

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

**BASIC FINANCIAL STATEMENTS  
AND COMPLIANCE SECTION**

*As of and the Year Ended June 30, 2022*

*And Reports of Independent Auditor*

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

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

### Report on the Audit of the Financial Statements

#### **Opinions**

We have audited the accompanying financial statements of the governmental activities and each major fund of the Public Library of Charlotte and Mecklenburg County (the "Library"), a component unit of Mecklenburg County, North Carolina, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Library's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Library, as of June 30, 2022, and the respective changes in financial position and the respective budgetary comparison for the General Fund and Special Revenue Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### **Basis for Opinions**

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. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the Library and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### **Responsibilities of Management for the Financial Statements**

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

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

#### **Auditor's Responsibilities for the Audit of the Financial Statements**

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

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

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

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

### **Required Supplementary Information**

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

### **Supplementary Information**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Library's basic financial statements. The accompanying information, as listed in the table of contents and the Schedule of Expenditures of Federal and State Awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying information and the schedule of expenditures of federal and state awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 2022, 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 solely 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 effectiveness of the Library’s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Library’s internal control over financial reporting and compliance.

Charlotte, North Carolina  
October 31, 2022

DRAFT

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

JUNE 30, 2022

**Introduction**

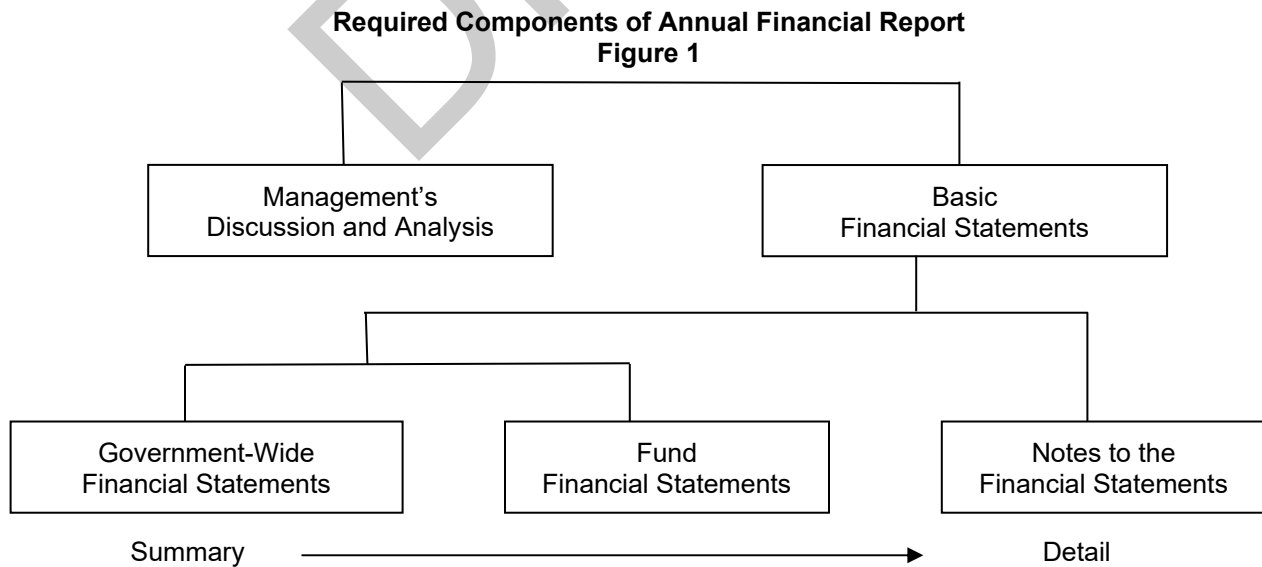
As management of the Public Library of Charlotte and Mecklenburg County (the “Library”), we offer readers of the Library financial statements this narrative overview and analysis of the financial activities of Library for the fiscal year ended June 30, 2022. We encourage readers to read the information presented here in conjunction with additional information furnished in the Library’s financial statements, which follow this narrative.

**Financial Highlights**

- Library assets and deferred outflows exceeded liabilities and deferred inflows at the close of the fiscal year by \$91.7 million (net position).
- The Library Foundation’s contributions and grants including cash donations and pledges for the year totaled \$14.5 million benefiting the Library.
- At the close of the fiscal year, the Library’s portion of fund balance not designated for future use was \$3.3 million.
- The operating budget from the Library’s largest revenue source (Mecklenburg County) increased 2.7% from the prior year.
- Total actual revenues increased 4.49% for fiscal year ended June 30, 2022 which was primarily related to additional ABC Board funding and contributions in the current year.

**Overview of the Financial Statements**

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



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

*JUNE 30, 2022*

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**Basic Financial Statements**

The first two statements (Pages 12 and 13) in the basic financial statements are the Government-Wide Financial Statements. They provide both short and long-term information about the Library's financial status.

The next statements (Pages 14 through 19) are Fund Financial Statements. These statements focus on the activities of the individual parts of the Library's activities. These statements provide more detail than the government-wide statements. There are two parts to the Fund Financial Statements: 1) the governmental funds statements and 2) the budgetary comparison statements.

The next section of the basic financial statements is the notes. The notes to the financial statements explain in detail some of the data contained in those statements.

Following the notes is the required supplementary information. This section contains funding information about the Library's other postemployment benefit plan and the Library's participation in the Local Government Employees' Retirement System. Accompanying information is also provided to show details about the Library's governmental funds.

**Government-Wide Financial Statements**

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

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

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

The government-wide financial statements are on pages 12 and 13 of this report.

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

JUNE 30, 2022

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**Fund Financial Statements**

The fund financial statements, on pages 14 through 19 of this report, provide a more detailed look at the Library's most significant activities. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Library, like all other governmental entities in North Carolina, uses fund accounting to ensure and reflect compliance with finance-related legal requirements, such as the General Statutes or the Library's budget ordinance. The Library has only one fund type, the governmental funds.

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

The Library adopts an annual budget for its General Fund and one of its Special Revenue Funds, as required by the General Statutes. The budget is a legally adopted document that incorporates input from the citizens of the Mecklenburg County through the Mecklenburg County's budget process, the management of the Library, and the decisions of the Library Board of Trustees about which services to provide and how to pay for them. It also authorizes the Library to obtain funds from identified sources to finance these current period activities. The budgetary statements provided for the General Fund and the Special Revenue Fund demonstrate how well the Library complied with the budget ordinance. The budgetary comparison statements use the budgetary basis of accounting and are presented using the same format, language, and classifications as the legal budget document. The statement shows four columns: 1) the original budget as adopted by the Board of Trustees; 2) the final budget, as amended by the Board; 3) the actual resources, charges to appropriations, and ending balances in the General Fund and Special Revenue Fund; and 4) the difference or variance between the final budget and the actual resources and charges. The Library Foundation is governed by the Financial Accounting Standards Board and is not required by law to adopt a budget.

**Notes to Financial Statements** – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements appear on pages 20 through 38 of this report.



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

JUNE 30, 2022

**Government-Wide Financial Analysis**

As noted earlier, the Library does not issue debt for land or construction of capital facilities. The Library's net position increased by \$14.5 million for the fiscal year ended June 30, 2022. The largest portion of net position, totaling \$116.6 million is the Library's investment in capital assets (books, land, equipment, right to use leased assets, and buildings), less any amounts remaining to acquire those items. The Library uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Library's investment in its capital assets is reported net of the outstanding related debt, much of the debt is handled by Mecklenburg County except for the Library's lease liability. An additional portion of the Library's net position of \$53.5 million represents resources that are subject to restrictions on how they may be used. The remaining deficit of (\$78.4) million is unrestricted. Net position also reflects the Library's proportionate share of the Local Government Employees' pension expense as required by Government Accounting Standards Board ("GASB") 68 and Other Postemployment Benefits ("OPEB") expenses as required by GASB 75. Decisions regarding the allocations are made by the administrators of the pension plan and OPEB plans, respectively, not by the Library's management.

**The Public Library of Charlotte and Mecklenburg County's Net Position**  
**Condensed and Rounded to Nearest Thousand (000)**  
**Figure 2**

	<u>Government-Wide</u> <u>June 30, 2022</u>	<u>Government-Wide</u> <u>June 30, 2021</u>
<b>Assets</b>		
Current assets	\$ 17,129	\$ 14,690
Pledges receivable, current	10,048	3,298
Pledges receivable, noncurrent	11,730	12,120
Investments	27,517	21,783
Capital assets, net of accumulated depreciation	125,910	111,048
Total Assets	192,334	162,939
Deferred outflows of resources	11,090	12,056
<b>Liabilities</b>		
Current and other liabilities	11,213	8,012
Long-term liabilities	92,950	87,506
Total Liabilities	104,163	95,518
Deferred inflows of resources	7,564	2,297
<b>Net Position</b>		
Net investment in capital assets	116,666	111,029
Restricted	53,450	41,760
Unrestricted	(78,419)	(75,609)
Total Net Position	\$ 91,697	\$ 77,180

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

JUNE 30, 2022

**The Public Library of Charlotte and Mecklenburg County's Changes in Net Position**  
**Condensed and Rounded to Nearest Thousand (000)**  
**Figure 3**

	<b>Government-Wide June 30, 2022</b>	<b>Government-Wide June 30, 2021</b>
<b>Revenues</b>		
Program Revenues:		
Charges for services	\$ 310	\$ 1,379
Operating grants and contributions	1,230	1,577
General Revenues:		
Mecklenburg County appropriation	51,715	52,909
City of Charlotte appropriation	3	2
Investment earnings	(1,188)	2,115
Contributions to the Foundation	14,555	6,763
ABC Board contribution	1,111	657
Other income	701	725
<b>Total Revenues</b>	<b>68,437</b>	<b>66,127</b>
<b>Program Expenses</b>		
General public services	52,874	52,622
Program/Outreach services	411	287
Printing and copying services	307	564
Interest on long-term debt	328	1
	<b>53,920</b>	<b>53,474</b>
Change in net position	14,517	12,653
Net position, beginning of year	77,180	64,527
Net position, end of year	<b>\$ 91,697</b>	<b>\$ 77,180</b>

Net position increased by \$14.5 million primarily due to increased contributions and pledges obtained through the Library Foundation.

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

*JUNE 30, 2022*

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

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

Revenues from intergovernmental sources comprise 79.4% of total revenues received during the Library's fiscal year ended June 30, 2022, as compared to 84.9% for fiscal year ended June 30, 2021. Mecklenburg County, the City of Charlotte, and the ABC Board comprise 78.0% of total revenues as of June 30, 2022 as compared to 82.6% for the fiscal year ended June 30, 2021. The state of North Carolina and Federal Revenue Sources totaled 1.4%. Revenues generated through fines, fees, charges for services, and grants used to cover services account for 0.86% of total revenue for June 30, 2022. Investment earnings decreased \$3.3 million from the prior year due to market conditions in FY2022 versus FY2021.

Governmental funds expenditures were comprised of the following: Personnel, 44.8%, Library Collections (books, videos, software for public use, etc.) 8.0%; General Operations, 16.3%; and Capital Projects 30.8%. Capital Project expenditures are higher in FY2022 largely due to the recognition of right to use leased assets and continued construction in process.

**General Fund Budgetary Highlights**

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

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

Adjustments to increase original budgeted revenues for 2022 totaled \$3.4 million, primarily driven by Mecklenburg County in-kind facilities and security related expenditures.

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

JUNE 30, 2022

**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, 2022 and 2021 is \$125.9 million and \$111.0 million, respectively. Capital assets include land, buildings and buildings improvements, books, furniture and fixtures, right to use leased assets, and construction in progress.

**Capital Assets, Net of Accumulated Depreciation**

	<b>Government-wide Activities June 30, 2022</b>	<b>Government-wide Activities June 30, 2021</b>
Land	\$ 13,523	\$ 13,523
Buildings and building improvements	82,906	72,447
Books	3,892	4,203
Furniture and equipment	1,897	1,670
Intangible assets	3,574	2,957
Right to use leased assets	8,906	-
Leasehold Improvements	1,194	1,151
Construction in progress	10,017	15,098
	<u>\$ 125,910</u>	<u>\$ 111,049</u>

**Fiscal Year 2022 Highlights**

In fiscal year 2022, the Charlotte Mecklenburg Library continued to focus on activities and initiatives that align with our mission and benefit the Charlotte-Mecklenburg community in the following ways:

- Increase access to resources, knowledge, and services to broaden economic opportunity
- Improve educational outcomes
- Establish the Library as public commons
- Increase organizational capacity, excellence, and sustainability

The third year for Mecklenburg County 2020-2022 Strategic Business Plan and the mission to “Improve Lives and Build a Stronger Community” shaped our strategies. Highlights of fiscal year 2022 included:

- Closed the Main Library located at 310 N. Tryon Street in preparation for construction on a new state-of-the-art, architecturally distinct destination library.
- Launched MeckTech Connect, a pilot program for free public internet service in select neighborhoods in the West Boulevard Corridor and includes free laptop distribution. The program is in partnership with Open Broadband and funded by the Institute of Museum and Library Services and the Knight Foundation.
- Launched MoLi – the CML Mobile Library – in January, which connects people of all ages to Charlotte Mecklenburg Library by lowering access barriers to our services.
- Hosted the 2022 Community Read program which included Anna Jean Mayhew signature event and an expanded partnership with the City of Charlotte utilizing Mayor Vi Lyles as co spokesperson along with MT.
- Partnered with Novant Health to address social determinants of health, advance health equity and create sustainable impact across our communities, in part, by founding the Novant Health Wellness Hub at Charlotte Mecklenburg Library, which will expand access to high-impact wellness services delivered through Charlotte Mecklenburg Library locations.
- Completed a successful multi-month Summer Break program with over 9.1 million minutes read by the community.

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

*JUNE 30, 2022*

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**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 Chief Finance & Administration Officer, Public Library of Charlotte & Mecklenburg County, 101 Eastway Drive, Charlotte, NC 28213.

DRAFT

**PUBLIC LIBRARY OF CHARLOTTE & MECKLENBURG COUNTY**  
**(A Component Unit of Mecklenburg County, NC)**  
**STATEMENT OF NET POSITION**

JUNE 30, 2022

	<b>Governmental Activities</b>
<b>ASSETS</b>	
Current Assets:	
Cash and cash equivalents	\$ 15,296,806
Refundable sales tax	396,800
Other receivables	735,786
Pledges receivable, current	10,047,915
Due from other government agencies	613,287
Prepays	86,050
<b>Total Current Assets</b>	<b>27,176,644</b>
Noncurrent Assets:	
Restricted long-term investments	27,516,947
Pledges receivable, noncurrent	11,730,247
Capital Assets:	
Land and other non-depreciable assets	23,540,771
Depreciable capital assets, net of depreciation	93,463,724
Right to use leased assets, net of amortization	8,905,879
<b>Capital Assets, net</b>	<b>125,910,374</b>
<b>Total Assets</b>	<b>192,334,212</b>
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>	
Contributions to pension plan subsequent to the measurement date	2,208,567
Contributions to OPEB plan subsequent to the measurement date	1,098,877
Pension-related deferrals	4,240,667
OPEB-related deferrals	3,541,848
<b>Total Deferred Outflows of Resources</b>	<b>11,089,959</b>
<b>LIABILITIES</b>	
Current Liabilities:	
Accounts payable - trade	290,423
Other payables	2,071,375
Due to other governmental agencies	6,341,247
Current portion of compensated absences	1,805,090
Current portion of lease liability	704,627
<b>Total Current Liabilities</b>	<b>11,212,762</b>
Long-Term Liabilities:	
Compensated absences	540,352
Total OPEB liability	79,764,118
Lease liability	8,539,578
Net pension liability	4,106,050
<b>Total Liabilities</b>	<b>104,162,860</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
OPEB-related deferrals	972,075
Pension-related deferrals	5,916,622
Prepaid lease revenue	674,842
<b>Total Deferred Inflows of Resources</b>	<b>7,563,539</b>
<b>NET POSITION</b>	
Net investment in capital assets	116,666,169
Restricted For:	
Grants	122,790
Programming	378,634
Stabilization by state statute	2,685,316
Facility enhancements	1,093,244
Contributions held by the Foundation	44,769,167
Endowment funds held by the Foundation	4,401,135
Unrestricted deficit	(78,418,683)
<b>Total Net Position</b>	<b>\$ 91,697,772</b>

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

**PUBLIC LIBRARY OF CHARLOTTE & MECKLENBURG COUNTY**  
**(A Component Unit of Mecklenburg County, NC)**  
**STATEMENT OF ACTIVITIES**

YEAR ENDED JUNE 30, 2022

Functions/Programs	Expenses	Program Revenues		Governmental Activities
		Charges for Services	Operating Grants and Contributions	
Primary Government:				
Governmental Activities:				
General public services	\$ 52,874,319	\$ 180,476	\$ 1,229,854	\$ (51,463,989)
Program/outreach services	410,617	-	-	(410,617)
Printing and copying services	306,829	129,992	-	(176,837)
Interest on long-term debt	327,781	-	-	(327,781)
<b>Total Governmental Activities</b>	<b>\$ 53,919,546</b>	<b>\$ 310,468</b>	<b>\$ 1,229,854</b>	<b>(52,379,224)</b>
General Revenues:				
Mecklenburg County appropriation				51,715,443
City of Charlotte appropriation				2,500
Contributions to the Foundation				14,554,880
Investment earnings				(1,187,634)
ABC Board contribution				1,111,207
Other income				700,589
<b>Total General Revenues</b>				<b>66,896,985</b>
Change in net position				14,517,761
Net position, beginning of year				77,180,011
Net position, end of year				<b>\$ 91,697,772</b>

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

**PUBLIC LIBRARY OF CHARLOTTE & MECKLENBURG COUNTY**  
**(A Component Unit of Mecklenburg County, NC)**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**

JUNE 30, 2022

	General Fund	Special Revenue Fund	Library Foundation Fund	Capital Projects Fund	Total Governmental Funds
<b>ASSETS</b>					
Cash and cash equivalents	\$ 13,767,845	\$ 1,064,231	\$ 464,730	\$ -	\$ 15,296,806
Refundable sales tax	355,248	41,552	-	-	396,800
Other receivables	177,323	558,463	-	-	735,786
Due from other governmental agencies	431,355	181,932	-	-	613,287
Prepays	86,050	-	-	-	86,050
Pledges receivable, current	-	-	10,047,915	-	10,047,915
Pledges receivable, noncurrent	-	-	11,730,247	-	11,730,247
Long-term investments	-	-	27,516,947	-	27,516,947
<b>Total Assets</b>	<b>\$ 14,817,821</b>	<b>\$ 1,846,178</b>	<b>\$ 49,759,839</b>	<b>\$ -</b>	<b>\$ 66,423,838</b>
<b>LIABILITIES DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>					
Liabilities:					
Accounts payable - trade	\$ 257,750	\$ 32,673	\$ -	\$ -	\$ 290,423
Other payables	1,481,838	-	589,537	-	2,071,375
Due to other governmental agency	6,341,247	-	-	-	6,341,247
<b>Total Liabilities</b>	<b>8,080,835</b>	<b>32,673</b>	<b>589,537</b>	<b>-</b>	<b>8,703,045</b>
Prepaid lease revenue	674,842	-	-	-	674,842
Fund Balances:					
Non-Spendable Fund Balance:					
Prepaid expenses	86,050	-	-	-	86,050
Endowments held by the Foundation	-	-	4,401,135	-	4,401,135
Restricted Fund Balance:					
Grants	-	122,790	-	-	122,790
Contributions held by the Foundation	-	135,746	44,769,167	-	44,904,913
Stabilization by State Statute	1,900,208	785,108	-	-	2,685,316
Facility enhancements	-	1,093,244	-	-	1,093,244
Programming	-	378,634	-	-	378,634
Unassigned fund balance (deficit)	4,075,886	(702,017)	-	-	3,373,869
<b>Total Fund Balances</b>	<b>6,062,144</b>	<b>1,813,505</b>	<b>49,170,302</b>	<b>-</b>	<b>57,045,951</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<b>\$ 14,817,821</b>	<b>\$ 1,846,178</b>	<b>\$ 49,759,839</b>	<b>\$ -</b>	<b>\$ 66,423,838</b>

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



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

JUNE 30, 2022

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

Ending fund balance - governmental funds	\$ 57,045,951
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	
Cost of capital assets	181,630,923
Cost of right to use asset	9,843,403
Accumulated depreciation	(60,158,745)
Accumulated amortization	(5,405,207)
Contributions to the pension plan in the current fiscal year are not included in the outflows of resources on the statement of net position.	2,208,567
Benefit payments to OPEB plan in the current fiscal year are deferred outflows of resources on the statement of net position.	1,098,877
Other pension related deferrals in the current fiscal year are deferred outflows and inflows of resources on the statement of net position.	(1,675,955)
Other OPEB related deferrals in the current fiscal year are deferred outflows of resources on the statement of net position.	2,569,773
Long-term liabilities that are not due and payable in the current period and, therefore, are not reported in the funds.	
Lease liability	(9,244,205)
Compensated absences	(2,345,442)
Total OPEB liability	(79,764,118)
Net pension liability	(4,106,050)
Net Position of Governmental Activities	<u>\$ 91,697,772</u>

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

**PUBLIC LIBRARY OF CHARLOTTE & MECKLENBURG COUNTY**

**(A Component Unit of Mecklenburg County, NC)**

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

JUNE 30, 2022

	<b>General Fund</b>	<b>Special Revenue Fund</b>	<b>Library Foundation Fund</b>	<b>Capital Projects Fund</b>	<b>Total Governmental Funds</b>
<b>Revenues</b>					
Intergovernmental:					
Mecklenburg County Operations	\$ 38,345,670	\$ -	\$ -	\$ -	\$ 38,345,670
Amounts paid on behalf by					
Mecklenburg County	2,943,286	-	-	10,426,487	13,369,773
ABC Board	1,111,207	-	-	-	1,111,207
City of Charlotte	2,500	-	-	-	2,500
North Carolina	-	648,613	-	-	648,613
Federal	-	301,438	-	-	301,438
Total Intergovernmental Revenues	<u>42,402,663</u>	<u>950,051</u>	<u>-</u>	<u>10,426,487</u>	<u>53,779,201</u>
Fines	-	-	-	-	-
Fees	310,469	-	-	-	310,469
E-Rate reimbursement	79,803	200,000	-	-	279,803
Contributions	-	47,054	14,507,826	-	14,554,880
Investment income, net	-	-	(1,187,634)	-	(1,187,634)
Other income	(24,347)	18,336	-	-	(6,011)
Total Revenues	<u>42,768,588</u>	<u>1,215,441</u>	<u>13,320,192</u>	<u>10,426,487</u>	<u>67,730,708</u>
<b>Expenditures</b>					
Current:					
Salaries and benefits	29,017,325	662,805	-	-	29,680,130
Library collection	4,641,452	684,426	-	-	5,325,878
Facility related	4,837,849	-	-	-	4,837,849
Programming	241,991	168,626	-	-	410,617
Technology and equipment	887,949	415,857	-	-	1,303,806
Professional services	983,969	130,327	-	-	1,114,296
Personnel related	728,649	-	-	-	728,649
Miscellaneous	661,976	536,387	261,406	-	1,459,769
Capital Outlay:					
Other	9,997,930	-	-	10,426,487	20,424,417
Debt Services:					
Principal	599,198	-	-	-	599,198
Interest	327,781	-	-	-	327,781
Total Expenditures	<u>52,926,069</u>	<u>2,598,428</u>	<u>261,406</u>	<u>10,426,487</u>	<u>66,212,390</u>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<u>(10,157,481)</u>	<u>(1,382,987)</u>	<u>13,058,786</u>	<u>-</u>	<u>1,518,318</u>
<b>Other Financing Sources (Uses):</b>					
Interfund transfer in	-	1,279,847	-	-	1,279,847
Interfund transfer out	-	-	(1,279,847)	-	(1,279,847)
Lease liabilities issued	9,843,403	-	-	-	9,843,403
Total Other Financing Sources(Uses)	<u>9,843,403</u>	<u>1,279,847</u>	<u>(1,279,847)</u>	<u>-</u>	<u>9,843,403</u>
<b>Net Change in Fund Balances</b>	<u>(314,078)</u>	<u>(103,140)</u>	<u>11,778,939</u>	<u>-</u>	<u>11,361,721</u>
<b>Fund Balance, Beginning of Year</b>	<u>6,376,222</u>	<u>1,916,645</u>	<u>37,391,363</u>	<u>-</u>	<u>45,684,230</u>
<b>Fund Balance, End of Year</b>	<u>\$ 6,062,144</u>	<u>\$ 1,813,505</u>	<u>\$ 49,170,302</u>	<u>\$ -</u>	<u>\$ 57,045,951</u>

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

**PUBLIC LIBRARY OF CHARLOTTE & MECKLENBURG COUNTY**

**(A Component Unit of Mecklenburg County, NC)**

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

YEAR ENDED JUNE 30, 2022

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

Net change in fund balances - total governmental funds \$ 11,361,721

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful life:

Expenditures for capital assets	13,888,737
Less current year depreciation	(5,460,794)
Less current year amortization	(1,112,693)
Loss on disposal of capital assets	(1,359,492)
Right to used leased asset capital outlay expenditures which were capitalized	9,843,403
Amortization expense for intangible assets	(937,524)

Contributions to the pension plan in the current fiscal year are not included in the statement of activities. 2,208,567

Benefit payments to OPEB plan in the current fiscal year statement of activities. 1,098,877

Adjust for prepaid lease revenue deferred at the fund level 706,600

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.

New long-term debt issued	(9,843,403)
Principal payments on long-term debt	619,053

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	70,175
OPEB expense	(4,652,588)
Pension expense	(1,912,878)

Change in Net Position of Governmental Activities \$ 14,517,761

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

**PUBLIC LIBRARY OF CHARLOTTE & MECKLENBURG COUNTY**

**(A Component Unit of Mecklenburg County, NC)**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –  
(NON-GAAP) BUDGET AND ACTUAL – GENERAL FUND**

YEAR ENDED JUNE 30, 2022

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>Revenues</b>				
Intergovernmental:				
Mecklenburg County Operations	\$ 40,002,257	\$ 40,002,257	\$ 38,345,670	\$ (1,656,587)
Amounts paid on behalf by				
Mecklenburg County	-	3,150,000	2,943,286	(206,714)
ABC Board	592,786	742,786	1,111,207	368,421
City of Charlotte	2,500	2,500	2,500	-
Total Intergovernmental Revenues	40,597,543	43,897,543	42,402,663	(1,494,880)
Fees	385,838	385,838	310,469	(75,369)
E-Rate reimbursement	79,803	79,803	79,803	-
Other	257,500	393,879	(24,347)	(418,226)
Total Revenues	41,320,684	44,757,063	42,768,588	(1,988,475)
<b>Expenditures</b>				
Current:				
Salaries and benefits	30,768,772	30,985,522	29,017,325	1,968,197
Library collection	4,594,365	5,071,142	4,641,452	429,690
Facility related	2,439,099	4,939,099	4,837,849	101,250
Programming	225,732	251,185	241,991	9,194
Technology and equipment	927,111	927,493	887,949	39,544
Professional services	422,500	1,088,834	983,969	104,865
Personnel related	189,100	839,100	728,649	110,451
Miscellaneous	677,127	1,046,380	661,976	384,404
Capital Outlay:				
Other	49,899	220,602	154,527	66,075
Debt Services:				
Principal	599,198	599,198	599,198	-
Interest	327,781	327,781	327,781	-
Total Expenditures	41,220,684	46,296,336	43,082,666	3,213,670
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	100,000	(1,539,273)	(314,078)	1,225,195
<b>Other Financing Sources (Uses):</b>				
Interfund transfer in	(100,000)	(100,000)	-	100,000
Fund balance appropriated	-	1,639,273	-	(1,639,273)
Total Other Financing Sources (Uses)	(100,000)	1,539,273	-	(1,539,273)
<b>Net Change in Fund Balances</b>	<u>\$ -</u>	<u>\$ -</u>	(314,078)	<u>\$ (314,078)</u>
<b>Fund Balance, Beginning of Year</b>			6,376,222	
<b>Fund Balance, End of Year</b>			<u>\$ 6,062,144</u>	

The following table presents a reconciliation of resulting basis differences in the fund balance (budgetary basis) at June 30, 2022 to the fund balance on a modified accrual basis (GAAP).

Fund Balance (Non-GAAP) June 30, 2022	\$ 6,062,144
Reconciling Adjustments:	
Other Financing Sources (Uses)	9,843,403
Lease Capital Outlay	(9,843,403)
Fund Balance (GAAP Basis) June 30, 2022	<u>\$ 6,062,144</u>

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

**PUBLIC LIBRARY OF CHARLOTTE & MECKLENBURG COUNTY**

**(A Component Unit of Mecklenburg County, NC)**

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

YEAR ENDED JUNE 30, 2022

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>Revenues</b>				
Intergovernmental:				
North Carolina	\$ 633,919	\$ 648,613	\$ 648,613	\$ -
Federal	410,043	425,750	301,438	(124,312)
Total Intergovernmental Revenues	1,043,962	1,074,363	950,051	(124,312)
E-Rate reimbursement	-	8,053,040	200,000	(7,853,040)
Other income	18,350	18,350	18,336	(14)
Contributions	81,949	123,810	47,054	(76,756)
Total Revenues	<u>1,144,261</u>	<u>9,269,563</u>	<u>1,215,441</u>	<u>8,054,122</u>
<b>Expenditures</b>				
Current:				
Salaries and benefits	791,870	791,870	662,805	129,065
Library collection	644,429	699,123	684,426	14,697
Programming	318,744	426,544	168,626	257,918
Technology and equipment	219,000	8,272,040	415,857	7,856,183
Professional services	288,793	188,473	130,327	58,146
Personnel related	10,223	11,323	-	11,323
Miscellaneous	631,174	873,239	536,387	336,852
Capital outlay	11,588	11,588	-	11,588
Total Expenditures	<u>2,915,821</u>	<u>11,274,200</u>	<u>2,598,428</u>	<u>8,675,772</u>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<u>(1,771,560)</u>	<u>(2,004,637)</u>	<u>(1,382,987)</u>	<u>621,650</u>
<b>Other Financing Sources (Uses):</b>				
Interfund transfer in	1,242,335	1,393,498	1,279,847	(113,651)
Fund balance appropriated	529,225	611,139	-	(611,139)
Total Other Financing Sources (Uses)	<u>1,771,560</u>	<u>2,004,637</u>	<u>1,279,847</u>	<u>(724,790)</u>
<b>Net Change in Fund Balances</b>	<u>\$ -</u>	<u>\$ -</u>	<u>(103,140)</u>	<u>\$ (103,140)</u>
<b>Fund Balance, Beginning of Year</b>			<u>1,916,645</u>	
<b>Fund Balance, End of Year</b>			<u>\$ 1,813,505</u>	

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

**PUBLIC LIBRARY OF CHARLOTTE & MECKLENBURG COUNTY**  
**(A Component Unit of Mecklenburg County, NC)**  
**NOTES TO THE FINANCIAL STATEMENTS**

JUNE 30, 2022

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**Note 1—Reporting entity and summary of significant accounting policies**

*Reporting Entity* – The Public Library of Charlotte & Mecklenburg County (the “Library”) is a public library formed in 1902 by charter granted by the state of North Carolina. The Library is a component unit of Mecklenburg County and is included in Mecklenburg County’s basic financial statements. Mecklenburg County has historically provided approximately 88% of the Library’s general funding and appoints a majority of the 11-member Library Board of Trustees (the “Board”). As required under generally accepted accounting principles (“U.S. GAAP”), these financial statements present the Library and its component unit, the Charlotte Mecklenburg Library Foundation (the “Foundation”), a legally separate entity for which the Library is financially accountable. The Foundation exists solely to provide financial resources to the Library. The Foundation meets the criteria for being a blended component unit based on the following criteria under Governmental Accounting Standards Board (“GASB”) 61 that it has a financial benefit or burden to the Library and Library personnel below the level of elected official have operational responsibility for its operations.

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

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

The Library reports four funds, its general fund, two major special revenue funds, and a capital projects fund.

*Government-Wide Financial Statements* – The government-wide financial statements are reported using the *economic resources measurement focus and accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the Library gives (or receives) value without directly receiving (or giving) equal value in exchange, include intergovernmental appropriations, grants, and donations. Revenues from intergovernmental appropriations, grants, and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied.

*Governmental Fund Financial Statements* – Governmental funds are reported using the *current financial resources measurement focus and the modified accrual basis of accounting*. Under this method, revenues are recognized when measurable and available. Revenues are *available* when they are collected 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 collectible within 90 days of the end of the current fiscal period. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Acquisitions under capital leases are reported as other financing sources as are interfund transfers.

**PUBLIC LIBRARY OF CHARLOTTE & MECKLENBURG COUNTY**  
**(A Component Unit of Mecklenburg County, NC)**  
**NOTES TO THE FINANCIAL STATEMENTS**

JUNE 30, 2022

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**Note 1—Reporting entity and summary of significant accounting policies (continued)**

The Library reports the following major governmental funds:

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

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

The *Capital Projects Fund* accounts for financial resources to be used for the acquisition or construction of library facilities.

As a rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

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

*Budgetary Data* – The Library's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund and one Major Special Revenue Fund. The Capital Projects Fund, a multi-year fund, is budgeted by project. For the fiscal year ending June 30, 2022, project budgets totaled \$10,426,487. The Foundation is a non-profit as defined under Internal Revenue Code ("IRC") 501(c) 3. It operates under Financial Accounting Standards Board ("FASB") statements and interpretations and is not required to adopt a budget. All annual appropriations lapse at the fiscal year-end. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the functional level for all annually budgeted funds and at the object level for the multi-year funds. Amendments are required for any revisions that alter total expenditures of any fund or that change functional appropriations by more than \$25,000. The governing board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

*Cash and Cash Equivalents* – The Library considers all highly-liquid investments, including all certificates of deposit with maturities of three months or less, to be cash equivalents.

*Restricted Long-Term Investments* – The restricted long-term investments of \$27,516,946 as of June 30, 2022, are those of the Foundation, a blended component unit of the Library. All those investments are held by a third party community foundation. Of those investments, as of June 30, 2022, \$4,401,135 are donor-restricted endowments and the Library has been designated as the beneficiary of the income of those endowments. Under the terms of those endowment agreements, the assets are held by a third party and the annual investment income is distributable to the Library. For the year ended June 30, 2022, the net depreciation on investments of donor-restricted endowments was \$1,187,634 due to market conditions. In some instances, the Library may elect to have the income transferred to the principal of the endowment. These endowments are presented in the Library's non-spendable fund balance. The Foundation has certain investments that are being held to generate future income; therefore, they cannot be converted within a 12-month period.

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

**PUBLIC LIBRARY OF CHARLOTTE & MECKLENBURG COUNTY**  
**(A Component Unit of Mecklenburg County, NC)**  
**NOTES TO THE FINANCIAL STATEMENTS**

JUNE 30, 2022

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**Note 1—Reporting entity and summary of significant accounting policies (continued)**

*Pledges Receivable* – Unconditional promises to give that are expected to be collected within one year are recognized at net realizable value. Unconditional promises to give that are expected to be collected in future years are recognized at the present value of estimated future cash flows. The discounts on those amounts using a risk-adjusted interest rate based on two- and three-year treasury yields is consistent with the average length of outstanding pledges.

Management evaluates pledges receivable for collectability at least annually. The Library provides a provision for losses on uncollectible pledges equal to the estimated uncollectible amounts. Management’s estimate is based on historical charge-offs, factors related to the specific donors’ ability to pay, donor giving history, and current economic trends. As of June 30, 2022, there is a \$1,259,787 allowance related to outstanding pledges.

*Capital Assets* – Capital assets, primarily land, buildings and improvements, and furniture and equipment, 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 of more than one year. Purchased or constructed assets are recorded at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair value at the date of donation. The Library capitalizes all library books with a useful life greater than one year. The Library has certain books that are considered historical treasures which are not capitalized and are recorded as expenditures in the year of acquisition. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets’ lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

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
Intangible assets	5 years

*Right To Use Leased Assets and Lease Liability* – The Library has recorded right to use leased assets and a lease liability as a result of implementing GASB 87. The right to use leased assets are initially measured at an amount equal to the initial measurement of the related lease liability plus any lease payments made prior to the lease term, less lease incentives, and plus ancillary charges necessary to place the lease into service. The right to use leased assets are amortized on a straight-line basis over the life of the related lease.

*Compensated Absences* – Vacation leave is earned by employees each pay period based on years and months of service and is fully vested when earned. Upon termination, an employee will be paid all unused, accumulated vacation. Employees earn sick leave at a flat rate, and there is no limit on accumulation. Eight hours of every 22 hours of unused, accumulated sick leave, which is fully vested when earned, is paid to an employee upon termination. For retiring employees, the balance of unpaid sick leave is used in the determination of length of service for retirement purposes. An expense and a liability for the accumulation of unused vacation and sick leave 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 upon maturity, for example, as a result of employee resignations and retirements.

*Prepaid Rent Revenue* – Prepaid rent revenue consists of amounts received in advance by the Library from their lessee.



**PUBLIC LIBRARY OF CHARLOTTE & MECKLENBURG COUNTY**  
**(A Component Unit of Mecklenburg County, NC)**  
**NOTES TO THE FINANCIAL STATEMENTS**

JUNE 30, 2022

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**Note 1—Reporting entity and summary of significant accounting policies (continued)**

*Deferred Outflows/Inflows of Resources* – In addition to assets, the statement of financial position will sometimes report a separate section for Deferred Outflows of Resources. This separate financial statement element, Deferred Outflows of Resources, represents a consumption of net position that applies to a future period and so will not be recognized until then. The Library has two items that meet this criterion – pension-related deferrals and OPEB-related deferrals.

In addition to liabilities, the statement of financial position also reports a separate section for Deferred Inflows of Resources. This separate financial statement element, Deferred Inflows of Resources, represents an acquisition of net position that applies to a future period and so will not be recognized until then. The Library has three items that meet the criterion for this category – prepaid rent revenue, pension-related deferrals, and OPEB-related deferrals.

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

*Net Investment in Capital Assets* – Consists of capital assets including restricted capital assets, net of accumulated depreciation, and reduced by the outstanding balances of any bonds, leases, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

*Restricted* – Consists of net position and fund balance with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments or (2) law through constitutional provisions or enabling legislation.

*Unrestricted* – All other net position and fund balance that do not meet the definition of “restricted” or “net investment in capital assets”.

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

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

Fund balances are classified as follows:

*Non-Spendable Fund Balance* – Portion of fund balance that cannot be spent because of their form or must be maintained intact:

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

*Endowments Held by the Foundation* – This represents the principal portion of gifts that cannot be spent because they must be maintained intact.

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**Note 1—Reporting entity and summary of significant accounting policies (continued)**

*Restricted Fund Balance* – Portion of fund balance that is subject to limitations imposed by creditors, grantors, contributors, or laws and regulations of other governments. It also includes limitations imposed by law through constitutional provisions or enabling legislation:

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

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

*Programming* – Portion of fund balance that is restricted by the funding source for specific library programs.

*Facility Enhancements* – Portion of fund balance that is restricted by revenue source for maintaining and enhancing existing facilities.

*Contributions Held by the Foundation* – This represents the restricted gifts that must be spent for their intended purpose per donor intent.

*Assigned Fund Balance* – Portion of fund balance whose intended use is established by the official designated by the governing body to encumber funds:

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

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

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

Total fund balance - General Fund	\$ 6,062,144
Less prepaid expenses	86,050
Less stabilization by state statute	1,900,208
Remaining fund balance	<u>\$ 4,075,886</u>

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

<u>General Fund</u>	<u>Special Revenue Fund</u>
\$ 936,280	\$ 3,164

*Fund Balance Policy* – Any amount of funds in the unassigned fund balance in excess of the established computation can be used by the Library as approved by the Library's Board, without limitation, to augment the new fiscal year budget; be transferred to the Charlotte Mecklenburg Library Foundation for investment, with any investment income to be used on behalf of the Library; or be left in the unassigned fund balance.

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**Note 1—Reporting entity and summary of significant accounting policies (continued)**

*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, workers’ 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 June 30, 2022, the Library does not hold any flood insurance.

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

*Payments on Behalf* – The Library has various construction commitments with respect to branch facilities. Under the terms of its agreement with Mecklenburg County, Mecklenburg County directly pays for the construction expenditures. In accordance with the provisions of GASB 33, *Accounting and Financial Reporting for Non-Exchange Transactions*, the Library reflects those payments made on its behalf as revenue when made and increases the cost of its capital assets by a corresponding amount. The Library has entered into an inter-local agreement with Mecklenburg County that is classified as a *voluntary non-exchange transaction*. Mecklenburg County pays directly for the Library’s security services and maintenance services. The Library recognizes the payments made on its behalf as a revenue and expenditure when made.

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

*Inventory* – In accordance with FASB Accounting Standards Codification, the Library uses the purchases method to account for inventory and postage versus the consumption method.

*Transfers* – Transfers are used to move money between the funds to meet operating needs, such as for payroll and grants, and are funds transferred from the Foundation transferring to the special revenue fund. Transfers totaled approximately \$1.3 million in fiscal year 2022.

*Defined Benefit Pension Plans* – The Library participates in one cost-sharing, multiple-employer, defined benefit pension plan that is administered by the state: The Local Governmental Employees’ Retirement System (“LGERS”). For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions and pension expense, information about the fiduciary net position of the state-administered defined benefit pension plan, and additions to/deductions from the state-administered defined benefit pension plans’ fiduciary, net positions have been determined on the same basis as they are reported by the state-administered defined benefit pension plans. For this purpose, plan member contributions are recognized in the period in which the contributions are due. The Library’s employer contributions are recognized when due and the Library has a legal requirement to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the state-administered defined benefit pension plan. Investments are reported at fair value.

The Library participates in another postemployment benefit plan (“OPEB”), for health insurance (the “Plan”). The Library currently finances the Plan following a pay-as-you-go approach, paying an amount each year equal to the premiums related to the coverage. For purposes of measuring the total OPEB liability, deferred inflows and inflows of resources related to OPEB and OPEB expense have been determined on the same basis as they are reported by the Plan. For this purpose, the Plan recognizes benefit payments when due and payable in accordance with the benefit terms.

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**Note 1—Reporting entity and summary of significant accounting policies (continued)**

*Revenue Recognition* – The Foundation is a private, nonprofit organization that reports under FASB standards, including Topic 958. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications have been made to the Foundation's financial information in the Library's financial reporting entity for these differences.

Contributions and unconditional promises to give to the Library Foundation are recognized as revenue when made or a written promise to give is conveyed, whichever is earliest. Contributions received with donor stipulations that restrict the use of the assets and promises to give that have time or purpose restrictions are reported as restricted fund balance and net position. The Library Foundation recognizes contributions when cash, securities, or other assets; or an unconditional promise to give is received. Conditional promises to give – that is, those with a measurable performance or other barrier and a right of return – are not recognized until the conditions on which they depend have been met. At June 30, 2022, the Library Foundation did not have any conditional promises to give.

**New Accounting Pronouncement**

As of July 1, 2021, the Library adopted the provisions of GASB 87, *Leases*, which amended the existing accounting standards for lease reporting. The new guidance requires lessees in a leasing arrangement recognize a right to use asset and a lease liability for most leases (other than leases that meet the definition of a short-term lease) at lease commencement. The liability will be equal to the present value of lease payments. Additionally, the new guidance requires lessors in a leasing arrangement to recognize a lease receivable and a deferred inflow of resources for most leases (other than leases that meet the definition of a short-term lease) at lease commencement. The liability (lessees) or deferred inflow (lessors) will be equal to the present value of lease payments. Following the adoption of the standard, the Library has determined there were material leases that would be considered subject to the standard and, therefore, a right to use leased asset and leased liability has been recorded in the statement of net position.

**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 in North Carolina. Also, the Library may establish time deposit accounts such as NOW and SuperNOW accounts, money market accounts, and certificates of deposit.

All deposits of the Library are insured or collateralized by using the Pooling Method. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the Library, these deposits are considered to be held by the agent in the entity's name. The amount of the pledged collateral is based on an approved averaging method for non-interest-bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the Library. Under the Pooling Method, the potential exists for under-collateralization, and this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method. The Library has no policy regarding custodial credit risk for deposits; rather, it 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.

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**Note 2—Deposits and investments (continued)**

At June 30, 2022, the Library's deposits had a carrying amount of \$14,823,260 and a bank balance of \$14,823,260. The Federal Deposit Insurance Corporation (FDIC) covers \$250,000 for substantially all depository accounts and for certain qualifying and participating non-interest-bearing transaction accounts. Of the bank balance, \$250,000 was covered by federal depository insurance and \$14,573,260 was covered by collateral held under the Pooling Method. At June 30, 2022, the Library's petty cash fund totaled \$8,817. The Library has no policy for managing interest rate risk or credit risk.

**Note 3—Investments**

At June 30, 2022, the Foundation's investment balances were as follows:

<u>Investment Type</u>	<u>Investment Measurement Method</u>	<u>Fair Value</u>	<u>Less than 1 Year</u>	<u>Less than 5 Years</u>	<u>2-5 Years</u>	<u>3-7 Years+</u>
Foundation for the Carolinas Liquid Reserve Pool	Net Asset Value	\$ 464,730	\$ 464,730	\$ -	\$ -	\$ -
Foundation for the Carolinas Income and Growth Pool	Net Asset Value	682,919	-	-	682,919	-
Foundation for the Carolinas Low Duration Fixed Income Pool	Net Asset Value	18,479,890	-	18,479,890	-	-
Foundation for the Carolinas Active Long-Term Growth Pool	Net Asset Value	764,308	-	-	-	764,308
Foundation for the Carolinas Diversified Long-Term Growth Pool	Net Asset Value	7,589,830	-	-	-	7,589,830
		<u>\$ 27,981,677</u>	<u>\$ 464,730</u>	<u>\$ 18,479,890</u>	<u>\$ 682,919</u>	<u>\$ 8,354,138</u>

Foundation funds are invested in Foundation for the Carolina's Pooled Investment Funds. At June 30, 2022, \$464,730 of the amount listed is included in cash and cash equivalents. As of June 30, 2022 there were no unfunded commitments and redemption frequency is daily. The following describes the Pooled Investment Funds listed:

*Liquid Reserve Pool* invests in the BlackRock TempFund, one of BlackRock's Liquidity Funds. The fund seeks as high a level of current income as is consistent with liquidity and stability of principal.

*Low Duration Fixed Income Pool* preserves capital while generating income. Investments are allocated across four fixed income managers – Sterling Capital Short Duration (40%), Doubleline Low Duration (35%), BlackRock Low Duration (15%), and Brown Brothers Harriman Limited Duration (10%). These managers invest across a variety of fixed income instruments with maturities generally less than five years – approximately three years on average.

*Income and Growth Pool* is designed to yield consistent income and dividends while also achieving moderate capital appreciation. The portfolio is allocated 60% fixed income and 40% equity. The equity allocation includes domestic, international developed, and emerging market large and small cap equity securities. The fixed income allocation includes short- and medium-term fixed income securities with an aggregate maturity of six years.

*Active Long-Term Growth Pool* seeks long-term capital appreciation without exposure to hedge funds or private equity. It is invested in broad domestic and international large and small cap stocks in developed and emerging markets.

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**Note 3—Investments (continued)**

*Diversified Long-Term Growth Pool* is the model endowment portfolio recommended by FFTC's Investment Committee for donors with long-term horizons. This portfolio is broadly diversified, offering domestic and international market exposure while investing in large cap and small cap securities in developed countries and emerging markets. The allocation includes alternative investments, hedge funds, and private equity investments to improve the overall risk/return profile of the portfolio. Due to the illiquid nature of the alternate investments, there are liquidity restrictions that will apply on these funds which may affect timing of grant requests.

The assets of each pool are owned by the Foundation for the Carolinas and not the Library Foundation. Each fund owns a pro rata share of the total pool and receives an allocation of the change in the value of the pool based on their pro-rata percentage each month. The pools of the investments are not readily marketable.

The Foundation selected the investment pool at the time the funds are deposited. There are no restrictions on the withdrawal of funds. The Foundations can withdraw funds at any time with no penalty.

The Foundation does not have an investment strategy other than choosing the investment pool.

*Interest Rate Risk* – This is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The Foundation does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

*Custodial Credit Risk* – This is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The Foundation does not have custodial credit risk policies for investments.

*Credit Risk* – Generally, credit risk is the risk that an issuer of a debt type investment will not fulfill its obligation to the holder of the investment. This is measured by assignment of a rating by a nationally recognized rating organization. The Foundation does not have a policy on credit risk.

*Concentration of Credit Risk* – Concentration of credit risk is the risk of a loss attributed to the magnitude of an entity's investment in a single issuer. The Foundation does not have a policy on concentration of credit risk.

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**Note 4—Capital assets**

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

	<b>Beginning Balance June 30, 2021</b>	<b>Additions</b>	<b>Disposals Retirements and Reclassifications</b>	<b>Ending Balance June 30, 2022</b>
Governmental activities:				
Non-depreciable assets:				
Land	\$ 13,523,473	\$ -	\$ -	\$ 13,523,473
Construction in progress	15,097,513	10,407,515	(15,487,730)	10,017,298
	<u>28,620,986</u>	<u>10,407,515</u>	<u>(15,487,730)</u>	<u>23,540,771</u>
Depreciable assets:				
Building and building improvements	119,150,468	14,809,880	(3,068,971)	130,891,377
Books	10,415,478	1,535,420	(2,470,279)	9,480,619
Furniture and equipment	8,703,205	765,976	(1,193,736)	8,275,445
Leased buildings	-	8,970,535	-	8,970,535
Leased equipment and fixtures	-	872,868	-	872,868
Leasehold improvements	1,272,853	128,584	-	1,401,437
Totals at historical cost	<u>168,162,990</u>	<u>37,490,778</u>	<u>(22,220,716)</u>	<u>183,433,052</u>
Intangible assets:				
Digital books	5,702,841	1,729,088	-	7,431,929
Website and other projects	609,345	-	-	609,345
Total intangible assets	<u>6,312,186</u>	<u>1,729,088</u>	<u>-</u>	<u>8,041,274</u>
Less accumulated amortization:				
Digital books	(2,792,093)	(1,093,043)	-	(3,885,136)
Website and other projects	(562,897)	(19,650)	-	(582,547)
Leased assets	-	(937,524)	-	(937,524)
Less accumulated depreciation:				
Building and building improvements	(46,733,828)	(3,005,823)	1,754,684	(47,984,967)
Books	(6,212,321)	(1,846,682)	2,470,279	(5,588,724)
Leasehold improvements	(122,094)	(84,857)	-	(206,951)
Furniture and equipment	(7,003,202)	(523,432)	1,148,531	(6,378,103)
Total accumulated amortization and depreciation	<u>(63,426,435)</u>	<u>(7,511,011)</u>	<u>5,373,494</u>	<u>(65,563,952)</u>
Capital assets, net	<u>\$ 111,048,741</u>	<u>\$ 31,708,855</u>	<u>\$ (16,847,222)</u>	<u>\$ 125,910,374</u>

Additions to capital assets include approximately \$428,803 of equipment transferred to the Library from Mecklenburg County through capital reserve funding. Mecklenburg County obtained the funds to purchase these assets through the issuance of general obligation bonds and certificates of participation, which are on obligation of Mecklenburg County and not the Library.

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**Note 5—Long-term obligations**

Long-term liability activity for the year ended June 30, 2022 was as follows:

	Beginning Balance			Ending Balance June 30, 2022	Due Within One Year
	June 30, 2021	Additions	Retirements		
Compensated absences	\$ 2,415,617	\$ 2,086,646	\$ 2,156,821	\$ 2,345,442	\$ 1,805,090
Lease liabilities	19,855	9,843,403	619,053	9,244,205	704,627
Net pension liability	8,899,262	-	4,793,212	4,106,050	-
Total OPEB liability	77,270,472	2,493,646	-	79,764,118	-
	<u>\$ 88,605,206</u>	<u>\$ 14,423,695</u>	<u>\$ 7,569,086</u>	<u>\$ 95,459,815</u>	<u>\$ 2,509,717</u>

The General Fund primarily is used to liquidate the liabilities for compensated absences, lease liabilities, the net pension liability, and total OPEB liability.

**Note 6—Leases**

The Library has entered into right to use agreements to lease certain buildings and equipment. The lease agreements qualify as other than short-term leases under GASB 87 and, therefore, have been recorded at the present value of the future minimum lease payments as of the date of their inception. The right to use leased assets are amortized on a straight-line basis over the terms of the related leases. Each lease liability is measured using a discount rate that ranges from 3.0% and 3.5%, which is the Library's incremental rate.

The first agreement was executed in 1995 to lease the facility that currently serves as the Plaza Midwood Library Branch. This agreement requires monthly payments of \$18,165 and is subject an annual Consumer Price Index increases. The Library has recorded a right to use leased asset with a book value of \$880,665 and \$211,360 of accumulated amortization at June 30, 2022.

The second agreement was executed in 2019 to lease the facility that currently serves as the South Boulevard Library Branch. This agreement requires monthly payments of \$34,558 and is subject to rate escalations specified in the agreement. The Library has recorded a right to use leased asset with a book value of \$8,075,918 and \$395,555 of accumulated amortization at June 30, 2022.

The third agreement was executed in 2020 to lease a mail machine for mail processing. This agreement requires quarterly payments of \$877. The Library has recorded a right to use leased asset with a book value of \$13,952 and \$3,283 of accumulated amortization at June 30, 2022.

The fourth agreement was executed in 2016 and extended in 2020 to lease copiers for Library facilities. This agreement requires monthly payments of \$28,554 and is subject to rate escalations specified in the agreement. The Library has recorded a right to use leased asset with a book value of \$872,868 and \$327,326 of accumulated amortization at June 30, 2022.



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**Note 6—Leases (continued)**

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

<u>Fiscal Years Ending June 30,</u>	<u>Principal Payments</u>	<u>Interest Payments</u>	<u>Total</u>
2023	\$ 704,626	\$ 307,483	\$ 1,012,109
2024	638,867	285,071	923,938
2025	438,319	268,782	707,101
2026	269,828	256,343	526,171
2027	251,658	247,781	499,439
2028-2032	1,618,737	1,085,103	2,703,840
2033-2037	2,390,596	738,625	3,129,221
2038-2042	2,931,574	241,935	3,173,509
	<u>\$ 9,244,205</u>	<u>\$ 3,431,123</u>	<u>\$ 12,675,328</u>

**Note 7—Retirement plan**

*Plan Description* – Mecklenburg County is a participating employer in the statewide LGERS, a cost-sharing, multiple-employer, defined-benefit pension plan administered by the state of North Carolina. LGERS membership is comprised of general employees and local law enforcement officers of participating local governmental entities. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. Management of the plan is vested in the LGERS Board of Trustees, which consists of 13 members – nine appointed by the Governor, one appointed by the State Senate, one appointed by the State House of Representatives, the State Treasurer, and State Superintendent, who serve as ex-officio members. The Local Governmental Employees’ Retirement System is included in the Annual Comprehensive Financial Report (“ACFR”) for the state of North Carolina. The state’s ACFR includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, by calling (919) 981-5454, or at [www.osc.nc.gov](http://www.osc.nc.gov).

*Benefits Provided* – LGERS provides retirement and survivor benefits. Retirement benefits are determined as 1.85% of the member’s average final compensation times the member’s years of creditable service. A member’s average final compensation is calculated as the average of a member’s four highest consecutive years of compensation. Plan members are eligible to retire with full retirement benefits at age 65 with five years of creditable service, at age 60 with 25 years of creditable service, or at any age with 30 years of creditable service. Plan members are eligible to retire with partial retirement benefits at age 50 with 20 years of creditable service or at age 60 with five years of creditable service (age 55 for firefighters). Survivor benefits are available to eligible beneficiaries of members who die while in active service or within 180 days of their last day of service and who have either completed 20 years of creditable service regardless of age (15 years of creditable service for firefighters and rescue squad members who are killed in the line of duty) or have completed five years of service and have reached age 60. Eligible beneficiaries may elect to receive a monthly Survivor’s Alternate Benefit for life or a return of the member’s contributions. The plan does not provide for automatic postretirement benefit increases. Increases are contingent upon actuarial gains of the plan.

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**Note 7—Retirement plan (continued)**

*Contributions* – Contribution provisions are established by G.S. 128-30 and may be amended only by the North Carolina General Assembly. Library employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The Library’s contractually required contribution rate for the year ended June 30, 2022 was 11.35% for general employees, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the Library were \$2,208,567 for the year ended June 30, 2022.

*Refunds of Contributions* – Library employees who have terminated service as a contributing member of LGERS, may file an application for a refund of their contributions. By State law, refunds to members with at least five years of service include 4% interest. State law requires a 60-day waiting period after service termination before the refund may be paid. The acceptance of a refund payment cancels the individual’s right to employer contributions or any other benefit provided by LGERS.

*Pension Liabilities, Pension Expense, and Deferred Outflows or Resources and Deferred Inflows of Resources Related to Pensions* – At June 30, 2022, the Library reported a liability of \$4,106,050 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2020. The total pension liability was then rolled forward to the measurement date of June 30, 2021 utilizing update procedures incorporating the actuarial assumptions. The Library’s proportion of the net pension liability was based on a projection of the Library’s long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2021 (the measurement date), the Library’s proportion was 0.268%, which was an increase of 0.019% from its proportion measured as of June 30, 2020.

For the year ended June 30, 2022, the Library recognized pension expense of \$1,912,878. At June 30, 2022, the Library reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Difference between expected and actual experience	\$ 1,306,282	\$ -
Changes of assumptions	2,579,648	-
Net difference between projected and actual earning on pension plan investments		5,866,312
Changes in proportion and differences between Library contributions and proportionate share of contributions	354,737	50,310
Library contributions subsequent to measurement date	2,208,567	-
	<u>\$ 6,449,234</u>	<u>\$ 5,916,622</u>

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**Note 7—Retirement plan (continued)**

The \$2,208,567 reported as deferred outflows of resources related to pensions, resulting from Library contributions subsequent to the measurement date, will be recognized as a decrease of the net pension liability in the year ended June 30, 2023. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Years Ended June 30,</u>	
2023	\$ 488,061
2024	(15,966)
2025	(352,922)
2026	<u>(1,795,128)</u>
	<u>\$ (1,675,955)</u>

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

Inflation:	2.50%
Salary increases:	3.25% – 8.25%
Investment rate of return:	6.50%, net of pension plan investment expense, including inflation

The plan currently uses mortality tables that vary by age, gender, employee group (i.e., general, law enforcement officer), and health status (i.e., disabled and healthy). The current mortality rates are based on published tables and based on studies that cover significant portions of the U.S. population. The healthy mortality rates also contain a provision to reflect future mortality improvements.

The actuarial assumptions used in the December 31, 2020 valuation were based on the results of an actuarial experience study for the period January 1, 2015 through December 31, 2019.

Future ad hoc cost of living adjustment amounts are not considered to be substantively automatic and, are therefore, not included in the measurement.

The projected long-term investment returns, and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

**PUBLIC LIBRARY OF CHARLOTTE & MECKLENBURG COUNTY**  
**(A Component Unit of Mecklenburg County, NC)**  
**NOTES TO THE FINANCIAL STATEMENTS**

JUNE 30, 2022

**Note 7—Retirement plan (continued)**

As of June 30, 2021, the target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed income	29.00%	1.40%
Global equity	42.00%	5.30%
Real estate	8.00%	4.30%
Alternatives	8.00%	8.90%
Credit	7.00%	6.00%
Inflation	6.00%	4.00%
	<u>100.00%</u>	

The information above is based on 30-year expectations developed with the consulting actuary and is part of the asset liability and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.05%. All rates of return and inflation are annualized.

*Discount Rate* – The discount rate used to measure the total pension liability was 6.50%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on these assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

*Sensitivity of the Library’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate* – The following presents the Library’s proportionate share of the net pension liability calculated using the discount rate of 6.50%, as well as what the Library’s proportionate share of the net pension asset or net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.50%) or 1 percentage-point higher (7.50%) than the current rate:

	<u>1% Decrease (5.50%)</u>	<u>Discount Rate (6.50%)</u>	<u>1% Increase (7.50%)</u>
Library’s proportionate share of the net pension liability (asset)	<u>\$ 15,939,344</u>	<u>\$ 4,106,050</u>	<u>\$ (5,632,064)</u>

*Pension Plan Fiduciary Net Position* – Detailed information about the pension plan’s fiduciary net position is available in the separately issued ACFR for the state of North Carolina.

**PUBLIC LIBRARY OF CHARLOTTE & MECKLENBURG COUNTY**  
**(A Component Unit of Mecklenburg County, NC)**  
**NOTES TO THE FINANCIAL STATEMENTS**

JUNE 30, 2022

**Note 8—Employee benefit plan**

Through the state of North Carolina, the Library offers a supplemental income plan to substantially all employees. This plan is a 401(k) savings plan under the IRC. Eligible participants may contribute up to the maximum allowable under law as a percent of base salary. For the year ended June 30, 2022, the Library matched 100% of employee contributions up to 5% of compensation. Total expense relating to this plan was \$622,641 for the year ended June 30, 2022.

**Note 9—Other Postemployment Benefits (OPEB)**

Healthcare Benefits

*Plan Description* – As a component unit of Mecklenburg County, the Agency’s employees participate in Mecklenburg County’s healthcare plan, a single employer plan. As of October 8, 1996, this plan provides postemployment healthcare benefits to retirees of the Agency, provided they participate in the LGERS and have at least 20 years of creditable service with the Agency. After 10 years of service but prior to 20 years, the Agency pays 50% of the cost. The Agency’s retirees can purchase coverage for their dependents at the Agency’s group rates. Effective June 1, 2010, the plan was closed to new entrants. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB 75. There are no authoritative requirements to pay OPEB as benefits come due.

Healthcare participants was based on personnel information from Mecklenburg County, North Carolina Library records as of January 1, 2021:

Active participants	151
Retirees and dependents	213
Total participants	<u>364</u>

**Total OPEB Liability**

The Library’s total OPEB liability of \$79,764,118 was measured as of June 30, 2021 and was determined by an actuarial valuation as of January 1, 2021.

*Actuarial Assumptions and Other Inputs* – The total OPEB liability in the January 1, 2021 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation:	2.5%
Salary increases:	3.50% – 7.75%
Healthcare cost trend rates:	Pre-65 – 6.90%
	Post-65 – 8.00%
	Decreasing each year to a rate of 4.50% Pre-65 and 4.50% Post-65 in 2028

**PUBLIC LIBRARY OF CHARLOTTE & MECKLENBURG COUNTY**  
**(A Component Unit of Mecklenburg County, NC)**  
**NOTES TO THE FINANCIAL STATEMENTS**

JUNE 30, 2022

**Note 9—Other Postemployment Benefits (OPEB) (continued)**

The discount rate was based on the Bond Buyer GO 20-Bond Municipal Bond Index as of the measurement date.

**Changes in the Total OPEB Liability**

	<b>Total OPEB Liability</b>
Balance recognized at June 30, 2021	\$ 77,270,472
Changes recognized for the fiscal year:	
Service cost	1,927,704
Interest on the total OPEB liability	1,745,729
Difference between expected and actual experience	(169,410)
Changes of assumptions	(500,870)
Contributions from employer	(509,507)
Total OPEB liability	<u>\$ 79,764,118</u>

Changes in assumptions and other inputs reflect a change in the discount rate from 2.21% to 2.16%.

Mortality rates were based on the PUB-2010 amounts-weighted Teachers Mortality Tables projected generationally with Scale MP2019.

The actuarial assumptions used in the actuarial valuation were based on the economic, demographic, and healthcare claim cost assumptions and represent reasonable expectations of anticipated plan experience.

*Sensitivity of the Total OPEB Liability to Changes in the Discount Rate* – The following represents the total OPEB liability of the Library, as well as what the Library’s total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (1.16%) or 1-percentage point higher (3.16%) than the current discount rate:

	<b>1% Decrease (1.16%)</b>	<b>Interest Rate Discount Rate (2.16%)</b>	<b>1% Increase (3.16%)</b>
Total OPEB liability	<u>\$ 97,482,017</u>	<u>\$ 79,764,118</u>	<u>\$ 66,177,422</u>

*Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates* – The following presents the total OPEB liability of the Library, as well as what the Library’s total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage higher than the current healthcare cost trend rates:

	<b>1% Decrease</b>	<b>Healthcare Cost Trend Rate</b>	<b>1% Increase</b>
Total OPEB liability	<u>\$ 64,765,500</u>	<u>\$ 79,764,118</u>	<u>\$ 99,614,371</u>

**PUBLIC LIBRARY OF CHARLOTTE & MECKLENBURG COUNTY**  
**(A Component Unit of Mecklenburg County, NC)**  
**NOTES TO THE FINANCIAL STATEMENTS**

JUNE 30, 2022

**Note 9—Other Postemployment Benefits (OPEB) (continued)**

**OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB**

For the year ended June 30, 2022, the Library recognized OPEB expense of \$4,652,588. At June 30, 2022, the Library reported deferred outflows and deferred inflows of resources related to OPEB from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 418,193	\$ 349,288
Changes in Assumptions	3,123,655	622,787
Library contributions subsequent to measurement date	1,098,877	-
	<u>\$ 4,640,725</u>	<u>\$ 972,075</u>

The \$1,098,877 reported as deferred outflows of resources related to OPEB resulting from Library contributions subsequent to the measurement date, will be recognized as a decrease of the total OPEB liability in the year ended June 30, 2023. Amounts reported as deferred outflows and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

**Years Ending June 30,**

2023	\$ 1,504,984
2024	1,152,217
2025	(87,428)
	<u>\$ 2,569,773</u>

**Note 10—Major supplier**

For the year ended June 30, 2022, approximately 35.2% of all books and related items were purchased from one supplier.

**Note 11—Endowment fund**

The Library has been designated as the beneficiary of the income of several endowments. Under the terms of the agreements, the assets are held by a third party and the annual investment income is distributable to the Library. In some instances, the Library may elect to have the income transferred to the principal of the endowment. As of June 30, 2022, the endowments, which amounted to \$4,401,135 are presented in the Library's non-spendable fund balance as recorded through the Foundation.

**Note 12—Related party transaction**

As of June 30, 2022, the Library owes \$6,341,247 to Mecklenburg County.

**PUBLIC LIBRARY OF CHARLOTTE & MECKLENBURG COUNTY**  
**(A Component Unit of Mecklenburg County, NC)**  
**NOTES TO THE FINANCIAL STATEMENTS**

JUNE 30, 2022

**Note 13—Pledges receivable**

Pledges receivable includes amounts due from the endowment campaigns for which written pledges have been received and other pledgessor bequests of which the Library has been notified.

Future pledges have been discounted at 3% for a total net present value of \$21,778,162. A discount rate of 3% was chosen based upon two and three year treasury yields as of August 2022, which is consistent with the average length of outstanding pledges.

Pledges receivable at June 30, 2022 are scheduled to be received as follows:

<u>Years Ending June 30.</u>	<u>Pledges</u>	<u>Net Present Value</u>
2023	\$ 10,349,353	\$ 10,047,915
2024	5,944,286	5,603,060
2025	5,474,309	5,009,768
2026	851,614	756,648
2027	414,350	357,422
Thereafter	4,000	3,349
Total pledges receivable	<u>\$ 23,037,912</u>	<u>\$ 21,778,162</u>

**Note 14—Contingencies**

During 2020, an outbreak of a novel strain of coronavirus (“COVID-19”) emerged globally. As a result of the spread of COVID-19, economic uncertainties have arisen that could negatively impact the Library’s revenue and operations for an indeterminable time period. Other financial impacts could occur that are unknown at this time.

**Note 15—Subsequent events**

The Library has evaluated subsequent events through October 31, 2022, the date the financial statements were available to be issued. No subsequent events were noted that required disclosure in the financial statements.



**REQUIRED SUPPLEMENTARY INFORMATION**

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**PUBLIC LIBRARY OF CHARLOTTE & MECKLENBURG COUNTY**

**(A Component Unit of Mecklenburg County, NC)**

**SCHEDULE OF CHANGES IN THE TOTAL OPEB LIABILITY AND RELATED RATIOS –  
HEALTHCARE BENEFITS PLAN – REQUIRED SUPPLEMENTARY INFORMATION**

*Last Five Fiscal Years*

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
<b>Total OPEB Liability</b>					
Service cost	\$ 1,927,704	\$ 1,517,248	\$ 1,498,027	\$ 1,678,648	\$ 2,049,008
Interest	1,745,729	2,413,578	2,510,687	2,298,451	2,017,454
Differences between expected and actual experience	(169,410)	762,583	(821,179)	689,336	121,547
Changes of assumptions	(500,870)	5,765,298	1,524,160	(3,006,549)	(9,477,810)
Benefit payments	<u>(509,507)</u>	<u>(860,366)</u>	<u>(826,497)</u>	<u>(786,769)</u>	<u>(1,063,005)</u>
Net change in total OPEB liability	2,493,646	9,598,341	3,885,198	873,117	(6,352,806)
Total OPEB liability, beginning of year	<u>77,270,472</u>	<u>67,672,131</u>	<u>63,786,933</u>	<u>62,913,816</u>	<u>69,266,622</u>
Total OPEB liability, end of year	<u>\$ 79,764,118</u>	<u>\$ 77,270,472</u>	<u>\$ 67,672,131</u>	<u>\$ 63,786,933</u>	<u>\$ 62,913,816</u>
Covered payroll	\$ 19,240,886	\$ 20,048,037	\$ 19,847,880	\$ 17,405,973	\$ 17,737,012
Total OPEB Liability as a percentage of covered payroll	414.56%	385.43%	340.95%	366.47%	354.70%

**NOTES TO THE SCHEDULE**

*Changes of Method* – The actuarial cost method used changed from projected unit credit to entry age normal to comply with GASB 75.

*Changes of Assumptions* – Changes of assumptions and other inputs reflect the effects of changes in the discount rate each period. The following are the discount rates used in each period:

2017	2.85%
2018	3.58%
2019	3.87%
2020	3.51%
2021	2.21%
2022	2.16%

This schedule above is intended to show information for 10 years. Additional years will be included as they become available.

**PUBLIC LIBRARY OF CHARLOTTE & MECKLENBURG COUNTY**  
**(A Component Unit of Mecklenburg County, NC)**  
**LIBRARY'S PROPORTIONATE SHARE OF NET PENSION LIABILITY (ASSET) –**  
**REQUIRED SUPPLEMENTARY INFORMATION**

*Last Nine Fiscal Years*

	Last Nine Fiscal Years *								
	Local Government Employees' Retirement System								
	2022	2021	2020	2019	2018	2017	2016	2015	2014
Library's proportion of the net pension liability (asset) (%)	0.26774%	0.24904%	0.24467%	0.26173%	0.26734%	0.26457%	0.26692%	0.24970%	0.27190%
Library's proportion of the net pension liability (asset) (\$)	\$ 4,106,050	\$ 8,899,262	\$ 6,681,747	\$ 6,209,133	\$ 4,084,215	\$ 5,615,062	\$ 1,197,926	\$ (1,472,596)	\$ 2,577,111
Library's covered payroll	\$ 20,048,038	\$ 19,811,279	\$ 18,163,070	\$ 18,912,433	\$ 17,155,056	\$ 17,397,652	\$ 16,291,567	\$ 15,182,660	\$ 13,262,181
Library's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	20.48%	44.92%	36.79%	32.83%	23.81%	32.27%	7.35%	(9.70%)	19.43%
Plan fiduciary net position as a percentage of the total pension liability**	95.51%	88.61%	90.86%	94.16%	94.18%	91.47%	98.09%	102.64%	94.35%

\* The amounts presented for each fiscal year were determined as of the prior fiscal year ended June 30.

\*\* This will be the same percentage for all participant employers in the LGERS plan.

This schedule is intended to show information for 10 years. Additional years will be included as they become available.

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**PUBLIC LIBRARY OF CHARLOTTE & MECKLENBURG COUNTY**  
**(A Component Unit of Mecklenburg County, NC)**  
**LIBRARY'S CONTRIBUTIONS –**  
**REQUIRED SUPPLEMENTARY INFORMATION**

*Last Nine Fiscal Years*

Last Nine Fiscal Years									
Local Government Employees' Retirement System									
	2022	2021	2020	2019	2018	2017	2016	2015	2014
Contractually required contribution	\$ 2,208,567	\$ 1,943,167	\$ 1,683,444	\$ 1,372,103	\$ 1,337,155	\$ 1,029,303	\$ 1,177,606	\$ 1,151,433	\$ 1,074,340
Contributions in relation to the contractually required contribution	(2,208,567)	(1,943,167)	(1,683,444)	(1,372,103)	(1,337,155)	(1,029,303)	(1,177,606)	(1,151,433)	(1,074,340)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Public Library's covered-employee payroll	\$ 19,240,886	\$ 20,048,038	\$ 19,811,279	\$ 18,163,070	\$ 18,912,433	\$ 17,155,056	\$ 17,397,652	\$ 16,291,567	\$ 15,182,660
Contributions as a percentage of covered-employee payroll	11.48%	9.69%	8.50%	7.55%	7.07%	6.00%	6.77%	7.07%	7.08%

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**ACCOMPANYING INFORMATION**

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

YEAR ENDED JUNE 30, 2022

	General Fund	Special Revenue Fund	Library Foundation Fund	Capital Projects Fund	Total Governmental Funds
<b>Salaries and Benefits:</b>					
Salaries, full-time employees	\$ 18,880,279	\$ 486,115	\$ -	\$ -	\$ 19,366,394
Salaries, limited part-time	1,216,133	-	-	-	1,216,133
Salaries, other	3,513	-	-	-	3,513
Retirement benefits	8,917,400	176,690	-	-	9,094,090
Total Salaries and Benefits	<u>29,017,325</u>	<u>662,805</u>	<u>-</u>	<u>-</u>	<u>29,680,130</u>
<b>Library Collection:</b>					
Books and related items	4,641,452	684,426	-	-	5,325,878
<b>Facility Related:</b>					
Utilities	1,051,069	-	-	-	1,051,069
Telephone	156,621	-	-	-	156,621
Facility insurance	339,919	-	-	-	339,919
Building and grounds, maintenance, and repairs	2,522,283	-	-	-	2,522,283
Real estate rental	466,022	-	-	-	466,022
Data lines	301,935	-	-	-	301,935
Total Facility Related	<u>4,837,849</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,837,849</u>
<b>Programming:</b>					
Adult programs	53,162	11,852	-	-	65,014
Teen programs	54,359	2,169	-	-	56,528
Children programs	134,470	74,509	-	-	208,979
Other	-	80,096	-	-	80,096
Total Programming	<u>241,991</u>	<u>168,626</u>	<u>-</u>	<u>-</u>	<u>410,617</u>
<b>Technology and Equipment:</b>					
Technology and software	857,738	415,857	-	-	1,273,595
Copier expense	30,211	-	-	-	30,211
Total Technology and Equipment	<u>887,949</u>	<u>415,857</u>	<u>-</u>	<u>-</u>	<u>1,303,806</u>
<b>Professional Services:</b>					
Consulting services	883,830	130,327	-	-	1,014,157
Legal services	100,139	-	-	-	100,139
Miscellaneous expense	-	-	-	-	-
Total Professional Services	<u>983,969</u>	<u>130,327</u>	<u>-</u>	<u>-</u>	<u>1,114,296</u>
<b>Personnel Related:</b>					
Auto allowance	6,663	-	-	-	6,663
Security	615,623	-	-	-	615,623
Training and travel	84,107	-	-	-	84,107
Professional development	8,984	-	-	-	8,984
Recruitment	5,062	-	-	-	5,062
Volunteers	2,587	-	-	-	2,587
Employee recognition	5,623	-	-	-	5,623
Total Personnel Related	<u>728,649</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>728,649</u>

**PUBLIC LIBRARY OF CHARLOTTE & MECKLENBURG COUNTY**  
**(A Component Unit of Mecklenburg County, NC)**  
**SCHEDULE OF EXPENDITURES**  
**GOVERNMENTAL FUNDS (CONTINUED)**

YEAR ENDED JUNE 30, 2022

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Library Foundation Fund</u>	<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>
<b>Miscellaneous:</b>					
Postage	\$ 12,034	\$ -	\$ -	\$ -	\$ 12,034
Supplies	97,293	2,837	-	-	100,130
Gas	179,137	-	-	-	179,137
Printing	276,618	-	-	-	276,618
Bank fees	33,470	-	-	-	33,470
Miscellaneous	63,424	533,550	261,406	-	858,380
Total Miscellaneous	<u>661,976</u>	<u>536,387</u>	<u>261,406</u>	<u>-</u>	<u>1,459,769</u>
<b>Capital Outlay:</b>					
Buildings, equipment, and furnishings	9,997,930	-	-	10,426,487	20,424,417
<b>Debt Service:</b>					
Principal payments on leases	599,198	-	-	-	599,198
Interest payments on leases	327,781	-	-	-	327,781
Total Debt Service	<u>926,979</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>926,979</u>
Total Expenditures	<u>\$ 52,926,069</u>	<u>\$ 2,598,428</u>	<u>\$ 261,406</u>	<u>\$ 10,426,487</u>	<u>\$ 66,212,390</u>

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**COMPLIANCE SECTION**

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of the 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, 2022, and the related notes to the financial statements, which collectively comprise the Library's basic financial statements, and have issued our report thereon dated October 31, 2022.

**Report on Internal Control over Financial Reporting**

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

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

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

**Report on Compliance and Other Matters**

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

**Purpose of this Report**

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

Charlotte, North Carolina  
October 31, 2022

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# **Report of Independent Auditor on Compliance for Each Major State Program and Internal Control over Compliance in Accordance with the Uniform Guidance and the State Single Audit Implementation Act**

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

## **Report on Compliance for the Major State Program**

### ***Opinion on the Major State Program***

We have audited the Public Library of Charlotte and Mecklenburg County, a component unit of Mecklenburg County, North Carolina's (the "Library"), compliance with the types of compliance identifies as subject to audit in the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission that could have a direct and material effect on each of the Library's major state programs for the year ended June 30, 2022. The Library's major state program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Library complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state program for the year ended June 30, 2022.

### ***Basis for Opinion on Each Major State Program***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance") and the State Single Audit Implementation Act. Our responsibilities under those standards, Uniform Guidance and the State Single Audit Implementation Act are further described in the *Auditor's Responsibilities for the Audit of Compliance* section of our report.

We are required to be independent of the Library and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major state program. Our audit does not provide a legal determination of the Library's compliance with the compliance requirements referred to above.

### ***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Library's state programs.

### ***Auditor's Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Library's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, the Uniform Guidance and the State Single Audit Implementation Act will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Library's compliance with the requirements of each major state program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, the Uniform Guidance and the State Single Audit Implementation Act, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Library's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Library's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Library's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

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

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

Our consideration of internal control over compliance was for the limited purpose described in the *Auditor's Responsibilities for the Audit of Compliance* section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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

Charlotte, North Carolina  
October 31, 2022

**PUBLIC LIBRARY OF CHARLOTTE & MECKLENBURG COUNTY  
(A Component Unit of Mecklenburg County, NC)  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

YEAR ENDED JUNE 30, 2022

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**Section I – Summary of Auditor’s Results**

**Financial Statements**

Type of auditor’s report issued on whether the financial statements audited were prepared in accordance with U.S. GAAP:

Unmodified

Internal Control over Financial Reporting:

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

Noncompliance Material to Financial Statements Noted?                     yes     no

**State Awards**

Internal Control over State Major Programs:

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

Type of Auditor’s Report Issued on Compliance for Major Programs:

Unmodified

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

Identification of major state programs:

**Program Name:**  
North Carolina Department of Cultural and Natural Resources  
Division of State Library: Aid to Public Libraries  
State Aid Program

**Section II – Financial Statement Findings**

None reported.

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

None reported.

**Section IV – Prior-Year Findings**

None reported.

**PUBLIC LIBRARY OF CHARLOTTE & MECKLENBURG COUNTY**  
**(A Component Unit of Mecklenburg County, NC)**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**

YEAR ENDED JUNE 30, 2022

<u>Grantor/Program Title</u>	<u>Federal Assistance Listing Number</u>	<u>Expenditures</u>
<b><u>Institute of Museum and Library Services Federal grants passed through North Carolina and distributed to the Public Library of Charlotte and Mecklenburg County</u></b>		
North Carolina Department of Cultural Resources, Division of State Library:		
Library Services and Technology Act (LSTA) MeckTech	45.310	\$ 25,000
National Leadership Grant -Neighborhood WISP Network	45.312	276,438
<b><u>Federal Communications Commission distributed to the Public Library of Charlotte And Mecklenburg County</u></b>		
Emergency Connectivity Fund	32.009	200,000
Total Federal Awards		<u>501,438</u>
<b><u>State Grants distributed directly to the Public Library of Charlotte and Mecklenburg County</u></b>		
North Carolina Department of Cultural Resources, Division of State Library: Aid to Public Libraries (State Aid) Program	-	648,613
Total State Awards		<u>648,613</u>
Total Federal and State Awards Expended		<u>\$ 1,150,051</u>

**PUBLIC LIBRARY OF CHARLOTTE & MECKLENBURG COUNTY**  
**(A Component Unit of Mecklenburg County, NC)**  
**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**

*YEAR ENDED JUNE 30, 2022*

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**Note 1—Basis of presentation**

The information in the schedule of expenditures of federal and state awards (“SEFSA”) is presented in accordance with the requirements of Title 2 *U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (“Uniform Guidance”), the Audit Manual for Governmental Auditors in North Carolina, and the State Single Audit Implementation Act. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in, the preparation of the basic financial statements.

**Note 2—Significant accounting policies**

Expenditures reported on the SEFSA are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

The Library has not contracted or made awards to any subrecipients.

The Library has elected not to use the 10% de minimus indirect cost rate as allowed under the Uniform Guidance.

DRAFT