOWS-(Continued)**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2024**  
**(Dollar Amounts in Thousands)**

	Business-type Activities -		
	Water and Sewer	Storm Water	Airport
<b>Reconciliation Of Operating Income (Loss) To Net</b>			
<b>Cash Provided (Used) By Operating Activities:</b>			
Operating income (loss)	\$ 147,482	\$ 46,828	\$ 60,691
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities-			
Depreciation	192,659	20,228	112,290
Amortization	1,301	291	2,381
Other receipts	15,269	(142)	2,728
Non-airline terminal revenue distribution	-	-	(56,165)
Change in assets and liabilities:			
(Increase) in receivables	(7,829)	(2,034)	(1,213)
(Increase) decrease in due from other governmental agencies	(487)	25	(25,222)
(Increase) decrease in due from other funds	-	-	44
(Increase) decrease in inventories	(802)	-	-
(Increase) decrease in prepaid items	-	-	(3,220)
(Increase) in deferred outflows of resources for pensions	(2,349)	(1,514)	(4,308)
(Increase) in net OPEB asset	(237)	-	(221)
Decrease in deferred outflows of resources for OPEB	3,514	706	1,670
Increase (decrease) in accounts payable	(84,616)	233	8,704
Increase in claims payable	-	-	-
(Decrease) in unearned revenues	-	-	-
(Decrease) in due to participants	-	-	-
Increase (decrease) in deposits and retainage payable	131	383	(900)
(Decrease) in due to component unit	-	-	(24)
Increase in net pension liability	8,393	3,490	10,355
Increase in deferred inflows of resources for pensions	254	94	283
(Decrease) in deferred inflows of resources for OPEB	(5,954)	(1,197)	(2,840)
Increase in compensated absences payable	591	198	868
Increase (decrease) in net OPEB liability	-	89	-
<b>Total adjustments</b>	<b>119,838</b>	<b>20,850</b>	<b>45,210</b>
<b>Net cash provided (used) by operating activities</b>	<b>\$ 267,320</b>	<b>\$ 67,678</b>	<b>\$ 105,901</b>
<b>Noncash Investing, Capital And Financing Activities:</b>			
Donated assets	\$ 126,804	\$ -	\$ -
Acquisition of capital assets through leases	3,158	36	220
Acquisition of capital assets through SBITAs	1,532	187	2,431
Proceeds from refunding bonds	500,000	-	-
Payment to refunded bond escrow agent	(500,000)	-	-
<b>Net noncash investing, capital and financing activities</b>	<b>\$ 131,494</b>	<b>\$ 223</b>	<b>\$ 2,651</b>

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

Enterprise Funds		Governmental Activities-
Public Transit	Total	Internal Service Funds
\$ (260,067)	\$ (5,066)	\$ (12,990)
59,411	384,588	3
908	4,881	65
4,621	22,476	15
—	(56,165)	—
(209)	(11,285)	(5,571)
(2,105)	(27,789)	4
—	44	(843)
891	89	—
(12)	(3,232)	784
(1,840)	(10,011)	(129)
—	(458)	—
1,178	7,068	123
(9,492)	(85,171)	(328)
—	—	7,147
—	—	(157)
—	—	(564)
32	(354)	—
—	(24)	—
5,294	27,532	325
152	783	9
(1,996)	(11,987)	(210)
537	2,194	18
(15)	74	12
<b>57,355</b>	<b>243,253</b>	<b>703</b>
<b>\$ (202,712)</b>	<b>\$ 238,187</b>	<b>\$ (12,287)</b>
\$ —	\$ 126,804	\$ —
293	3,707	22
—	4,150	—
—	500,000	—
—	(500,000)	—
<b>\$ 293</b>	<b>\$ 134,661</b>	<b>\$ 22</b>

## FINANCIAL SECTION

### Basic Financial Statements

**CITY OF CHARLOTTE, NORTH CAROLINA**  
**STATEMENT OF FIDUCIARY NET POSITION**  
**FIDUCIARY FUNDS**  
**June 30, 2024**  
**(Dollar Amounts in Thousands)**

Assets:	
Cash and cash equivalents	\$ 6,692
Receivables:	
Employer contributions	496
Member contributions	364
Interest and dividends	899
<b>Total receivables</b>	<b>1,759</b>
Prepaid items	31
Investments:	
Equity securities - stocks	76,892
Fixed income securities - bonds	148,201
Mutual funds	580,033
<b>Total investments</b>	<b>805,126</b>
Capital assets	672
Less accumulated depreciation	616
<b>Total capital assets, net</b>	<b>56</b>
<b>Total assets</b>	<b>813,664</b>
Liabilities:	
Accounts payable	930
Due to other funds	212
<b>Total liabilities</b>	<b>1,142</b>
Net Position:	
Restricted for:	
Pensions	646,560
OPEB	165,962
<b>Total net position</b>	<b>\$ 812,522</b>

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



**CITY OF CHARLOTTE, NORTH CAROLINA**  
**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION**  
**FIDUCIARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2024**  
**(Dollar Amounts in Thousands)**

**Additions:**

Contributions-	
Member	\$ 13,700
Employer	36,848
<b>Total contributions</b>	<b>50,548</b>
Investment income-	
Net appreciation in fair value of investments	73,308
Interest	5,662
Dividends	3,566
<b>Total investment income</b>	<b>82,536</b>
Investment expense	2,891
<b>Net investment income</b>	<b>79,645</b>
<b>Total additions</b>	<b>130,193</b>

**Deductions:**

Benefits	58,321
Refunds	950
Insurance premiums	7,186
Administration	2,947
Depreciation	30
<b>Total deductions</b>	<b>69,434</b>
Change in net position	60,759
<b>Net position - beginning</b>	<b>751,763</b>
<b>Net position - ending</b>	<b>\$ 812,522</b>

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



## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

### a. Reporting Entity

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

The following table describes the City's component units:

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

INLIVIAN (formerly The Charlotte Housing Authority), which is excluded from the City's financial statements, is considered a related organization. The City Council appoints the governing board; however, the City has no financial benefit or burden regarding INLIVIAN.

### b. Basis of Presentation

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

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

(Dollar Amounts in Thousands)

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are certain charges between the City's enterprise functions and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

*Fund Financial Statements:* The fund financial statements provide information about the City's funds, including the fiduciary funds. Separate statements for each fund category – governmental, proprietary, and fiduciary – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as non-major funds.

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

The City reports the following major governmental funds:

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

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

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

*General COVID Relief:* The General COVID Relief fund accounts for funds received under the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) and Federal Emergency Management Agency (FEMA) Public Assistance Program to be used for expenditures to address the COVID-19 pandemic.

The City reports the following major enterprise funds:

*Water and Sewer:* This fund accounts for the activities of Charlotte Water, provider of water and sewer services.

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

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

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

The City reports the following fund types:

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

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



**c. Measurement Focus and Basis of Accounting**

In accordance with North Carolina General Statutes, all funds of the City are maintained during the year using the modified accrual basis of accounting.

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

*Governmental Fund Financial Statements:* Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of general long-term debt and acquisitions under capital leases are reported as other financing sources.

The City considers all revenues available if they are collected within 90 days after year-end, except for property taxes. Ad valorem taxes receivable are not accrued as revenue because the amount is not susceptible to accrual. At June 30, 2024, taxes receivable for property other than motor vehicles are materially past due and are not considered to be an available resource to finance the operations of the current year.

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

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

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

**(1) Cash and Investments**

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

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

*(Dollar Amounts in Thousands)*

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

The NCCMT Government Portfolio, a SEC-registered (2a-7) money market mutual fund, is measured at fair value. Because the NCCMT Government Portfolio has a weighted average maturity of less than 90 days, they are presented as an investment with a maturity of less than 6 months.

Money market investments that have a remaining maturity at the time of purchase of one year or less are reported at amortized cost. Non-participating interest earning investment contracts are reported at cost.

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

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

## **(2) Receivables and Payables**

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

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

## **(3) 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 the payment is received.

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 recognized on a straight-line basis over the term of the lease.

## **(4) Inventory and Prepaid Items**

Inventories are valued at cost (first-in, first-out), which approximates market. Governmental inventory consists of expendable supplies that are recorded as expenditures as used rather than when purchased.

Business-type inventories consist of materials and supplies held for subsequent use. The cost of these inventories is expensed when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements and expensed as the items are used.

## **(5) Capital Assets**

Donated capital assets are recorded at acquisition value. All other purchased or constructed capital assets are reported at cost or estimated historical cost. General infrastructure assets are reported at estimated historical cost using deflated replacement 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, except intangible assets and subscription-based information technology arrangements which have a minimum cost of \$100. Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Buildings	20 – 50 years
Infrastructure	40 years
Improvements other than buildings	5 – 125 years
Intangibles	5 – 20 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 present value 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.

#### **(6) 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 a future period and so will not be recognized as an expense or expenditure until then.

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 a future period and so will not be recognized as revenue until then.

#### **(7) Noncurrent Liabilities**

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

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

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

#### **(8) 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 the length of service. Effective January 1, 2016, vacation in excess of the maximum accumulation is transferred into the employee's wellbeing leave balance. Unused vacation days are payable upon termination, resignation, retirement or death.

*(Dollar Amounts in Thousands)*

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. Employees may be paid twenty percent of outstanding wellbeing leave, with a maximum of 43.5 days, upon retirement. Twenty percent of outstanding wellbeing leave, up to a maximum of 43.5 days is payable upon the death of an employee.

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

## **(9) Net Position/Fund Balances**

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

Net position in governmental activities is restricted for other purposes as follows:

Public safety	\$	27,826
Culture and recreation		263,687
Community planning and development		47,128
Streets and highways		9,167
Total	\$	<u>347,808</u>

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

The governmental fund types classify fund balances as follows:

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

*Inventories* - \$1,502 of fund balance that is not an available resource because it represents the year-end balance of ending inventories, which are not spendable resources.

*Leases* - \$1,857 of fund balance that is not an available resource because it represents the year-end balance of the lease receivable in excess of the deferred inflow of resources for the lease receivable in excess of the deferred inflow of resources for the lease receivable, which is not a spendable resource.

*Perpetual care* - \$3,490 of fund balance that is required to be retained in perpetuity for maintenance of cemeteries.

*Prepaid items* - \$26 of fund balance that is not an available resource because it represents the amount of prepaid expenses.

*Long-term notes receivable* - \$8,000 of fund balance that is not an available resource because it represents the long-term amount of loans and notes receivables.

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

*Restricted for State statute* - \$96,236 of fund balance that is not an available resource for appropriation in accordance with State law [G.S.159-8(a)]. North Carolina G.S. 159-8 prohibits units of government from budgeting or spending a portion of their fund balance. This is one of several statutes enacted by the North Carolina State Legislature in the 1930's that were designed to improve and maintain the fiscal health of local government units. Restricted by State statute (RSS), is calculated at the end of each fiscal year for all

annually budgeted funds. The calculation in G.S. 159-8(a) provides a formula for determining what portion of fund balance is available for appropriation. The amount of fund balance not available for appropriation is what is known as “restricted by State statute”. Appropriated fund balance in any fund shall not exceed the sum of cash and investments minus the sum of liabilities, encumbrances, and deferred revenues arising from cash receipts, as those figures stand at the close of the fiscal year next preceding the budget. Per GASB guidance, RSS is considered a resource upon which a restriction is “imposed by law through constitutional provisions or enabling legislation.” RSS is reduced by inventories and prepaids as they are classified as nonspendable. Outstanding Encumbrances are included within RSS. RSS is included as a component of Restricted Net position and Restricted Fund balance on the face of the balance sheet.

*Restricted for other purposes* - \$347,808:

*Public safety* - \$27,826 of fund balance that is restricted by revenue source for public safety and 911 system expenditures.

*Cultural and recreation* - \$263,687 of fund balance that is restricted by revenue source for convention center and tourism expenditures.

*Community planning and development* - \$47,128 of fund balance that is restricted by revenue source for neighborhood expenditures.

*Streets and highways* - \$9,167 of Powell Bill and other fund balance that is restricted by revenue source for street construction and maintenance expenditures. For the Special Revenue funds, this amount represents the balance of the total unexpended Powell Bill and other grant funds.

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

*Committed for capital projects* - \$545,911 of fund balance committed by the City Council for capital projects.

*Committed for debt service* - \$92,864 of fund balance committed by the City Council for advance planning for bond referenda and loans to other funds for the purchase of capital equipment.

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

*Assigned for Debt service* - \$78,968 of fund balance in the Debt Service fund that is not nonspendable, restricted, nor committed that will be used for future payment of debt service requirements. By approval of the budget of the Debt Service fund, the City Council has assigned this amount to the purpose of the Debt Service fund.

*Unassigned fund balance* – This classification includes \$143,483 in the General fund, \$(3,550) in the General COVID Relief fund, and (\$26) in Other Governmental Funds that have not been restricted, committed, or assigned to specific purposes or other funds.

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

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

*(Dollar Amounts in Thousands)*

## **(10) Pensions**

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

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

For purposes of measuring the net OPEB asset or liability, deferred outflows and inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the EBTP and additions to/deductions from the EBTP fiduciary net position have been determined on the same basis as they are reported by the EBTP. For this purpose, the EBTP recognizes benefit payments when due and payable in accordance with the benefit terms. Investments for all plans are reported at fair value.

## **(11) Adoption of New Accounting Pronouncement**

As of July 1, 2023, the City adopted the provisions of GASB Statement No. 100, Accounting Changes and Error Corrections—an amendment of GASB Statement No. 62, is in effect for fiscal years beginning after June 15, 2023. This accounting pronouncement is intended to streamline the reporting of accounting changes and error corrections and the related disclosures in governmental financial reporting.

GASB Statement No. 100 represents a significant step towards improving the quality and consistency of financial reporting for governmental entities. By adhering to these updated standards, entities can enhance the transparency and reliability of their financial statements, thereby fostering greater trust and confidence among stakeholders.

One of the challenges with the prior period adjustment guidance in GASB 62 was that financial statement preparers were unsure how to apply the guidance in certain situations, which led to a lack of consistency across governments. The differences in application meant governmental entities were reporting similar restatements in different ways. One government might report an accounting change, while another government might report a similar change as an error correction. GASB 100 clarifies the accounting change categories and provides guidance for reporting and disclosing those changes.

GASB 100 will apply to all governmental entities and will impact how entities define an accounting error or change. The standard clarifies what represents an accounting change or an error correction and guides how these changes should be presented in the financial statements.





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

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

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

Bonds and installment purchases payable	\$ 1,457,620
Net of premiums and discounts	149,960
General obligation bond anticipation notes	59,730
Installment purchases draw program	9,424
Derivative instrument liability	2,054
Swaption borrowing payable	3,329
Compensated absences	82,277
Lease payable	17,584
SBITA payable	53,867
Accrued interest payable	16,470
Net adjustment to reduce fund balance of total governmental funds to arrive at net position-governmental activities	<u>\$ 1,852,315</u>

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

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

Capital outlay	\$ 217,057
Depreciation expense	(143,861)
Amortization expense	(19,452)
Net adjustment to decrease net changes in fund balance – total governmental funds to arrive at changes in net position of governmental activities	<u>\$ 53,744</u>

Another element of that reconciliation states “The net effect of various miscellaneous transactions involving capital assets (i.e., sales and donations) is to decrease net position.” In the statement of activities, only the loss on the sale of capital assets is reported. However, in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net position differs from the change in fund balance by the cost of the capital assets sold.

Donation of capital assets	\$ 214,214
Capital contribution to public transit	(1,243)
Sales of capital assets	(1,378)
Net adjustments to decrease change in net position differs from the change in fund balance by the cost of capital assets sold	<u>\$ 211,593</u>

Another element of that reconciliation states, “The issuance of long-term debt (e.g., bonds and installment

**CITY OF CHARLOTTE, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**JUNE 30, 2024**

*(Dollar Amounts in Thousands)*

purchases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is issued, whereas these amounts are deferred and amortized in the statement of activities.”

Debt issued or incurred:	
Issuance of general obligation bonds	\$ (294,005)
Issuance of general obligation bond anticipation notes	(74,893)
Issuance of installment purchases	(192,570)
Issuance of installment purchases draw program	(9,424)
Plus premium on debt issuance	(34,304)
Lease purchases	(1,760)
SBITA purchases	(36,985)
Swaption borrowing	446
Principal repayments:	
General obligation bonds	97,840
General obligation bond anticipation notes	200,000
Installment purchases	138,580
Lease liabilities	2,319
SBITA liabilities	31,115
Lease modifications resulting in a decrease in lease liabilities	691
SBITA modifications resulting in a decrease in SBITA liabilities	3
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net position of governmental activities	<u>\$ (172,947)</u>

Another element of that reconciliation states, “Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.”

Accrued interest	\$ (6,470)
Amortization on deferred loss on refundings	(525)
Amortization on deferred gain on refundings	(1,255)
Amortization on deferred amount on refundings	(32)
Amortization of debt premiums	15,965
Compensated absences	(6,101)
Pension expense	(186,327)
OPEB expense	45,844
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net position of governmental activities	<u>\$ (138,901)</u>



### **3. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

#### **Budgetary Information**

As required by State statutes, prior to July 1 each year City Council adopts an annual appropriation ordinance for all funds except those which expenditures are authorized by project ordinance and the Internal Service and Fiduciary Funds. City funds budgeted by project ordinance include the Capital Projects Funds, Public Safety and Other Grants, General COVID Relief, American Rescue Plan Act, Neighborhood Development, Emergency Telephone System Special Revenue Funds and the Enterprise Funds capital projects.

The annual budgets are adopted at the fund level which is the legal level of budgetary control. Supplemental appropriations at this level require approval of the City Council. During the year, several amendments to the budget were necessary. Administrative control is maintained through the establishment of more detailed line-item budgets. The budget is entered into the accounting records and comparisons of actual to budget are made throughout the year. City administration has the authority to amend line-item budgets. The final budgets shown in the statements are as amended at June 30, 2024.

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

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

#### **Deficit in Fund Balance of Individual Fund**

For the fiscal year ended June 30, 2024, there was a negative fund balance in the Municipal Services District fund of \$26. This deficit resulted from an excess of expenditures over collected revenues. This deficit will be collected in fiscal year 2025.

For the fiscal year ended June 30, 2024, there was a negative fund balance in the General COVID Relief fund of \$(3,550). This deficit resulted from an excess of expenditures over collected revenues. This deficit is expected to be reimbursed from FEMA.

### **4. DETAILED DISCLOSURES ON ALL FUNDS**

#### **a. Investments**

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

**CITY OF CHARLOTTE, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**JUNE 30, 2024**

(Dollar Amounts in Thousands)

**City – Governmental and Business-type Activities** – The investments and maturities at June 30, 2024 were as follows:

Investment type	Fair Value	Investment Maturities (in Years)		
		Less than 1	1-3	More than 3
U.S. Treasuries	\$ 618,521	\$ 511,753	\$ 106,768	\$ –
U.S. Agencies	1,925,432	1,285,899	512,595	126,938
Commercial paper	19,922	19,922		–
Mutual funds	35,147	N/A	N/A	N/A
NCCMT Government Portfolio	913,861	N/A	N/A	N/A
Total	<u>\$ 3,512,883</u>	<u>\$ 1,817,574</u>	<u>\$ 619,363</u>	<u>\$ 126,938</u>

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

The following is a summary of the fair value hierarchy of the fair value of investments as of June 30, 2024:

Investments by fair value level	June 30, 2024	Fair Value Measurements Using Quoted Prices in Active Markets for Identical Assets (Level 1)	Fair Value Measurements Using Quoted Prices in Active Markets for Similar Assets (Level 2)
Debt securities			
U.S. Treasuries	\$ 618,521	\$ 618,521	\$ –
U.S. Agencies	1,925,432		1,925,432
Commercial paper	19,922		19,922
Mutual funds	35,147	35,147	–
NCCMT Government Portfolio	913,861	913,861	–
Total investments by fair value level	<u>\$ 3,512,883</u>	<u>\$ 1,567,529</u>	<u>\$ 1,945,354</u>

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

**Interest Rate Risk:** As a means of limiting its exposure to fair value losses arising from rising interest rates, the City's investment policy structures the investment portfolio so security maturities match cash flow requirements for ongoing operations, avoiding the need to sell securities on the open market prior to maturity. Also, the City's investment policy requires the investment of operating funds primarily in shorter-term securities (0-5 years), money market mutual funds, or similar investment pools.

**Credit Risk:** The City's investment policy seeks to minimize credit risk by pre-qualifying and conducting ongoing due diligence of the financial institutions, broker/dealers, and intermediaries with which the City will do business and diversifying the investment portfolio so the impact of potential losses from any one type of security or from any one individual issuer will be minimized. State law limits investments in commercial paper to the top rating issued by nationally recognized statistical rating organizations (NRSRO's). As of June 30, 2024, the City's investments in commercial paper carried at least S&P A1, Moody's P1 or Fitch F1 ratings. The City's investments in the NCCMT Government Portfolio carried a credit rating of AAAm by S&P as of June 30, 2024. The City's investments in U.S. Agencies (Federal Home Loan Bank, Federal National Mortgage Association, Federal Home

Loan Mortgage Corporation and Federal Farm Credit Bank) are rated AA+ by S&P and Aaa by Moody's.

**Custodial Credit Risk:** For an investment, custodial credit risk is the risk that in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. At June 30, 2024, the City had no investments subject to custodial credit risk. The City's investment policy limits custodial credit risk by providing that purchased securities be delivered to a third-party safekeeping bank designated by the City.

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

**City – Fiduciary Fund: Charlotte Firefighters' Retirement System** – The investments and maturities at June 30, 2024 were as follows:

Investment type	Fair Value	Investment Maturities (in Years)			
		Less than 1	1-5	6-10	More than 10
U.S. Treasuries	\$ 16,347	\$ 698	\$ 5,964	\$ 5,167	\$ 4,518
U.S. Agencies	46,474	196	315	878	45,085
Corporate bonds	58,898	1,315	11,378	12,313	33,892
Common stocks	76,892	N/A	N/A	N/A	N/A
Mutual funds	440,439	N/A	N/A	N/A	N/A
Total	<u>\$ 639,050</u>	<u>\$ 2,209</u>	<u>\$ 17,657</u>	<u>\$ 18,358</u>	<u>\$ 83,495</u>

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

**Credit Risk:** The System is authorized to invest in bonds with a quality rating of no less than investment grade and unrated U.S. Treasuries and Agencies. The quality ratings of investments in fixed income securities as described by nationally recognized statistical rating organizations at June 30, 2024 were as follows:

Quality Rating	Fair Value	Percentage of Portfolio
AAA	\$ 7,144	5.87%
Ba1 > Aa2	51,754	42.52%
Total credit risk debt securities	58,898	48.39%
U.S. Government fixed income securities:		
Government National Mortgage Association	5,797	4.76%
U.S. Treasury	16,347	13.43%
Not rated	40,677	33.42%
Total fixed income securities	<u>\$ 121,719</u>	<u>100.00%</u>

**CITY OF CHARLOTTE, NORTH CAROLINA**  
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**Concentration of Credit Risk:** The System limits the amount of equity holdings in any one company not to exceed eight percent or benchmark weight +1%, whichever is greater, of the market value of the portfolio; the amount of equity holdings in any one sector to 30 percent of the fair value of the portfolio; and the amount of fixed-income securities in any one corporation to five percent of the fair value of the portfolio without the consent of the board. There is no limit on securities backed by the full faith and credit of the U.S. Government or any of its instrumentalities.

Investments by fair value level	June 30, 2024	Fair Value Measurements Using Quoted Prices in Active Markets for Identical Assets (Level 1)	Fair Value Measurements Using Quoted Prices in Active Markets for Similar Assets (Level 2)	Fair Value Measurements Using Unobservable Inputs (Level 3)
U.S. Treasuries	\$ 16,347	\$ 14,228	\$ 2,119	\$ –
U.S. Agencies	46,473	–	46,473	–
Corporate bonds	52,676	–	52,676	–
Common stocks	76,892	76,892	–	–
Mutual funds	26,482	–	26,482	–
Total investments by fair value level	<u>\$ 218,870</u>	<u>\$ 91,120</u>	<u>\$ 127,750</u>	<u>\$ –</u>

Category	Investments Measured as NAV	Unfunded Commitment	Redemption Frequency	Redemption Notice Period
U.S. Equity	163,759	–	Daily	N/A
International equity	173,028	–	Daily	N/A
U.S. Bonds	6,223	–	Daily	N/A
Fixed income	50,509	–	Quarterly	45 Days
International fixed income	26,661	–	Quarterly 1st day of Quarter	N/A
	420,180	<u>\$ –</u>		
Total investments	<u>\$ 639,050</u>			

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

**City – Fiduciary Fund: Employee Benefit Trust Plan (EBTP)** – At June 30, 2024, the EBTP had investments of \$166,076 in mutual funds. The mutual fund investments classified at Level 1 of the fair value hierarchy are valued using quoted prices in active markets.

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

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

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

**Component Unit** – At June 30, 2024, the Authority had investments of \$36,600 in the NCCMT's Government

Portfolio, which carried a credit rating of AAAm by S&P.

**a. Deposits**

As of June 30, 2024, the bank balances and carrying amounts of bank deposits were as follows:

	Bank Balance	Carrying Amount
City - Governmental and Business-type Activities	\$ 65,593	\$ 15,506
City - Fiduciary Funds	30	6,692
Component unit - Authority	12,076	10,831

All deposits of the City are made in board-designated official depositories and are secured as required by State statutes. The City may designate as an official depository any bank or savings and loan association whose principal office is located in North Carolina. Also, the City may establish time deposit accounts such as NOW and SuperNOW accounts, money market accounts, and certificates of deposit. The City and the Authority have petty cash of \$407 and \$274 respectively.

According to the City's policy regarding custodial credit risk for deposits, all of the City's deposits are either insured or collateralized by using the Pooling Method. Under the Pooling Method, a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the City, these deposits are considered to be held by the City's agent in the City's name. The amount of the pledged collateral is based on an approved averaging method for non-interest-bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the City or the escrow agent. Because of the inability to measure the exact amounts of collateral pledged for the City under the Pooling Method, the potential exists for under-collateralization, and this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method. Of the City's bank balances, \$1,250 was covered at the federal depository insurance coverage level and \$64,343 was covered by collateral held under the Pooling Method.

**Component Unit:** The Authority must comply with the requirements of the State statutes as previously described for the City. Of the bank balances, \$250 was covered by federal depository insurance coverage. The remaining balances were covered by collateral held under the Pooling Method.

**b. Receivables**

The receivable amounts presented in the accompanying financial statements are net of the following allowances

**CITY OF CHARLOTTE, NORTH CAROLINA**  
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for doubtful accounts:

<u>Governmental</u>	
General	\$ 22,884
Debt Service	1,681
Capital Projects	213
General COVID Relief	—
Nonmajor Governmental	4,784
Total Governmental	<u>29,562</u>
<u>Proprietary</u>	
Water and Sewer	69,765
Storm Water	15,130
Airport	79,798
Public Transit	6,310
Total Proprietary	<u>171,003</u>
Total	<u>\$ 200,565</u>

In February 2002, City Council approved an interest-free loan to the Authority for \$5,000 for the renovation of Ovens Auditorium. In May 2007, Council approved a new repayment schedule for the loan agreement. The term of the loan was extended by thirty years and established a \$160 per year repayment through fiscal year 2037. At June 30, 2024, the balance of the loan outstanding was \$1,971.

**(1) Lease Receivable**

The City leases land, buildings, machinery and equipment, water and sewer systems, Airport facilities (non-regulated leases), 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 1 and 99 years, with payments required monthly, semiannually, or annually. In addition to fixed payments and variable payments that are fixed in substance, the present value of which are included in the lease receivable, the City receives variable payments that depend on future performance of the lessee or usage of the underlying asset and non lease payments that are excluded from the measurement of the lease receivable and recognized as inflows of resources.

In fiscal year 2024, the City recognized \$20,668 of lease revenue and \$4,069 of interest revenue related to these leases. In addition, the City recognized \$70,354 in variable lease revenue not included in the lease receivable. As of June 30, 2024, the City's lease receivables were valued at \$169,769. The deferred inflow of resources associated with these leases to be recognized as revenue over the remaining terms of the leases is \$159,232.

The principal and interest requirements to maturity for the lease receivable at June 30, 2024, are as follows:

Year Ending June 30	<u>Governmental Activities</u>	
	Principal	Interest
2025	\$ 2,679	\$ 250
2026	524	138
2027	518	130
2028	478	122
2029	456	115
2030-2034	2,239	477
2035-2039	2,083	306
2040-2044	1,437	173
2045-2049	987	83
2050-2054	619	21
2055-2056	23	—
	<u>\$ 12,043</u>	<u>\$ 1,815</u>

The principal and interest requirements to maturity for the lease receivable at June 30, 2024, are as follows:

Year Ending June 30	Business-type Activities					
	Water and Sewer		Airport		Public Transit	
	Principal	Interest	Principal	Interest	Principal	Interest
2025	\$ 313	\$ 41	\$ 17,379	\$ 3,206	\$ 587	\$ 295
2026	296	37	17,570	2,775	642	260
2027	232	34	17,297	2,334	702	223
2028	116	31	17,114	1,895	699	184
2029	115	30	11,929	1,498	664	146
2030-2034	626	119	21,616	5,124	1,745	412
2035-2039	470	77	12,210	3,761	1,254	218
2040-2044	183	53	6,669	2,858	846	50
2045-2049	234	37	2,908	2,534	—	—
2050-2054	294	18	3,574	2,236	—	—
2055-2059	43	3	4,352	1,854	—	—
2060-2064	2	3	5,258	1,373	—	—
2065-2069	2	3	6,319	772	—	—
2070-2074	3	2	3,434	128	—	—
2075-2079	3	2	—	—	—	—
2080-2084	3	2	—	—	—	—
2085-2089	3	2	—	—	—	—
2090-2094	3	2	—	—	—	—
2095-2099	4	1	—	—	—	—
2100-2104	4	1	—	—	—	—
2105-2109	4	1	—	—	—	—
2110-2114	5	1	—	—	—	—
	<u>\$ 2,958</u>	<u>\$ 500</u>	<u>\$ 147,629</u>	<u>\$ 32,348</u>	<u>\$ 7,139</u>	<u>\$ 1,788</u>

## (2) Regulated Leases

The City has leasing agreements for aeronautical use of the Airport's airfield, terminal, and other facilities as defined by the Federal Aviation Administration. The City leases land and buildings to third parties under these agreements.

As of June 30, 2024, the remaining amount of expected future minimum payments under these agreements is as

*(Dollar Amounts in Thousands)*

follows:

Year Ending June 30	
2025	\$ 49,002
2026	48,870
2027	5,057
2028	4,794
2029	4,493
2030-2034	20,646
2035-2039	16,144
2040-2044	8,515
2045-2049	2,323
2050-2054	473
2055-2057	45
Total minimum future rental income	<u>\$ 160,362</u>

In July 2016, the City and American Airlines Group, Inc. (American Airlines), Frontier Airlines, JetBlue Airlines, Southwest Airlines, Delta Air Lines, United Airlines and Spirit Airlines (collectively, the Signatory Airlines) entered into an Airline Use and Lease Agreement (AUA) for usage of Charlotte Douglas International Airport (Airport) facilities to conduct business as air transportation businesses. This agreement is non-cancellable and terminates no later than 2026 with no option to extend. Under the terms of this agreement, Signatory Airlines pay the Airport monthly based on the annual rental rate and fee schedule. Rate calculations are based on total estimates of cost and expenses, estimates of passengers and total landed weight, and other factors. Final settlements are made each year after the audit of the Airport fund's Annual Comprehensive Financial Report. Other airlines operating at the Airport are billed at rates established by the City's ordinances.

Pursuant to the AUA, the Signatory Airlines lease certain premises in the passenger terminal building (terminal) and are obligated to pay landing fees and terminal rentals which, in the aggregate, are sufficient to enable the City to pay the annual operating expenses of the airfield and terminal, and the annual debt service on General Airport Revenue Bonds (GARBs) issued by the City to fund airfield, terminal, and other airport improvements. Under the Agreement, American Airlines exclusively leases terminal space and facilities on the ramp levels of Concourses A, B, C, D, and E, ancillary space on the ticketing level of those Concourses, airline club space, and office space in the mezzanine of the Airport Atrium. American Airlines also preferentially leases gates on A, B, C, D and E Concourses. Delta, United, Southwest, JetBlue, Spirit, and Frontier exclusively lease support space on the ramp level of A Concourse; these airlines also preferentially lease gates on A Concourse. All of the Signatory Airlines under the agreement exclusively lease airline ticket counter support space in the Airport lobby and baggage service office space in the baggage claim area of the Airport. All Signatory Airlines also preferentially lease ticket counters in the Airport lobby.



*(Dollar Amounts in Thousands)*

In addition, the agreement grants American Airlines preferential use of boarding gates, aircraft parking, and other areas at the Airport. No other airlines have exclusive or preferential use of more than five percent of terminal space or other areas of the Airport as of June 30, 2024. Exclusive and preferential use of space are summarized as follows:

Charlotte Douglas International Airport Leased Terminal Space										
	American	Delta	United	Southwest	JetBlue	Spirit	Frontier	Joint Use	Other Space	Total
Airline Leased Space (sq. ft.)	<b>431,706</b>	<b>33,983</b>	<b>22,686</b>	<b>8,493</b>	<b>4,890</b>	<b>4,129</b>	<b>2,291</b>	<b>296,307</b>	–	<b>804,485</b>
Airline Exclusive	276,060	18,834	9,876	2,713	1,478	2,018	513	–	–	<b>311,492</b>
Airline Preferential	155,646	15,149	12,810	5,780	3,412	2,111	1,778	–	–	<b>196,686</b>
Joint Use	–	–	–	–	–	–	–	296,307	–	<b>296,307</b>
Non-Airline Rentable Space	–	–	–	–	–	–	–	–	<b>400,757</b>	<b>400,757</b>
Common Use Gate/Holdroom	–	–	–	–	–	–	–	–	17,352	<b>17,352</b>
Common Use Ticket Counter	–	–	–	–	–	–	–	–	1,735	<b>1,735</b>
Concessions	–	–	–	–	–	–	–	–	217,740	<b>217,740</b>
Rentable-Other Office	–	–	–	–	–	–	–	–	34,592	<b>34,592</b>
Customs and Border Protection	–	–	–	–	–	–	–	–	129,338	<b>129,338</b>
Total Leasable Space	<b>431,706</b>	<b>33,983</b>	<b>22,686</b>	<b>8,493</b>	<b>4,890</b>	<b>4,129</b>	<b>2,291</b>	<b>296,307</b>	<b>400,757</b>	<b>1,205,242</b>
Common and preferential use gate assignments										
Number of gates	88	7	4	2	–	1	1	–	11	<b>114</b>

For the year ended June 30, 2024, the City recognized \$48,245 of inflows of resources from fixed lease revenue payments and \$108,679 of inflows of resources from variable lease payments not included in expected future minimum payments related to these regulated lease agreements. Variable lease payments were based on usage measures and included landing fees, bag processing fees, gate use fees, international facility use fees, and ticket counter use fees.

### c. Property Taxes

Pursuant to State statutes, property taxes levied on July 1, the beginning of the fiscal year, are due September 1; however, penalties do not accrue until January 6. The taxes levied effective July 1, 2023 were based on the assessed values listed as of January 1, 2023, which is the lien date.

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*(Dollar Amounts in Thousands)*

The City and Mecklenburg County have a common tax base and overlapping bonded debt. Mecklenburg County is the City's agent for listing and collecting property taxes levied. The distribution of the City's levy for 2024 (tax rate per \$100 valuation) to its funds is shown below:

General	\$	0.2061
Debt Service		0.0506
Capital Projects		0.0037
Total	\$	<u>0.2604</u>

In addition, special taxes are levied on areas referred to as Municipal Services Districts. The purpose of these taxes is to aid the revitalization of these areas. The tax rates for 2024 for Districts 1, 2, 3, 4, 5 and 6 were \$0.0128, \$0.0218, \$0.0332, \$0.0280, \$0.0262 and \$0.0381, respectively.

**d. Restricted Assets**

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

<u>Governmental</u>		
Debt Service	\$	54
Capital Projects		138,450
Other governmental funds		82,101
Total Governmental		<u>220,605</u>
<u>Enterprise</u>		
Water and Sewer		16,170
Airport		716,693
Total Enterprise		<u>732,863</u>
Total	\$	<u>953,468</u>

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



**e. Capital Assets**

Capital asset activity for governmental activities for the year ended June 30, 2024 were as follows:

<u>Governmental activities</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets not being depreciated:				
Land	\$ 3,706,404	\$ 137,792	\$ 1,254	\$ 3,842,942
Construction in progress (Note 4.g.)	226,351	252,028	167,751	310,628
Total capital assets not being depreciated	3,932,755	389,820	169,005	4,153,570
Capital assets being depreciated:				
Buildings	1,579,790	7,420	–	1,587,210
Infrastructure	3,194,863	121,200	–	3,316,063
Intangibles	46,612	1,876	–	48,488
Machinery and equipment	308,996	39,422	10,166	338,252
Total capital assets being depreciated	5,130,261	169,918	10,166	5,290,013
Less accumulated depreciation for:				
Buildings	602,754	38,867	–	641,621
Infrastructure	1,503,630	77,580	–	1,581,210
Intangibles	40,525	3,005	–	43,530
Machinery and equipment	224,937	24,412	10,042	239,307
Total accumulated depreciation	2,371,846	143,864	10,042	2,505,668
Total capital assets being depreciated, net	2,758,415	26,054	124	2,784,345
Right to use assets being amortized:				
Buildings	19,685	–	871	18,814
Infrastructure	1,521	–	–	1,521
Machinery and equipment	2,037	1,782	403	3,416
SBITAs	62,109	37,416	2,315	97,210
Total right to use assets being amortized	85,352	39,198	3,589	120,961
Less accumulated amortization for:				
Buildings	3,144	1,971	179	4,936
Infrastructure	49	49	–	98
Machinery and equipment	1,638	687	403	1,922
SBITAs	12,077	16,846	1,893	27,030
Total accumulated amortization	16,908	19,553	2,475	33,986
Total right to use assets being amortized, net	68,444	19,645	1,114	86,975
Governmental activity capital assets, net	<u>\$ 6,759,614</u>	<u>\$ 435,519</u>	<u>\$ 170,243</u>	<u>\$ 7,024,890</u>

**CITY OF CHARLOTTE, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**JUNE 30, 2024**

*(Dollar Amounts in Thousands)*

Depreciation and amortization expense was charged to activities as follows:

Governmental Activities:	
Public safety	\$ 25,694
Sanitation	7,590
General administration	6,737
Support services	4,015
Engineering and property management	8,636
Streets and highways	75,066
Community planning and development	12,774
Culture and recreation	22,801
Capital assets held by the City's internal service funds are charged to various functions based on the usage of assets	<u>8</u>
Total depreciation and amortization expense – Governmental Activities	<u>\$ 163,321</u>



**CITY OF CHARLOTTE, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**JUNE 30, 2024**

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Capital asset activity for business-type activities for the year ended June 30, 2024 were as follows:

	Beginning Balance Restated	Increase	Decrease	Ending Balance
<b>Business-type activities</b>				
<i>Water and Sewer</i>				
Capital assets not being depreciated:				
Land	\$ 66,528	\$ 2,912	\$ –	\$ 69,440
Construction in progress	143,767	513,770	623,817	33,720
Total capital assets not being depreciated	210,295	516,682	623,817	103,160
Capital assets being depreciated:				
Buildings	96,992	8,659	–	105,651
Water and sewer systems	7,046,256	701,644	725	7,747,175
Intangibles	48,832	15,103	–	63,935
Machinery and equipment	89,169	9,292	1,872	96,589
Total capital assets being depreciated	7,281,249	734,698	2,597	8,013,350
Less accumulated depreciation for:				
Buildings	17,100	2,462	–	19,562
Water and sewer systems	2,364,737	180,513	–	2,545,250
Intangibles	24,530	2,149	–	26,679
Machinery and equipment	55,908	7,535	1,870	61,573
Total accumulated depreciation	2,462,275	192,659	1,870	2,653,064
Total capital assets being depreciated, net	4,818,974	542,039	727	5,360,286
Right to use assets being amortized:				
Land	47	–	–	47
Machinery and equipment	1,062	3,157	–	4,219
SBITAs	3,067	1,532	–	4,599
Total right to use assets being amortized	4,176	4,689	–	8,865
Less accumulated amortization for:				
Land	6	5	–	11
Machinery and equipment	348	224	–	572
SBITAs	578	1,072	–	1,650
Total accumulated amortization	932	1,301	–	2,233
Water and Sewer right to use assets, net	3,244	3,388	–	6,632
Water and Sewer capital assets, net	5,032,513	1,062,109	624,544	5,470,078

Continued on next page

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**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
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(Dollar Amounts in Thousands)

	Beginning Balance Restated	Increase	Decrease	Ending Balance
<i>Storm Water</i>				
Capital assets not being depreciated:				
Land	\$ 1,280	\$ 250	\$ –	\$ 1,530
Construction in progress	31,114	83,408	74,114	40,408
Total capital assets not being depreciated	32,394	83,658	74,114	41,938
Capital assets being depreciated:				
Storm water systems	1,160,001	74,006	–	1,234,007
Intangibles	3,869	–	250	3,619
Machinery and equipment	1,549	108	35	1,622
Total capital assets being depreciated	1,165,419	74,114	285	1,239,248
Less accumulated depreciation for:				
Storm water systems	147,578	19,959	–	167,537
Intangibles	3,620	–	–	3,620
Machinery and equipment	491	269	35	725
Total accumulated depreciation	151,689	20,228	35	171,882
Total capital assets being depreciated, net	1,013,730	53,886	250	1,067,366
Right to use assets being amortized:				
Machinery and equipment	24	36	–	60
SBITAs	219	188	407	–
Total right to use assets being amortized	243	224	407	60
Less accumulated amortization for:				
Machinery and equipment	19	9	–	28
SBITAs	125	282	407	–
Total accumulated amortization	144	291	407	28
Storm Water right to use assets, net	99	(67)	–	32
Storm Water capital assets, net	1,046,223	137,477	74,364	1,109,336

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**CITY OF CHARLOTTE, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**JUNE 30, 2024**

*(Dollar Amounts in Thousands)*

	Beginning Balance Restated	Increase	Decrease	Ending Balance
<i>Airport</i>				
Capital assets not being depreciated:				
Land	\$ 424,905	\$ 13,398	\$ –	\$ 438,303
Construction in progress	716,691	478,369	813,516	381,544
Total capital assets not being depreciated	1,141,596	491,767	813,516	819,847
Capital assets being depreciated:				
Buildings	1,393,154	190,011	–	1,583,165
Runways	542,153	119,183	–	661,336
Other	526,456	480,161	–	1,006,617
Intangibles	20,113	219	–	20,332
Machinery and equipment	205,666	9,941	2,430	213,177
Total capital assets being depreciated	2,687,542	799,515	2,430	3,484,627
Less accumulated depreciation for:				
Buildings	702,017	46,351	–	748,368
Runways	247,371	15,694	–	263,065
Other	119,586	29,885	–	149,471
Intangibles	13,021	3,009	–	16,030
Machinery and equipment	116,500	17,351	1,794	132,057
Total accumulated depreciation	1,198,495	112,290	1,794	1,308,991
Total capital assets being depreciated, net	1,489,047	687,225	636	2,175,636
Right to use assets being amortized:				
Machinery and equipment	1,233	220	–	1,453
SBITAs	7,429	3,839	1,408	9,860
Total right to use assets being amortized	8,662	4,059	1,408	11,313
Less accumulated amortization for:				
Machinery and equipment	310	199	–	509
SBITAs	1,648	2,132	361	3,419
Total accumulated amortization	1,958	2,331	361	3,928
Total right to use assets being amortized, net	6,704	1,728	1,047	7,385
Airport capital assets, net	2,637,347	1,180,720	815,199	3,002,868

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**CITY OF CHARLOTTE, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**JUNE 30, 2024**

(Dollar Amounts in Thousands)

	Beginning Balance Restated	Increase	Decrease	Ending Balance
<i>Public Transit</i>				
Capital assets not being depreciated:				
Land	\$ 177,481	\$ 1,097	\$ –	\$ 178,578
Construction in progress	70,882	53,268	31,999	92,151
Total capital assets not being depreciated	248,363	54,365	31,999	270,729
Capital assets being depreciated:				
Buildings	410,769	–	–	410,769
Transit corridors	1,014,412	2,263	–	1,016,675
Other	48,349	38	–	48,387
Intangibles	24,765	–	–	24,765
Machinery and equipment	458,802	28,644	23,462	463,984
Total capital assets being depreciated (Note 4.g.)	1,957,097	30,945	23,462	1,964,580
Less accumulated depreciation for:				
Buildings	141,902	11,498	–	153,400
Transit corridors	375,457	24,423	–	399,880
Other	38,544	497	–	39,041
Intangibles	15,530	929	–	16,459
Machinery and equipment	200,549	22,064	23,359	199,254
Total accumulated depreciation	771,982	59,411	23,359	808,034
Total capital assets being depreciated, net	1,185,115	(28,466)	103	1,156,546
Right to use assets being amortized:				
Land	13,389	–	82	13,307
Buildings	–	–	–	–
Machinery and equipment	195	293	–	488
SBITAs	2,125	–	342	1,783
Total right to use assets being amortized	15,709	293	424	15,578
Less accumulated amortization for:				
Land	2,912	259	82	3,089
Buildings	–	–	–	–
Machinery and equipment	156	74	–	230
SBITAs	574	575	340	809
Total accumulated amortization	3,642	908	422	4,128
Total right to use assets being amortized, net	12,067	(615)	2	11,450
Public Transit capital assets, net	1,445,545	25,284	32,104	1,438,725
Business-type capital assets, net	\$ 10,161,628	\$ 2,405,590	\$ 1,546,211	\$ 11,021,007



**f. Interfund Receivables, Payables and Transfers**

The following is a summary of interfund receivables, payables and transfers, respectively, at June 30, 2024 by fund:

Due to/from other funds:	Interfund Receivables	Interfund Payables
General Fund	\$ —	\$ 631
Debt Service	9,410	—
Capital Project	8,589	6,226
General COVID Relief	—	3,596
Nonmajor governmental	—	8,545
Enterprise - Water and Sewer	307	—
Enterprise - Airport	61	—
Internal Service Funds	843	—
Fiduciary Funds	—	212
Total	<u>\$ 19,210</u>	<u>\$ 19,210</u>

The balances between Debt Service, Capital Projects, Nonmajor governmental, Water and Sewer, Airport, and General COVID Relief are to advance funding for expenditures until grant reimbursement is received. The balances between Capital Projects and Debt Service are to advance funding for a project until permanent financing is approved.

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

Primary Government:	Receivable Entity	Payable Entity
Debt Service	\$ 1,673	\$ —
Capital Projects	298	239
Nonmajor governmental	—	618
Enterprise - Airport	—	48
Component Unit - Authority	905	1,971
Total	<u>\$ 2,876</u>	<u>\$ 2,876</u>

**CITY OF CHARLOTTE, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**JUNE 30, 2024**

(Dollar Amounts in Thousands)

Interfund transfers:

Transfer out:	Transfers In:							Total
	General	Debt Service	General COVID Relief	Capital Projects	Nonmajor Governmental	Enterprise-Public Transit	Internal Service	
General	\$ -	\$ 21,665	\$ -	\$ 15,735	\$ 2,831	\$ -	\$ -	\$ 40,231
Debt Service	-	-	2,963	85,909	321	-	-	89,193
Capital Projects	650	3,953	-	-	15,321	32,352	7,071	59,347
Nonmajor governmental	305	45,280	-	7,583	-	-	-	53,168
Enterprise:								
Water and Sewer	-	-	-	3,425	-	-	-	3,425
Storm Water	-	-	-	800	-	-	-	800
Public Transit	-	-	-	1,580	84	-	-	1,664
Airport	-	-	-	1,456	-	-	-	1,456
Internal Service	-	-	-	243	-	-	-	243
Total	<u>\$ 955</u>	<u>\$ 70,898</u>	<u>\$ 2,963</u>	<u>\$ 116,731</u>	<u>\$ 18,557</u>	<u>\$ 32,352</u>	<u>\$ 7,071</u>	<u>\$ 249,527</u>

The transfers consist primarily of the following: (a) \$70,898 to Debt Service from Nonmajor governmental and General to cover debt service costs, (b) \$116,731 to Capital Projects mainly from General, Debt Service and Nonmajor governmental to cover Capital Projects, and (c) \$32,352 to Public Transit from Capital Projects to cover maintenance of efforts (\$30,307) and construction of capital assets (\$2,045).

**g. Payables**

Payables at June 30, 2024, including amounts payable from restricted assets, were as follows:

<u>Governmental</u>	Vendors	Salaries	Other	Total
General	\$ 34,169	\$ 4,709	\$ 453	\$ 39,331
Debt Service	65	-	7,259	7,324
Capital Projects	48,460	-	5,545	54,005
General COVID Relief	36	-	-	36
Nonmajor governmental	7,033	41	7	7,081
Total Governmental	<u>89,763</u>	<u>4,750</u>	<u>13,264</u>	<u>107,777</u>
<u>Proprietary</u>				
Water and Sewer	66,678	1,839	1,113	69,630
Storm Water	10,567	471	13	11,051
Airport	142,295	1,625	491	144,411
Public Transit	22,509	1,047	5,822	29,378
Internal Service	90,488	46	1	90,535
Total Proprietary	<u>332,537</u>	<u>5,028</u>	<u>7,440</u>	<u>345,005</u>
Total	<u>\$ 422,300</u>	<u>\$ 9,778</u>	<u>\$ 20,704</u>	<u>\$ 452,782</u>

**h. Deferred Outflows and Inflows of Resources and Unavailable Revenues**

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

following:

	City	Component Unit
Pension deferrals	\$ 710,605	\$ 7,398
OPEB deferrals	37,721	2,378
Contributions to pension plan in current fiscal year	101,016	3,033
Accumulated decrease in fair value of hedging derivatives	2,054	–
Loss on refundings	10,501	–
Unamortized bond refunding charges	3,239	–
	<u>\$ 865,136</u>	<u>\$ 12,809</u>

Deferred inflows of resources are comprised of the following:

	City	Component Unit
Lease receivables	\$ 159,232	\$ 277
Prepaid taxes	3,177	–
Pension deferrals	403,222	400
OPEB deferrals	81,993	5,642
Gain on refundings	56,069	–
	<u>\$ 703,693</u>	<u>\$ 6,319</u>

In addition, governmental funds report unavailable revenues in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period.

At the end of the current fiscal year, the governmental funds reported unavailable revenues as follows:

	General	Debt Service	Capital Projects	Nonmajor Governmental	Total Governmental
Property taxes receivable	\$ 6,805	\$ 1,681	\$ 169	\$ 107	\$ 8,762
Accounts receivable	3,680	–	30	1,562	5,272
Due from component unit	–	1,673	298	–	1,971
	<u>\$ 10,485</u>	<u>\$ 3,354</u>	<u>\$ 497</u>	<u>\$ 1,669</u>	<u>\$ 16,005</u>

#### **i. Long-term Liabilities**

A summary of changes in long-term liabilities for governmental activities for the year ended June 30, 2024 were as

**CITY OF CHARLOTTE, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**JUNE 30, 2024**

*(Dollar Amounts in Thousands)*

follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Governmental Activities</b>					
General obligation bonds	\$ 637,335	\$ 294,005	\$ 97,840	\$ 833,500	\$ 75,700
Plus unamortized premiums	74,423	14,049	9,387	79,085	5,993
Total bonds payable	711,758	308,054	107,227	912,585	81,693
Installment purchases	570,130	192,570	138,580	624,120	34,650
Plus unamortized premiums	57,198	20,255	6,578	70,875	5,232
Total installment purchases	627,328	212,825	145,158	694,995	39,882
Direct placement general obligation bond anticipation notes	184,837	74,893	200,000	59,730	–
Direct placement installment purchases draw program	–	9,424	–	9,424	–
Derivative instrument liability	8,781	–	6,727	2,054	–
Swaption borrowing payable	3,775	–	446	3,329	431
Lease liabilities	18,837	1,782	3,015	17,604	2,100
SBITA liabilities	48,078	36,985	31,196	53,867	11,610
Compensated absences	76,427	50,288	44,169	82,546	33,817
Arbitrage	19	195	–	214	214
Due to participants	2,941	588	–	3,529	–
Net pension liability (LGERS)	253,217	23,726	–	276,943	–
Total pension liability (LEOSSA)	157,177	7,472	–	164,649	–
Net pension liability (System)	550,934	–	757	550,177	–
Net OPEB liability	246,701	–	5,951	240,750	–
Total Governmental Activities	<u>\$ 2,890,810</u>	<u>\$ 726,232</u>	<u>\$ 544,646</u>	<u>\$ 3,072,396</u>	<u>\$ 169,747</u>

For governmental activities, compensated absences, LGERS, LEOSSA and net OPEB liability are primarily liquidated by the General Fund. Payments due to participants are made by Internal Service Funds.

**CITY OF CHARLOTTE, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**JUNE 30, 2024**

*(Dollar Amounts in Thousands)*

A summary of changes in long-term liabilities for business-type activities for the year ended June 30, 2024 were as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Business-type Activities</b>					
<b>Water and Sewer:</b>					
General obligation bonds	\$ 1,535	\$ –	\$ 1,535	\$ –	\$ –
Plus unamortized premiums	171	–	171	–	–
Revenue bonds	1,481,305	543,000	73,435	1,950,870	71,450
Plus unamortized premiums	213,968	59,569	9,678	263,859	10,639
Total bonds payable	1,696,979	602,569	84,819	2,214,729	82,089
Direct placement installment purchases	12,426	–	6,767	5,659	2,238
Installment purchases	1,640	14,000	1,640	14,000	2,800
Plus unamortized premiums	65	693	134	624	139
Total installment purchases	14,131	14,693	8,541	20,283	5,177
Direct placement revenue bond anticipation notes	239,610	354,476	500,000	94,086	–
Direct borrowing state revolving loan	88,928	13,868	4,830	97,966	4,851
Refundable construction deposits	4,500	270	2,166	2,604	948
Lease liabilities	725	3,158	218	3,665	401
SBITA liabilities	2,362	1,531	1,249	2,644	1,157
Compensated absences	7,862	6,134	5,543	8,453	3,792
Net pension liability (LGERS)	45,814	8,393	–	54,207	–
Total Water and Sewer	2,100,911	1,005,092	607,366	2,498,637	98,415
<b>Storm Water:</b>					
Revenue bonds	208,285	–	8,955	199,330	9,380
Plus unamortized premiums	22,948	–	1,388	21,560	1,221
Total bonds payable	231,233	–	10,343	220,890	10,601
Direct placement installment purchases	1,175	–	330	845	334
Direct placement revenue bond anticipation notes	71,992	51,433	100	123,325	100
Direct borrowing federal revolving loan	580	–	66	514	66
Lease liabilities	5	36	9	32	9
SBITA liabilities	11	187	198	–	–
Compensated absences	1,685	1,609	1,411	1,883	988
Net pension liability (LGERS)	10,031	3,490	–	13,521	–
Net OPEB liability	1,483	89	–	1,572	–
Total Storm Water	318,195	56,844	12,457	362,582	12,098

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**CITY OF CHARLOTTE, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**JUNE 30, 2024**

(Dollar Amounts in Thousands)

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Airport:</b>					
Revenue bonds	1,268,985	367,160	31,705	1,604,440	38,335
Plus unamortized premiums	164,415	26,229	7,268	183,376	7,706
Total bonds payable	1,433,400	393,389	38,973	1,787,816	46,041
Direct placement revenue bond anticipation notes	122,029	27,281	135,756	13,554	–
Lease liabilities	930	220	190	960	191
SBITA liabilities	5,525	4,425	3,793	6,157	2,032
Compensated absences	5,571	5,136	4,268	6,439	2,844
Arbitrage	91	–	91	–	–
Net pension liability (LGERS)	32,828	10,355	–	43,183	–
Total Airport	1,600,374	440,806	183,071	1,858,109	51,108
<b>Public Transit:</b>					
Installment purchases	225,310	–	9,365	215,945	9,820
Plus unamortized premiums	31,076	–	1,524	29,552	1,524
Total installment purchases	256,386	–	10,889	245,497	11,344
Lease liabilities	59	293	91	261	72
SBITA liabilities	1,386	–	536	850	419
Compensated absences	5,622	3,632	3,095	6,159	2,028
Net pension liability (LGERS)	22,870	5,294	–	28,164	–
Net OPEB liability	607	–	15	592	–
Total Public Transit	286,930	9,219	14,626	281,523	13,863
Total Business-type Activities	<u>\$ 4,306,410</u>	<u>\$ 1,511,961</u>	<u>\$ 817,520</u>	<u>\$ 5,000,851</u>	<u>\$ 175,484</u>

The government-wide statement of net position includes \$46,041 of long-term liabilities due within one year for business-type activities in the liabilities payable from restricted assets. The remaining amount of \$129,773 is displayed as noncurrent liabilities, due within one year on that same statement.

**(1) General Obligation Bonds**

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

Purpose	Interest Rates	Date Issued	Final Maturity	Original Issue	Balance June 30, 2024
<b>Governmental Activities:</b>					
Taxable Housing, Series 2013A	1.00% - 4.15%	09/05/2013	2030	\$ 34,370	\$ 12,870
Refunding, Series 2014A	1.75% - 5.00%	05/01/2014	2035	131,105	72,105
Refunding, Series 2015	4.00% - 5.00%	06/01/2015	2025	51,895	4,440
Refunding, Series 2016A	5.00%	11/01/2016	2037	116,230	75,530
Refunding, Series 2019A	2.00% - 5.00%	08/15/2019	2039	189,920	127,155
Taxable Housing, Series 2019B	1.45% - 3.00%	08/28/2019	2039	55,000	41,250
Refunding, Series 2020A	3.00% - 5.00%	03/04/2020	2027	30,440	12,885
Refunding, Series 2020B	1.508% - 2.155%	03/04/2020	2032	93,970	81,495
Refunding, Series 2021A	2.00% - 5.00%	12/02/2021	2041	133,035	115,515
Taxable, Series 2023A	4.60% - 5.00%	08/01/2023	2043	75,000	71,250
Refunding, Series 2023B	5.00%	11/07/2023	2044	219,005	219,005
Total Governmental Activities					<u>\$ 833,500</u>

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

<u>Governmental Activities</u>			
Year Ending June 30	Principal	Interest	
2025	\$ 75,700	\$ 35,323	
2026	71,470	30,695	
2027	71,595	27,624	
2028	67,500	24,523	
2029	62,580	21,678	
2030-2034	238,955	73,657	
2035-2039	169,985	32,636	
2040-2044	75,715	8,164	
	<u>\$ 833,500</u>	<u>\$ 254,300</u>	

## (2) Revenue Bonds

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

Purpose	Interest Rates	Date Issued	Final Maturity	Original Issue	Balance June 30, 2024
Water and Sewer, Refunding Series 2015	1.00% - 5.00%	08/27/2015	2046	\$ 459,585	\$ 245,305
Water and Sewer, Refunding Series 2018	3.00% - 5.00%	04/25/2018	2049	409,915	352,440
Water and Sewer, Refunding Series 2019	3.00% - 5.00%	09/10/2019	2036	58,750	48,290
Water and Sewer, Refunding Series 2020	2.00% - 5.00%	09/24/2020	2051	333,445	303,155
Water and Sewer, Refunding Series 2022A	3.47% - 5.00%	09/14/2022	2053	464,680	451,075
Water and Sewer, Taxable Series 2022B	3.45% - 3.55%	09/14/2022	2026	13,405	7,605
Water and Sewer, Series 2024	5.00%	06/26/2024	2055	543,000	543,000
Total Water and Sewer					<u>1,950,870</u>
Storm Water, Refunding Series 2012	2.00% - 5.00%	11/13/2012	2025	20,585	2,175
Storm Water, Refunding Series 2014	3.50% - 5.00%	11/04/2014	2044	101,815	76,015
Storm Water, Refunding Series 2016	1.50% - 5.00%	06/09/2016	2036	32,355	22,200
Storm Water, Fee Revenue Series 2020	2.00% - 5.00%	10/14/2020	2051	104,705	98,940
Total Storm Water					<u>199,330</u>
Airport, Refunding Series 2014A	5.00%	11/06/2014	2035	74,290	69,915
Airport, Series 2017A	5.00%	06/01/2017	2048	167,385	153,360
Airport, Series 2017B	5.00%	06/01/2017	2048	16,345	15,155
Airport, Refunding Series 2017C	3.25% - 5.00%	06/01/2017	2042	119,050	101,235
Airport, Series 2019A	3.00% - 5.00%	06/20/2019	2050	142,220	134,040
Airport, Series 2019B	4.00% - 5.00%	06/20/2019	2050	36,145	34,245
Airport, Series 2021A	3.00% - 5.00%	05/06/2021	2052	271,525	260,815
Airport, Series 2021B	3.00% - 5.00%	05/06/2021	2052	108,420	100,040
Airport, Series 2022A	4.00% - 5.00%	06/02/2022	2053	298,705	295,120
Airport, Series 2022B	4.25% - 5.00%	06/02/2022	2053	74,225	73,355
Airport, Series 2023A	5.00% - 5.25%	09/28/2023	2054	256,875	256,875
Airport, Series 2023B	5.00% - 5.25%	09/28/2023	2054	110,285	110,285
Total Airport					<u>1,604,440</u>
Total Business-type Activities					<u>\$ 3,754,640</u>

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

**CITY OF CHARLOTTE, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**JUNE 30, 2024**

*(Dollar Amounts in Thousands)*

The principal and interest on the Water and Sewer and Storm Water Revenue Bonds are payable from net revenues of the water and sewer and storm water systems, respectively. Pursuant to the general trust indentures, the City has covenanted to charge rates that produce net revenues which (1) including 50 percent of the surplus fund, after providing for a two-month operating reserve, are at least 120 percent of the principal and interest requirements plus 100 percent of non-revenue bond debt service requirements and (2) are at least 110 percent of the principal and interest requirements plus 100 percent of non-revenue bond debt service requirements. Based on the fiscal year 2024 Water and Sewer Fund budgets, revenue bond debt service coverage was at least 2.8 percent. Based on the fiscal year 2024 Storm Water Fund budgets, revenue bond debt service coverage was at least 3.0 percent.

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

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

Revenue bond debt service requirements to maturity are as follows:

Year Ending June 30	<u>Business-type Activities</u>					
	Water and Sewer		Storm Water		Airport	
	Principal	Interest	Principal	Interest	Principal	Interest
2025	\$ 71,450	\$ 75,389	\$ 9,380	\$ 7,044	\$ 38,335	\$ 74,034
2026	65,990	85,207	7,535	6,651	42,890	72,004
2027	69,615	81,829	7,900	6,288	45,065	69,805
2028	73,065	78,262	8,300	5,883	47,345	67,495
2029	64,350	74,827	8,720	5,458	48,165	65,107
2030-2034	373,155	322,007	49,425	21,415	267,730	287,194
2035-2039	425,950	225,897	36,740	12,644	286,140	220,580
2040-2044	264,300	153,129	38,285	6,564	280,555	155,371
2045-2049	277,710	91,262	23,080	2,431	311,020	89,829
2050-2054	231,620	33,858	9,965	226	237,195	23,938
2055	33,665	842	—	—	—	—
	<u>\$ 1,950,870</u>	<u>\$ 1,222,509</u>	<u>\$ 199,330</u>	<u>\$ 74,604</u>	<u>\$ 1,604,440</u>	<u>\$ 1,125,357</u>



### (3) Installment Purchases

The following table summarizes the City's installment purchases:

Purpose	Interest Rates	Date Issued	Final Maturity	Original Issue	Balance June 30, 2024
<b>Governmental Activities:</b>					
Convention Center, Refunding Series 2016A	5.00%	06/01/2016	2026	\$ 33,010	\$ 4,930
Convention Center, Series 2019A	4.00% - 5.00%	04/25/2019	2049	101,955	93,800
Convention Center, Refunding Series 2019A	4.00% - 5.00%	04/25/2019	2034	18,995	14,200
Hall of Fame, Series 2009D	Variable	07/30/2009	2035	100,000	58,830
Hall of Fame, Refunding Series 2019C	3.00% - 4.00%	06/04/2019	2039	34,935	34,935
Tourism, Refunding Series 2023B	5.00%	10/31/2023	2033	85,065	81,825
Cultural Facilities, Refunding Series 2019B	4.00% - 5.00%	06/04/2019	2039	96,975	80,725
Public Safety, Series 2014A	3.00% - 5.00%	03/27/2014	2034	16,225	8,100
Public Safety, Series 2018	3.125% - 5.00%	11/08/2018	2039	56,610	42,430
Equipment and Facilities, Series 2021B	5.00%	10/21/2021	2027	4,145	2,485
Equipment and Facilities, Series 2021B	5.00%	10/21/2021	2032	7,405	5,920
Equipment and Facilities, Series 2021B	2.125% - 5.00%	10/21/2021	2042	96,050	88,435
Equipment and Facilities, Refunding Series 2024	5.00%	04/24/2024	2033	17,205	17,205
Equipment and Facilities, Series 2024	5.00%	04/24/2024	2034	11,450	11,450
Equipment and Facilities, Series 2024	5.00%	04/24/2024	2044	78,850	78,850
Total Governmental Activities					<u>\$ 624,120</u>
<b>Business-type Activities:</b>					
<b>Water and Sewer:</b>					
Equipment, 2022, Direct Placement	1.498%	03/15/2022	2027	\$ 10,005	\$ 5,659
Equipment and Facilities, Series 2024	5.00%	04/24/2024	2029	14,000	14,000
Total Water and Sewer					<u>19,659</u>
<b>Storm Water:</b>					
Equipment, 2022, Direct Placement	1.498%	03/15/2022	2027	1,495	845
Total Storm Water					<u>845</u>
<b>Public Transit:</b>					
Equipment and Facilities, Refunding Series 2013C	2.00% - 5.00%	05/07/2013	2033	47,845	27,125
Equipment and Facilities, Refunding Series 2015B	2.00% - 5.00%	06/18/2015	2035	56,470	36,675
Equipment and Facilities, Refunding Series 2021A	1.00% - 5.00%	08/03/2021	2048	164,730	152,145
Total Public Transit					<u>215,945</u>
Total Business-type Activities					<u>\$ 236,449</u>

Interest on the variable-rate installment purchases is determined by a remarketing agent based upon market conditions. The City entered into an interest rate swap agreement for the variable rate Hall of Fame 2009D. See note 4.j.9 for additional information concerning derivative instruments.

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

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The City's outstanding installment purchases of \$624,120 are secured with collateral of public safety, convention center, cultural arts, NASCAR Hall of Fame, and other government facilities.

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

Water and Sewer's outstanding non-direct and direct placement installment purchases of \$19,659 and Storm Water's outstanding direct placement installment purchase of \$845 are secured with collateral of equipment purchased. The City's outstanding installment purchases of \$215,945 for Public Transit are secured with collateral of transit-related facilities and parking decks.

Installment purchases debt service requirements to maturity are as follows:

<u>Governmental Activities</u>								
Year Ending June 30	Principal				Interest			
2025	\$	34,650	\$	29,302				
2026		35,895		27,017				
2027		34,450		25,279				
2028		35,545		23,548				
2029		36,710		21,758				
2030-2034		197,095		79,785				
2035-2039		156,650		37,705				
2040-2044		64,655		13,505				
2045-2049		28,470		3,677				
	\$	624,120	\$	261,576				

<u>Business-type Activities</u>								
Year Ending June 30	Water And Sewer				Storm Water		Public Transit	
	Direct Placements				Direct Placements			
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2025	\$ 2,800	\$ 702	\$ 2,238	\$ 76	\$ 334	\$ 12	\$ 9,820	\$ 8,150
2026	2,800	490	2,272	43	339	6	10,295	7,685
2027	2,800	350	1,149	9	172	1	10,780	7,197
2028	2,800	210	—	—	—	—	11,215	6,770
2029	2,800	70	—	—	—	—	11,585	6,397
2030-2034	—	—	—	—	—	—	62,630	23,607
2035-2039	—	—	—	—	—	—	34,900	12,669
2040-2044	—	—	—	—	—	—	33,820	7,739
2045-2048	—	—	—	—	—	—	30,900	2,352
	\$ 14,000	\$ 1,822	\$ 5,659	\$ 128	\$ 845	\$ 19	\$ 215,945	\$ 82,566

**(4) Installment Purchases Draw Program**

The City has available a direct placement certificates of participation draw program to finance improvement and renovation projects for various City facilities. The aggregate principal amount of the certificate program outstanding at any one time shall not exceed \$110,000. The certificate program does not constitute a general obligation or other indebtedness of the City, and does not constitute a direct or indirect pledge of the faith and credit or taxing power of the City. In addition, the City has entered into a Certificate Purchase and Advance Agreement. The certificate will be replaced by certificates of participation. The certificate will mature no later than the third anniversary of the closing date or September 21, 2026. The City had direct placement certificates payable of \$9,424 outstanding at June 30, 2024. Interest rates are based upon market conditions.

Direct placement certificates of participation draw program debt service requirements to maturity are as follows:

<u>Governmental Activities</u>		
Year Ending June 30	Principal	Interest
2025	\$ —	\$ 428
2026	—	428
2027	9,424	98
	<u>\$ 9,424</u>	<u>\$ 954</u>

**(5) General Obligation Bond Anticipation Note**

The City has available a direct placement general obligation bond anticipation note program to finance street improvements, neighborhood improvements, public improvements and housing projects. The aggregate principal amount of the note outstanding at any one time shall not exceed \$200,000. The note is a general obligation of the City, and the City has pledged its faith and credit to the payment of the principal of and interest on the note. In addition, the City has entered into a Note Purchase and Advance Agreement. The note will be replaced by general obligation bonds. The note will mature no later than the third anniversary of the closing date or November 7, 2026. The City had direct placement general obligation bond anticipation notes payable of \$59,730 outstanding at June 30, 2024. Interest rates are based upon market conditions.

Direct placement general obligation bond note debt service requirements to maturity are as follows:

<u>Governmental Activities</u>		
Year Ending June 30	Principal	Interest
2025	\$ —	\$ 2,685
2026	—	2,685
2027	\$ 59,730	\$ 956
	<u>\$ 59,730</u>	<u>\$ 6,326</u>

**(6) 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 June 26, 2027. The City had direct placement Water and Sewer revenue bond anticipation notes payable of \$94,086 outstanding at June 30, 2024. Interest rates are based upon market conditions.

The City has available a Storm Water direct placement revenue bond anticipation note program to finance the cost of various improvements to its storm water system. The aggregate principal amount of the note outstanding at any one time shall not exceed \$125,000. The note is payable from net revenues of the storm water system. The note does not constitute a legal or equitable pledge, charge, lien or encumbrance upon any of the City's property or upon any of its income, receipts or revenues, except as provided in the General Trust Indenture. Neither the credit nor the taxing power of the City is pledged for the payment of the principal or interest, and no owner has the right to compel the exercise of the taxing power of the City or the forfeiture of any of its property in connection with any default on the note. In addition, the City has entered into a Note Purchase and Advance Agreement. The note will be replaced by long-term storm water revenue bonds. The note will mature no later than the third anniversary of the closing date or September 29, 2025. The City had direct placement Storm Water revenue bond anticipation notes payable of \$123,325 outstanding at June 30, 2024. Interest rates are based upon market conditions.

The City has available an Airport direct placement revenue bond anticipation note program to finance the cost of

*(Dollar Amounts in Thousands)*

Airport improvements. The aggregate principal amount of the note outstanding at any one time shall not exceed \$280,000. The note is payable from net revenues of the Airport. The note does not constitute a legal or equitable pledge, charge, lien or encumbrance upon any of the City's property or upon any of its income, receipts or revenues, except as provided in the Revenue Bond Orders. Neither the credit nor the taxing power of the City is pledged for the payments of the principal or interest, and no owner has the right to compel the exercise of the taxing power of the City or the forfeiture of any of its property in connection with any default on the note. In addition, the City has entered into a Note Purchase and Advance Agreement. The note will be replaced by general Airport revenue bonds. The note will mature no later than the third anniversary of the closing date or September 28, 2026. The City had Airport direct placement revenue bond anticipation notes payable of \$13,554 outstanding at June 30, 2024. Interest rates are based upon market conditions.

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

Year Ending June 30	<u>Business-type Activities</u>					
	Water and Sewer		Storm Water		Airport	
	Principal	Interest	Principal	Interest	Principal	Interest
2025	\$ –	\$ 4,421	\$ 100	\$ 5,223	\$ –	\$ 621
2026	–	4,421	123,225	1,302	–	622
2027	94,086	4,372	–	–	13,554	153
	<u>\$ 94,086</u>	<u>\$ 13,214</u>	<u>\$ 123,325</u>	<u>\$ 6,525</u>	<u>\$ 13,554</u>	<u>\$ 1,396</u>

**(a) Federal Revolving Loan**

Pursuant to the North Carolina Clean Water Revolving Loan & Grant Act of 1987 and the Federal Clean Water Act Amendments of 1987 and the American Recovery and Reinvestment Act of 2009, the City utilized loan proceeds to construct clean water infrastructures. The direct borrowing loans to be repaid are one-half of the total project costs reimbursed with zero percent interest. Principal is forgiven for one-half of the total project costs reimbursed.

Debt service requirements to maturity are as follows:

<u>Business-type Activities</u>	
Year Ending June 30	Principal
2025	\$ 66
2026	66
2027	66
2028	66
2029	66
2030-2032	184
	<u>\$ 514</u>

**(b) State Revolving Loan**

Pursuant to the North Carolina Clean Water Revolving Loan & Grant Act of 1987, the City was awarded direct borrowing state revolving loans through the North Carolina Department of Environmental Quality. The City utilized loan proceeds to construct wastewater treatment works projects. As of June 30, 2024, direct borrowing loans totaling \$98,516 have been approved (but not fully disbursed). The maximum loan term is twenty years. As of June 30, 2024, interest rates varied from zero to 1.71 percent.

Debt service requirements to maturity are as follows:

<u>Business-type Activities</u>		
Year Ending June 30	Principal	Interest
2025	\$ 4,851	\$ 1,204
2026	5,373	1,195
2027	5,373	1,181
2028	5,374	1,111
2029	5,374	1,041
2030-2034	26,867	4,158
2035-2039	26,415	2,412
2040-2044	17,816	701
2045	523	6
	<u>\$ 97,966</u>	<u>\$ 13,009</u>

## **(7) Leases**

The City has entered into agreements to lease certain land, office and warehouse facilities, machinery, and other equipment. The lease agreements have been recorded at the present value of the future 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 1 to 31 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. The City'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 \$16,795 for governmental activities and \$15,135 for business-type activities. The right to use assets are discussed in more detail in section 4f of 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 the City'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 2024, the City recognized \$2,600 in variable lease payments not previously included in the measurement of the lease liability. As of June 30, 2024, the City's lease payables were valued at \$22,522.

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The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2024, were as follows:

<u>Governmental Activities</u>								
Year Ending June 30	Principal		Interest					
2025	\$	2,100	\$	400				
2026		1,888		363				
2027		1,939		327				
2028		1,782		291				
2029		1,356		262				
2030-2034		4,467		949				
2035-2039		2,903		387				
2040-2044		293		172				
2045-2049		426		113				
2050-2054		450		31				
	\$	17,604	\$	3,295				

<u>Business-type Activities</u>								
Year Ending June 30	Water and Sewer		Storm Water		Airport		Public Transit	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2025	\$ 401	\$ 88	\$ 9	\$ 1	\$ 191	\$ 21	\$ 72	\$ 6
2026	419	79	9	1	196	16	74	5
2027	442	69	9	—	201	11	77	2
2028	437	60	5	—	176	7	38	—
2029	293	50	—	—	151	3	—	—
2030-2032	1,673	117	—	—	45	—	—	—
	\$ 3,665	\$ 463	\$ 32	\$ 2	\$ 960	\$ 58	\$ 261	\$ 13

**(8) Subscription-Based Information Technology Arrangements (SBITAs)**

The City has entered into subscription-based information technology arrangements (SBITAs). The SBITA agreements have been recorded at the present value of the future subscription payments as of the date of their inception. Accordingly, the City's estimated incremental borrowing rates of 2.41% to 3.57% were used to discount the SBITA payments. As a result of the subscriptions, the City has recorded the right to use assets with a total net book value of \$70,180 for governmental activities and \$10,364 for business-type activities. The SBITA liability balance was \$63,518 at June 30, 2024.

The future minimum subscription obligations and the net present value of these minimum payments as of June 30, 2024, were as follows:

<u>Governmental Activities</u>		
Year Ending June 30	Principal	Interest
2025	\$ 11,610	\$ 1,509
2026	9,135	1,192
2027	8,411	936
2028	7,075	695
2029	4,648	489
2030-2034	12,988	706
	\$ 53,867	\$ 5,527



(Dollar Amounts in Thousands)

Year Ending June 30	Business-type Activities					
	Water and Sewer		Airport		Public Transit	
	Principal	Interest	Principal	Interest	Principal	Interest
2025	\$ 1,157	\$ 74	\$ 2,032	\$ 158	\$ 419	\$ 23
2026	970	43	1,741	106	297	11
2027	323	16	1,620	62	112	4
2028	194	6	764	21	22	1
2029	—	—	—	—	—	—
	<u>\$ 2,644</u>	<u>\$ 139</u>	<u>\$ 6,157</u>	<u>\$ 347</u>	<u>\$ 850</u>	<u>\$ 39</u>

## (9) Derivative Instruments

The fair value balances and notional amounts of derivative instruments outstanding at June 30, 2024 classified by type, and the changes in fair value of such derivative instruments for the year ended are as follows:

	Changes in Fair Value		Fair Value at June 30, 2024		
	Classification	Amount	Classification	Amount	Notional
<u>Governmental Activities</u>					
Cash flow hedges:					
Pay-fixed interest rate swap	Deferred outflow	\$ 6,727	Debt	\$ (2,054)	\$ 58,830

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

The following table displays the objective and terms of the City's hedging derivative instruments outstanding at June 30, 2024 along with the credit rating of the associated counterparty:

Type	Objective	Notional Amount	Effective Date	Maturity Date	Terms	Counterparty Credit Rating
Pay-fixed interest rate swap	Hedge of changes in cash flows on the 2009D Hall of Fame Certificates of Participation	\$ 58,830	8/18/2009	6/1/2035	Pay 4.725%; receive SOFR	Aa2/A+

**Interest Rate Risk:** The City is exposed to interest rate risk on its interest rate swaps. On its pay-fixed, receive-variable interest rate swaps, as SOFR decreases, the City's net payment on the swaps increases.

**Basis Risk:** The City's hedging derivative instruments expose the City to basis risk since the variable payment received from the counterparty is determined on a basis different from that used to calculate the bond floating rate for the associated bonds. As of June 30, 2024, the rate received by the City for the 2009D agreement was 5.45 percent, whereas the bond floating rate paid by the City was 5.44 percent.

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

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



(Dollar Amounts in Thousands)

*Hedging Derivative Instrument Payments and Hedged Debt:* As of June 30, 2024, aggregate debt service requirements of the City's variable-rate debt and net receipts/payments on associated hedging derivative instruments are as follows. These amounts assume that current interest rates on variable-rate bonds and the current reference rates of hedging derivative instruments will remain the same for their term. As these rates vary, interest payments on variable-rate bonds and net receipts/payments on the hedging derivative instruments will vary.

Year Ending June 30	Governmental Activities Variable-Rate Instruments		Hedging Derivatives, Net	Total
	Principal	Interest		
2025	\$ 4,315	\$ 3,182	\$ (421)	\$ 7,076
2026	4,555	2,966	(390)	7,131
2027	4,805	2,718	(357)	7,166
2028	5,065	2,457	(323)	7,199
2029	5,355	2,181	(287)	7,249
2030-2034	31,585	6,197	(815)	36,967
2035	3,150	171	(22)	3,299
	<u>\$ 58,830</u>	<u>\$ 19,872</u>	<u>\$ (2,615)</u>	<u>\$ 76,087</u>

*Commitments:* The City's derivative instruments include provisions that require the City to post collateral in the event its credit rating falls below A3 by Moody's and A- by S&P. The hedging derivative instruments will be collateralized at fair value with cash and/or U.S. government securities. Collateral will be posted with the City or its agent. At June 30, 2024 the aggregate fair value of all hedging derivative instruments with these collateral posting provisions is (\$2,054). If the collateral posting requirements were triggered at June 30, 2024 the City would not be required to post collateral to its counterparties because they had negative fair values. The City's general obligation debt rating is Aaa from Moody's and AAA from S&P; therefore, no collateral has been posted at June 30, 2024.

#### **(10) Refundings**

In September 2023, the City issued \$256,875 in Airport Revenue Bonds, Series 2023A with interest rates ranging from 5.00 to 5.25 percent. The net proceeds from this current refunding of \$275,704 (after payment of \$1,888 in underwriting fees and other issue costs) along with \$32,859 in available funds from the City were used to prepay \$88,558 of outstanding Revenue Bond Anticipation Notes, Series 2022 and fund the debt service reserve fund for the 2023A bonds.

In September 2023, the City issued \$110,285 in Airport Revenue Bonds, Series 2023B with interest rates ranging from 5.00 to 5.25 percent. The net proceeds from this current refunding of \$114,993 (after payment of \$804 in underwriting fees and other issue costs) along with \$14,107 in available funds from the City were used to prepay \$45,139 of outstanding Revenue Bond Anticipation Notes, Series 2022 and fund the debt service reserve fund for the 2023B bonds.

In September 2023, the City issued \$2,059 in Airport revenue bond anticipation notes, Series 2023 to prepay \$2,059 in outstanding revenue bond anticipation notes, Series 2022.

In October 2023, the City issued \$85,065 in Refunding Certificates of Participation, Series 2023B with a fixed interest rate of 5.00 percent. The net proceeds of \$90,475 (after payment of \$758 in underwriting fees and other issue costs) along with \$4,404 in available funds from the City were used to refund \$19,785 of outstanding variable rate Certificates of Participation, Series 2003F, refund \$70,690 in variable rate Refunding Certificates of Participation, Series 2013G, and pay the swap termination payment associated with the interest rate swap agreement related to the refunded 2013G Certificates of Participation. The refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$4,247. This difference, reported in the accompanying financial statements as a loss on refundings, is being charged to operations through the year 2033 using the straight-line method. The City completed the refunding to reduce the total debt service payments over a period of nine years by \$1,737 and to obtain an economic gain (difference between the present values of the old and new debt service payments) of \$1,428.



In November 2023, the City issued \$219,005 in General Obligation Refunding Bonds, Series 2023B with a fixed interest rate of 5.00 percent. The net proceeds of \$231,599 (after payment of \$1,080 in underwriting fees and other issue costs) were used to refund \$31,595 of outstanding fixed rate General Obligation Refunding Bonds, Series 2013B, and prepay \$200,000 of outstanding General Obligation Bond Anticipation Notes, Series 2021B. The refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$3,467. This difference, reported in the accompanying financial statements as a gain on refundings, is being charged to operations through the year 2030 using the straight-line method. The City completed the refunding to reduce the total debt service payments over a period of 20 years by \$1,027 and to obtain an economic gain (difference between the present values of the old and new debt service payments) of \$941.

In April 2024, the City issued \$121,505 in Certificates of Participation, Series 2024 with a fixed interest rate of 5.00 percent. The net proceeds of \$135,385 (after payment of \$900 in underwriting fees and other issue costs) were used to refund \$9,280 of outstanding fixed rate Certificates of Participation, Series 2012A, to refund \$9,340 of outstanding fixed rate Certificates of Participation, Series 2013A, and finance the costs of various governmental facilities and equipment. The refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$1,884. This difference, reported in the accompanying financial statements as a gain on refundings, is being charged to operations through the year 2033 using the straight-line method. The City completed the refunding to reduce the total debt service payments over a period of 20 years by \$1,101 and to obtain an economic gain (difference between the present values of the old and new debt service payments) of \$975.

In June 2024, the City issued \$543,000 in Water and Sewer System Revenue Bonds, Series 2024 with a fixed interest rate of 5.00 percent. The net proceeds from this current refunding of \$600,005 (after payment of \$2,564 in underwriting fees and other issue costs) were used to prepay \$500,000 of outstanding Water Sewer Revenue Bond Anticipation Notes, Series 2022 and finance the cost of various water and sewer system improvements.

#### **(11) Other Debt Information**

In prior years, the City defeased certain general obligation and other bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the City's financial statements. At June 30, 2024, \$26,535 of bonds outstanding are considered defeased.

As of June 30, 2024, the City has authorized but unissued bonds of \$454,081 consisting of \$291,652 for street improvements, \$50,000 for housing and \$112,429 for neighborhood improvements.

Pursuant to the North Carolina General Statutes, the City's outstanding general obligation debt is subject to a legal limitation based on eight percent of the total assessed value of real and personal property. As of June 30, 2024, the City's legal debt limit was \$17,575,706. The outstanding debt subject to this limit was \$2,333,353, leaving a net legal debt margin of \$15,242,353.

In accordance with Section 148 of the Internal Revenue Code of 1986, as amended, and Sections 1.103-13 to 1.103-15 of the related Treasury Regulations, the City must rebate to the federal government "arbitrage profits" earned on governmental bonds issued after August 31, 1986. Arbitrage profits are the excess of the amount earned on investments over the interest paid on the borrowings. At June 30, 2024, the City had a liability of \$214 for estimated arbitrage profits payable from governmental activities.

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 \$2,400). The letter of credit is valid through February 28, 2025 (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. Within the various credit entities of the City, 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

(Dollar Amounts in Thousands)

covenants.

**k. Fund Balance**

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

Total fund balance - General Fund	\$ 244,907
Less:	
Nonspendable Leases	1,857
Nonspendable Prepaid Items	26
Long-term Notes Receivables	8,000
Stabilization by State Statute	77,667
Fund balance policy	143,483
Remaining Fund Balance - Committed for Capital Projects	<u>\$ 13,874</u>

**5. PENSION PLANS AND OTHER BENEFITS**

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

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

	LGERS	Firefighters' System	LEOSSA	Total
Deferred Outflows of Resources - City contributions subsequent to the measurement date	\$ 74,398	\$ 20,621	\$ 5,997	\$ 101,016
Other Deferred Outflows	177,198	507,435	25,972	710,605
Pension Liability	416,018	550,177	164,649	1,130,844
Deferred Inflows of Resources - Pension deferrals	9,707	373,124	20,391	403,222
Pension Expense	118,022	97,078	14,867	229,967

Detailed information for all plans follows.



**a. Local Governmental Employees' Retirement System (LGERS)**

*Plan Description:* The City of Charlotte and the Charlotte Regional Visitors Authority (Authority), a component unit of the City, are participating employers in the statewide Local Governmental Employees' Retirement System (LGERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Carolina. LGERS membership is comprised of general employees and local law enforcement officers (LEO) of participating local governmental entities. Article 3 of G.S. Chapter 128 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](http://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 (age 55 for firefighters). Survivor benefits are available to eligible beneficiaries of members who die while in active service or within 180 days of their last day of service and who have either completed 20 years of creditable service regardless of age (15 years of creditable service for firefighters and rescue squad members who are killed in the line of duty) or have completed five years of service and have reached age 60. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions. The plan does not provide for automatic post-retirement benefit increases. Increases are contingent upon actuarial gains of the plan.

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

*Contributions:* Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. City of Charlotte and Authority employees are required to contribute six percent of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. Contractually required contribution rates for the year ended June 30, 2024, were 15.04 percent of compensation for law enforcement officers for the City and 13.60 percent for general employees and firefighters for the City and the Authority, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to pension plan from the City of Charlotte and the Authority, respectively, were \$74,398 and \$3,033 for the year ended June 30, 2024.

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

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of**

(Dollar Amounts in Thousands)

## Resources Related to Pensions

**City of Charlotte** – At June 30, 2024, the City reported a liability of \$416,018 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2023. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2022. The total pension liability was then rolled forward to the measurement date of June 30, 2023 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, 2023 (measurement date), the City's proportion was 6.281 percent which was a decrease of 0.184 percent from its proportion measured as of June 30, 2022.

For the year ended June 30, 2024, the City recognized pension expense of \$118,022. At June 30, 2024, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 46,357	\$ 998
Changes of assumptions	17,678	–
Net difference between projected and actual earnings on pension plan investments	111,345	–
Changes in proportion and differences between City contributions and proportionate share of contributions	1,818	8,709
City contributions subsequent to the measurement date	74,398	–
Total	<u>\$ 251,596</u>	<u>\$ 9,707</u>

\$74,398 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2025. 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 Ending June 30	
2025	\$ 61,662
2026	28,169
2027	72,952
2028	4,708
	<u>\$ 167,491</u>

**Component Unit** – At June 30, 2024, the Authority reported a liability of \$15,678 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2023. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2023. The total pension liability was then rolled forward to the measurement date of June 30, 2023 utilizing updated procedures incorporating the actuarial assumptions. The Authority's proportion of the net pension liability was based on a projection of the Authority's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2023, the Authority's proportion was 0.239 percent which was a decrease of 0.022 percent from its proportion measured as of June 30, 2022.

For the year ended June 30, 2024, the Authority recognized pension expense of \$4,511. At June 30, 2024, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the

following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,747	\$ 38
Changes of assumptions	666	–
Net difference between projected and actual earnings on pension plan investments	4,196	–
Changes in proportion and differences between Authority contributions and proportionate share of contributions	788	362
Authority contributions subsequent to the measurement date	3,033	–
Total	<u>\$ 10,430</u>	<u>\$ 400</u>

\$3,033 reported as deferred outflows of resources related to pensions resulting from Authority contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2025. Other amounts reported as deferred inflows of resources (net of deferred outflows of \$7,398) related to pensions will be recognized in pension expense as follows:

Year Ending June 30	
2025	\$ 2,437
2026	1,323
2027	3,061
2028	177
Thereafter	–
	<u>\$ 6,998</u>

*Actuarial Assumptions:* The total pension liability in the December 31, 2022 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, 2022 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.

*(Dollar Amounts in Thousands)*

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, 2023 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Fixed Income	33.0%	0.9%
Global Equity	38.0%	6.5%
Real Estate	8.0%	5.9%
Alternatives	8.0%	8.2%
Opportunistic Fixed Income	7.0%	5.0%
Inflation Sensitive	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 (Asset) to Changes in the Discount Rate:** The following presents the City and the Authority's proportionate share of the net pension liability calculated using the discount rate of 6.50 percent, as well as what the City and the Authority's proportionate share of the net pension asset or net pension liability would be if it were calculated using a discount rate that is one percentage point lower (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%)
City's proportionate share of the net pension liability (asset)	\$ 720,735	\$ 416,018	\$ 165,147
Authority	27,162	15,678	6,224

**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 (ACFR) for the State of North Carolina.

#### **b. Charlotte Firefighters' Retirement System (System)**

**Plan Description:** The Charlotte Firefighters' Retirement System (System) administers the Charlotte Firefighters' Retirement System Plan, a single-employer defined benefit pension plan. System membership is comprised of civil



service employees of the Charlotte Fire Department. Section 12 of G.S. Chapter 926 of the 1947 Session Laws, as amended, officially known as the Charlotte Firefighters' Retirement System Act (Act), assigns the authority to establish and amend benefit provisions to the System. Management of the plan is vested in the System's Board of Trustees, which consists of 11 members – four appointed by the Resident Judge of the Superior Court of Mecklenburg County, three who serve by virtue of their positions with the City of Charlotte, three elected by the members and one elected by the retirees. The System issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Charlotte Firefighters' Retirement System, 428 East Fourth Street, Suite 205, Charlotte, North Carolina 28202, or by calling (704) 626-2728.

*Plan Membership:* At June 30, 2023, the actuarial valuation date, System membership consisted of the following:

Retired participants and beneficiaries currently receiving benefits	849
Terminated participants and beneficiaries entitled to benefits but not yet receiving benefits	16
Active participants	1,086
Total	<u>1,951</u>

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

*Benefits Provided:* The System provides retirement and permanent and total disability benefits to the uniformed employees of the Fire Department of the City of Charlotte. Retirement benefits are determined as 2.6 percent of the member's final average salary multiplied by the years of credited service. A member's final average salary is calculated as the average monthly compensation received by the member during any two consecutive years of membership which produces the highest average and is contained within the last five years of membership. Plan members are eligible to retire with full retirement benefits at age 60 with five years of creditable service, at age 50 with 25 years of creditable service, or at any age with 30 years of creditable service. Plan members are eligible to retire with partial retirement benefits with 25 years of creditable service. Early retirement benefits are reduced by three percent for each year the early retirement date precedes age 50. Survivor benefits are available to eligible beneficiaries of members who die while in active service. Eligible beneficiaries may elect to receive a lump sum equal to the return of the member's accumulated contributions, plus those contributions made by the City on their behalf, plus interest of four percent per year. In lieu of the lump sum, the beneficiary may elect an annuity which is the actuarial equivalent of the lump sum. The plan does not provide for automatic post-retirement benefit increases.

*Contributions:* Benefit and contribution provisions are established by State law and may be amended only by the North Carolina legislature. Contributions to the pension plan from the City were \$20,621 for the year ended June 30, 2024.

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

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

(Dollar Amounts in Thousands)

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

**Concentrations:** The System had individual fixed income or equity investments at June 30, 2024 managed by the following organizations that represented five percent or more of the System's net position:

State Street Global Advisors	37%
Barrow Hanley	10%
Neuberger Berman	9%
Morgan Stanley	5%
Wellington Management Company	5%
Lazard / Wilmington Collective Trust	5%

**Rate of Return:** For the year ended June 30, 2023, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 10.13 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

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

At June 30, 2024, the System reported a liability of \$550,177. The net pension liability was measured as of June 30, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2023.

**Actuarial Assumptions:** The total pension liability in the July 1, 2023 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Salary increases	3.75% to 9.00%, including inflation
Investment rate of return	7.00%, net of pension plan investment expense, including inflation

Mortality rates were based on The Pub-2010 Safety Retiree Headcount-Weighted Below Median Mortality Table adjusted by 87.5 percent for males projected generationally with Scale MP-2019 for the period after service retirement. The Pub-2010 Safety Disabled Retiree Headcount-Weighted Mortality Table projected generationally with Scale MP-2019 is used for the period after disability retirement. The Pub-2010 Safety Employee Headcount-Weighted Mortality Table projected generationally with projection Scale MP-2019 is used for deaths in active service.

The actuarial assumptions used in the July 1, 2023 valuation were based on the results of an actuarial experience study for the period July 1, 2014 through June 30, 2019.

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



by the target asset allocation percentage and by adding expected inflation.

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Broad Domestic Equity	36.0%	5.8%
International Equity	26.0%	6.6%
Domestic Fixed Income	23.0%	1.0%
Non U.S. Fixed Income	5.0%	0.3%
Real Estate	10.0%	4.9%
Total	100.0%	

*Discount Rate:* The discount rate used to measure the total pension liability was 5.13 percent. The projection of cash flows used to determine the discount rate assumed that plan member contributions and employer contributions will be made at the current contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments of 7 percent was applied to all periods of projected benefit payments. The Single Equivalent Interest Rate (SEIR) of 5.13 percent was used to determine the total pension liability as of June 30, 2023.

*Changes in the Net Pension Liability:*

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balances at June 30, 2022	\$ 1,125,537	\$ 574,603	\$ 550,934
Service cost	40,857	–	40,857
Interest	53,786	–	53,786
Benefit Changes	–	–	–
Difference between expected and actual experience	18,552	–	18,552
Changes of assumptions or other inputs	(38,049)	–	(38,049)
Contributions-employer	–	17,619	(17,619)
Contributions-employee	–	12,605	(12,605)
Net investment income	–	46,537	(46,537)
Benefit payments, including refunds of employee contributions	(46,725)	(46,725)	–
Administrative expense	–	(807)	807
Other Changes	–	(51)	51
Balances at June 30, 2023	\$ 1,153,958	\$ 603,781	\$ 550,177

*Sensitivity of the Proportionate Share of the Net Pension Liability (Asset) to Changes in the Discount Rate:* The following presents the System's net pension liability calculated using the discount rate of 5.13 percent, as well as what the net pension asset or net pension liability would be if it were calculated using a discount rate that is one

**CITY OF CHARLOTTE, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**JUNE 30, 2024**

*(Dollar Amounts in Thousands)*

percentage point lower (6.13 percent) or one percentage point higher (4.13 percent) than the current rate:

	1% Decrease 6.13%	Discount Rate 5.13%	1% Increase 4.13%
System's net pension liability	\$ 714,724	\$ 550,177	\$ 415,365

For the year ended June 30, 2024, the System recognized pension expense of \$97,078. At June 30, 2024, the System reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 54,497	\$ 1,308
Changes of assumptions	411,860	371,816
Net difference between projected and actual earnings on pension plan investments	41,078	—
City contributions subsequent to the measurement date	20,621	—
Total	<u>\$ 528,056</u>	<u>\$ 373,124</u>

\$20,621 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2025. 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 Ending June 30	
2025	\$ 26,993
2026	21,790
2027	45,262
2028	14,517
2029	(1,732)
Thereafter	27,481
	<u>\$ 134,311</u>

Below are the Statement of Net Position and Statement of Changes in Net Position for the Firefighters' Retirement Pension Trust:

Statement of Net Position

Assets:	
Cash, cash equivalents and investments	\$ 6,692
Receivables:	
Employer contributions	496
Member contributions	247
Interest and dividends	899
Total receivables	<u>1,642</u>
Prepaid items	31
Investments:	
Equity securities - stocks	76,892
Fixed income securities - bonds	148,201
Mutual funds	413,957
Total investments	<u>639,050</u>
Capital assets	672
Less accumulated depreciation	616
Total capital assets, net	<u>56</u>
Total assets	<u>647,471</u>
Liabilities:	
Accounts payable	<u>911</u>
Net Position:	
Restricted for pensions	<u><u>\$ 646,560</u></u>

Statement of Changes in Net Position

Additions:	
Contributions-	
Member	\$ 13,700
Employer	20,621
Total contributions	<u>34,321</u>
Investment income -	
Net appreciation in fair value of investments	52,654
Interest	5,104
Dividends	3,566
Total investment income	<u>61,324</u>
Investment expense	<u>2,649</u>
Net investment income	<u>58,675</u>
Total additions	<u>92,996</u>
Deductions:	
Benefits	48,443
Refunds	950
Administration	794
Depreciation	30
Total deductions	<u>50,217</u>
Change in net position	<u>42,779</u>
Net position - beginning	603,781
Net position - ending	<u><u>\$ 646,560</u></u>

(Dollar Amounts in Thousands)

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

*Description:* The City of Charlotte administers a public employee retirement system (LEOSSA), a single employer defined benefit pension plan that provides retirement benefits to the City's qualified sworn law enforcement officers under the age of 62 who have completed at least 30 years of creditable service or have attained 55 years of age and have completed five or more years of creditable service. The LEOSSA is equal to 0.85 percent of the annual equivalent of the base rate of compensation most recently applicable to the officer for each year of creditable service. The retirement benefits are not subject to any increases in salary or retirement allowances that may be authorized by the General Assembly. Article 12D of G.S. Chapter 143 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. A stand-alone financial report is not issued for the LEOSSA.

All full-time law enforcement officers of the City are covered by the LEOSSA. At December 31, 2022, the LEOSSA's membership consisted of:

Inactive plan members currently receiving benefits	502
Active plan members	1,670
Total	<u>2,172</u>

*Basis of Accounting:* The City has chosen to fund the LEOSSA on a pay-as-you-go basis. Pension expenditures are made from the General fund, which is maintained on the modified accrual basis of accounting. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

The LEOSSA has no assets accumulated in a trust that meet the criteria in GASB Statement 73.

*Actuarial Assumptions:* The entry age actuarial cost method was used in the December 31, 2022 valuation. The total pension liability in the December 31, 2022 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 7.75%, including inflation and productivity factor
Discount rate	4.00%

*Discount Rate:* The discount rate used to measure the TLP is the S&P Municipal Bond 20-year High Grade Rate index.

*Mortality Assumption:* All mortality rates use Pub-2010 amount-weighted tables.

*Mortality Projection:* All mortality rates are projected from 2010 using generational improvement with Scale MP-2019.

*Deaths After Retirement (Healthy):* Mortality rates are based on the Safety Mortality Table for Retirees. Rates for all members are multiplied by 97 percent and Set Forward by 1 year.

*Deaths After Retirement (Disabled Members at Retirement):* Mortality rates are based on the Non-Safety mortality Table for Disabled Retirees. Rates are Set Back 3 years for all ages.

*Deaths After Retirement (Survivors of Deceased Members):* Mortality rates are based on the Below-median Teachers Mortality Table for the Contingent Survivors. Rates for the male members are Set Forward 3 years. Rates for female members are Set Forward 1 year. Because the contingent survivor tables have no rates prior to age 45, the Below-median Teachers Mortality Table for Employees is used for ages less than 45.

*Deaths Prior to Retirement:* Mortality rates are based on the Safety Mortality Table for Employees.

December 31, 2022 is the actuarial valuation date upon which the TPL is based. The result was rolled forward using standard actuarial techniques to the Measurement Date. The roll forward calculation adds the annual normal

cost (also called the service cost), subtracts the actual benefit payments for the plan year and then applies interest for the year. The procedure used to determine the TPL as of December 31, 2023 is shown in the following table:

	TPL Reported for Year Ending 2022	Development of TPL for Year Ending 2023 Prior to Assumption Change	Development of TPL for Year Ending 2023 after Assumption Change
TPL Roll Forward			
Interest Rate	4.31%	4.31%	4.00%
Valuation Date for Measurement	12/31/2021	12/31/2022	12/31/2022
TPL as of December 31, 2022	\$ 157,177	\$ 160,866	\$ 164,220
Entry Age Normal Cost for the period January 1, 2023 - December 31, 2023 at the End of the Year	4,370	4,370	4,608
Actual Benefit Payments for the Period January 1, 2023 - December 31, 2023 at the End of the Year	10,537	10,537	10,537
TPL as of December 31, 2023	\$ 157,557	\$ 161,406	\$ 164,649
Experience Actuarial (Gain)/Loss		\$ 3,848	
Discount Rate Change (Gain)/Loss			\$ 3,243

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

**Contributions:** The City is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund amounts necessary to cover the benefits earned on a pay-as-you-go basis through appropriations made in the General Fund operating budget. The City's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. Administration costs of the LEO Separation are financed through investment earnings. The City paid \$10,537 as benefits came due for the reporting period.

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

At June 30, 2024, the LEOSSA reported a total pension liability of \$164,649. The total pension liability was measured as of December 31, 2023 based on a December 31, 2022 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2023 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2024, the City recognized pension expense of \$14,867.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 12,671	\$ 3,467
Changes of assumptions and other inputs	13,301	16,924
City contributions subsequent to the measurement date	5,997	-
Total	\$ 31,969	\$ 20,391

(Dollar Amounts in Thousands)

\$5,997 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2025. 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 Ending June 30	
2025	\$ 7,316
2026	1,608
2027	(3,642)
2028	119
2029	180
	<u>\$ 5,581</u>

Sensitivity of the City's Total Pension Liability to Changes in the Discount Rate: The following presents the City's total pension liability calculated using the discount rate of 4.00 percent, as well as what the City's total pension liability would be if it were calculated using a discount rate that is one percentage point lower (5.00 percent) or one percentage point higher (3.00 percent) than the current rate:

	1% Increase 5.00%	Discount Rate 4.00%	1% Increase 3.00%
Total pension liability	\$ 176,396	\$ 164,649	\$ 153,881

Schedule of Changes in Total Pension Liability

Total pension liability as of December 31, 2022	\$ 157,177
Service cost	4,370
Interest	6,547
Difference between expected and actual experience	3,849
Changes of assumptions and other inputs	3,243
Benefit payments	(10,537)
Total pension liability as of December 31, 2023	<u>\$ 164,649</u>

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

The actuarial assumptions used in the December 31, 2022 valuation were based on the results of an experience study completed by the Actuary for the Local Government Employees' Retirement System for the five-year period ending December 31, 2019.

**d. Supplemental Retirement Income Plan for Law Enforcement Officers**

*Description:* The City contributes to the Supplemental Retirement Income Plan (Plan), a defined contribution pension plan administered by the Department of State Treasurer and a Board of Trustees. The Plan provides retirement benefits to law enforcement officers employed by the City. Article 5 of G.S. Chapter 135 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Supplemental Retirement Income Plan for Law Enforcement Officers is included in the Annual Comprehensive Financial Report (ACFR) for the State of North Carolina. The State's ACFR includes the pension trust fund financial statements for the Internal Revenue Code Section 401(k) plan that includes the Supplemental Retirement Income Plan for Law Enforcement Officers. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 707-0500 or at [www.osc.nc.gov](http://www.osc.nc.gov).



**Funding Policy:** Article 12E of G.S. Chapter 143 requires the City to contribute each month an amount equal to five percent of each officer's salary, and all amounts contributed are vested immediately. Also, the law enforcement officers may make voluntary contributions to the plan. The City is currently making contributions for the 1,633 law enforcement officers. Contributions for the year ended June 30, 2024 were \$16,051 which consisted of \$7,617 from the City and \$8,434 from the law enforcement officers.

**e. Death Benefit Plan**

The City provides death benefits to law enforcement officers through the Death Benefit Plan for members of the Local Governmental Employees' Retirement System (LGERS), a multiple-employer, State-administered, cost sharing plan funded on a one-year term cost basis. The benefit is paid to beneficiaries of employees who die while still in active service after one year as a contributing member or die within 180 days of their last day of service, provided the contributions have not been withdrawn. The benefit is a lump-sum payment equal to the employee's highest salary for 12 consecutive months during the 24 months before the death. The lump-sum payment will be at least twenty-five thousand but no more than fifty thousand. All death benefit payments are made from the Death Benefit Plan. The City has no liability beyond the payment of monthly contributions. Contributions are determined as a percentage of monthly payroll, based upon rates established annually by the State. Because the benefit payments are made by the Death Benefit Plan and not by the City, the City does not determine the number of eligible participants. For the fiscal year ended June 30, 2024, the City made contributions to the State for death benefits. The City's contributions for employees engaged in law enforcement represented 0.14 percent of covered payroll.

**f. Other Postemployment Benefits**

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

**Plan Membership:** At June 30, 2022 the EBTP membership consisted of the following:

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

**Benefits Provided:** The EBTP provides 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. Sworn public safety officers hired on or after July 1, 2009 are eligible to participate in a Retirement Health Reimbursement Plan (RHRP). This benefit provides a weekly City contribution into a Health Reimbursement account and upon vesting, the employee can use it to pay for qualified healthcare expenses in retirement or at the time of separation 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 \$5,898 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



*(Dollar Amounts in Thousands)*

requirements, with additional amounts to prefund benefits as determined annually. For the current year, the City contributed \$16,227 to the plan.

*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 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, 2024, the annual money market weighted rate of return on investment, net of investment expenses, was 14.3 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, 2024 were as follows:

Total OPEB liability	\$ 373,906
Plan fiduciary net position	165,962
City's net OPEB liability	<u>\$ 207,944</u>
Plan fiduciary net position as a percentage of the Total OPEB liability	<u>44.39%</u>

*Actuarial Assumptions:* The total OPEB liability 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	3.65%
Measurement Date	3.93%
Year FNP is projected to be depleted	
Prior Measurement Date	N/A
Measurement Date	N/A
Single Equivalent Interest Rate, net of OPEB plan investment expense, including price inflation	
Prior Measurement Date	7.25%
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 2025.

Total OPEB liabilities were rolled forward to June 30, 2023 and June 30, 2024 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, 2024 was 7.25 percent. The projection's basis was an actuarial valuation performed as of June 30, 2022.

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate: The following exhibit presents the net OPEB liability of the EBTP as of June 30, 2024 as well as what the EBTP's liability would be if it were calculated using a discount rate that is one percentage point lower (6.25 percent) or one percentage point higher (8.25 percent) than the current rate.

	1% Decrease 6.25%	Discount Rate 7.25%	1% Increase 8.25%
Net OPEB liability	\$ 252,472	\$ 207,944	\$ 170,928

*Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates:* The following presents the net OPEB liability of EBTP as of June 30, 2024, as well as what the EBTP net OPEB liability would be if it were to calculate the healthcare cost trend rates that are one percentage point lower or one percentage point higher than the current healthcare cost trend rate.

**CITY OF CHARLOTTE, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**JUNE 30, 2024**

(Dollar Amounts in Thousands)

	Healthcare Cost Trend Rate		
	1% Decrease	Current	1% Increase
Net OPEB liability	\$ 162,949	\$ 207,944	\$ 262,450

*Changes in Net OPEB Liability, OPEB Expenses, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB* as of June 30, 2024, EBTP reported a net OPEB liability of \$207,944. The total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2022. The total OPEB liability was then rolled forward to the measurement date of June 30, 2024, utilizing update procedures incorporating the actuarial assumptions.

At June 30, 2024, the components of the net OPEB liability of the EBTP, measured as of June 30, 2024, were as follows:

	Increase (Decrease)		Net OPEB Liability (a)-(b)
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	
Balances at June 30, 2023	\$ 362,261	\$ 147,982	\$ 214,279
Service cost	4,480	–	4,480
Interest	25,656	–	25,656
Difference between expected and actual experience	(1,427)	–	(1,427)
Contributions-employers	–	16,227	(16,227)
Net investment income	–	20,969	(20,969)
Administrative expense	–	(2,152)	2,152
Benefit payments	(17,064)	(17,064)	–
Net change	11,645	17,980	(6,335)
Balances at June 30, 2024	<u>\$ 373,906</u>	<u>\$ 165,962</u>	<u>\$ 207,944</u>

*Reconciliation of Total OPEB Liability and Net OPEB Asset by Governmental and Business-type Activities*

	Governmental Activities	Business-type Activities				Subtotal	Total
		Water and Sewer	Storm Water	Airport	Public Transit		
Net OPEB liability	\$ 240,750	\$ –	\$ 1,572	\$ –	\$ 592	\$ 2,164	\$ 242,914
Net OPEB asset	–	(25,221)	–	(9,749)	–	(34,970)	(34,970)
City's net OPEB liability (asset)	<u>\$ 240,750</u>	<u>\$ (25,221)</u>	<u>\$ 1,572</u>	<u>\$ (9,749)</u>	<u>\$ 592</u>	<u>\$ (32,806)</u>	<u>\$ 207,944</u>

*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, 2024, the EBTP recognized OPEB income of (\$34,994). At June 30, 2024, the EBTP reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 130	\$ 19,622
Changes of assumptions or other inputs	37,591	61,773
Net difference between projected and actual earnings on plan investments	–	598
Total	<u>\$ 37,721</u>	<u>\$ 81,993</u>

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

Year Ending June 30	
2025	\$ (24,598)
2026	(13,525)
2027	(4,079)
2028	(2,070)
	<u>\$ (44,272)</u>

Below are the Statement of Net Position and Statement of Changes in Net Position for the Employee Benefit –

*(Dollar Amounts in Thousands)*

Other Employee Benefit Trust:

Statement of Net Position - Other Employee Benefit Trust

Assets:		
Receivables:		
Member contributions	\$	117
Investments:		
Mutual funds		166,076
Total assets		<u>166,193</u>
Liabilities:		
Accounts payable		19
Due to other funds		<u>212</u>
Total liabilities		231
Net Position:		
Net position restricted for OPEB	\$	<u><u>165,962</u></u>

Statement of Changes in Net Position - Other Employee Benefit Trust

Additions:		
Contributions-		
Employer	\$	16,227
Investment income -		
Net appreciation in fair value of investments		20,654
Interest		<u>558</u>
Total investment income		21,212
Investment expense		<u>242</u>
Net investment income		<u>20,970</u>
Total additions		37,197
Deductions:		
Benefits		9,878
Insurance premiums		7,186
Administration		<u>2,153</u>
Total deductions		<u>19,217</u>
Change in net position		17,980
Net position - beginning		<u>147,982</u>
Net position - ending	\$	<u><u>165,962</u></u>

**g. 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. In addition, in 2019 the city created a Retiree Health Investment Account for public safety employees hired on or after July 1, 2009. The city contributes \$25.00 per week per eligible employee. For the year ended June 30, 2024, the City contributed \$2,153.

The City provides a deferred compensation plan created in accordance with the Internal Revenue Code Section

401(a). The plan, which is available to the City Manager position, permits the City to provide compensation that can be deferred until future years. The deferred compensation is not available to the City Manager until termination, retirement, death or unforeseeable emergency. The plan assets are placed in trust for the exclusive benefits of the participant 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.

## **6. OTHER INFORMATION**

### **a. Airport Leasing Arrangements with Tenants**

A major portion of the Airport's assets are leased under operating agreements with airlines and other tenants. The total cost and accumulated depreciation of the assets at June 30, 2024 were as follows:

Land	\$ 438,303
Buildings	1,583,165
Runways	661,336
Improvements other than buildings	1,006,617
Intangibles	20,332
Machinery and equipment	213,177
Total	<u>3,922,930</u>
Less: accumulated depreciation	1,308,991
Total	<u><u>\$ 2,613,939</u></u>

### **b. Passenger Facility Charges**

The Federal Aviation Administration (FAA) authorized the Airport to collect Passenger Facility Charges (PFC) of \$4.50 per qualifying enplaned passenger commencing June 1, 2024. The net receipts from PFC are accounted for on the accrual basis of accounting in the statement of revenues, expenses and changes in fund net position and are restricted for use on FAA approved projects. The Airport has been authorized to collect PFC in the aggregate amount of \$4,746,920. Cash collections during fiscal year 2024 were \$84,631 and aggregate collections from inception through June 30, 2024 were \$1,118,803.

*(Dollar Amounts in Thousands)*

**c. Insurance**

**(1) Employee Health and Life**

The City provides health and life benefits to employees and retirees. Private companies administer these benefits pursuant to administrative services agreements. The City maintains insurance coverage with private carriers for life claims, vision claims and excess coverage for health claims in excess of 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.

All City funds participate in the program and make payments to the EHLIF for both an amount per employee and a proportionate share of the administrative cost. The amount per employee is based on actuarial estimates of amounts needed to pay prior and current year claims. The employees and retirees contribute a portion of the cost for health coverage. The City provides 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.

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

	Beginning of Year	Claims and Changes in Estimates	Claims Payments	End of Year
2024	\$ 10,642	\$ 13,885	\$ (13,055)	\$ 11,472
2023	12,187	91,508	(93,053)	10,642

At June 30, 2024 the EHLIF held \$12,139 in cash and cash equivalents for payments of these claims.

**(2) Risk Management**

The City is exposed to various risks of loss related to torts; thefts of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City has a Risk Management Fund (RMF), an internal service fund, to account for and finance its insured and uninsured risks of loss. Currently, insurance coverage is purchased for excess property damage for buildings, contents, 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. All funds of the City participate in the risk management program and make payments to the RMF based on historical cost information or actuarial estimates of the amounts needed to pay prior and current year claims and establish a reserve for catastrophic losses.

Pursuant to administrative agreements, the City provides risk management services to Mecklenburg County, the Charlotte-Mecklenburg Board of Education, and Medic. There is no transfer or pooling of risks among entities. Amounts collected or due and amounts paid or to be paid to settle claims for Mecklenburg County, the Charlotte-Mecklenburg Board of Education, and Medic are reported as a net liability on an accrual basis. At June 30, 2024, \$3,529 was held as deposits for these entities. This amount is reflected as a long-term liability, Due to Participants, in the RMF.

The claims liability of \$77,435 reported in the RMF at June 30, 2024, is based on GASB Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements

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

	Beginning of Year	Claims and Changes in Estimates	Claims Payments	End of Year
2024	\$ 71,118	\$ 31,610	\$ (25,293)	\$ 77,435
2023	60,916	33,992	(23,790)	71,118

At June 30, 2024 the RMF held \$77,291 in cash and cash equivalents for payments of these claims.

**d. Commitments and Contingencies**

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

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

The City is currently evaluating a number of environmental issues including two former landfill sites. Until site assessments and further studies are completed, the cleanup costs can only be estimated. During the current fiscal year a provision for cleanup costs of \$783 has been provided within the financial statements. In the opinion of City management, costs ultimately incurred are not expected to have a material effect on the City's financial position after giving effect to the provision for cleanup costs.

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

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

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

On September 24, 2024, a federal trial court granted summary judgment against the City, determining that the City violated the federal Drivers Privacy Protection Act (DPPA). The Court also certified a proposed class of plaintiffs. On October 8, 2024, the City filed a petition asking for an appeal of the Court's class certification order. The City also intends to appeal the summary judgment order ruling. For fiscal year 2024, the City accrued \$7.3 million related to the summary judgement. If the City is unsuccessful in its appeals, the City estimates the amount of the liability could range up to \$50 million.

**CITY OF CHARLOTTE, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**JUNE 30, 2024**

*(Dollar Amounts in Thousands)*

Authorized capital projects at June 30, 2024 are comprised of the following by fund:

	Project Authorization	Expended	Unexpended
<u>Governmental</u>			
Capital Projects	\$ 4,929,385	\$ 3,212,932	\$ 1,716,453
<u>Enterprise</u>			
Water and Sewer	5,012,024	4,487,753	524,271
Storm Water	1,210,141	1,080,132	130,009
Airport	3,799,718	3,040,727	758,991
Public Transit	2,485,973	2,139,820	346,153
Total Enterprise	12,507,856	10,748,432	1,759,424
Total	<u>\$ 17,437,241</u>	<u>\$ 13,961,364</u>	<u>\$ 3,475,877</u>

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

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

General	\$ 11,546
General COVID Relief	160
Capital Projects	306,889
Nonmajor governmental	51,169
Total	<u>\$ 369,764</u>

The City has construction and other contractual commitments at June 30, 2024 as follows by fund:

<u>Governmental</u>	
General	\$ 318,858
Nonmajor governmental	47,290
Total Governmental	<u>366,148</u>
<u>Enterprise</u>	
Water and Sewer	246,507
Storm Water	52,128
Airport	260,838
Public Transit	117,544
Total Enterprise	<u>677,017</u>
Total	<u>\$ 1,043,165</u>





**e. Arena**

Spectrum Center (formerly Time Warner Cable Arena) was constructed and financed by the City and opened in October 2005. The primary tenant of the arena is the National Basketball Association's Charlotte Hornets. Terms of a twenty-five-year lease entitle the team to all operating revenues and the team is responsible for all operating expense, including non-basketball related events. The City and the team each contribute annually to a capital reserve fund. Any capital expenses in excess of the reserve are the responsibility of the City. While the City retains ownership of the facility, the Charlotte Regional Visitors Authority provides operation support for the Arena. The original arena project, \$200 million was funded primarily through a combination of installment financing obligations supported by a portion of an occupancy tax and a dedicated rental car tax, private contributions and the sale of City assets. The City is entitled to damages based on the number of years remaining on the lease if the team violates the agreement. The City and the Hornets reached an agreement in 2022 for the City to invest \$245 million in capital renovations and upgrades that increase the competitiveness and help bring additional events to the City, and an additional \$30 million toward a Practice Facility that will be located across the street as a part of a planned mixed use development. The Hornets have agreed to take on any cost overruns related to the \$245 million capital improvements, and the city's commitment to the practice facility is capped at \$30 million. The Hornets have agreed to extend their lease until 2045, as a result of the city's contribution to the Arena and Practice Facility. The first tranche of financing for the capital repairs was issued through a drawable installment financing agreement in 2024.

**f. NASCAR Hall of Fame**

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

**g. Cultural Arts Facilities**

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

**h. Bank of America Stadium**

On April 22, 2013, the City Council approved business terms with the Carolina Panthers to fund improvements to Bank of America Stadium as part of a ten-year partnership and authorized the City Manager to develop an agreement with Panthers Stadium, LLC and Panthers Football, LLC consistent with the approved business terms. The agreement called for \$87.5 million in local funding for stadium improvements and the City provided traffic control work. On June 19, 2024, the City Council approved business terms with Tepper Sports and Entertainment (TSE) to fund improvements to Bank of America Stadium for up to \$650 million, and additional funding for traffic control. TSE has agreed to take on any cost overruns above the \$650 million commitment from the City and extend the lease for both Carolina Panthers and Charlotte FC agreeing to a lease extension through the 2045-2046 seasons. The renovation project is planned to invest in the community asset, through maintaining and enhancing the stadium and building a new Field House, and will also improve accessibility and increase sustainability. The first tranche of financing for the \$650 million is anticipated in 2025.

*(Dollar Amounts in Thousands)*

**i. American Airlines**

American Airlines Group Inc., (American Airlines) is the major passenger airline serving Charlotte Douglas International Airport (Airport). For the fiscal year ended June 30, 2024, American Airlines and its affiliates provided 29.01 percent of the Airport's operating revenues.

American Airlines conducts its passenger air carrier operations at the Airport pursuant to several agreements, the most significant of which is the City of Charlotte's 2016 Airline Use and Lease Agreement (Airline Agreement), which has also been executed by Frontier Airlines, JetBlue Airlines, Southwest Airlines, Delta Air Lines, United Airlines and Spirit Airlines (collectively, the Signatory Airlines). Pursuant to the Airline agreement, the Signatory Airlines lease certain premises in the passenger terminal building (terminal) and are obligated to pay landing fees and terminal rentals which, in the aggregate, are sufficient to enable the City to pay the annual operating expenses of the airfield and terminal, and the annual debt service on General Airport Revenue Bonds (GARBs) issued by the City to fund airfield, terminal and other airport improvements.

**j. Subsequent Events**

On August 13, 2024, the City issued \$59,995 in General Obligation Refunding Bonds, Series 2024, to refund \$65,550 of outstanding fixed rate General Obligation Refunding Bonds, Series 2014A. The City completed the refunding to reduce the total debt service payments over a period of 10 years by \$5,226 and to obtain an economic gain (difference between the present values of the old and new debt service payments) of \$4,551.

On September 5, 2024, the City issued \$181,295 in Storm Water Fee Revenue Refunding Bonds, Series 2024, to refund \$72,415 of outstanding fixed rate Storm Water Refunding Revenue Bonds, Series 2014 and prepay \$124,900 of the 2022 bond anticipation note. The City completed the refunding to reduce the total debt service payments over a period of 30 years by \$7,568 and to obtain an economic gain (difference between the present values of the old and new debt service payments) of \$5,410.

On September 9, 2024, the City completed a purchase of the O-Line from railroad operator Norfolk Southern Corporation. The 22 miles of O-Line railroad right-of-way, track improvements and property rights were purchased for \$74 million along with approximately 1.6 acres of property and any associated property rights located near the Charlotte Gateway Station for \$17 million. These purchases will support the Charlotte Area Transit System (CATS) Red Line Commuter Rail Project. The Red Line is a component of the Metropolitan Transit Commission's 2030 Transit System Plan as well as the Charlotte Regional Transportation Planning Organization's Comprehensive Transportation Plan, providing a regional connection between Uptown Charlotte and the northern towns in Mecklenburg County. Once operational, the commuter rail service is projected to provide up to 42 one-way trips per day. Additionally, the rail agreement includes terms that allow Norfolk Southern to continue its existing freight service operations.

Charlotte City Council also adopted a resolution in support of legislation that would authorize a sales tax referendum and proposes the establishment of a regional transit authority. If the General Assembly passes the legislation, Mecklenburg County voters could decide by referendum whether they will approve an additional one cent sales tax for investment in roadway and public transportation systems.

**k. Restatement for Change in Revenue Accrual**

During fiscal year 2024, the City identified revenues previously accrued relating to expenditures anticipated to be reimbursed by FEMA where final obligation has not been received. As a result, intergovernmental revenues and due from other governments were overstated as of June 30, 2023 by \$5.564 million.



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The following financial statements have been compiled from the audited financial statements of the City for the fiscal years ended June 30, 2024, 2023, and 2022.

City of Charlotte, North Carolina  
**General Fund**  
**Balance Sheet**  
As of June 30, 2024, 2023, and 2022  
(Dollar Amounts in Thousands)

	2024	2023	2022
<b>Assets</b>			
Cash and cash equivalents	\$ 216,981	\$ 206,527	\$ 197,323
Receivables, net:			
Property taxes	6,805	6,607	6,867
Accounts	3,939	5,478	4,620
Lease receivable	12,029	12,735	11,111
Other	111	54	23
Due from other governments	65,861	64,264	59,018
Due from other funds	-	-	6
Notes receivable	8,000	8,000	-
Prepaid items	26	25	18
Total assets	<u>\$ 313,752</u>	<u>\$ 303,690</u>	<u>\$ 278,986</u>
<b>Liabilities, Deferred Inflows of Resources, and Fund Balances</b>			
<b>Liabilities</b>			
Accounts payable	39,331	35,473	38,153
Deposits and retainage payable	4,938	7,072	5,167
Due to other funds	631	-	448
Total liabilities	<u>44,900</u>	<u>42,545</u>	<u>43,768</u>
<b>Deferred Inflows of Resources</b>			
Leases	10,283	11,741	10,953
Prepaid taxes	3,177	130	264
Unavailable revenues	10,485	12,150	11,517
Total deferred inflows of resources	<u>23,945</u>	<u>24,021</u>	<u>22,734</u>
<b>Fund balances</b>			
Non-spendable:			
Leases	1,857	1,048	181
Prepaid items	26	25	18
Notes receivable	8,000	8,000	
Restricted:			
Stabilization by state statute	77,667	78,939	73,364
Committed:			
Capital projects	13,874	15,735	13,353
Unassigned	143,483	133,377	125,568
Total fund balances	<u>244,907</u>	<u>237,124</u>	<u>212,484</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 313,752</u>	<u>\$ 303,690</u>	<u>\$ 278,986</u>

The accompanying notes are an integral part of these financial statements.

City of Charlotte, North Carolina  
**General Fund**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
For the Fiscal Years Ended June 30, 2024, 2023 and 2022  
(Dollar Amounts in Thousands)

	2024	2023	2022
<b>Revenues</b>			
Property taxes	\$ 455,462	\$ 426,942	\$ 412,862
Other taxes	1,703	144,497	131,881
Intergovernmental	261,575	113,572	106,774
Licenses, fees and fines	52,914	47,443	41,516
Investment earnings (losses)	9,716	5,347	(2,169)
Administrative charges	62,082	57,006	57,971
Charges for current services	13,752	14,630	13,440
Miscellaneous	2,905	2,665	2,366
Private contributions	309	-	-
Total revenues	<u>860,418</u>	<u>812,102</u>	<u>764,641</u>
<b>Expenditures</b>			
Public safety	510,281	488,211	455,788
Sanitation	82,666	77,828	69,155
General administration	56,638	57,820	57,847
Support services	49,388	61,573	53,088
Engineering and property management	25,136	25,584	21,646
Streets and highways	42,504	41,241	35,913
Community planning and development	37,801	36,701	40,744
Debt service:			
Principal	12,341	13,621	2,082
Interest and other charges	1,278	735	113
Total expenditures	<u>818,033</u>	<u>803,314</u>	<u>736,376</u>
Revenues over expenditures	<u>42,385</u>	<u>8,788</u>	<u>28,265</u>
<b>Other financing sources (uses)</b>			
Sale of capital assets	764	1,175	1,229
Lease liabilities issued	1,760	361	13,776
SBITA liabilities issued	2,150	52,661	-
Transfers from other funds:			
Special revenue funds	250	250	4,663
Capital projects funds	650	-	-
Debt service funds	-	123	123
Permanent funds	55	19	11
Transfers to other funds:			
Special revenue funds	(2,831)	(2,881)	(4,054)
Capital projects funds	(15,735)	(15,190)	(8,853)
Debt service funds	(21,665)	(20,666)	(19,665)
Enterprise funds	-	-	(25)
Total other financing sources (uses)	<u>(34,602)</u>	<u>15,852</u>	<u>(12,795)</u>
Net change in fund balances	<u>7,783</u>	<u>24,640</u>	<u>15,470</u>
Fund balance, beginning of year	<u>237,124</u>	<u>212,484</u>	<u>197,014</u>
Fund balance, end of year	<u><u>\$ 244,907</u></u>	<u><u>\$ 237,124</u></u>	<u><u>\$ 212,484</u></u>

The accompanying notes are an integral part of these financial statements.

City of Charlotte, North Carolina  
**Debt Service Fund**  
**Balance Sheet**  
As of June 30, 2024, 2023, and 2022  
(Dollar Amounts in Thousands)

	2024	2023	2022
<b>Assets</b>			
Cash and cash equivalents	\$ 179,298	\$ 197,985	\$ 181,301
Receivables, net:			
Property taxes	1,681	1,643	1,715
Due from other governments	8,963	8,945	8,756
Due from other funds	9,410	11,379	11,348
Due from component unit	1,673	1,833	1,993
Restricted cash and cash equivalents	54	22	647
Total assets	<u>\$ 201,079</u>	<u>\$ 221,807</u>	<u>\$ 205,760</u>
<b>Liabilities, Deferred Inflows of Resources, and Fund Balances</b>			
<b>Liabilities</b>			
Accounts payable	\$ 7,324	\$ 100	\$ 43
Total liabilities	<u>7,324</u>	<u>100</u>	<u>43</u>
<b>Deferred Inflows of Resources</b>			
Unavailable revenues	3,354	3,476	3,708
Total deferred inflows of resources	<u>3,354</u>	<u>3,476</u>	<u>3,708</u>
<b>Fund balances</b>			
Restricted:			
Stabilization by state statute	18,569	20,552	20,108
Committed:			
Debt service	92,864	87,790	91,781
Assigned:			
Debt service	78,968	109,889	90,120
Total fund balances	<u>190,401</u>	<u>218,231</u>	<u>202,009</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 201,079</u>	<u>\$ 221,807</u>	<u>\$ 205,760</u>

The accompanying notes are an integral part of these financial statements.

City of Charlotte, North Carolina  
**Debt Service Fund**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
For the Fiscal Years Ended June 30, 2024, 2023 and 2022  
(Dollar Amounts in Thousands)

	2024	2023	2022
<b>Revenues</b>			
Property taxes	\$ 111,602	\$ 105,602	\$ 102,090
Other taxes	418	32,606	30,330
Intergovernmental	33,166	-	-
Licenses, fees and fines	54	61	57
Investment earnings (losses)	10,084	5,461	(2,310)
Miscellaneous	160	160	160
Total revenues	<u>155,484</u>	<u>143,890</u>	<u>130,327</u>
<b>Expenditures</b>			
Public safety	7,848	-	-
Sanitation	15	-	-
General administration	19	-	-
Support services	(6)	103	-
Engineering and property management	22	-	-
Streets and highways	24	-	-
Community planning and development	369	9,080	-
Debt service:			
Principal	295,749	106,545	250,111
Interest and other charges	63,919	56,924	56,390
Total expenditures	<u>367,959</u>	<u>172,652</u>	<u>306,501</u>
Revenues under expenditures	<u>(212,475)</u>	<u>(28,762)</u>	<u>(176,174)</u>
<b>Other financing sources (uses)</b>			
Issuance of debt	291	-	85
Refunding debt issuance	321,275	-	133,035
Premium on debt issuance	22,064	-	18,385
Payment to refunded bond escrow agent	(140,690)	-	-
SBITA liabilities issued	-	103	-
Transfers from other funds:			
General Fund	21,665	20,666	19,665
Special revenue funds	45,280	57,285	59,531
Capital projects funds	3,953	-	7,219
Transfers to other funds			
General Fund	-	(123)	(123)
Special revenue funds	(3,284)	(321)	(321)
Capital projects funds	(85,909)	(32,626)	(42,726)
Total other financing sources	<u>184,645</u>	<u>44,984</u>	<u>194,750</u>
Net change in fund balances	<u>(27,830)</u>	<u>16,222</u>	<u>18,576</u>
Fund balance, beginning of year	<u>218,231</u>	<u>202,009</u>	<u>183,433</u>
Fund balance, end of year	<u><u>\$ 190,401</u></u>	<u><u>\$ 218,231</u></u>	<u><u>\$ 202,009</u></u>

The accompanying notes are an integral part of these financial statements.



The following financial statements have been compiled from the audited financial statements of the City for the fiscal years ended June 30, 2024, 2023, and 2022.

City of Charlotte, North Carolina  
**Adopted Budget - Annually Budgeted Funds**  
**For the Fiscal Year Ended June 30, 2025**  
(Dollar Amounts in Thousands)

	General Fund	Debt Service Fund
<b>Estimated Revenues</b>		
Property taxes	\$ 475,200	\$ 124,851
Other taxes	154,737	35,317
Intergovernmental	113,510	-
Licenses, fees and fines	56,432	64
Investment earnings	4,500	5,175
Administrative charges	67,841	-
Charges for current services	20,915	-
Miscellaneous	2,318	281
Total estimated revenues	<u>895,453</u>	<u>165,688</u>
 <b>Appropriations</b>		
Public safety	563,462	-
Sanitation	96,833	-
General administration	61,051	-
Support services	57,583	-
Engineering and property management	22,002	-
Streets and highways	48,783	-
Community planning and development	58,849	-
Debt service	-	194,536
Total appropriations	<u>908,563</u>	<u>194,536</u>
 Estimated revenues over (under) appropriations	<u>(13,110)</u>	<u>(28,848)</u>
 <b>Other financing sources (uses)</b>		
Sale of capital assets	975	-
Lease purchase issued	-	750
Transfers from other funds	336	79,321
Transfers to other funds	(3,151)	(66,187)
Appropriated fund balances	14,950	14,964
Total other financing sources (uses)	<u>13,110</u>	<u>28,848</u>
 Estimated revenues and other sources over appropriations and other uses	<u>\$ -</u>	<u>\$ -</u>

Compiled by the staff of the Finance Department of the City of Charlotte.



September \_\_, 2025

City of Charlotte, North Carolina  
Charlotte, North Carolina

**\$75,000,000**  
***City of Charlotte, North Carolina***  
***Taxable General Obligation Housing Bonds, Series 2025A***

Ladies and Gentlemen:

We have acted as bond counsel in connection with the issuance and sale of the \$75,000,000 City of Charlotte, North Carolina (the “City”) Taxable General Obligation Housing Bonds, Series 2025A (the “*Bonds*”).

The Bonds are issuable as fully registered obligations and will mature and bear interest at the rates and at the times established in a bond resolution adopted by the City Council of the City (the “*City Council*”) on August 25, 2025 related to the Bonds (the “*Bond Resolution*”) and in the Pricing Certificate (as defined in the Bond Resolution).

In connection with the issuance of the Bonds, we have examined the following, and we have assumed the truth and accuracy of the representations, covenants and warranties set forth therein:

- a. Certified copies of (1) the Bond Resolution and the Bond Orders (as defined in the Bond Resolution);
- b. A specimen Bond; and
- c. Such other documents as we deemed relevant and necessary in rendering this opinion.

From such examination we are of the opinion, under existing law, that:

1. The Bonds have been duly authorized under the provisions of the Constitution and laws of the State of North Carolina (the “*State*”), including The Local Government Bond Act, Section 159-43 *et seq.*, of the General Statutes of North Carolina.
2. The Bonds are legal, valid and binding general obligations of the City.
3. The City has pledged its faith and credit for the payment of the principal of and the interest on the Bonds. The City is authorized to levy on all real property taxable by the City such ad valorem taxes as may be necessary to pay the Bonds and the interest thereon without limitation as to rate or amount.

4. Interest on the Bonds will be treated as ordinary income for federal income tax purposes under the Internal Revenue Code of 1986, as amended.

5. Interest on the Bonds is exempt from State of North Carolina income taxation.

Our services as bond counsel in connection with the issuance of the Bonds have been limited to rendering the opinions expressed above based on our review of such proceedings and documents as we deem necessary to approve the validity of the Bonds and the tax status of interest with respect thereto.

We express no opinion relating to the adequacy, accuracy or completeness of the Preliminary Official Statement or the Official Statement (collectively, the “*Official Statement*”), or any other offering material relating to the Bonds (excepting only the matters set forth as our opinion in the Official Statement and the section entitled “**TAX TREATMENT**”) or as to the financial resources of the City or the ability of the City to make the payments required on the Bonds that may have been relied on by anyone in making the decision to purchase the Bonds.

The rights of the owners of the Bonds and the enforceability of the Bonds may be limited by bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium, liquidation, readjustment of debt and other similar laws affecting creditors’ rights and remedies generally, and by general principles of equity, whether such principles are considered in a proceeding at law or in equity.

In rendering the foregoing opinions, we have assumed the accuracy and truthfulness of all public records and of all certifications, documents, opinions and other proceedings examined by us that have been executed or certified by public officials acting within the scope of their official capacities and have not verified the accuracy or truthfulness thereof. We have also assumed the genuineness of the signatures appearing upon such public records, certifications, documents, opinions and proceedings.

Respectfully submitted,

**PARKER POE ADAMS & BERNSTEIN LLP**

**BOOK-ENTRY ONLY SYSTEM**

Beneficial ownership interests in the Bonds will be available only in a book-entry system. The actual purchasers of the Bonds (the “Beneficial Owners”) will not receive physical certificates representing their interests in such Bonds purchased. So long as The Depository Trust Company (the “DTC”), a New York corporation, or its nominee is the registered owner of the Bonds, references in this Official Statement to the registered owners of the Bonds shall mean DTC or its nominee and shall not mean the Beneficial Owners of the Bonds.

The following description of DTC, of procedures and record keeping on beneficial ownership interests in the Bonds, payment of interest and other payments with respect to the Bonds to DTC Participants or to Beneficial Owners, confirmation and transfer of beneficial ownership interests in the Bonds and of other transactions by and between DTC, DTC Participants, and Beneficial Owners are based on information furnished by DTC.

DTC will act as a securities depository for the Bonds. The Bonds will be issued as fully-registered bonds registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered bond certificate will be issued for each maturity of each series of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s Participants (the “Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of the Bonds. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (the “DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation, and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (the “Indirect Participants”). DTC has a Standard & Poor’s rating of AA+. The DTC rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com).

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC’s records. The ownership interest of each Beneficial Owner is, in turn, to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchases. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of

Beneficial Owners. Beneficial Owners will not receive physical certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other nominee do not affect any change in beneficial ownership. DTC has no knowledge of the actual identities of the Beneficial Owners of the Bonds; DTC's records reflect only the identities of the Direct Participants to whose accounts the Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants are responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the security documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC's procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the City as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting and voting rights to those Direct Participants to whose accounts Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest and redemption premiums, if any, on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detailed information from the City, on each payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC (nor its nominee), the City or the Commission, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, interest, and redemption premiums, if any, is the City's responsibility, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as a securities depository with respect to the Bonds at any time by giving reasonable notice to the City. Under such circumstances, in the event that a successor depository is not obtained, Bonds are required to be printed and delivered.

The Commission or the City may decide to discontinue the use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered to DTC.

The information in this Appendix concerning DTC and DTC's book-entry system has been obtained from DTC, and the City takes no responsibility for the accuracy thereof.

The City cannot and does not give any assurances that DTC, Direct Participants, or Indirect Participants will distribute to the Beneficial Owners of the Bonds (a) payments of principal of, premium, if any, and interest on the Bonds, (b) confirmations of their ownership interests in the Bonds or (c) redemption or other notices sent to DTC or Cede & Co., its partnership nominee, as the registered owner of the bonds, or that they will do so on a timely basis, or that DTC, Direct Participants or Indirect Participants will serve and act in the manner described in this Official Statement.

THE CITY HAS NO RESPONSIBILITY OR OBLIGATIONS TO DTC, THE DIRECT PARTICIPANTS, THE INDIRECT PARTICIPANTS, OR THE BENEFICIAL OWNERS WITH RESPECT TO (1) THE ACCURACY OR ANY RECORDS MAINTAINED BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT; (2) THE PAYMENT BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OR ANY AMOUNT DUE TO ANY BENEFICIAL OWNER IN RESPECT OF THE PRINCIPAL AMOUNT OF, PREMIUM, IF ANY OR INTEREST ON THE BONDS; (3) THE DELIVERY BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY NOTICE TO ANY BENEFICIAL OWNER THAT IS REQUIRED OR PERMITTED TO BE GIVEN TO OWNERS OF THE BONDS UNDER THE TERMS OF THE RESOLUTIONS AUTHORIZING THE ISSUANCE OF THE BONDS; AND (4) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS OWNER.