

**PUBLIC LIBRARY OF CHARLOTTE AND  
MECKLENBURG COUNTY  
(A Component Unit of Mecklenburg  
County, North Carolina)**

**BASIC FINANCIAL STATEMENTS AND  
ACCOMPANYING INFORMATION**

*Year Ended June 30, 2013*

*And Report of Independent Auditor*

**PUBLIC LIBRARY OF CHARLOTTE AND MECKLENBURG COUNTY**  
**(A Component Unit of Mecklenburg County, North Carolina)**  
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## **Report of Independent Auditor**

The Board of Trustees  
Public Library of Charlotte and Mecklenburg County  
Charlotte, North Carolina

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities and each major fund of the Public Library of Charlotte and Mecklenburg County (the "Library"), a component unit of Mecklenburg County, North Carolina, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Library's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Library's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Library's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and each major fund of the Library as of June 30, 2013 and the respective changes in financial position and the respective budgetary comparison for the General Fund and Special Revenue Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that management's discussion and analysis and required supplementary information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Supplementary and Other Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompany information, as listed in the table of contents and the Schedule of Expenditures of Federal and State awards, as required by Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and the State Single Audit Implementation Act, are presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

## **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated September 24, 2013, on our consideration of the Library's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of the report is to describe the scope of our testing of internal control over financial reporting and on compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Library's internal control over financial reporting and compliance.



Charlotte, North Carolina  
September 24, 2013

**PUBLIC LIBRARY OF CHARLOTTE AND MECKLENBURG COUNTY  
(A Component Unit of Mecklenburg County, North Carolina)  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

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**Introduction**

As management of the Public Library of Charlotte and Mecklenburg County (the "Library"), we offer readers of the Public Library of Charlotte and Mecklenburg County's financial statements this narrative overview and analysis of the financial activities of the Public Library of Charlotte and Mecklenburg County for the fiscal year ended June 30, 2013. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the Library's financial statements, which follow this narrative.

**Financial Highlights**

- The Library's assets exceed its liabilities at the close of the fiscal year by \$76,502,584 (net position).
- The Library created a foundation to assist in financing the Library's operations. The criteria set forth in GASB Statement 61 call for it to be a "Blended Component Unit" of the Library. This means it is treated as a fund of the Library and all transactions between the Foundation and the Library are eliminated in the Financial Statement Presentation.
- The Foundation had a fund balance of approximately \$3.0 million as of June 30, 2013.
- At the close of the current fiscal year the Library's portion of fund balance that had not been designated for future use was \$4,141,096.
- Our revised Operating budget from our largest source (Mecklenburg County) was increased by 12% for fiscal year ended June 30, 2013.
- Our actual operating revenues from Mecklenburg County increased by 6.6% for fiscal year ended June 30, 2013. This was in addition to the \$2.2 million that Mecklenburg County paid directly on our behalf for maintenance and security services.

**Overview of the Financial Statements**

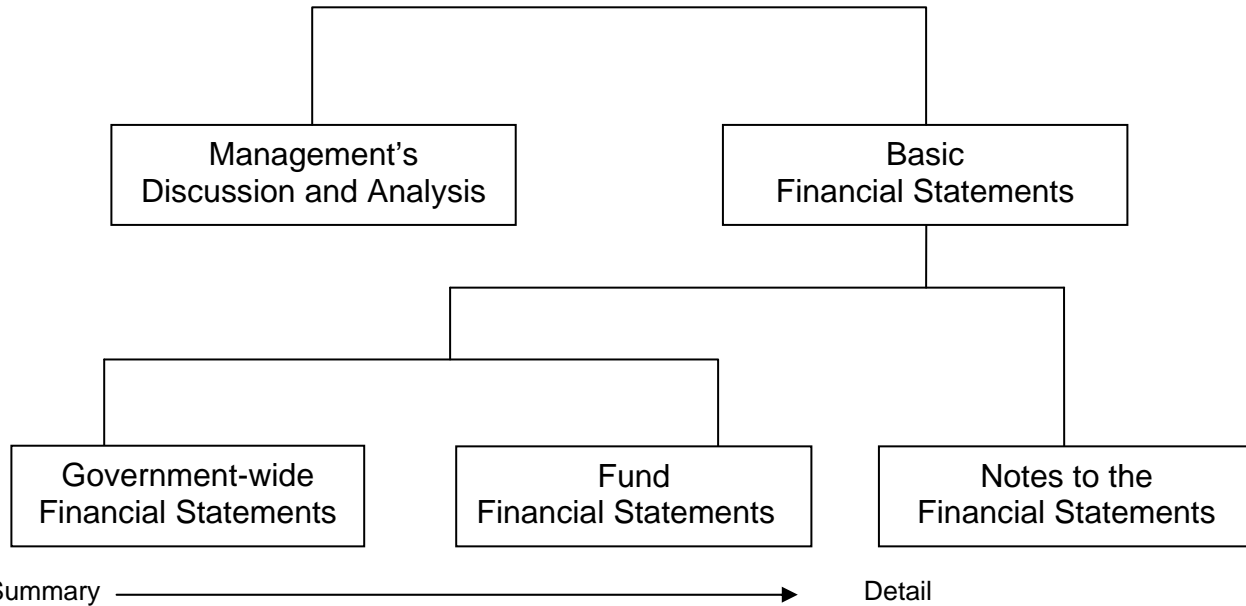
This discussion and analysis is intended to serve as an introduction to the Public Library of Charlotte and Mecklenburg County's basic financial statements. The Library's basic financial statements consist of three components; 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements (see figure 1). The basic financial statements present two different views of the Library through the use of government-wide statements and fund financial statements. In addition to the basic financial statements, this report contains other supplemental information that will enhance the reader's understanding of the financial condition of the Public Library of Charlotte and Mecklenburg County.

**PUBLIC LIBRARY OF CHARLOTTE AND MECKLENBURG COUNTY**  
**(A Component Unit of Mecklenburg County, North Carolina)**  
MANAGEMENT’S DISCUSSION AND ANALYSIS

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**Required Components of Annual Financial Report**

**Figure 1**



**Basic Financial Statements**

The first two statements in the basic financial statements are the **Government-wide Financial Statements** (pages 11 and 12). They provide both short and long-term information about the Library’s financial status.

The next statements are **Fund Financial Statements** (pages 13-18). These statements focus on the activities of the individual parts of the Library’s activities. These statements provide more detail than the government-wide statements. There are two parts to the Fund Financial Statements: 1) the governmental funds statements; and 2) the budgetary comparison statements.

The next section of the basic financial statements is the **notes** (pages 19-31). The notes to the financial statements explain in detail some of the data contained in those statements. After the notes, **supplemental information** is provided to show details about the Library’s governmental funds. Budgetary information required by the General Statutes also can be found in this part of the statements.

Following the notes is the required supplemental information. This section contains funding information about the Library’s retirement plans.

# **PUBLIC LIBRARY OF CHARLOTTE AND MECKLENBURG COUNTY**

## **(A Component Unit of Mecklenburg County, North Carolina)**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS**

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#### **Government-wide Financial Statements**

The government-wide financial statements are designed to provide the reader with a broad overview of the Library's finances, similar in format to a financial statement of a private-sector business. The government-wide statements provide short and long-term information about the Library's financial status as a whole.

The two government-wide statements report the Library's net position and how it has changed. Net position is the difference between the Library's total assets plus deferred outflows and total liabilities plus deferred inflows. While total net position would normally reflect the financial position of a government entity, the Library does not include debt associated with the acquisition of land and buildings as, in accordance with North Carolina statutes, Mecklenburg County issues debt for the Library's capital purposes. The Library does not record the long term liability for debt issued by the County as it is not the obligor on the debt. The Library relies on Mecklenburg County to handle the debt associated with the acquisition and/or construction of capital facilities.

The government-wide statements consist only of governmental activities as the Library does not have any business-type activities or discretely presented component units. The governmental activities include most of the Library's basic services such as general public service and programming. Mecklenburg County's annual appropriation finances most of these activities.

The government-wide financial statements are the first two statements in the basic financial statements (pages 11 and 12).

#### **Fund Financial Statements**

The fund financial statements provide a more detailed look at the Library's most significant activities. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Public Library of Charlotte and Mecklenburg County, like all other governmental entities in North Carolina, uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related legal requirements, such as the General Statutes or the Library's budget ordinance. The Public Library of Charlotte and Mecklenburg County has only one fund type, the governmental fund.

**Governmental Funds** – Governmental funds are used to account for those functions reported as governmental activities in the government-wide financial statements. These funds focus on how assets can readily be converted into cash flow in and out, and what monies are left at year end that will be available for spending next year. Governmental funds are reported using an accounting method call *modified accrual accounting*. This method also has a current financial resources focus. As a result, the governmental fund financial statements give the reader a detailed short-term view that helps him or her determine if there are more or less financial resources available to finance the Library's programs. The relationship between government activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is described in a reconciliation that is part of the fund financial statements.

**PUBLIC LIBRARY OF CHARLOTTE AND MECKLENBURG COUNTY**  
**(A Component Unit of Mecklenburg County, North Carolina)**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**

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**Governmental Funds (continued)** - The Public Library of Charlotte and Mecklenburg County adopts an annual budget for its General Fund, as required by the General Statutes. The budget is a legally adopted document that incorporates input from the citizens of the County, the management of the Library, and the decisions of the Board about which services to provide and how to pay for them. It also authorizes the Library to obtain funds from identified sources to finance these current period activities. The budgetary statement provided for the General Fund demonstrates how well the Library complied with the budget ordinance and whether or not the County succeeded in providing the services as planned when the budget was adopted. The budgetary comparison statement uses the budgetary basis of accounting and is presented using the same format, language, and classifications as the legal budget document. The statement shows four columns: 1) the original budget as adopted by the board; 2) the final budget as amended by the board; 3) the actual resources, charges to appropriations, and ending balances in the General Fund; and 4) the difference or variance between the final budget and the actual resources and charges. The Library also chooses to adopt a budget for the special revenue fund. The Foundation is governed by the Financial Accounting Standards Board and is not required by law to adopt a budget.

**Notes to Financial Statements** – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements start on page 19 of this report.

**Government-Wide Financial Analysis**

As noted earlier, the Library does not issue debt for land or construction of capital facilities. The assets and deferred outflows of The Public Library of Charlotte and Mecklenburg County exceeded liabilities plus deferred inflows by \$76,502,584 as of June 30, 2013. The Library's net position decreased by \$2,412,898 for the fiscal year ended June 30, 2013. The largest portion \$81,861,168 (107.0%) is the Library's net investment in capital assets (e.g. books, land, equipment, and buildings); less any amounts remaining on the leases signed to acquire those items. The Library of Charlotte and Mecklenburg County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Public Library of Charlotte and Mecklenburg County's net investment in its capital assets is reported net of the outstanding related debt, much of the debt is handled by Mecklenburg County. An additional portion of the Public Library of Charlotte and Mecklenburg County's net position \$7,302,527 (9.6%) represents resources that are subject to restrictions on how they may be used. The remaining balance of \$-12,661,111 (-16.6%) is unrestricted.



**PUBLIC LIBRARY OF CHARLOTTE AND MECKLENBURG COUNTY**  
**(A Component Unit of Mecklenburg County, North Carolina)**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**

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**The Public Library of Charlotte and Mecklenburg County's Net Position**

**Figure 2**

	<b>Government-wide Activities <u>June 30, 2013</u></b>	<b>Government-wide Activities <u>June 30, 2012</u></b>
<u>Assets</u>		
Current assets	\$ 11,547,543	\$ 11,450,959
Non-current assets	2,998,076	-
Capital assets, net of accumulated depreciation	<u>82,609,196</u>	<u>84,564,878</u>
Total assets	<u>97,154,815</u>	<u>96,015,837</u>
<u>Liabilities</u>		
Current and other liabilities	1,913,441	2,068,412
Long-term liabilities	<u>18,727,790</u>	<u>15,010,943</u>
Total liabilities	<u>20,641,231</u>	<u>17,079,355</u>
Deferred inflows of resources	<u>11,000</u>	<u>21,000</u>
<u>Net Assets</u>		
Net investment in capital assets	81,861,168	83,653,163
Restricted	7,302,527	3,972,736
Unrestricted	<u>(12,661,111)</u>	<u>(8,710,417)</u>
Total net assets	<u>\$ 76,502,584</u>	<u>\$ 78,915,482</u>

**PUBLIC LIBRARY OF CHARLOTTE AND MECKLENBURG COUNTY**  
**(A Component Unit of Mecklenburg County, North Carolina)**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**

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**The Public Library of Charlotte and Mecklenburg County's Changes in Net Position**

**Figure 3**

	<b>Governmental Activities <u>June 30, 2013</u></b>	<b>Governmental Activities <u>June 30, 2012</u></b>
<u>Revenues</u>		
Program revenues:		
Charges for services	\$ 2,053,641	\$ 2,091,236
Operating grants and contributions	4,965,271	1,989,683
Capital grants and contributions	-	277,659
General Revenues:		
Mecklenburg County	26,872,941	25,481,184
City of Charlotte	2,500	2,500
Investment earnings	520,540	37,376
ABC Board	<u>320,662</u>	<u>305,393</u>
Total revenues	<u>34,735,555</u>	<u>30,185,031</u>
<u>Program expenses</u>		
General public services	36,663,109	32,740,459
Program/outreach services	299,785	339,721
Copying services	135,016	124,600
Publications	66	-
Interest on long-term debt	<u>50,477</u>	<u>60,850</u>
Total expenses	<u>37,148,453</u>	<u>33,265,630</u>
Change in net position	(2,412,898)	(3,080,599)
Net position-beginning of year	<u>78,915,482</u>	<u>81,996,081</u>
Net position-end of year	<u>\$ 76,502,584</u>	<u>\$ 78,915,482</u>

Net position decreased by \$2.4 million. This is due to an increase in liabilities of \$3.6 million, with \$3.9 million being post employment benefits liability offset by reductions of various other liabilities. We also had a drop in capital assets net of depreciation of \$2 million due to an increase of \$2.3 million in accumulated depreciation. This decrease is down from last year's \$3.1 million decrease. Revenues were up \$4.6 million due to the Foundation's contribution of \$2.8 million and \$1.8 million in additional funding from Mecklenburg County. The rest was comprised of increases from State and Federal sources. The Library was able to cover 18.9% of operating expenditures through operating grants, contributions, and charges for services.

**PUBLIC LIBRARY OF CHARLOTTE AND MECKLENBURG COUNTY**  
**(A Component Unit of Mecklenburg County, North Carolina)**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**

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**Financial Analysis of the Library's Funds**

As noted earlier, The Public Library of Charlotte and Mecklenburg County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The Library's governmental fund types are comprised of the general fund and special revenue funds.

Revenues from intergovernmental sources comprise 83.2% of total revenues received during the Library's fiscal year ending June 30, 2013 as compared to 88.0% for fiscal year ending June 30, 2012. Mecklenburg County, the City of Charlotte and the ABC Board comprise 81.4% of total revenues as of June 30, 2013 as compared to 86.4% for the fiscal year ending June 30, 2012 while the State of North Carolina and Federal Revenue Sources total 1.9% and 1.6% respectively. Revenues generated through fines, fees, charges for services and grants used to cover services account for 12.8% of total revenue, up 8.3% from the prior year. This is driven by the \$2.8 million from the Foundation. Other sources of revenue include general contributions to the Library of .3%, down .1% from last year and other sources of revenue 4.0%, down .9% from the prior year.

Governmental funds expenditures were comprised of the following: Personnel, 67.5%, Library materials (books, videos, software for public use, etc.) 10.1%, General Operations, 18.6%, Capital Projects 3.1% and Debt Services .7% as compared to 66.6%, 8.6%, 19.3%, 4.7%, and .8%, respectively, from the prior year.

**General Fund Budgetary Highlights**

The Library's annual balanced budget is prepared on the modified accrual basis of accounting in accordance with the Budget and Fiscal Control Act of North Carolina General Statutes. The general fund is the most significant fund budgeted.

During the course of fiscal years 2013 and 2012, the Library amended the general fund budget to reflect current circumstances. The Library Director is authorized to transfer budget amounts up to \$25,000 without formal approval from the Library's Board of Trustees; and budget transfers over \$25,000 require Board approval. The general fund, as the primary fund supporting the majority of activities of the Library is monitored by the Finance Director for any shortfalls of revenue or overspending of the budget. Purchase orders are pre-audited to ensure availability of funds for payment when goods or services are delivered.

Adjustments to increase original budgeted revenue for 2013 totaled \$3.1 million (\$2.6 million was on behalf of payments which were not budgeted) an additional \$987k was taken from reserves and fund balance. Adjustments to increase original budgeted revenue for 2012 totaled \$1.7 million. There were adjustments to increase budgeted expenditures of \$5.2 million (\$2.6 million on behalf of payment not reflected in original budget and \$2.0 million for books) in 2013 and \$4.3 million in 2012. Mecklenburg County appropriated money for programming (\$226K) in 2013. These are the same amounts as appropriated in 2012.

**PUBLIC LIBRARY OF CHARLOTTE AND MECKLENBURG COUNTY**  
**(A Component Unit of Mecklenburg County, North Carolina)**  
**MANAGEMENT’S DISCUSSION AND ANALYSIS**

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**Capital Assets and Long-Term Debt Activity**

The Library’s capital assets, net of accumulated depreciation, for governmental activities as of June 30, 2013 and 2012 is \$82,609,196 and \$84,564,878 respectively. Capital assets include land, buildings and building improvements, books, furniture and fixtures and construction in progress.

Capital Assets, Net of Accumulated Depreciation

	<b>Governmental Activities <u>June 30, 2013</u></b>	<b>Governmental Activities <u>June 30, 2012</u></b>
Land	\$ 13,523,473	\$ 13,523,473
Buildings	61,343,881	63,294,905
Books	4,429,084	3,829,535
Furniture and fixtures	1,198,303	1,550,201
Capital lease	2,070,408	2,162,757
Construction in progress	<u>44,047</u>	<u>204,007</u>
Total	<u>\$ 82,609,196</u>	<u>\$ 84,564,878</u>

In relation to the fixed assets, the Library had total debt outstanding of \$748,029. The debt is secured by the related assets of the Library which include capital lease obligations that decreased by \$163,687 during the past fiscal year.

**Fiscal Year 2013 Highlights**

We created a Foundation with a goal of identifying additional resources to augment our current funding partners. We have seen an increase in demand for digital and on-line services and are providing that content to our patrons in a wide variety of ways.

Fiscal year 2014 will see us seek to become more efficient in our use of resources and more effective in our delivery of services. We plan to actively forge new partnerships with Charlotte Mecklenburg Schools and the City of Charlotte. We think this will allow us to reach a broader portion of the population.

**Request for Information**

This report is designed to provide an overview of the Library’s finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should contact the Director of Finance, Public Library of Charlotte & Mecklenburg County, 310 N. Tryon St, Charlotte, NC 28202.

**PUBLIC LIBRARY OF CHARLOTTE AND MECKLENBURG COUNTY**  
**(A Component Unit of Mecklenburg County, North Carolina)**  
**STATEMENT OF NET POSITION**

JUNE 30, 2013

	<u>Governmental Activities</u>
<b>ASSETS</b>	
<b>Current assets</b>	
Cash and cash equivalents	\$ 10,684,153
Refundable sales tax	256,381
Other receivables	58,289
Due from other governmental agencies	334,506
Prepays	214,214
Total current assets	<u>11,547,543</u>
<b>Non-current assets</b>	
Restricted long term investments	2,998,076
Total non-current assets	<u>2,998,076</u>
<b>Capital assets</b>	
Land and other non-depreciable assets	13,567,520
Depreciable capital assets, net of depreciation	69,041,676
Net capital assets	<u>82,609,196</u>
<b>Total Assets</b>	<u>97,154,815</u>
<b>LIABILITIES</b>	
<b>Current liabilities</b>	
Accounts payable-trade	135,103
Other payables	409,596
Current portion of compensated absences	1,200,000
Current portion of capital lease obligation	168,742
Total current liabilities	<u>1,913,441</u>
<b>Long-term liabilities</b>	
Unearned revenue	960,664
Compensated absences	580,624
OPEB liability	16,607,215
Capital lease obligation	579,287
<b>Total Liabilities</b>	<u>20,641,231</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
	<u>11,000</u>
<b>NET POSITION</b>	
Net investment in capital assets	81,861,168
Restricted for:	
Grants	360,137
Stabilization by state statute	1,604,545
Facility enhancements	2,339,769
Endowment funds held by the Foundation	2,998,076
Unrestricted (deficit)	(12,661,111)
<b>Total Net Position</b>	<u>\$ 76,502,584</u>

The accompanying notes are an integral part of the financial statements.

**PUBLIC LIBRARY OF CHARLOTTE AND MECKLENBURG COUNTY**  
**(A Component Unit of Mecklenburg County, North Carolina)**  
**STATEMENT OF ACTIVITIES**

YEAR ENDED JUNE 30, 2013

Functions/ Programs	Expenses	Program Revenues		Governmental Activities
		Charges for Services	Operating Grants and Contributions	
<b>Primary government:</b>				
Governmental activities:				
General public service	\$ 36,663,109	\$ 2,006,931	\$ 4,965,271	\$ (29,690,907)
Program/outreach services	299,785	18,915	-	(280,870)
Copying services	135,016	26,206	-	(108,810)
Publications	66	1,589	-	1,523
Interest on long-term debt	50,477	-	-	(50,477)
Total governmental activities	<u>\$ 37,148,453</u>	<u>\$ 2,053,641</u>	<u>\$ 4,965,271</u>	<u>(30,129,541)</u>
General revenues:				
Mecklenburg County appropriation				26,872,941
City of Charlotte appropriation				2,500
Investment earnings				520,540
ABC Board				320,662
Total general revenues				<u>27,716,643</u>
Change in net position				(2,412,898)
Net position-beginning				<u>78,915,482</u>
Net position-ending				<u>\$ 76,502,584</u>

The accompanying notes are an integral part of the financial statements.

**PUBLIC LIBRARY OF CHARLOTTE AND MECKLENBURG COUNTY**  
**(A Component Unit of Mecklenburg County, North Carolina)**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**

JUNE 30, 2013

	(Major) General Fund	(Major) Special Revenue Fund	(Major) Library Foundation Fund	Total Governmental Funds
<b>ASSETS</b>				
Cash and cash equivalents	\$ 8,501,275	\$ 2,182,878	\$ -	\$ 10,684,153
Refundable sales tax	224,825	31,556	-	256,381
Other receivables	58,289	-	-	58,289
Due from other governmental agencies	236,254	98,252	-	334,506
Prepays	214,214	-	-	214,214
Long-term investments	-	-	2,998,076	2,998,076
<b>Total Assets</b>	<u>\$ 9,234,857</u>	<u>\$ 2,312,686</u>	<u>\$ 2,998,076</u>	<u>\$ 14,545,619</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable-trade	\$ 126,920	\$ 8,183	\$ -	\$ 135,103
Other payables	406,673	2,923	-	409,596
	<u>533,593</u>	<u>11,106</u>	<u>-</u>	<u>544,699</u>
Deferred inflows of resources:	<u>11,000</u>	<u>-</u>	<u>-</u>	<u>11,000</u>
Fund balances:				
Nonspendable fund balance				
Prepaid expenses	214,214	-	-	214,214
Deposits	5,000	-	-	5,000
Endowments held by the Foundation	-	-	2,998,076	2,998,076
Restricted fund balance				
Grants	360,137	-	-	360,137
Stabilization by state statute	1,468,442	136,103	-	1,604,545
Facility enhancements	72,148	2,267,621	-	2,339,769
Assigned fund balance				
Subsequent year's expenditures	2,285,603	5,799	-	2,291,402
Site improvements	35,681	-	-	35,681
Unassigned fund balance	4,249,039	(107,943)	-	4,141,096
<b>Total Fund Balances</b>	<u>8,690,264</u>	<u>2,301,580</u>	<u>2,998,076</u>	<u>13,989,920</u>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<u>\$ 9,234,857</u>	<u>\$ 2,312,686</u>	<u>\$ 2,998,076</u>	<u>\$ 14,545,619</u>

**PUBLIC LIBRARY OF CHARLOTTE AND MECKLENBURG COUNTY**  
**(A Component Unit of Mecklenburg County, North Carolina)**  
RECONCILIATION OF THE FUND BALANCE OF GOVERNMENTAL  
FUNDS TO NET POSITION OF GOVERNMENTAL ACTIVITIES

*JUNE 30, 2013*

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Amounts reported for governmental activities in the statement of net position are different because:

Ending fund balance - governmental funds	\$ 13,989,920
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	
Cost of capital assets	129,430,464
Accumulated depreciation	(46,821,268)
Long-term liabilities that are not due and payable in the current period and, therefore, are not reported in the funds	
Compensated absences	(1,780,624)
Capital lease obligations	(748,029)
OPEB obligation	(16,607,215)
Unearned revenue	<u>(960,664)</u>
Net position of governmental activities	<u><u>\$ 76,502,584</u></u>



**PUBLIC LIBRARY OF CHARLOTTE AND MECKLENBURG COUNTY**

**(A Component Unit of Mecklenburg County, North Carolina)**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS**

YEAR ENDED JUNE 30, 2013

	<b>(Major) General Fund</b>	<b>(Major) Special Revenue Fund</b>	<b>(Major) Library Foundation Fund</b>	<b>Total Governmental Funds</b>
<b>Revenues</b>				
Intergovernmental:				
Mecklenburg County Operations	\$ 24,720,000	\$ -	\$ -	\$ 24,720,000
Amounts paid on behalf by				
Mecklenburg County	2,152,941	-	-	2,152,941
ABC Board	320,662	-	-	320,662
City of Charlotte	2,500	-	-	2,500
North Carolina	-	549,223	-	549,223
Federal	-	70,680	-	70,680
Total intergovernmental revenues	<u>27,196,103</u>	<u>619,903</u>	<u>-</u>	<u>27,816,006</u>
Fines, fees and collections	962,466	-	-	962,466
Collections for photocopies	26,206	-	-	26,206
Interest/investment income	17,711	-	502,829	520,540
Contributions	110,477	168,458	2,791,434	3,070,369
Book rentals	41,019	-	-	41,019
Book sales	152,315	-	-	152,315
Special events	18,915	-	-	18,915
Miscellaneous	766,630	54,333	-	820,963
Total revenues	<u>29,291,842</u>	<u>842,694</u>	<u>3,294,263</u>	<u>33,428,799</u>
<b>Expenditures</b>				
Current:				
Personnel	20,351,090	8,183	-	20,359,273
Library materials	2,478,910	556,421	-	3,035,331
Facility maintenance	2,690,847	5,704	-	2,696,551
Fixed charges	675,235	-	-	675,235
Other	2,039,039	134,228	90,460	2,263,727
Capital outlay:				
Other	906,989	15,817	-	922,806
Debt service:				
Principal	163,688	-	-	163,688
Interest	50,477	-	-	50,477
Total expenditures	<u>29,356,275</u>	<u>720,353</u>	<u>90,460</u>	<u>30,167,088</u>
<b>Other financing sources (uses)</b>				
Interfund transfer in	19,358	186,369	-	205,727
Interfund transfer out	-	-	(205,727)	(205,727)
<b>Excess (deficiency) of revenues over (under) expenditures</b>	(45,075)	308,710	2,998,076	3,261,711
<b>Fund balance-beginning</b>	<u>8,735,339</u>	<u>1,992,870</u>	<u>-</u>	<u>10,728,209</u>
<b>Fund balance-ending</b>	<u>\$ 8,690,264</u>	<u>\$ 2,301,580</u>	<u>\$ 2,998,076</u>	<u>\$ 13,989,920</u>

**PUBLIC LIBRARY OF CHARLOTTE AND MECKLENBURG COUNTY**

**(A Component Unit of Mecklenburg County, North Carolina)**

**RECONCILIATION OF THE NET CHANGE IN FUND BALANCES OF GOVERNMENTAL FUNDS TO CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES**

*YEAR ENDED JUNE 30, 2013*

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Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances - total governmental funds	\$ 3,261,711
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful life.</p>	
Expenditures for capital assets	2,679,265
Less current year depreciation	(4,439,095)
Loss on Disposal of Fixed Assets	(195,852)
<p>The issuance of long-term debt provides current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of the principal of long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.</p>	
Principal payments on capital lease obligations	163,687
OPEB Payments	796,809
<p>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 the governmental funds.</p>	
Compensated absences in excess of benefits used over current provision	(63,295)
OPEB Liability	(4,647,885)
Contributed lease expense	(1,275,000)
<p>Some revenues reported in the statement of activities do not provide current financial resources and, therefore, are not reported as revenues in the governmental funds.</p>	
Deferred revenue amortized	31,757
Contributed lease revenue	1,275,000
Change in net position of governmental activities	<u><u>\$ (2,412,898)</u></u>

**PUBLIC LIBRARY OF CHARLOTTE AND MECKLENBURG COUNTY**

**(A Component Unit of Mecklenburg County, North Carolina)**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL - GENERAL FUND**

YEAR ENDED JUNE 30, 2013

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<b>Variance with Final Budget Positive (Negative)</b>
<b>Revenues</b>				
Intergovernmental:				
Mecklenburg County				
Operations	\$ 25,689,393	\$ 26,021,051	\$ 24,720,000	\$ (1,301,051)
Amounts paid on behalf by				
Mecklenburg County	-	2,630,160	2,152,941	(477,219)
ABC Board	305,393	320,662	320,662	-
City of Charlotte	2,500	2,500	2,500	-
Total intergovernmental revenues	<u>25,997,286</u>	<u>28,974,373</u>	<u>27,196,103</u>	<u>(1,778,270)</u>
Fines, fees and collections	880,000	880,000	962,466	82,466
Collections for photocopies	22,000	22,000	26,206	4,206
Interest	-	-	17,711	17,711
Contributions	41,542	106,302	110,477	4,175
Book rentals	40,000	40,000	41,019	1,019
Book sales	95,700	95,700	152,315	56,615
Special events	-	15,000	18,915	3,915
Miscellaneous	396,377	453,127	766,630	313,503
Total revenues	<u>27,472,905</u>	<u>30,586,502</u>	<u>29,291,842</u>	<u>(1,294,660)</u>
<b>Expenditures</b>				
Current:				
Personnel	21,729,532	21,692,391	20,351,090	1,341,301
Library materials	1,881,219	3,896,150	2,478,910	1,417,240
Facility maintenance	1,503,697	2,871,522	2,690,847	180,675
Fixed charges	940,600	740,980	675,235	65,745
Other	2,432,490	2,713,850	2,039,039	674,811
Capital outlay:				
Other	-	1,538,892	906,989	631,903
Debt service:				
Principal	-	165,000	163,688	1,312
Interest	-	50,500	50,477	23
Total expenditures	<u>28,487,538</u>	<u>33,669,285</u>	<u>29,356,275</u>	<u>4,313,010</u>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	(1,014,633)	(3,082,783)	(64,433)	3,018,350
<b>Other financing sources (uses)</b>				
Interfund transfer in	-	-	19,358	19,358
Fund balance appropriated	1,014,633	3,082,783	-	(3,082,783)
<b>Net change in fund balances</b>	<u>\$ -</u>	<u>\$ -</u>	(45,075)	<u>\$ (45,075)</u>
<b>Fund balance-beginning</b>			<u>8,735,339</u>	
<b>Fund balance-ending</b>			<u>\$ 8,690,264</u>	

**PUBLIC LIBRARY OF CHARLOTTE AND MECKLENBURG COUNTY**

**(A Component Unit of Mecklenburg County, North Carolina)**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL - SPECIAL REVENUE FUND**

YEAR ENDED JUNE 30, 2013

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>Revenues</b>				
Intergovernmental:				
North Carolina	\$ 470,437	\$ 549,223	\$ 549,223	\$ -
Federal	25,000	143,164	70,680	(72,484)
Total intergovernmental revenues	<u>495,437</u>	<u>692,387</u>	<u>619,903</u>	<u>(72,484)</u>
Contributions	168,458	168,458	168,458	-
Miscellaneous	240,702	240,702	54,333	(186,369)
Total revenues	<u>904,597</u>	<u>1,101,547</u>	<u>842,694</u>	<u>(258,853)</u>
<b>Expenditures</b>				
Current:				
Personnel	-	88,564	8,183	80,381
Library materials	470,437	571,223	556,421	14,802
Facility maintenance	-	6,000	5,704	296
Other	125,000	266,092	134,228	131,864
Capital outlay:				
Other	-	20,000	15,817	4,183
Total expenditures	<u>595,437</u>	<u>951,879</u>	<u>720,353</u>	<u>231,526</u>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	309,160	149,668	122,341	(27,327)
<b>Other financing sources (uses)</b>				
Interfund transfer in	-	-	186,369	186,369
Fund balance appropriated	<u>(309,160)</u>	<u>(149,668)</u>	<u>                    </u>	<u>149,668</u>
<b>Net change in fund balances</b>	<u>\$ -</u>	<u>\$ -</u>	308,710	<u>\$ 308,710</u>
<b>Fund balance-beginning</b>			<u>1,992,870</u>	
<b>Fund balance-ending</b>			<u>\$ 2,301,580</u>	

# PUBLIC LIBRARY OF CHARLOTTE AND MECKLENBURG COUNTY

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

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### Note 1—Summary of significant accounting policies

*Reporting Entity* – The Public Library of Charlotte & Mecklenburg County (the “Library”) is a public library formed in 1902 by charter granted by the State of North Carolina. The Library is a component unit of Mecklenburg County and is included in Mecklenburg County’s basic financial statements. Mecklenburg County provides approximately 90 percent of the Library’s general funding and appoints a majority of the Library’s 11 Board of Trustees members. As required under generally accepted accounting principles, these financial statements present the Library and its component units, legally separate entities for which the Library is financially accountable. The Charlotte Mecklenburg Library Foundation exists solely to provide financial resources to the Library. The Foundation meets the criteria for being a blended component unit based on the following criteria under Governmental Accounting Standards Board (“GASB”) Statement No. 61 that it has a financial benefit or burden to the Library and Library personnel below the level of elected official have operational responsibility for its operations.

*Government-Wide and Fund Financial Statements* – The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the activities of the Library. For the most part, the effect of interfund activity has been removed from these statements. The Library does not have any *business-type activities*, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include: 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operations or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

The Library has three funds, its general fund and two major special revenue funds.

*Measurement Focus, Basis of Accounting, and Financial Statement Presentation* – In accordance with North Carolina General Statutes, all funds of the Library are maintained during the year using the *modified accrual basis of accounting*. The government-wide financial statements are reported using the *economic resources measurement focus and 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. Non-exchange transactions, in which the Library gives (or receives) value without directly receiving (or giving) equal value in exchange, include intergovernmental appropriations, grants and donations. Revenues from intergovernmental appropriations, grants and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied.

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. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Library considers revenues to be available if they are collected within 90 days of the end of the current fiscal period. 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. Acquisitions under capital leases are reported as other financing sources as are Inter-fund Transfers.

# PUBLIC LIBRARY OF CHARLOTTE AND MECKLENBURG COUNTY

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

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### Note 1—Summary of significant accounting policies (continued)

The Library reports the following major governmental funds:

The *general fund* is the Library's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. The primary revenue sources are appropriations from Mecklenburg County. The primary expenditures are for personnel, library materials and capital outlay.

The *special revenue funds* account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes. Generally, proceeds from federal and State grants as well as interfund transfers from the Foundation are accounted for in the Library's Special Revenue Funds.

As a general rule the effect of inter-fund activity has been eliminated from the government-wide financial statements.

For purposes of fund balance classification, expenditures are to be spent from restricted fund balance first, followed in order by committed fund balance, assigned fund balance and lastly unassigned fund balance.

*Budgetary Data* – The Library's budgets are adopted as require by the North Carolina General Statutes. An annual budget is adopted for the General Fund and one Major Special Revenue Fund. The Foundation is a non-profit as defined under Internal Revenue Service code 501(c) 3. It operates under FASB statements and interpretations and is not required to adopt a budget. All annual appropriations lapse at the fiscal year-end. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the functional level for all annually budgeted funds and at the object level for the multi-year funds. Amendments are required for any revisions that alter total expenditures of any fund or that change functional appropriations by more than \$25,000. The governing board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

*Cash and Cash Equivalents* – The Library considers all highly liquid investments, including all certificates of deposit, to be cash equivalents.

*Non-Current Assets* – The foundation has certain investments that are being held to generate future income, therefore they cannot be converted within a 12 month period.

*Other Receivables* – Other receivables consist of miscellaneous amounts due from third parties that are all considered collectible within the subsequent year.

*Capital Assets* – Capital assets, include land, buildings and improvements, furniture and equipment, and are reported in the government-wide financial statements. Capital assets are defined by the Library as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Purchased or constructed assets are recorded at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair value at the date of donation. The Library capitalizes all library books with a useful life greater than one year. The library has certain books that are considered historical treasures which are not capitalized and are recorded as expenditures in the year of acquisition. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

**PUBLIC LIBRARY OF CHARLOTTE AND MECKLENBURG COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**

JUNE 30, 2013

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**Note 1—Summary of significant accounting policies (continued)**

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Buildings and building improvements	40 years
Furniture and equipment	5 – 10 years
Books	3 years

*Compensated Absences* – Vacation and sick time is earned by employees each pay period based on the number of years of their service. Upon termination of an employee, all accrued vacation time and eight hours of every thirty-two hours of accrued sick time is distributed to the employee, calculated on a first-in first-out basis. An expense and a liability for the accumulation of unused vacation and sick leave time is recorded in the government-wide statements. The current portion of this obligation is estimated based upon historical trends. A liability for this amount is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

*Unearned Revenues* – Unearned revenues consist of prepaid lease income (see Note 7).

*Net Position and Fund Balance* – For the government-wide statements, equity is classified as net position and displayed in three components:

- a. Net investment in capital assets – Consists of capital assets including restricted capital assets, net accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets.
- b. Restricted – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors or laws regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted – All other net assets that do not meet the definition of “restricted” or “Net investment in capital assets”.

For the governmental fund financial statements, equity is classified as fund balance. Fund balance is further classified as nonspendable, restricted, committed, assigned, and unassigned.

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

Fund balances are classified as follows:

Non-spendable fund balance – portion of fund balance that cannot be spent because of their form or must be maintained intact.

Prepaid expenses – Portion of Fund Balance that is not an available resource because it represents expenditures for future periods and is not a spendable resource.

Deposits – This represents deposits paid on exhibits the Library is renting.

Endowments held by the Foundation – This represents the principal portion of gifts that can’t be spent because they must be maintained intact.

**PUBLIC LIBRARY OF CHARLOTTE AND MECKLENBURG COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**

*JUNE 30, 2013*

**Note 1—Summary of significant accounting policies (continued)**

*Net Position and Fund Balance (continued) –*

Restricted fund balance – portion of fund balance that are subject to limitations imposed by creditors, grantors, contributors, or laws and regulations of other governments. It also includes limitations imposed by law through constitutional provisions or enabling legislation.

Stabilization by State Statute – portion of fund balance that is restricted by State Statute [G.S. 159-8(a)].

Grants – portion of fund balance that is restricted by revenue source for performing programs.

Facility enhancements – portion of fund balance that is restricted by revenue source for the purpose of maintaining and enhancing existing facilities.

Assigned fund balance – portion of fund balance whose intended use is established by the official designated by the governing body to encumber funds.

Subsequent year’s expenditures – portion of fund balance that is not already in restricted or committed. The governing body approves the appropriation; however the budget ordinance authorizes the Chief Executive Officer to modify the appropriations by function up to \$25,000

Site Improvements – Portion of fund balance that has been assigned for facility improvement and repair.

Unassigned – portion of total fund balance available for appropriation which is uncommitted at year-end in excess of *nonspendable, restricted, committed, and assigned*.

Fund Balance

The following Schedule provides management and citizens with information on the portion of General fund balance that is available for appropriation:

Total Fund Balance-General Fund	\$ 8,690,264
Less:	
Prepaid Expenses	214,214
Security Deposit	5,000
Stabilization by State Statute	1,468,442
Grants	360,137
Facility Enhancements	72,148
Appropriated Fund Balance in 2014 budget	2,285,603
Site Improvements	35,681
Remaining Fund Balance	<u><u>\$ 4,249,039</u></u>



**PUBLIC LIBRARY OF CHARLOTTE AND MECKLENBURG COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**

JUNE 30, 2013

**Note 1—Summary of significant accounting policies (continued)**

*Net Position and Fund Balance (continued) –*

The outstanding encumbrances are amounts needed to pay any commitments related to purchase orders and contracts that remain unperformed at year end.

<b>Encumbrances</b>	
<b>General Fund</b>	<b>Special Revenue Fund</b>
\$ 954,074	\$ 6,295

*Risk Management* – The Library is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Library acquires its risk management services through the City of Charlotte’s Risk Management Division. The Library has commercial general liability insurance of \$1 million per occurrence, worker’s compensation employers’ liability coverage of \$500,000 and public officers’ coverage of \$1 million per loss. There have been no significant reductions in insurance coverage from coverage levels in the prior year and settled claims have not exceeded coverage in any of the past three fiscal years. As of year-end the Library does not hold any flood insurance.

In accordance with G.S. 159-29, the Director of Finance is individually bonded for \$50,000. The remaining employees that have access to funds are bonded under a blanket bond for \$250,000.

*Payments on Behalf* – The Library has various construction commitments with respect to branch facilities. Under the terms of its agreement with the County, the County directly pays for the construction expenditures. In accordance with the provisions of GASB Statement No. 33, *Accounting and Financial Reporting for Non Exchange Transactions*, the Library reflects those payments made on its behalf as revenue when made and increases the cost of its capital assets by a corresponding amount. The Library has entered into an inter-local agreement with Mecklenburg County that is classified as a *voluntary non-exchange transaction*. Mecklenburg County pays directly for the Library’s Security services and Maintenance services. The Library recognizes the payments made on our behalf as a revenue and expenditure when made.

*Estimates* – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of any contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

*Inventory* – In accordance with the FASB Accounting Standards Codification (“ASC”), the library uses the purchases method to account for inventory and postage versus the consumption method.

# **PUBLIC LIBRARY OF CHARLOTTE AND MECKLENBURG COUNTY**

## **NOTES TO FINANCIAL STATEMENTS**

*JUNE 30, 2013*

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### **Note 2—Deposits and investments**

All deposits of the Library are made in board-designated official depositories and are secured as required by State law G.S. 159-31. The library may designate, as an official depository, any bank or savings association whose principal office is located in North Carolina. Also, the Library may establish time deposit accounts such as NOW and SuperNOW accounts, money market accounts, and certificates of deposit.

All deposits of the Library are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits exceeding the federal depository insurance coverage level are collateralized with securities held by the Library's agents in the Library's name. Under the Pooling Method, which is 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 Library, these deposits are considered to be held by the agent in the entity'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 Library. Under the Pooling Method, the potential exists for under-collateralization, and this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method. The Library has no policy regarding custodial credit risk for deposits, but relies on the State Treasurer to enforce standards of minimum capitalization for all pooling method financial institutions and to monitor them for compliance. The Library complies with the provisions of G.S. 159-31 when designating official depositories and verifying that deposits are properly secured.

At June 30, 2013, the Library's deposits had a carrying amount of \$10,684,153 and a bank balance of \$11,667,203. The Federal Deposit Insurance Corporation ("FDIC") covers \$250,000 for substantially all depository accounts and for certain qualifying and participating non-interest bearing transaction accounts. Of the bank balance, \$250,000 was covered by federal depository insurance and \$11,016,803 was covered by collateral held under the pooling method and \$400,400 was covered under the dedicated method. At June 30, 2013, the Library's petty cash fund totaled \$6,985. Included in the amounts above are money market accounts totaling \$7,213,203. The Library has no policy for managing interest rate risk or credit risk.

### **Note 3—Deferred inflows**

Deferred inflows of resources is an acquisition of net assets that is applicable to a future reporting period. The Library recorded \$11,000 in deferred inflows relating to multiple events that are expected to occur during Fiscal Year 2014.

**PUBLIC LIBRARY OF CHARLOTTE AND MECKLENBURG COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**

*JUNE 30, 2013*

**Note 4—Capital assets**

Capital Assets Activity for the year ended June 30, 2013 was as follows:

	<b>Beginning Balance June 30, 2012</b>	<b>Additions</b>	<b>Disposals Retirement and Reclassifications</b>	<b>Ending Balance June 30, 2013</b>
Governmental activities:				
Non-depreciable assets				
Land	\$ 13,523,473	\$ -	\$ -	\$ 13,523,473
Construction in progress	204,007	260,351	(420,311)	44,047
	<u>13,727,480</u>	<u>260,351</u>	<u>(420,311)</u>	<u>13,567,520</u>
Depreciable assets				
Buildings and building improvements	90,525,488	237,170	-	90,762,658
Books	18,508,593	2,305,036	(2,006,571)	18,807,058
Furniture and equipment	6,295,438	101,931	(104,141)	6,293,228
	<u>129,056,999</u>	<u>2,904,488</u>	<u>(2,531,023)</u>	<u>129,430,464</u>
Totals at historical cost				
Less accumulated depreciation				
Buildings	(25,067,826)	(2,280,543)	-	(27,348,369)
Books	(14,679,058)	(1,705,487)	2,006,571	(14,377,974)
Furniture and equipment	(4,745,237)	(453,063)	103,375	(5,094,925)
	<u>(44,492,121)</u>	<u>(4,439,093)</u>	<u>2,109,946</u>	<u>(46,821,268)</u>
Total accumulated depreciation				
Capital assets, net	<u>\$ 84,564,878</u>	<u>\$ (1,534,605)</u>	<u>\$ (421,077)</u>	<u>\$ 82,609,196</u>

Included in buildings are assets under capital lease that had a cost basis and accumulated depreciation of \$3,147,095 and \$1,076,687, respectively, at June 30, 2013. All depreciation expense was charged to general public service on the statement of activities. Additions to capital assets include approximately \$216,304 of buildings and equipment transferred to the Library from Mecklenburg County through capital reserve funding. Mecklenburg County obtained the funds to purchase these assets through the issuance of general obligation bonds and certificates of participation, which are an obligation of Mecklenburg County and not the Library.

**PUBLIC LIBRARY OF CHARLOTTE AND MECKLENBURG COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**

JUNE 30, 2013

**Note 5—Long-term obligations**

Long-term liability activity for the year ended June 30, 2013, was as follows:

	<b>Beginning Balance June 30, 2012</b>	<b>Additions</b>	<b>Retirements</b>	<b>Ending Balance June 30, 2013</b>	<b>Due Within One Year</b>
Compensated absences	\$ 1,717,329	\$ 1,279,297	\$ 1,216,002	\$ 1,780,624	\$ 1,200,000
Capital lease obligation	911,715	-	163,686	748,029	168,742
OPEB Liability	12,756,139	4,647,885	796,809	16,607,215	-
	<u>\$ 15,385,183</u>	<u>\$ 5,927,182</u>	<u>\$ 2,176,497</u>	<u>\$ 19,135,868</u>	<u>\$ 1,368,742</u>

**Note 6—Leases**

The Library leases certain facilities under lease agreements having initial terms of two to fifty years. The Library lease agreements include scheduled rent increases which management believes are intended to cover economic factors related to the underlying property, such as property value appreciation and inflation.

Two of the branch facility leases have been classified as capital leases. Monthly lease payments of \$1,500 are required on the first capital lease until September 2045. The second capital lease requires monthly payments, which are changed annually (ranging from \$17,051 to \$6,560), through June 2017. Beginning July 2017 through July 2051 the annual lease payment is \$1.

Total rent expenses for all leases amounted to approximately \$694,115 during the 2013 fiscal year. The following is a summary of the future minimum lease payments under the capital leases together with the present value of net minimum lease payments and approximate future minimum rental commitments under noncancelable operating leases with initial or remaining terms of one year or more as of June 30, 2013:

<b><u>Year ending June 30:</u></b>	<b><u>Capital</u></b>	<b><u>Operating</u></b>
2014	\$ 205,958	\$ 339,987
2015	196,210	343,311
2016	172,696	343,420
2017	80,223	310,387
2018	206,109	250,819
2019-2023	7,505	410,483
2024-2028	7,505	5
2029-2033	7,505	5
2034-2038	7,505	5
2039-2043	7,505	5
2044-2048	3,380	4
2049-2051	3	-
Total minimum payments	<u>902,104</u>	<u>\$ 1,998,431</u>
Less amounts representing interest	(154,075)	
Present value of net minimum capital lease payments	<u>\$ 748,029</u>	

Total interest costs for the year ended June 30, 2013, were \$49,335, relating to the capital lease obligations.

**PUBLIC LIBRARY OF CHARLOTTE AND MECKLENBURG COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**

JUNE 30, 2013

**Note 7—Lease revenue**

The Library has an informal leasing arrangement with the City of Charlotte (the “City”) that relates to a joint venture project. The joint venture project was the construction of a building that incorporates a police station with a library branch. The Library and City agreed to share the cost of the construction, with the Library’s portion being funded by Mecklenburg County. The City has paid the Library approximately \$1.30 million related to the arrangement. The payments from the City were recorded by the Library as unearned revenue. The Library is amortizing the prepayment on a straight line basis over the life of the building, which is estimated at 40 years. Rental income recognized in 2013 was \$31,758. Rental income is to be recognized as follows:

<u>Year ending June 30:</u>	
2014	\$ 31,758
2015	31,758
2016	31,758
2017	31,758
2018	31,758
2019-2023	158,790
2024-2028	158,790
2029-2033	158,790
2034-2038	158,790
2039-2043	158,790
2044	7,924
	<u>\$ 960,664</u>

**Note 8—Retirement plan**

*Plan Description* – The Library contributes to the Statewide Local Governmental Employees’ Retirement System (the “LGERS”), a cost-sharing, multiple employer, defined benefit pension plan administered by the State of North Carolina covering substantially all of the Library’s permanent employees. LGERS provides retirement and disability benefits to plan members and beneficiaries. The benefits are based on minimum age and service requirements. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The LGERS is included in the Comprehensive Annual Financial Report (“CAFR”) for the State of North Carolina. The State’s CAFR includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, NC 27699-1410, or by calling (919) 981-5454.

*Funding Policy* – The Library’s total payroll for the year ended June 30, 2013, was \$14,529,705 of which \$13,262,181 was covered under this plan. Plan members (covered employees) are required to contribute six percent of their annual covered salary. Plan members’ contributions to LGERS for the year ended June 30, 2013, totaled \$795,892, which equaled the Plan members’ required contributions for the year. The Library is required to contribute an actuarially determined rate. For the Library, the current rate is 6.74 percent of annual covered payroll. The Library’s contributions to LGERS for the years ended June 30, 2013, 2012, and 2011 were \$894,583, \$879,948 and \$841,898, respectively, which equaled the Library’s required contributions in each year.

# PUBLIC LIBRARY OF CHARLOTTE AND MECKLENBURG COUNTY

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

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### **Note 9—Employee benefit plan**

Through the State of North Carolina the Library provides a supplemental income plan to substantially all employees. This plan is a 401(k) savings plan under the Internal Revenue Code (the “IRC”) code. Eligible participants may contribute up to the maximum allowable under law as a percent of base salary. For the year ended June 30, 2013, the Library matched 100 percent of employee contributions up to five percent of compensation. Total expense relating to this plan was \$335,822 for the year ended June 30, 2013.

### **Note 10—Deferred compensation plan**

The Library offers its employees a deferred compensation plan created in accordance with IRC Section 457. The plan, available to all permanent employees who contribute to the plan, permits employees to defer a portion of their salary until future years. The compensation so deferred is not available to employees until termination, retirement, death, unforeseen emergency or until the employee attains age 55. The compensation deferred by employees for the year ended June 30, 2013, was \$260.

### **Note 11—Other post-employment benefits (“OPEB”)**

#### Healthcare Benefits

*Plan Description* – The amount of postretirement health care benefits paid by the Library is dependent upon the length of service rendered by the employee. If a retiree worked less than ten years, no amount is paid. If a retiree worked ten to nineteen years, 50 percent of insurance costs are paid. For twenty years or more of service, 100 percent of insurance costs are paid.

*Funding Policy* – The Library pays the full cost of coverage for the benefits paid to qualified retirees under the plan. The Library has chosen to fund the healthcare benefits on a pay as you go basis. Funding for these costs is included in budgeted appropriations in the annual budget. The cost of these benefits recognized as an expenditure for fiscal year ended June 30, 2012, was approximately \$590,565 for the one hundred and two retirees covered. The current ARC rate is 37.0% of annual covered payroll. For the current year, the Library contributed \$796,809 or 6% of covered payroll.

*Summary of Significant Accounting Policies* – Postemployment expenditures are made from the General Fund, which is maintained on the modified accrual basis of accounting. No funds are set aside to pay benefits and administrative costs. These expenditures are paid as they come due.

**PUBLIC LIBRARY OF CHARLOTTE AND MECKLENBURG COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**

JUNE 30, 2013

**Note 11—Other post-employment benefits (“OPEB”) (continued)**

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

Annual required contribution	\$ 4,908,690
Interest on net OPEB obligation	446,465
Adjustment to annual required contribution	<u>(707,270)</u>
Annual OPEB cost	4,647,885
Contributions made	<u>(796,809)</u>
Increase (decrease) in net OPEB obligation	3,851,076
Net OPEB obligation, beginning of year	<u>12,756,139</u>
Net OPEB obligation, end of year	<u><u>\$ 16,607,215</u></u>

The Library’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2011, 2012, and 2013 were as follows:

<u>For Year Ended June 30</u>	<u>Annual OPEB Cost</u>	<u>Percent of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2011	\$ 3,084,069	14.31%	\$ 10,322,784
2012	3,023,920	19.53%	12,756,139
2013	4,647,885	17.14%	16,607,215

*Funded Status and Funding Process* – As of January 1, 2013, the most recent actuarial valuation date the plan was not funded. The actuarial accrued liability for benefits and thus, the unfunded actuarial accrued liability (“UAAL”) was \$52,370,298. The covered payroll (annual payroll of active employees by the plan) was \$13,262,181 and the ratio of the UAAL to the covered payroll was 394.88%. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employee, mortality, and healthcare trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as the actual results are compared with past expectations and new estimates are made about the future.

*Actuarial Methods and Assumptions* – Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members at that point. The actuarial methods and assumptions used included techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value assets, consistent with the long-term perspective of the calculations.

# **PUBLIC LIBRARY OF CHARLOTTE AND MECKLENBURG COUNTY**

## **NOTES TO FINANCIAL STATEMENTS**

*JUNE 30, 2013*

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### **Note 12—Other post-employment benefits (death benefit plan)**

The Library has elected to provide death benefits to employees through the Death Benefit Plan for members of the Local Governmental Employees' Retirement System ("Death Benefit Plan"), a multiple employer, state-administered, cost-sharing plan funded on a one-year term cost basis. The beneficiaries of those employees who die in active service after one year of contributing membership in the System, or who die within 180 days after retirement or termination of service and have at least one year of contributing membership service in the System at the time of death are eligible for death benefits. Lump sum death benefit payments to beneficiaries are equal to the employee's 12 highest month's salary in a row during the 24 months prior to the employee's death, but the benefit may not exceed \$50,000 or be less than \$25,000. All death benefit payments are made from the Death Benefit Plan. The Library has no liability beyond the payment of monthly contributions. The contributions to the Death Benefit Plan cannot be separated between the post-employment benefit amount and the other benefit amount. The Library considers these contributions to be immaterial.

### **Note 13—Major supplier**

For the year ended June 30, 2013, approximately 46.4 percent of all books and related items were purchased from one supplier.

### **Note 14—Foundation fund**

The Library has been designated as the beneficiary of the income of several endowments. Under the terms of the agreements, the assets are held by a third-party and the annual investment income is distributable to the Library. In some instances, the Library may elect to have the income transferred to the principal of the endowment. The endowments which amount to \$2,998,076 as of June 30, 2013, are presented in the Library's Non-Spendable Fund Balance as recorded through the Charlotte Mecklenburg Library Foundation, a blended component unit of the Library.

### **Note 15—Contributed rent revenue**

The Library has entered into an agreement with the Children's Theatre of Charlotte, Inc. ("CTC") regarding the occupancy of *ImaginOn: The Joe & Joan Martin Center* ("*ImaginOn*"). This agreement provides lease terms and an operating agreement beginning May 2005, with an initial lease term of 20 years with 6 successive options to renew and extend the agreement for a period of 5 years each. Under this agreement, CTC has access to the theatres, classrooms and office space for \$1, upon execution of the agreement, and agree to share in 50% of the operating costs of the facility.

Estimating the fair value of the lease at \$25 per square foot, based on a furnished and equipped special purpose facility, and using a 5% discount rate, a net present value was calculated in the amount of \$19,087,608 at the inception of the agreement. Based on this calculation, the total annual value of the lease agreement is estimated at \$1,275,000. The estimated lease value for the year ending June 30, 2013, is \$1,275,000.

The Library recorded contributed rent revenue and corresponding contributed rent expense in the amount of \$1,275,000 for the year ending June 30, 2013.



**PUBLIC LIBRARY OF CHARLOTTE AND MECKLENBURG COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**

*JUNE 30, 2013*

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**Note 16—Subsequent events**

The Library has evaluated subsequent events through September 24, 2013, the date the financial statements were available to be issued. No subsequent events were noted that required disclosure in the financial statements.

**PUBLIC LIBRARY OF CHARLOTTE AND MECKLENBURG COUNTY**  
**OTHER POST-EMPLOYMENT BENEFITS REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF FUNDING PROGRESS**

*JUNE 30, 2013*

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<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets (a)</b>	<b>Actuarial Accrued Liability (AAL)- Projected Unit Credit (b)</b>	<b>Unfunded ALL (UAAL) (b-a)</b>	<b>Funded Ratio (a/b)</b>	<b>Covered Payroll (c)</b>	<b>UAAL as a % of Covered Payroll ((b-a)/c)</b>
1/1/2011	\$ -	\$ 32,204,930	\$ 32,204,930	0.0%	\$ 13,119,012	245.48%
1/1/2012	-	49,666,396	49,666,396	0.0%	12,642,935	392.84%
1/1/2013	-	52,370,298	52,370,298	0.0%	13,262,181	394.88%

**PUBLIC LIBRARY OF CHARLOTTE AND MECKLENBURG COUNTY**  
**OTHER POST-EMPLOYMENT BENEFITS REQUIRED SUPPLEMENTARY INFORMATION**  
**EMPLOYER CONTRIBUTIONS AND NOTES TO THE REQUIRED SCHEDULES**

*JUNE 30, 2013*

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<b>Year Ending June 30,</b>	<b>Annual OPEB Cost</b>	<b>Actual Contribution</b>	<b>Percentage Contributed</b>
2011	\$ 3,084,069	\$ 441,216	14.31%
2012	3,023,920	590,565	19.53%
2013	4,647,885	796,809	17.14%

**Notes to the Required Schedules**

The information in the required supplementary schedules was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation follows:

Valuation Date:	January 1, 2013
Actuarial cost method:	Projected unit credit
Amortization method:	Level dollar amount
Amortization period:	30 years, closed January 1, 2011; 28 years remaining
Asset Valuation Method:	Not Applicable
Actuarial assumptions:	
Investment rate of return*	3.5% annual return net of investment related expenses
Health Cost Trend Assumption:*	Getzen Trend Model: 7.90% graded to 4.70% over 70 years

\* includes an inflation assumption of 0%

**ACCOMPANYING INFORMATION**

**PUBLIC LIBRARY OF CHARLOTTE AND MECKLENBURG COUNTY**  
**(A Component Unit of Mecklenburg County, North Carolina)**  
**SCHEDULE OF EXPENDITURES**  
**GOVERNMENTAL FUNDS**

YEAR ENDED JUNE 30, 2013

	(Major) General Fund	(Major) Special Revenue Fund	(Major) Library Foundation Fund	Total Governmental Funds
<b>Personnel</b>				
Salaries, full-time employees	\$ 13,682,618	\$ 6,201	\$ -	\$ 13,688,819
Salaries, other	840,887	-	-	840,887
Retirement, social security and other employee benefits (includes workers' compensation)	5,827,585	1,982	-	5,829,567
Total personnel	<u>20,351,090</u>	<u>8,183</u>	<u>-</u>	<u>20,359,273</u>
<b>Library materials</b>				
Books and related items	2,460,243	556,421	-	3,016,664
Dues and subscriptions	18,667	-	-	18,667
Total library materials	<u>2,478,910</u>	<u>556,421</u>	<u>-</u>	<u>3,035,331</u>
<b>Facility maintenance</b>				
Utilities	1,095,173	-	-	1,095,173
Telephone	130,749	-	-	130,749
Building and grounds, maintenance and repairs	1,327,828	5,704	-	1,333,532
Equipment maintenance and repairs	112,864	-	-	112,864
Vehicle maintenance	24,233	-	-	24,233
Total facility maintenance	<u>2,690,847</u>	<u>5,704</u>	<u>-</u>	<u>2,696,551</u>
<b>Fixed charges</b>				
Building rent	504,407	-	-	504,407
Insurance property and liability	170,828	-	-	170,828
Total fixed charges	<u>675,235</u>	<u>-</u>	<u>-</u>	<u>675,235</u>
<b>Capital outlay</b>				
Buildings, equipment and furnishings	476,897	15,817	-	492,714
Equipment rental	430,092	-	-	430,092
Total capital outlay	<u>906,989</u>	<u>15,817</u>	<u>-</u>	<u>922,806</u>
<b>Debt service</b>				
Principal payments on capital leases	163,688	-	-	163,688
Interest payments on capital leases	50,477	-	-	50,477
Total debt service	<u>214,165</u>	<u>-</u>	<u>-</u>	<u>214,165</u>
<b>Other</b>				
Supplies	135,866	3,299	-	139,165
Communications	321,705	-	-	321,705
Advertising	7,315	54,040	-	61,355
Photocopying expense	285,357	-	-	285,357
Publications	65	-	-	65
Postage	29,912	-	-	29,912
Auto mileage and allowance	21,075	-	-	21,075
Public relations	6,001	-	-	6,001
Professional fees	719,424	2,000	-	721,424
Travel	112,212	-	-	112,212
Special events	249,896	74,889	-	324,785
Grants & agency distribution	-	-	50,348	50,348
Miscellaneous	150,211	-	40,112	190,323
Total other	<u>2,039,039</u>	<u>134,228</u>	<u>90,460</u>	<u>2,263,727</u>
<b>Total expenditures</b>	<u>\$ 29,356,275</u>	<u>\$ 720,353</u>	<u>\$ 90,460</u>	<u>\$ 30,167,088</u>

## **COMPLIANCE SECTION**

**Report of Independent Auditor on Internal Control over Financial Reporting and on  
Compliance and Other Matters Based on an Audit of Financial Statements  
Performed in Accordance with *Government Auditing Standards***

The Board of Trustees  
Public Library of Charlotte and Mecklenburg County  
Charlotte, North Carolina

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of the of the Public Library of Charlotte and Mecklenburg County (the "Library") as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprises the Library's basic financial statements, and have issued our report thereon dated September 24, 2013.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Library's internal control over financial reporting ("internal control") to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Library's internal control. Accordingly, we do not express an opinion on the effectiveness of the Library's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Library's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Library's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Library's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Library's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Cherry Bekant LLP

Charlotte, North Carolina  
September 24, 2013



**Report of Independent Auditor on Compliance Applicable to Each Major State Program and on Internal Control Over Compliance in Accordance with Applicable Sections of OMB Circular A-133 and the State Single Audit Implementation Act**

The Board of Trustees  
Public Library of Charlotte and Mecklenburg County  
Charlotte, North Carolina

**Report on Compliance for Each Major State Program**

We have audited the Public Library of Charlotte and Mecklenburg County's (the "Library") compliance with the types of compliance requirements described in the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of the Library's major State programs for the year ended June 30, 2013. The Library's major State programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

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

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of the Library's major State programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and applicable sections of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* as described in the *Audit Manual for Governmental Auditors in North Carolina*, and the State Single Audit Implementation Act. Those standards, OMB Circular A-133, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major State program occurred. An audit includes examining, on a test basis, evidence about the Library's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major State program. However, our audit does not provide a legal determination of the Library's compliance.

**Opinion on Each Major Program**

In our opinion, the Library complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major State programs for the year ended June 30, 2013.

## **Report on Internal Control over Compliance**

Management of the Library is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Library's internal control over compliance with the types of requirements that could have a direct and material effect on each major State program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major State program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Library's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a State program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a State program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a State program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in black ink that reads "Cheryl Bekant LLP". The signature is written in a cursive, flowing style.

Charlotte, North Carolina  
September 24, 2013

**PUBLIC LIBRARY OF CHARLOTTE AND MECKLENBURG COUNTY**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

FOR THE YEAR ENDED JUNE 30, 2013

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**Section I. Summary of Auditor's Results**

**Financial Statements**

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? \_\_\_ yes    X no
- Significant deficiency(ies) identified? \_\_\_ yes    X none reported

Noncompliance material to financial statements noted? \_\_\_ yes    X no

**State Awards**

Internal control over State major programs:

- Material weakness(es) identified? \_\_\_ yes    X no
- Significant deficiency(ies) identified? \_\_\_ yes    X none reported

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with State Single Audit Implementation Act \_\_\_ yes    X no

Identification of major State programs:

**Program Name**

North Carolina Department of Cultural Resources,  
Division of State Library: Aid to Public Libraries  
(State Aid) Program

Auditee qualified as low-risk auditee? X yes    \_\_\_ no

**PUBLIC LIBRARY OF CHARLOTTE AND MECKLENBURG COUNTY**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

*FOR THE YEAR ENDED JUNE 30, 2013*

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**Section II. Financial Statement Findings**

None reported for the year ended June 30, 2013.

**Section III. State Award Findings and Questioned Costs**

None reported for the year ended June 30, 2013.

**Section IV. Prior-Year Findings**

There were no prior-year findings reported.

**PUBLIC LIBRARY OF CHARLOTTE AND MECKLENBURG COUNTY**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**

FOR THE YEAR ENDED JUNE 30, 2013

<u>Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Expenditures</u>
<b><u>Federal grants distributed through the State of North Carolina to the Public Library of Charlotte and Mecklenburg County:</u></b>		
Institute of Museum and Library Services: North Carolina Department of Cultural Resources, Division of State Library: LSTA Grant	45.310	\$ 25,000
<b><u>Federal grants distributed directly to the Public Library of Charlotte and Mecklenburg County</u></b>		
Institute of Museum and Library Services: National Leadership Grant	45.312	20,680
<b><u>State grants distributed directly to the Public Library of Charlotte and Mecklenburg County:</u></b>		
North Carolina Department of Cultural Resources, Division of State Library: Aid to Public Libraries (State Aid) Program		547,223
North Carolina Humanities Council: North Carolina Humanities Grant		<u>2,000</u>
Total federal and State awards expended		<u>\$ 594,903</u>

**PUBLIC LIBRARY OF CHARLOTTE AND MECKLENBURG COUNTY**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**

*FOR THE YEAR ENDED JUNE 30, 2013*

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**Note 1 – Basis of Presentation**

The accompanying schedule of expenditures of federal and State awards includes the federal and State government activity of the Library and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and the *Audit Manual for Governmental Auditors in North Carolina*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in, the preparation of the basic financial statements.