

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, 2009

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

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Independent Auditors' Report

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

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information 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, 2009, which collectively comprise the Library's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Library's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the Library as of June 30, 2009, and the respective changes in financial position thereof and the respective budgetary comparison for the general fund and its special revenue fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 21, 2009 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 that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and the required supplementary financial data contained on pages 2-6 and pages 27-28, respectively, are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and accordingly, express no opinion on it.

Cherry Bekaert + Holland, C.L.P.

Charlotte, North Carolina
September 21, 2009

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

Management's Discussion and Analysis

Introduction

As management of the Public Library of Charlotte and Mecklenburg County (the "Library"), we offer readers of the Library's financial statements this narrative overview and analysis of the financial activities of the Library for the fiscal year ended June 30, 2009. 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.

Overview

The basic financial statements consist of three components: government-wide financial statements, fund financial statements and notes to the financial statements. Schedules of required supplementary information follow the notes to the financial statements.

Government-wide financial statements consist of the Statement of Net Assets and the Statement of Activities. Both of the statements provide data about the Library's financial activities as a whole, in a manner similar to the private-sector business. Accordingly, these statements use the accrual basis of accounting. The Statement of Net Assets presents assets less liabilities thus presenting the Library's financial position at the end of the fiscal year.

The Statement of Net Assets and Statement of Activities report the Library's information as a single unit government showing governmental activities only. The Library does not have any business-type activities to report.

Reporting the Library's Significant Funds

Funds are sets of self balancing accounts that reflect the assets, liabilities, fund balance, revenues and expenditures of resources segregated for specific activities. The Library only uses governmental funds which focus on how money flows into and out of those funds and the balances left at each year end that are available for spending. The modified accrual method of accounting is used to report the governmental funds.

Notes to the Financial Statements

The information reported in the notes to the financial statements provides additional disclosures necessary for a complete understanding of the data presented in the government-wide and fund financial statements.

Financial Analysis of the Library's Funds

The Library uses fund accounting to record revenues and expenditures in the Library's governmental-type funds.

The Library's governmental funds focus on the inflows and outflows of current financial resources and measure the change in net spendable resources during the year. The Library's governmental fund types are comprised of the general fund, special revenue funds and capital project funds.

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

Management's Discussion and Analysis

Financial Analysis of the Library's Funds (continued)

Revenues from intergovernmental sources comprise 92.4% of total revenues received during the Library's fiscal year ending June 30, 2009 as compared to 89.9% for fiscal year ending June 30, 2008. Mecklenburg County, the City of Charlotte and the ABC Board comprise 91% of total revenues as of June 30, 2009 as compared to 88.3% for the fiscal year ending June 30, 2008 while the State of North Carolina and federal revenue sources total 1.4% and 1.6% for 2009 and 2008 respectively. Revenues generated through fines, fees, charges for services and grants used to cover services account for 4% of total revenue, up 0.7% from the prior year. Other sources of revenue include general contributions to the Library of 1%, down 1% from the prior year and other sources of 2.6% down 0.4% over the prior year.

Governmental funds expenditures were comprised of the following: Personnel, 66.3% Library materials (books, videos, software for public use, etc) 7.3%, General Operations, 15.4%, Capital projects 10.3% and Debt Services 0.7% as compared to 66.6%, 9.9%, 17.0%, 5.8% and 0.8%, respectively, from the prior year.

General Fund Budget 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 2009 and 2008, 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; any 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 decrease original budgeted revenue for 2009 totaled \$377,123 and adjustments to increase original budgeted revenue for 2008 totaled \$540,749. There were adjustments to increase budgeted expenditures of \$1,176,514 and \$3,043,234 for 2009 and 2008, respectively. During fiscal year 2009, grants received by the Library for programming account for \$102,000 of the adjustments to budgeted revenue. In addition to these, budgeted revenue was also increased by \$6,000,000 for capital projects including the purchase of land for two locations. On the down side, budgeted revenues for operations were decreased approximately \$780,000 during fiscal year 2009.

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

Management's Discussion and Analysis

Government-wide Financial Analysis

This is the Library's reporting of comparative financial information under the guidelines of Governmental Accounting Standards Board ("GASB") Statement No. 34.

The following is a summary of Net Assets:

	Government-wide Activities June 30, 2009	Government-wide Activities June 30, 2008
<u>Assets</u>		
Current assets	\$ 7,043,681	\$ 5,840,535
Capital assets, net of accumulated depreciation	83,999,980	83,455,007
Total assets	<u>\$ 91,043,661</u>	<u>\$ 89,295,542</u>
<u>Liabilities</u>		
Current and other liabilities	\$ 3,380,145	\$ 2,767,537
Long-term liabilities	8,103,491	5,677,148
Total liabilities	<u>\$ 11,483,636</u>	<u>\$ 8,444,685</u>
<u>Net assets</u>		
Invested in capital assets, net of related debt	\$ 82,761,531	\$ 82,005,674
Restricted	1,807,897	1,199,917
Unrestricted	(5,009,403)	(2,354,734)
Total net assets	<u>\$ 79,560,025</u>	<u>\$ 80,850,857</u>

While total net assets 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.

PUBLIC LIBRARY OF CHARLOTTE AND MECKLENBURG COUNTY
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Management's Discussion and Analysis

Changes in Net Assets

	Governmental Activities June 30, 2009	Governmental Activities June 30, 2008
<u>Revenues</u>		
Program revenues:		
Charges for services	\$ 2,825,608	\$ 2,696,630
Operating grants and contributions	2,218,727	3,181,005
Capital grants and contributions	3,508,027	1,135,548
General revenues:		
Mecklenburg County	33,652,731	33,401,799
City of Charlotte	2,500	2,500
Investment earnings	58,534	130,733
ABC Board	372,369	262,239
Total revenues	<u>42,638,496</u>	<u>40,810,454</u>
<u>Program expenses</u>		
General public services	43,073,521	42,081,724
Program/outreach services	589,857	915,575
Copying services	99,589	114,148
Publications	84,291	128,515
Interest on long-term debt	82,070	94,627
Total expenses	<u>43,929,328</u>	<u>43,334,589</u>
Change in net assets	<u>(1,290,832)</u>	<u>(2,524,135)</u>
Net assets-beginning	80,850,857	83,374,992
Net assets-ending	<u>\$ 79,560,025</u>	<u>\$ 80,850,857</u>

Operations generated a decrease in net assets of approximately \$1,291,000 for the year ended June 30, 2009 and a decrease in net assets of \$2,524,000 for the year ended June 30, 2008. The most significant factors for the difference regarding the decrease in net assets between the two years was the Library's use of fund balance to increase operating expenditures and a reduction in general grants and contributions, consistent with the previous year. The Library was able to cover 19.5% and 16.2%, for the years ended June 30, 2009 and 2008, respectively, 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

Capital Assets and Long-Term Debt Activity

The Library's investment in capital assets net of accumulated depreciation for governmental activities as of June 30, 2009 and 2008 is \$83,999,980 and \$83,455,007 respectively. Capital assets include land, buildings and buildings improvements, books, furniture and fixtures and construction in progress.

The Library completed the replacement facility for Myers Park in January 2009. Construction of the Library's Hickory Grove replacement project began during fiscal year 2009 and is expected to be completed by February 2010. Design of the Library's Beatties Ford Road expansion project was completed during fiscal year 2009 and construction is expected to begin in October 2009 and be completed by the spring of 2011. Funding for all projects was provided by Mecklenburg County.

Capital Assets, Net of Accumulated Depreciation

	Governmental Activities June 30, 2009	Governmental Activities June 30, 2008
Land	\$ 11,889,993	\$ 11,251,992
Buildings	61,433,725	58,915,108
Books	5,116,078	5,391,860
Furniture and fixtures	1,847,935	1,766,379
Capital lease	2,343,036	5,673,640
Construction in progress	1,369,213	456,028
Total	<u>\$ 83,999,980</u>	<u>\$ 83,455,007</u>

In relation to the capital assets, the Library had total debt outstanding of \$1,238,449. The debt is secured by the related assets of the Library which includes capital lease obligations that decreased by \$210,884 during the past fiscal year. There were no additions to long-term debt in the current fiscal year.

Fiscal Year 2009 Highlights

In fiscal year 2009, the Library completed its renovation project for the Myers Park Branch and the design phase for the Beatties Ford Road expansion. Construction on the replacement facility for the Hickory Grove branch library began. The Library also received a draft document for a new facilities master plan that management will present to the Board of Trustees. The purpose of the plan is to determine the need to build new facilities or renovate existing facilities in order to effectively serve the research, academic and recreational needs of the population of Mecklenburg County. Funds for these projects are provided by Mecklenburg County.

Fiscal year 2010 will see the completion of the Hickory Grove Branch Library project and the near completion of the Beatties Ford Road expansion/renovation project. The planning and design phases for the proposed new facilities for the Library's Scaleybark branch and Carmel branch will continue as funding is provided.

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 and Mecklenburg County, 310 N. Tryon Street, Charlotte, North Carolina 28202.

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

Statement of Net Assets
June 30, 2009

	<u>Governmental Activities</u>
ASSETS	
Current assets	
Cash and cash equivalents	\$ 6,170,357
Refundable sales tax	243,941
Other receivables	221,220
Inventory	23,349
Prepays	126,636
Due from other governmental agencies	258,178
Total current assets	<u>7,043,681</u>
Capital assets	
Land and other non-depreciable assets	13,259,205
Other capital assets, net of depreciation	70,740,775
Net capital assets	<u>83,999,980</u>
Total assets	<u>91,043,661</u>
LIABILITIES	
Current liabilities	
Accounts payable - trade	382,944
Other payables	1,582,132
Current portion of compensated absences	1,200,000
Current portion of capital lease obligations	215,069
Total current liabilities	<u>3,380,145</u>
Long term liabilities	
Unearned revenue	1,087,696
Compensated absences	1,052,310
OPEB liability	4,940,105
Capital lease obligations	1,023,380
Total liabilities	<u>11,483,636</u>
NET ASSETS	
Investment in capital assets, net of related debt	82,761,531
Net assets	
Restricted for:	
Special purposes	1,807,897
Unrestricted	(5,009,403)
Total net assets	<u>\$ 79,560,025</u>

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

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

Statement of Activities
Year Ended June 30, 2009

Functions/Programs	Program Revenues			Governmental Activities
	Expenses	Charges for Services	Operating Grants and Contributions	
Primary government:				
Governmental activities:				
General public service	\$ 43,073,521	\$ 2,566,136	\$ 2,192,847	\$ (34,806,511)
Program/outreach services	589,857	109,299	25,880	(454,678)
Copying services	99,589	128,209	-	28,620
Publications	84,291	21,964	-	(62,327)
Interest on long-term debt	82,070	-	-	(82,070)
Total governmental activities	\$ 43,929,328	\$ 2,825,608	\$ 2,218,727	\$ (35,376,966)
General revenues:				
Mecklenburg County appropriation				33,652,731
City of Charlotte appropriation				2,500
Investment earnings				58,534
ABC Board				372,369
Total general revenues				34,086,134
Change in net assets				(1,290,832)
Net assets - beginning				80,850,857
Net assets - ending				\$ 79,560,025

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

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

Balance Sheet
Governmental Funds
June 30, 2009

	(Major) General Fund	(Major) Special Revenue Fund	Other Governmental Funds	Total Governmental Funds
Assets				
Cash and cash equivalents	\$ 4,520,715	\$ 1,649,643	\$ -	\$ 6,170,358
Refundable sales tax	217,629	26,311	-	243,940
Other receivables	224,142	(2,923)	-	221,219
Inventory	23,349	-	-	23,349
Prepays	126,636	-	-	126,636
Due from other governmental agencies	258,178	-	-	258,178
Total assets	\$ 5,370,649	\$ 1,673,031	\$ -	\$ 7,043,680
Liabilities and fund balances				
Liabilities:				
Accounts payable - trade	\$ 375,046	\$ 7,897	\$ -	\$ 382,943
Other payables	1,263,921	-	-	1,263,921
Due to other governmental agencies	318,211	-	-	318,211
Total liabilities	1,957,178	7,897	-	1,965,075
Fund balances:				
Reserved for encumbrances	642,723	4,934	-	647,657
Reserved for special purposes	161,828	1,646,070	-	1,807,898
Reserved by State Statute	723,299	23,389	-	746,688
Reserved for prepaids	126,636	-	-	126,636
Unreserved - designated	1,758,985	13,688	-	1,772,673
Unreserved - undesignated	-	(22,947)	-	(22,947)
Total fund balances	3,413,471	1,665,134	-	5,078,605
Total liabilities and fund balances	\$ 5,370,649	\$ 1,673,031	\$ -	\$ 7,043,680

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

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 Assets of Governmental Activities**

June 30, 2009

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

Ending fund balance - governmental funds	\$ 5,078,605
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	
Cost of capital assets	123,130,326
Accumulated depreciation	(39,130,346)
Long-term liabilities that are not due and payable in the current period and therefore are not reported in the funds.	
Compensated absences	(2,252,310)
Capital lease obligations	(1,238,449)
OPEB obligation	(4,940,105)
Unearned revenue	<u>(1,087,696)</u>
Net assets of governmental activities	<u>\$ 79,560,025</u>

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

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, 2009

	(Major) General Fund	(Major) Special Revenue Fund	Other Governmental Funds	Total Governmental Funds
Revenues				
Intergovernmental:				
Mecklenburg County:				
Operations	\$ 33,301,485	\$ -	\$ -	\$ 33,301,485
Capital reserve	908,060	-	-	908,060
Amounts paid on behalf by				
Mecklenburg County	351,245	-	2,599,967	2,951,212
ABC Board	372,369	-	-	372,369
City of Charlotte	2,500	-	-	2,500
North Carolina	-	567,044	-	567,044
Federal	-	20,000	-	20,000
Total intergovernmental revenues	<u>34,935,659</u>	<u>587,044</u>	<u>2,599,967</u>	<u>38,122,670</u>
Fines, fees and collections	1,325,779	-	-	1,325,779
Collections for photocopies	128,209	-	-	128,209
Interest	58,534	-	-	58,534
Contributions	141,032	83,051	-	224,083
Book rentals	75,902	-	-	75,902
Book sales	105,291	-	-	105,291
Special events	109,299	-	-	109,299
Miscellaneous	1,033,457	56,514	-	1,089,971
Total revenues	<u>37,913,162</u>	<u>726,609</u>	<u>2,599,967</u>	<u>41,239,738</u>
Expenditures				
Current:				
Personnel	26,894,028	45,909	-	26,939,937
Library materials	2,378,138	579,649	-	2,957,787
Facility maintenance	2,534,557	6,022	-	2,540,579
Fixed charges	1,118,006	-	-	1,118,006
Other	2,510,034	115,813	-	2,625,847
Capital outlay:				
Amounts paid on behalf by				
Mecklenburg County	908,060	-	-	908,060
Other	566,905	97,697	2,599,967	3,264,569
Debt service:				
Principal	210,884	-	-	210,884
Interest	82,070	-	-	82,070
Total expenditures	<u>37,202,682</u>	<u>845,090</u>	<u>2,599,967</u>	<u>40,647,739</u>
Net change in fund balances	710,480	(118,481)	-	591,999
Fund balance - beginning	<u>2,702,991</u>	<u>1,783,615</u>	<u>-</u>	<u>4,486,606</u>
Fund balance - ending	<u>\$ 3,413,471</u>	<u>\$ 1,665,134</u>	<u>\$ -</u>	<u>\$ 5,078,605</u>

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

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 Assets of Governmental Activities
Year Ended June 30, 2009**

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

Net change in fund balances - total governmental funds	\$	591,999
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives.		
Expenditures for capital assets		5,502,607
Less current year depreciation		(4,957,634)
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 assets. 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 assets.		
Principal payments on capital lease obligations		210,884
OPEB payments		351,245
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.		
Compensated absences in excess of benefits used over current provision		56,963
Increase in OPEB liability		(3,078,654)
Contributed lease expense		(1,367,000)
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.		
Deferred revenue amortized		31,758
Contributed lease revenue		1,367,000
		<hr/>
Change in net assets of governmental activities	\$	<u>(1,290,832)</u>

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

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, 2009**

	Original Budget	Final Budget	Actual	Variance With Final Positive (Negative)
Revenues				
Intergovernmental:				
Mecklenburg County:				
Operations	\$ 34,785,757	\$ 34,035,757	\$ 33,301,485	\$ (734,272)
Capital reserve	900,000	1,063,069	908,060	(155,009)
Amounts paid on behalf by				
Mecklenburg County	352,000	352,000	351,245	(755)
ABC Board	230,000	372,369	372,369	-
City of Charlotte	2,500	2,500	2,500	-
	<u>36,270,257</u>	<u>35,825,695</u>	<u>34,935,659</u>	<u>(890,036)</u>
Fines, fees and collections	1,250,000	1,250,000	1,325,779	75,779
Collections for photocopies	180,000	180,000	128,209	(51,791)
Interest	-	-	58,534	58,534
Contributions	100,000	100,000	141,032	41,032
Book rentals	110,000	110,000	75,902	(34,098)
Book sales	100,000	100,000	105,291	5,291
Special events	130,000	130,000	109,299	(20,701)
Miscellaneous	1,043,786	1,126,826	1,033,457	(93,369)
Total revenues	<u>39,184,043</u>	<u>38,822,521</u>	<u>37,913,162</u>	<u>(909,359)</u>
Expenditures				
Current:				
Personnel	28,425,125	28,431,875	26,894,028	1,537,847
Library materials	2,842,952	2,751,527	2,378,138	373,389
Facility maintenance	2,638,728	2,636,918	2,534,557	102,361
Fixed charges	1,463,910	1,123,225	1,118,006	5,219
Other	2,742,328	3,163,561	2,510,034	653,527
Capital outlay:				
Amounts paid on behalf by				
Mecklenburg County	-	908,060	908,060	-
Other	1,350,000	912,517	566,905	345,612
Debt service:				
Principal	-	212,000	210,884	1,116
Interest	-	83,000	82,070	930
Total expenditures	<u>39,463,043</u>	<u>40,222,683</u>	<u>37,202,682</u>	<u>3,020,001</u>
Excess (deficiency) of revenues over (under) expenditures	(279,000)	(1,400,162)	710,480	2,110,642
Other financing sources (uses)				
Fund balance appropriated	279,000	1,400,162	-	(1,400,162)
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	710,480	<u>\$ 710,480</u>
Fund balance - beginning			2,702,991	
Fund balance - ending			<u>\$ 3,413,471</u>	

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

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, 2009

	Original Budget	Final Budget	Actual	Variance With Final Positive (Negative)
Revenues				
Intergovernmental:				
North Carolina	\$ 600,000	\$ 567,044	\$ 567,044	\$ -
Federal	-	20,000	20,000	-
	<u>600,000</u>	<u>587,044</u>	<u>587,044</u>	<u>-</u>
Contributions	-	47,685	83,051	35,366
Miscellaneous	-	32,710	56,514	23,804
Total revenues	<u>600,000</u>	<u>667,439</u>	<u>726,609</u>	<u>59,170</u>
Expenditures				
Current:				
Personnel	-	45,909	45,909	-
Library materials	600,000	582,187	579,649	2,538
Facility maintenance	-	25,000	6,022	18,978
Other	-	221,764	115,813	105,951
Capital outlay:				
Other	-	142,014	97,697	44,317
Total expenditures	<u>600,000</u>	<u>1,016,874</u>	<u>845,090</u>	<u>171,784</u>
Excess (deficiency) of revenues over (under) expenditures	-	(349,435)	(118,481)	230,954
Other financing sources (uses)				
Fund balance appropriated	-	349,435	-	(349,435)
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	(118,481)	<u>\$ (118,481)</u>
Fund balance - beginning			<u>1,783,615</u>	
Fund balance - ending			<u>\$ 1,665,134</u>	

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

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

Notes to Financial Statements
June 30, 2009

Note 1 – Summary of significant accounting policies

Reporting entity – The Public Library of Charlotte and 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 Board of Trustees. For financial statement reporting purposes, the Library includes all agencies that are either controlled by or financially dependent on the Library. Control by or financial dependence was determined on the basis of the Library being obligated for financing of deficits, guarantee of debt, selection of governing authority, approval of budget, ownership of assets and scope of public service and special financing relationships where there was only partial or no oversight responsibility.

Government-wide and fund financial statements – The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the activities of the Library. For the most part, the effect of inter-fund 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. Likewise, the Library does not have any component units.

The statement of activities presents a comparison between direct expenses and program revenues. *Direct expenses* are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. *Program revenues* include: 1) fees and charges paid by the recipients of good or services offered by the program and 2) grants and contributions that are restricted to meeting the operation or capital requirements of a particular program. Revenues that are not classified as program revenues, including all intergovernmental appropriations are presented as general revenues.

The Library has three funds, its general fund, special revenue fund and capital projects fund.

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. Revenue from intergovernmental appropriations, grants and donations is 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.

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

Notes to Financial Statements
June 30, 2009

Note 1 – Summary of significant accounting policies (continued)

Measurement focus, basis of accounting, and financial statement presentation (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 fund* accounts for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes. Generally, proceeds from federal and State grants are accounted for in the Library's Special Revenue Fund.

The Library has one capital projects fund which has been presented in the governmental fund statements as other governmental funds. The Capital Projects Fund accounts for financial resources to be used for the construction of library facilities.

As permitted by accounting principles generally accepted in the United States of America, the Library has elected to apply only applicable FASB Statements and Interpretations issued on or before November 30, 1989 that do not contradict GASB pronouncements in its accounting and report practices for its proprietary operations.

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

When both restricted and unrestricted resources are available for use, it is the Library's policy to use restricted resources first, then unrestricted resources as they are needed.

Budgetary data – The Library's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund and the Special Revenue Fund. All annual appropriations lapse at the fiscal year-end. Project ordinances are adopted for the Capital Projects Funds. 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.

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.

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

Notes to Financial Statements
June 30, 2009

Note 1 - Summary of significant accounting policies (continued)

Capital assets (continued) - 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.

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

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

Compensated absences – Vacation and sick leave 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 leave 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 6).

Net assets and fund equity – For the government-wide statements, equity is classified as net assets and displayed in three components:

- a. Invested in capital assets, net of related debt – Consists of capital assets including restricted capital assets, net of 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 net assets – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net assets – All other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt”.

For the governmental fund financial statements, equity is classified as fund balance. Fund balance is further classified as reserved and unreserved, with unreserved further split between designated and undesignated. Reservations of equity represent amounts that are not appropriate or are legally segregated for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

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.

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

Notes to Financial Statements
June 30, 2009

Note 1 - Summary of significant accounting policies (continued)

Net assets and fund equity (continued) - Fund balances are classified as follows:

Reserved for encumbrances – portion of fund balance available to pay for commitments related to purchase orders or contracts which remain unperformed at year-end.

Reserved by State statute – portion of fund balance, in addition to amounts reserved for encumbrances, which is not available for appropriation under State law [G.S. 159-8(a)]. This amount is primarily comprised of receivables and due from other governmental agencies and other funds.

Reserved for special purposes – portion of fund balance related to the County Components of the General Fund and the Federal, State, Law Library and Miscellaneous Components of the Special Revenue Fund representing unexpended County allocations, grant monies and various funding to cover future approved construction and materials expenditures.

Reserved for prepaids – portion of fund balance related to prepaid expenditures.

Unreserved – portion of total fund balance available for appropriation which is uncommitted at year-end.

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.

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 Governmental Accounting Standards Board 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.

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.

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.

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

Notes to Financial Statements
June 30, 2009

Note 2 – Deposits and investments (continued)

All deposits of the Library are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits that exceed 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 Library's agent in their 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 or the escrow agent. Because of the inability to measure the exact amount of collateral pledged for 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, 2009, the Library's deposits had a carrying amount of \$6,170,282 and a bank balance of \$6,719,130. In October and November 2008, the Federal Deposit Insurance Corporation ("FDIC") temporarily increased coverage to \$250,000 for substantially all depository accounts and temporarily provides unlimited coverage for certain qualifying and participating non-interest bearing transaction accounts. The increased coverage is scheduled to expire on December 31, 2013, at which time it is anticipated amounts insured by the FDIC will return to \$100,000. Of the bank balance, \$250,000 was covered by federal depository insurance and \$6,107,854 was covered by collateral held under the pooling method and \$361,276 was covered under the dedicated method. At June 30, 2009, the Library's petty cash fund totaled \$75.

Included in the amounts above are money market accounts totaling \$995,108. The money market accounts are held at the Bank of Commerce which is unrated and the Bank of Granite which is unrated. The Library has no policy for managing interest rate risk or credit risk.

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

Notes to Financial Statements
June 30, 2009

Note 3 – Capital assets

Capital asset activity for the year ended June 30, 2009 was as follows:

	Beginning Balance <u>June 30, 2008</u>	<u>Additions</u>	Disposals Retirements and <u>Reclassifications</u>	Ending Balance <u>June 30, 2009</u>
Governmental activities:				
Non-depreciable assets:				
Land	\$ 11,251,992	\$ 638,001	\$ -	\$ 11,889,993
Construction in progress	<u>456,028</u>	<u>2,628,765</u>	<u>(1,715,581)</u>	<u>1,369,212</u>
	<u>11,708,020</u>	<u>3,266,766</u>	<u>(1,715,581)</u>	<u>13,259,205</u>
Depreciable assets:				
Buildings and building improvements	81,072,207	1,227,730	-	82,299,937
Books	19,044,777	2,206,924	-	21,251,701
Furniture and equipment	<u>5,831,504</u>	<u>516,768</u>	<u>(28,789)</u>	<u>6,319,483</u>
Totals at historical cost	<u>117,656,508</u>	<u>7,218,188</u>	<u>(1,744,370)</u>	<u>123,130,326</u>
Less accumulated depreciation:				
Buildings and building improvement	(16,483,459)	(2,039,719)	-	(18,523,178)
Books	(13,652,917)	(2,482,705)	-	(16,135,622)
Furniture and equipment	<u>(4,065,125)</u>	<u>(435,210)</u>	<u>28,789</u>	<u>(4,471,546)</u>
Total accumulated depreciation	<u>(34,201,501)</u>	<u>(4,957,634)</u>	<u>28,789</u>	<u>(39,130,346)</u>
Capital assets, net	<u>\$ 83,455,007</u>	<u>\$ 2,260,554</u>	<u>\$(1,715,581)</u>	<u>\$ 83,999,980</u>

Included in buildings are assets under capital lease that had a cost basis and accumulated depreciation of \$3,068,972 and \$725,936, respectively, at June 30, 2009 (see Note 5). All depreciation expense was charged to general public service on the Statement of Activities. Additions to capital assets include approximately \$3.5 million of buildings and equipment transferred to the Library from Mecklenburg County, through capital projects and 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 obligations of Mecklenburg County and not the Library.

Construction contracts exist for various renovation and construction projects for the Library. At June 30, 2009, the remaining commitment on these contracts approximate \$ 2.5 million.

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

Notes to Financial Statements
June 30, 2009

Note 4 – Long-term obligations

Long-term liability activity for the year ended June 30, 2009 was as follows:

	Beginning Balance <u>June 30, 2008</u>	<u>Additions</u>	<u>Retirements</u>	Ending Balance <u>June 30, 2009</u>	Due Within <u>One Year</u>
Compensated absences	\$ 2,309,273	\$ 1,438,287	\$ 1,495,250	\$ 2,252,310	\$ 1,200,000
Capital lease obligations	1,449,333	-	210,884	1,238,449	215,069
OPEB Liability	<u>2,212,696</u>	<u>3,078,654</u>	<u>351,245</u>	<u>4,940,105</u>	-
	<u>\$ 5,971,302</u>	<u>\$ 4,516,941</u>	<u>\$ 2,057,379</u>	<u>\$ 8,430,864</u>	<u>\$ 1,415,069</u>

Note 5 – Leases

The Library leases certain branch 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. Certain lease agreements also provide for renewal option periods of five years.

Two of the branch facility leases have been classified as capital leases. Monthly lease payments of \$6,097 and an annual rent payment of \$1,500 are required through September 2010 related to the first capital lease. Beginning October 2010 through September 2045, the base annual lease payment is \$1,501. The second capital lease requires monthly payments, which are changed annually (ranging from \$21,152 to \$6,560), through June 2017. Beginning 2017 through July 2051 the annual lease payment is \$1.

Total rent expenses for all leases amounted to approximately \$557,000 during the 2009 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, 2009:

<u>Year ending June 30,</u>	<u>Capital</u>	<u>Operating</u>
2010	\$ 284,349	\$ 360,900
2011	217,852	211,849
2012	198,013	183,879
2013	189,709	181,336
2014	181,501	181,336
2015 – 2019	427,605	906,680
2020 – 2024	7,510	211,565
2025 – 2029	7,510	5
2030 – 2034	7,510	5

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

Notes to Financial Statements
June 30, 2009

Note 5 - Leases (continued)

<u>Year ending June 30,</u>	<u>Capital</u>	<u>Operating</u>
2035 – 2039	\$ 7,510	\$ 5
2040 – 2044	7,510	5
2045 – 2049	7	3
2050 – 2051	2	-
Total minimum payments	<u>1,536,588</u>	<u>\$ 2,237,568</u>
Less amounts representing interest	<u>(298,139)</u>	
Present value of net minimum capital lease payments	<u>\$ 1,238,449</u>	

Total interest costs for the year ended June 30, 2009 were \$82,070, relating to the capital lease obligations.

Note 6 – 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 2009 was \$31,758. Rental income is to be recognized as follows:

<u>Year ending June 30</u>	
2010	\$ 31,758
2011	31,758
2012	31,758
2013	31,758
2014	31,758
2015 – 2019	158,790
2020 – 2024	158,790
2025 – 2029	158,790
2030 – 2034	158,790
2035 – 2039	158,790
2040 – 2044	134,956
	<u>\$ 1,087,696</u>

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

Notes to Financial Statements
June 30, 2009

Note 7 – Retirement plan

Plan description - The Library contributes to the statewide Local Governmental Employees' Retirement System ("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, North Carolina 27699-1410, or by calling (919) 981-5454.

Funding policy - The Library's total payroll for the year ended June 30, 2009 was \$20,480,625 of which \$19,091,956 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, 2009 totaled \$1,145,333, 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 4.88 percent of annual covered payroll. The contribution requirements of plan members and of the Library are established and may be amended by the North Carolina General Assembly. The Library's contributions to LGERS for the years ended June 30, 2009, 2008, and 2007 were \$931,688, \$913,323 and \$900,420, respectively, which equaled the Library's required contributions for each year.

Note 8 – Employee benefit plan

Through the State of North Carolina the Library provides a supplemental retirement income plan to substantially all employees. This plan is a 401(k) savings plan under the Internal Revenue Code (the "IRC"). Eligible participants may contribute up to the maximum allowable under law as a percent of base salary, with the Library matching 100 percent of employee contributions up to five percent of compensation. Total expense relating to this plan was \$423,195 for the year ended June 30, 2009.

Note 9 – 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, 2009 was \$13,330.

Note 10 – Other post-employment benefits

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 twenty years, 50 percent of insurance costs are paid. For more than twenty years of service, 100 percent of insurance costs are paid.

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

Notes to Financial Statements
June 30, 2009

Note 10 – Other post-employment benefits (continued)

Funding policy – The Library pays the full cost of coverage for the healthcare 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, 2008 was approximately \$390,000 for the fifty eight retirees covered. The current ARC rate is 3.5% of annual covered payroll. For the current year, the Library contributed \$351,245 or 1.5% of covered payroll.

Summary of significant accounting policies – Post-employment 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.

Annual OPEB cost and net OPEB obligation – The Library's annual other post-employment benefit ("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 No. 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 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	\$ 3,078,654
Interest on net OPEB obligation	-
Adjustment to annual required contribution	-
Annual OPEB cost	<u>3,078,654</u>
Contributions made	<u>351,245</u>
Increase in net OPEB obligation	2,727,409
Net OPEB obligation, beginning of year	<u>2,212,696</u>
Net OPEB obligation, end of year	<u>\$ 4,940,105</u>

The Library's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2008 and 2009 were as follows:

<u>For Year Ended</u> <u>June 30,</u>	<u>Annual</u> <u>OPEB Cost</u>	<u>Percent of Annual</u> <u>OPEB Cost Contributed</u>	<u>Net OPEB</u> <u>Obligation</u>
2008	\$2,602,696	14.98%	\$2,212,696
2009	\$3,078,654	11.41%	\$2,727,409

Funded status and funding process – As of January 1, 2009 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 \$33,181,410. The covered payroll (annual payroll of active employees by the plan) was \$19,314,487 and the ratio of the UAAL to the covered payroll was 171.80%. 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.

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

Notes to Financial Statements
June 30, 2009

Note 10 – Other post-employment benefits (continued)

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.

Note 11 – Other post-employment benefit

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 months 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 12 – Major supplier

For the year ended June 30, 2009, approximately 54 percent of all books and related items were purchased from one supplier.

Note 13 – Endowment funds

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. There Library received \$7,710 from those funds during the year ended June 30, 2009. Since the Library does not have, under the agreements, any rights to the principal of the endowments, they have not been reflected in the financial statements. At June 30, 2009, the approximate value of the principal in these endowments totaled approximately \$2,415,000.

Note 14 – Contributed rent revenue

The Library has entered into a lease agreement with the Charlotte-Mecklenburg Board of Education related to the design, construction, operation and use of a full service library at Phillip O. Berry Academy of Technology. Terms of the lease require that the Library contribute, through Mecklenburg County, \$1,840,000 towards the cost of constructing, furnishing and equipping the building. The Library's capital investment is to be considered its rent for the premises for the 20-year term plus any subsequent renewals.

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

Notes to Financial Statements
June 30, 2009

Note 14 – Contributed rent revenue (continued)

In addition, 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 Library recorded contributed rent revenue and corresponding contributed rent expense in the amount of \$1,367,000 for the year ending June 30, 2009.

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

Other Post-Employment Benefits
Required Supplementary Information
Schedule of Funding Progress

Actuarial Valuation Date	Value of Assets (a)	Projected Unit Credit (b)	Unfunded ALL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	% of Covered Payroll ((b-a) / c)
01/01/2008	\$ -	\$ 32,183,734	\$ 32,183,734	0.0%	\$ 18,891,157	170.36%
01/01/2009	\$ -	\$ 33,181,410	\$ 33,181,410	0.0%	\$ 19,314,487	171.80%

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

Other Post-Employment Benefits
Required Supplementary Information
Employer Contributions and Notes to the Required Schedules

Year Ended June 30,	Annual Required Contribution	Percentage Contributed
2008	\$ 2,602,696	14.98%
2009	\$ 3,078,654	11.41%

Notes to the Required Schedules:

The information presented 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	1/1/2009
Actuarial cost method	Projected unit credit
Amortization method	Level percentage of pay, open
Remaining amortization period	30 years
Actuarial assumptions:	
Investment rate of return	3.50%
Projected salary increases	3.50%
Healthcare cost trend rate	9% initial, 5% ultimate

ACCOMPANYING INFORMATION



Independent Auditors' Report on Supplementary Information

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

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information 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, 2009, and have issued our report thereon dated September 21, 2009. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements of the Library. The accompanying schedules on pages 30, 31, and 32, as well as the accompanying schedule of expenditures of federal and State awards, on page 39, as required by the U.S. Office of Management and Budget Circular A-133, *Audit of States, Local Governments and Non-Profit Organizations* and the State Single Audit Implementation Act, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion; the information contained therein is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Cherry Bekaert + Holland, C.L.P.

Charlotte, North Carolina
September 21, 2009

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

Schedule of Expenditures
Governmental Funds
Year Ended June 30, 2009

	(Major) General Fund	(Major) Special Revenue Fund	Other Governmental Funds	Total Governmental Funds
Personnel				
Salaries, full-time employees	\$ 19,314,488	\$ 38,295	\$ -	\$ 19,352,783
Salaries, other	1,128,843	-	-	1,128,843
Retirement, social security and other employee benefits (includes workers' compensation)	6,450,697	7,614	-	6,458,311
Total personnel	26,894,028	45,909	-	26,939,937
Library materials				
Books and related items	2,359,764	577,649	-	2,937,413
Dues and subscriptions	18,374	2,000	-	20,374
Total library materials	2,378,138	579,649	-	2,957,787
Facility maintenance				
Utilities	1,091,489	-	-	1,091,489
Telephone	270,699	-	-	270,699
Building and grounds, maintenance and repairs	917,312	6,022	-	923,334
Equipment maintenance and repairs	255,057	-	-	255,057
Total facility maintenance	2,534,557	6,022	-	2,540,579
Fixed charges				
Building rent	805,496	-	-	805,496
Insurance, property and liability	312,510	-	-	312,510
Total fixed charges	1,118,006	-	-	1,118,006
Capital outlay				
Buildings, equipment and furnishings	1,010,271	97,697	2,599,967	3,707,935
Equipment rental	464,694	-	-	464,694
Total capital outlay	1,474,965	97,697	2,599,967	4,172,629
Debt service				
Principal payments on capital leases	210,884	-	-	210,884
Interest payments on capital leases	82,070	-	-	82,070
Total debt service	292,954	-	-	292,954
Other				
Supplies	260,932	4,961	-	265,893
Communications	226,143	-	-	226,143
Advertising and exhibits	4,494	45,799	-	50,293
Photocopying expenses	302,237	-	-	302,237
Publications	84,291	7,356	-	91,647
Postage	53,613	-	-	53,613
Auto mileage and allowance	36,517	-	-	36,517
Public relations	25,538	-	-	25,538
Professional fees	457,454	575	-	458,029
Travel	223,257	-	-	223,257
Special events	561,579	48,278	-	609,857
Miscellaneous	273,979	8,844	-	282,823
Total other	2,510,034	115,813	-	2,625,847
Total expenditures	\$ 37,202,682	\$ 845,090	\$ 2,599,967	\$ 40,647,739

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

Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual - Capital Projects Fund
Year Ended June 30, 2009

	Project Authorization	Actual		Total to Date	Variance Positive (Negative)
		Prior Years	Current Year		
Revenues					
Intergovernmental:					
Amounts paid on behalf by Mecklenburg County	\$ 24,030,000	\$ 1,441,556	\$ 2,599,967	\$ 4,041,523	\$ 19,988,477
Expenditures					
Myers Park project:					
Capital outlay					
Amounts paid on behalf by Mecklenburg County	989,500	62,811	914,577	977,388	12,112
Morrison Library project:					
Capital outlay					
Amounts paid on behalf by Mecklenburg County	1,059,000	1,056,920	-	1,056,920	2,080
Beatties Ford Road project:					
Capital outlay					
Amounts paid on behalf by Mecklenburg County	3,970,000	73,358	130,496	203,854	3,766,146
Scaleybark project:					
Capital outlay					
Amounts paid on behalf by Mecklenburg County	5,564,543	-	1,669	1,669	5,562,874
Sharon Road project:					
Capital outlay					
Amounts paid on behalf by Mecklenburg County	5,050,557	32,767	22,930	55,697	4,994,860
Main Master Plan Project:					
Capital outlay					
Amounts paid on behalf by Mecklenburg County	150,000	141,279	-	141,279	8,721
Hickory Grove project:					
Capital outlay					
Amounts paid on behalf by Mecklenburg County	5,596,400	74,421	1,530,295	1,604,716	3,991,684
Southwest Regional project:					
Capital outlay					
Amounts paid on behalf by Mecklenburg County	1,650,000	-	-	-	1,650,000
Total expenditures	24,030,000	1,441,556	2,599,967	4,041,523	19,988,477
Revenues over (under) expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>	<u>\$ -</u>
Fund balance - beginning			<u>-</u>		
Fund balance - ending			<u>\$ -</u>		

COMPLIANCE SECTION



**Independent Auditors' Report 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 the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information 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, 2009, which collectively comprise the Library's basic financial statements, and have issued our report thereon dated September 21, 2009. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Library's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Library's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Library's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Library's ability to initiate, authorize, record, process or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Library's financial statements that is more than inconsequential will not be prevented or detected by the Library's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Library's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Library's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests did not disclose any instances of noncompliance or other matters that is required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the Library in a separate letter dated September 21, 2009.

This report is intended solely for the information and use of management, Board of Trustees, others within the Library and federal and State awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Cheng Bekert + Holland, C.C.P.A.

Charlotte, North Carolina
September 21, 2009



**Independent Auditors' Report on Compliance with Requirements
Applicable to Each Major State Program and on Internal Controls
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

Compliance

We have audited the compliance of the Public Library of Charlotte and Mecklenburg County (the "Library"), a component unit of Mecklenburg County, North Carolina, with the types of compliance requirements described in the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that are applicable to its major State programs for the year ended June 30, 2009. The Library's major State program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major State program is the responsibility of the Library's management. Our responsibility is to express an opinion on the Library's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, applicable sections of OMB Circular A-133 as described in the *Audit Manual for Governmental Auditors in North Carolina* and the State Single Audit Implementation Act. Those standards, applicable sections of 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. Our audit does not provide a legal determination on the Library's compliance with those requirements.

In our opinion, the Library complied, in all material respects, with the requirements referred to above that are applicable to each of its major State program for the year ended June 30, 2009.

Internal Control Over Compliance

The management of the Library is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to State programs. In planning and performing our audit, we considered the Library's internal control over compliance with requirements that could have a direct and material effect on a major State program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance 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 control deficiency in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a State program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Library's ability to administer a State program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a State program that is more than inconsequential will not be prevented or detected by the Library's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material noncompliance with a type of compliance requirement of a State program will not be prevented or detected by the Library's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, Board of Trustees, others within the Library and federal and State awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Cheng Bekert + Holland, L.L.P.

Charlotte, North Carolina
September 21, 2009

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

Schedule of Findings and Questioned Costs
Year Ended June 30, 2009

Section I - Summary of Auditor's Results

Financial statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weakness(es) identified? yes no

Significant deficiency(ies) identified that are not considered to be material weakness(es)? yes none reported

Noncompliance material to financial statements noted?

yes no

State Awards

Internal control over major State programs:

Material weakness(es) identified? yes no

Significant deficiency(ies) identified that are not considered to be material weakness(es)? yes none noted

Noncompliance material to State awards

yes no

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

Unqualified

Any audit findings disclosed that are required to be reported in accordance with State Single Audit Implementation Act

yes no

Identification of major State programs:

Name of Program

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

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

Schedule of Findings and Questioned Costs
Year Ended June 30, 2009

Section II - Financial Statement Findings

No matters were noted.

Section III - Federal Awards
Findings and Questioned Costs

No matters were reported.

Section IV - State Awards
Findings and Questioned Costs

No matters were reported.

Section V - Summary Schedule of
Prior Audit Findings

For prior year Finding No. 2008-1, relating to a significant deficiency over internal controls, identified that the Finance Officer has access to all functions within all modules of the financial accounting system. During the current year's audit, it was determined that with the new general ledger system the Finance Officer no longer has complete access to all modules and applications. Review of the system's access rights determined that the issue has been addressed and resolved.

For prior year Finding No. 2008-2, relating to a significant deficiency over internal controls, identified that financial reporting was not at a level where responsible personnel could accurately and completely identify all applicable accounting standards and disclosures. The Library requested that we draft the financial statements. The Library relied on us for assistance with the more complex GAAP adjustments, including book capitalization that required a prior period adjustment. In addition, Library management relied on its external auditors to recommend or propose some entries to convert the modified accrual records to a basis of accounting consistent with generally accepted accounting principles. The Library resolved this issue in the current year by drafting their financial statements and having them reviewed by a qualified third-party. The Library also posted all GAAP adjustments as well as converted the modified accrual records to a basis of accounting consistent with generally accepted accounting principles.

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

Schedule of Expenditures of Federal and State Awards
Year Ended June 30, 2009

	<u>Federal CFDA Number</u>	<u>Expenditures</u>
Federal grants distributed through the State of North Carolina to the Public Library of Charlotte and Mecklenburg County:		
Institute of Museum and Library Services:		
North Carolina Department of Cultural Resources, Division of State Library:		
LSTA Planning Grant	45.310	\$ 20,000
State grants distributed directly to the Public Library of Charlotte and Mecklenburg County:		
North Carolina Department of Cultural Resources, Division of State Library:		
Aid to Public Libraries (State Aid) Program		<u>567,044</u>
Total federal and State awards		<u>\$ 587,044</u>

The accompanying note is an integral part of this schedule.





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

In planning and performing our audit of the basic financial statements of the Public Library of Charlotte and Mecklenburg County (the "Library") for the year ended June 30, 2009, we considered the Library's internal control structure in order to determine our auditing procedures 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.

During our audit we also noted several matters that are opportunities for strengthening internal controls and operating efficiency.

OTHER COMMENTS AND RECOMMENDATIONS

CASH CONTROLS

Daily deposits

According to State law (G.S. 159-32), cash receipts collected should be deposited daily. During the course of the audit it was noted that several branches did not deposit collections on a daily basis. The branches seem to accumulate several days' collections prior to making a deposit. The Library should have sufficient controls in place over cash that would mitigate the risk of theft and misstatement.

Authorized signer

Based on discussions with management at the end of each quarter cash is transferred from the branch accounts to the main library account. Around January 2007, the assistant director of the Library retired and she was the authorized signer on the branch accounts. As of year end, the Library had not changed the authorized signer and was not able to move funds from the branch accounts to the main Library account. This has led to cash building up in the branch accounts and a lack of access by the Library to those funds. The Library should have sufficient controls in place over cash that would mitigate the risk of theft and misstatement.

Management travel expenses

It was noted that there is currently no review over the travel and other reimbursable expenses of top management. All Directors of the Library have credit cards that are in the Library's name. Library staff in the accounting department ensures that they submit for all expenses charged to the cards but there is currently no review by the Director or the Board of the individual expenses charged to ensure that they qualify as legitimate Library expenditures.

Computer Information Systems

Logical and physical access to information systems

During review of the internal controls over information technology we noted that the MUNIS application password settings do not meet the "best practices" password parameter security level. We recommend that passwords for MUNIS be set to reflect "best practices" for password security. Best practices require that passwords consists of a minimum of 8 characters, expire every 90 days, maintain 5 password histories, and lock after 3 unsuccessful log in attempts.

We noted that the financial analyst has been assigned the responsibility of application security administration while also processing financial transactions. Due to the small staff size segregation of duties cannot be implemented to the fullest extent. Mitigating controls should be implemented to compensate for the lack in segregation of duties. We recommend that a separate ID be established just for the use of application security administration. The use of this ID should be monitored by an independent party who is not responsible for security administration and this monitoring procedure should be documented and maintained on file.

Program Change Management

We noted that there is currently no change management policy for financial applications. This procedure should outline steps and documentation required to authorize, test, approve and implement changes into production for the financial application. Documentation should be maintained for all financial application changes. This documentation should include a change control log, and change control forms to include documented authorization of the change, sign off of user acceptance testing and approval to implement in the production environment. We recommend that documentation of testing be implemented into change control testing.

This report is intended solely for the information and use of the Board of Trustees, management and others within the organization and is not intended to be and should not be used by anyone other than these specified parties.

Cheng Bekert + Holland, C.L.P.

Charlotte, North Carolina
September 21, 2009



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September 21, 2009

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

Dear Members:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Public Library of Charlotte and Mecklenburg County (the "Library") for the year ended June 30, 2009, and have issued our report thereon dated September 21, 2009. Professional standards require that we provide you with information related to our audit.

Our Responsibilities under U.S. Generally Accepted Auditing Standards and OMB Circular A-133

As stated in our engagement letter dated June 1, 2009, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your responsibilities.

In planning and performing our audit, we considered the Library's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control over financial reporting. We also considered internal control over compliance with requirements that could have a direct and material effect on a major federal and/or State program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133 and the State Single Audit Implementation Act.

As part of obtaining reasonable assurance about whether the Library's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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. Also in accordance with OMB Circular A-133 and the State Single Audit Implementation Act, we examined, on a test basis, evidence about the Library's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement applicable to each of its major federal and/or State programs for the purpose of expressing an opinion on the Library's compliance with those requirements. While our audit provides a reasonable basis for our opinion, it does not provide a legal determination on the Library's compliance with those requirements.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our engagement letter dated June 1, 2009.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Library are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ended June, 30, 2009. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

Such estimates include the accruals for vacation and sick pay compensation and the liability for Other Post Employment Benefits ("OPEB"). The accruals for vacation and sick pay are calculated by management based upon payroll information. The OPEB liability is based on an actuarial study. We evaluated the key factors and assumptions used to develop the accruals to determine that they seem reasonable to the basic financial statements of the Library for the year ended June 30, 2009, taken as a whole. While the procedures used by management to estimate these liabilities seem reasonable at this time, there will usually be differences between estimates and the actual results and these differences may be material.

Audit Adjustments

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on the Library's financial reporting process (that is, cause future financial statements to be materially misstated). In our judgment, none of the adjustments we proposed, whether recorded or unrecorded by the Library, either individually or in the aggregate, indicate matters that could have a significant effect on the Library's financial reporting process.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated September 21, 2009.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Summary of Audit Differences

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. The attached schedule summarizes uncorrected misstatements of the financial statements. Management has determined that their effects are immaterial, both individually and in the aggregate, to the financial statements taken as a whole. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the Board of Trustees and management of the Library and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Cheng Beckert + Holland, C.L.P.

Charlotte, North Carolina
September 21, 2009

Public Library of Charlotte and Mecklenburg County
 June 30, 2009

Summary of Corrected Financial Statement Misstatements

Entry	Effect of Current Year Differences			
	Journal entry needed to correct misstatement - Dr. (Cr.)			
	Assets	Liabilities	Equity	Income
1 Dr. Miscellaneous revenue	-	-	-	908,060
Cr. Meck County - capital reserve	-	-	-	(908,060)
<i>To reclass reimbursement revenue received from Mecklenburg County for capital projects.</i>				
2 Dr. Salary expense	-	-	-	200,000
Cr. Compensated absences	-	200,000	-	-
<i>To adjust compensated absences to correct year end amount.</i>				
Subtotals	<u>-</u>	<u>200,000</u>	<u>-</u>	<u>200,000</u>
Net effect on financial statements	<u>-</u>	<u>200,000</u>	<u>-</u>	<u>200,000</u>

Public Library of Charlotte and Mecklenburg County
 June 30, 2009

Summary of Uncorrected Financial Statement Misstatements

Entry	Effect of Current Year Differences				
	Journal entry needed to correct misstatement - Dr. (Cr.)				
	Assets	Liabilities	Equity	Income	
1	Dr. Accrued salaries	-	53,034	-	-
	Cr. Salaries expense	-	-	-	(53,034)
	<i>To adjust accrued salaries to correct year end amount.</i>				
2	Dr. Pledges Receivable	233,606	-	-	-
	Cr. Allowance for Doubtful Accounts	(233,606)	-	-	-
	Dr. Net assets	-	-	40,000	-
	Cr. Revenue	-	-	-	(40,000)
	<i>To record pledges receivable and to adjust revenue for pledges that should have been recognized in prior years</i>				
3	Dr. Rent Expense	-	-	-	185,536
	Cr. Contributed Rent Revenue (non-cash r	-	-	-	(185,536)
	<i>Estimated fair value associated with the two \$1 annual leases.</i>				
Subtotals	<u>-</u>	<u>53,034</u>	<u>40,000</u>	<u>(93,034)</u>	
Net effect on financial statements	<u>-</u>	<u>53,034</u>	<u>40,000</u>	<u>(93,034)</u>	