

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

**BASIC FINANCIAL STATEMENTS  
AND ACCOMPANYING INFORMATION**

*As of and for the Year Ended June 30, 2019*

*And Report of Independent Auditor*

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

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

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

We have audited the accompanying financial statements of the governmental activities and each major fund of the Public Library of Charlotte and Mecklenburg County (the "Library"), a component unit of Mecklenburg County, North Carolina, as of and for the year ended June 30, 2019, and the related notes to financial statements, which collectively comprise the Library's basic financial statements as listed in the table of contents.

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

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

### **Auditor's Responsibility**

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

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

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

### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and each major fund of the Library as of June 30, 2019 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.

## **Emphasis of Matter**

The accompanying financial statements represent the financial position of the Library. These financial statements are not intended to be a complete presentation of the financial position of the Mecklenburg County, North Carolina, taken as a whole. Our opinion is not modified with respect to this matter.

## **Other Matters**

### *Required Supplementary Information*

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

### *Supplementary and Other Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The 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* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and the State Single Audit Implementation Act, are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated October 17, 2019, on our consideration of the Library's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of the report is to describe the scope of our testing of internal control over financial reporting and on compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Library's internal control over financial reporting and compliance.

 LLP

Charlotte, North Carolina  
October 17, 2019

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

*JUNE 30, 2019*

**Introduction**

As management of the Public Library of Charlotte & 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, 2019. 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.

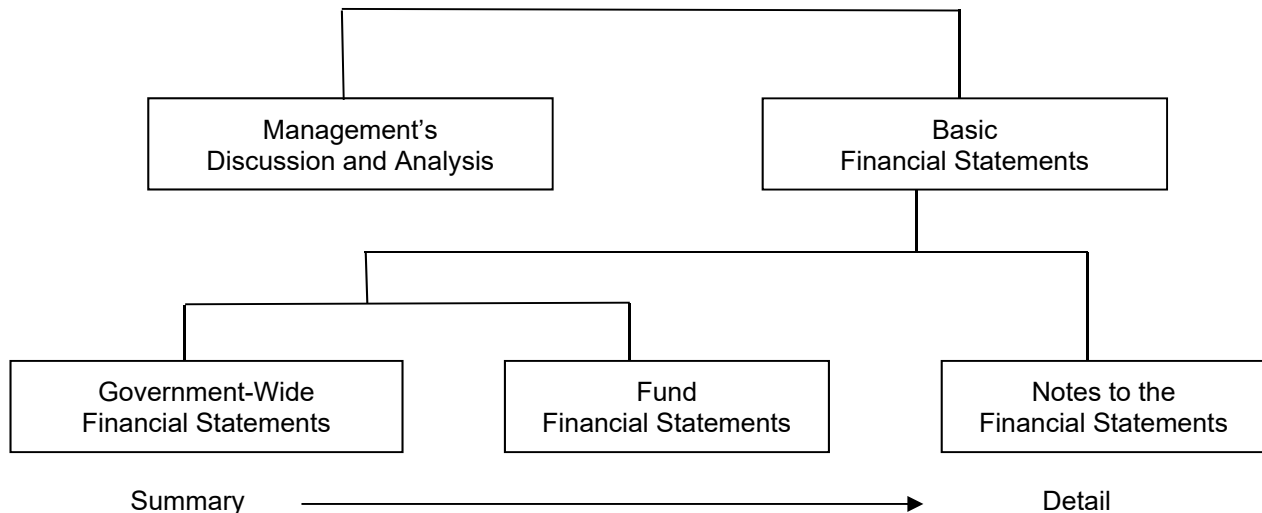
**Financial Highlights**

- Library assets and deferred outflows exceeded liabilities and deferred inflows at the close of the fiscal year by \$40.0 million (net position).
- The Library Foundation contributed \$3.7 million in gifts and grants in support of Library operations.
- At the close of the fiscal year, the Library’s portion of fund balance not designated for future use was \$3.4 million.
- The operating budget from the Library’s largest revenue source (Mecklenburg County, the “County”) increased 1.0% from the prior year.
- Total actual revenues from Mecklenburg County increased by 10.8% for fiscal year ended June 30, 2019. This included \$14.5 million that Mecklenburg County paid directly on behalf of the Library.

**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.

**Required Components of Annual Financial Report**  
**Figure 1**



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

*JUNE 30, 2019*

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**Basic Financial Statements**

The first two statements (Pages 11 and 12) 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 13 through 18) 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 supplemental 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 the County as it is not the obligor on the debt. The Library relies on Mecklenburg County to handle the debt associated with the acquisition and/or construction of capital facilities.

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

The government-wide financial statements are on Pages 11 and 12 of this report.

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

JUNE 30, 2019

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**Fund Financial Statements**

The fund financial statements, on pages 13 through 18 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 fund.

**Governmental Funds** – Governmental funds are used to account for those functions reported as governmental activities in the government-wide financial statements. These funds focus on how assets can readily be converted into cash flow in and out, and what monies are left at year-end that will be available for spending next year. Governmental funds are reported using an accounting method 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 Special Revenue Fund, as required by the General Statutes. The budget is a legally adopted document that incorporates input from the citizens of the County through the County’s budget process, the management of the Library, and the decisions of the Library Board of Trustees (the “Board”) about which services to provide and how to pay for them. It also authorizes the Library to obtain funds from identified sources to finance these current period activities. The budgetary 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 the 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 19 through 36 of this report.

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

JUNE 30, 2019

**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 \$9.7 million for the fiscal year ended June 30, 2019. The largest portion of net position, totaling \$94.4 million is the Library’s investment in capital assets (books, land, equipment, and buildings); less any amounts remaining on the leases signed 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. An additional portion of the Library’s net position of \$15.8 million represents resources that are subject to restrictions on how they may be used. The remaining deficit of (\$70.2) 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”) Statements 68 and other post-employment benefits (“OPEB”) expenses as required by GASB 75.

**The Public Library of Charlotte and Mecklenburg County’s Net Position**  
**Condensed and Rounded to nearest thousand (000)**  
**Figure 2**

	<b>Government-Wide</b> <b>June 30, 2019</b>	<b>Government-Wide</b> <b>June 30, 2018</b>
<b>Assets</b>		
Current assets	\$ 12,685	\$ 11,917
Noncurrent assets	10,528	7,442
Capital assets, net of accumulated depreciation	<u>94,402</u>	<u>85,776</u>
Total Assets	<u>117,615</u>	<u>105,135</u>
Deferred outflows of resources	<u>6,641</u>	<u>4,528</u>
<b>Liabilities</b>		
Current and other liabilities	5,634	3,609
Long-term liabilities	<u>71,050</u>	<u>68,296</u>
Total Liabilities	<u>76,684</u>	<u>71,905</u>
Deferred inflows of resources	<u>7,523</u>	<u>7,434</u>
<b>Net Position</b>		
Net investment in capital assets	94,381	85,756
Restricted	15,855	12,235
Unrestricted	<u>(70,187)</u>	<u>(67,667)</u>
Total Net Position	<u>\$ 40,049</u>	<u>\$ 30,324</u>



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

JUNE 30, 2019

**The Public Library of Charlotte & Mecklenburg County’s Changes in Net Position**  
**Condensed and Rounded to nearest thousand (000)**  
**Figure 3**

	<b>Government-Wide</b> <b>June 30, 2019</b>	<b>Government-Wide</b> <b>June 30, 2018</b>
<b>Revenues</b>		
Program Revenues:		
Charges for services	\$ 2,419	\$ 2,631
Operating grants and contributions	1,032	979
General Revenues:		
Mecklenburg County	48,700	43,942
City of Charlotte appropriation	3	3
Investment earnings	393	590
Contributions from Foundation	3,717	1,302
ABC Board contribution	665	638
Other Income	742	449
Total Revenue	<u>57,671</u>	<u>50,534</u>
<b>Program Expenses</b>		
General public services	46,901	44,797
Program/Outreach services	418	394
Printing and copying	626	643
Interest on long-term debt	1	57
	<u>47,946</u>	<u>45,891</u>
Change in net position	9,725	4,643
Net position, beginning of year	30,324	63,015
Cummulative effect of change in accounting principle	-	(37,334)
Net position, end of year	<u>\$ 40,049</u>	<u>\$ 30,324</u>

Net position increased by \$10 million primarily due to increased support from Mecklenburg County and increased contributions from the Library Foundation.

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

*JUNE 30, 2019*

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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 88.5% of total revenues received during the Library's fiscal year ended June 30, 2019 as compared to 91.4% for fiscal year ended June 30, 2018. Mecklenburg County, the City of Charlotte and the ABC Board comprise 87.2% of total revenues as of June 30, 2019 as compared to 90.1% for the fiscal year ended June 30, 2018. The State of North Carolina and Federal Revenue Sources total 1.3%. Revenues generated through fines, fees, charges for services and grants used to cover services account for 10.2% of total revenue for June 30, 2019. Other income comprises 1.3% of total revenues with investment income decreasing 32.2% from the prior year.

Governmental funds expenditures were comprised of the following: Personnel, 49.8%, Library Collections (books, videos, software for public use, etc.) 10.5%, General Operations, 18.3%, and Capital Projects 21.4%. These percentages are consistent with the prior year.

**General Fund Budgetary Highlights**

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

During the course of fiscal 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 2019 totaled \$4.7 million, primarily driven by Mecklenburg County contributions towards employee merit costs and in-kind facilities related expenditures.

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

JUNE 30, 2019

**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, 2019 and 2018 is \$94.4 million and \$85.8 million, respectively. Capital assets include land, buildings and buildings improvements, books, furniture and fixtures, intangible assets, and construction in progress.

**Capital Assets, Net of Accumulated Depreciation**

	<b>Government-Wide Activities June 30, 2019</b>	<b>Government-Wide Activities June 30, 2018</b>
Land	\$ 13,523	\$ 13,523
Buildings and building improvements	60,048	62,674
Books	4,916	4,369
Furniture and equipment	2,211	1,806
Intangible assets	1,981	1,495
Construction in progress	11,723	1,909
	<u>\$ 94,402</u>	<u>\$ 85,776</u>

In relation to the fixed assets, the Library has total debt outstanding of \$20,662. The debt is secured by the related assets of the Library, which includes capital lease obligations that decreased by \$361 during the past fiscal year.

**Fiscal Year 2019 Highlights**

In fiscal year 2019, the Library continued to focus on activities and initiatives that align with our mission and benefit the Charlotte-Mecklenburg community in the following ways:

- Increase community engagement, awareness, and impact
- Innovate to support 21st century access
- Increase operational excellence, capacity, and sustainability

The final year for Mecklenburg County 2017-2019 Strategic Business Plan and the mission “Improve Lives and Build a Stronger Community” shaped our strategies. Highlights of fiscal year 2019 included:

- The Library partnered with WSOC-TV for the “9 Books for Kids” drive, collecting 12,000+ new and gently used books for area children and teens.
- Recognized the more than 1,400 volunteers who donated 54,600 hours of service valued at \$1.4 million dollars.
- Conducted more active reading workshops to promote childhood literacy, bringing the number of family completions up over FY 2018 by 98% to 525, while total adult reading mentors increased by 69% to 2,045.
- The Library, with Mecklenburg County Asset Facility Management (AFM), advanced capital projects at North County Regional Library, South County Regional Library, and Scaleybark Library and continued planning for new Main Library and a Support Services Center.
- Collaborated in the partnership with the Seventh & Tryon Development Committee.
- Interacted with more than 96,000 students who in some way used their ONE Access accounts in the 2018-19 school year, while 18,000+ CMS faculty and staff members and 5,000+ Mecklenburg County employees received free e-accounts to access digital resources.

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

*JUNE 30, 2019*

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- The Library Foundation raised \$1.4 million in gifts, grants and endowment earnings; increased awareness and engagement with events like Verse & Vino and EpicFest; and began the quiet phase of the capital campaign for the new Main Library.

In fiscal year 2020, the Library will continue to focus on activities and initiatives that align with our mission and benefit the community. These include collaborations with alignments with the Digital Inclusion Playbook and Opportunity Task Force Report, expansion of Active Reading training in partnership with Read Charlotte, the introduction of a mobile Library, the Main Library project, and continued partnership with the Seventh and Tryon Development Committee.

**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 Capacity Officer, Public Library of Charlotte & Mecklenburg County, 310 N. Tryon St, Charlotte, NC 28202.

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

JUNE 30, 2019

	<b>Governmental Activities</b>
<b>ASSETS</b>	
Current Assets:	
Cash and cash equivalents	\$ 11,420,403
Refundable sales tax	385,107
Other receivables	310,760
Due from other governmental agencies	421,817
Prepays	146,455
Total Current Assets	<u>12,684,542</u>
Noncurrent Assets:	
Restricted long-term investments	<u>10,527,789</u>
Capital Assets:	
Land and other non-depreciable assets	25,246,440
Depreciable capital assets, net of depreciation	<u>69,155,676</u>
Capital Assets, net	<u>94,402,116</u>
<b>Total Assets</b>	<u>117,614,447</u>
Deferred Outflows of Resources:	
Contributions to pension plan subsequent to the measurement date	1,372,103
Contributions to OPEB plan subsequent to the measurement date	1,148,214
Pension-related deferrals	3,522,157
OPEB-related deferrals	<u>598,485</u>
Total Deferred Outflows of Resources	<u>6,640,959</u>
<b>LIABILITIES</b>	
Current Liabilities:	
Accounts payable - trade	334,195
Other payables	1,085,998
Due to other governmental agencies	2,408,450
Current portion of compensated absences	1,805,090
Current portion of capital lease obligation	426
Total Current Liabilities	<u>5,634,159</u>
Long-Term Liabilities:	
Unearned revenue	770,116
Compensated absences	263,412
Total OPEB liability	63,786,933
Capital lease obligation	20,236
Net pension liability	<u>6,209,133</u>
<b>Total Liabilities</b>	<u>76,683,989</u>
Deferred Inflows of Resources:	
OPEB-related deferrals	7,481,588
Pension-related deferrals	<u>41,021</u>
Total Deferred Inflows of Resources	<u>7,522,609</u>
<b>NET POSITION</b>	
Net investment in capital assets	94,381,454
Restricted for:	
Grants	260,794
Programming	682,155
Stabilization by state statute	2,905,563
Facility enhancements	1,188,768
Endowment funds held by the Foundation	10,817,568
Unrestricted (deficit)	<u>(70,187,494)</u>
<b>Total Net Position</b>	<u>\$ 40,048,808</u>

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

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

YEAR ENDED JUNE 30, 2019

Functions/Programs	Expenses	Program Revenues		Governmental Activities
		Charges for Services	Operating Grants and Contributions	
<b>Primary Government:</b>				
Governmental Activities:				
General public services	\$ 46,900,484	\$ 2,141,835	\$ 1,032,096	\$ (43,726,553)
Program/Outreach services	418,251	-	-	(418,251)
Printing and copying services	625,989	277,615	-	(348,374)
Interest on long-term debt	1,140	-	-	(1,140)
Total Governmental Activities	<u>\$ 47,945,864</u>	<u>\$ 2,419,450</u>	<u>\$ 1,032,096</u>	<u>(44,494,318)</u>
General Revenues:				
				48,700,385
Mecklenburg County appropriation				2,500
City of Charlotte appropriation				3,716,560
Contributions				393,027
Investment earnings				664,558
ABC Board				742,268
Other income				
Total General Revenues				<u>54,219,298</u>
Change in net position				9,724,980
Net position, beginning of year				<u>30,323,828</u>
Net position, end of year				<u>\$ 40,048,808</u>

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

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

JUNE 30, 2019

	<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>ASSETS</b>					
Cash and cash equivalents	\$ 9,156,403	\$ 1,974,221	\$ 289,779	\$ -	\$ 11,420,403
Refundable sales tax	342,005	43,102	-	-	385,107
Other receivables	210,660	100,100	-	-	310,760
Due from other governmental agencies	382,219	39,598	-	-	421,817
Prepays	146,455	-	-	-	146,455
Long-term investments	-	-	10,527,789	-	10,527,789
<b>Total Assets</b>	<b>\$ 10,237,742</b>	<b>\$ 2,157,021</b>	<b>\$ 10,817,568</b>	<b>\$ -</b>	<b>\$ 23,212,331</b>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
Accounts payable - trade	\$ 332,532	\$ 1,663	\$ -	\$ -	\$ 334,195
Other payables	1,079,472	6,526	-	-	1,085,998
Due to other governmental agency	2,408,450	-	-	-	2,408,450
<b>Total Liabilities</b>	<b>3,820,454</b>	<b>8,189</b>	<b>-</b>	<b>-</b>	<b>3,828,643</b>
Fund Balances:					
Non-spendable fund balance:					
Prepaid expenses	146,455	-	-	-	146,455
Endowments held by the Foundation	-	-	3,674,633	-	3,674,633
Restricted Fund Balance:					
Grants	-	260,794	-	-	260,794
Contributions held by the Foundation	-	-	7,142,935	-	7,142,935
Stabilization by State Statute	2,613,838	291,725	-	-	2,905,563
Facility enhancements	-	1,188,768	-	-	1,188,768
Programming	-	682,155	-	-	682,155
Unassigned fund balance (deficit)	3,656,995	(274,610)	-	-	3,382,385
<b>Total Fund Balances</b>	<b>6,417,288</b>	<b>2,148,832</b>	<b>10,817,568</b>	<b>-</b>	<b>19,383,688</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 10,237,742</b>	<b>\$ 2,157,021</b>	<b>\$ 10,817,568</b>	<b>\$ -</b>	<b>\$ 23,212,331</b>

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

**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, 2019*

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

Ending fund balance - governmental funds	\$ 19,383,688
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	
Cost of capital assets	151,339,634
Accumulated depreciation	(55,313,994)
Accumulated amortization	(1,623,524)
Contributions to the pension plan in the current fiscal year are deferred outflows of resources on the statement of net position.	
	1,372,103
Contributions to OPEB plan in the current fiscal year are deferred outflows of resources on the statement of net position.	
	1,148,214
Other pension related deferrals in the current fiscal year are deferred outflows of resources on the statement of net position.	
	3,481,136
Other OPEB related deferrals in the current fiscal year are deferred outflows of resources on the statement of net position.	
	(6,883,103)
Long-term liabilities that are not due and payable in the current period and, therefore, are not reported in the funds.	
Compensated absences	(2,068,502)
Capital lease obligations	(20,662)
Total OPEB liability	(63,786,933)
Net pension liability	(6,209,133)
Unearned revenue	(770,116)
Net position of governmental activities	<u>\$ 40,048,808</u>



**PUBLIC LIBRARY OF CHARLOTTE & MECKLENBURG COUNTY**  
**(A Component Unit of Mecklenburg County, NC)**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**

YEAR ENDED JUNE 30, 2019

	General Fund	Special Revenue Fund	Library Foundation Fund	Capital Projects Fund	Total Governmental Funds
<b>Revenues</b>					
Intergovernmental:					
Mecklenburg County Operations	\$ 34,209,885	\$ -	\$ -	\$ -	\$ 34,209,885
Amounts paid on behalf by					
Mecklenburg County	3,129,874	-	-	11,360,626	14,490,500
ABC Board	664,558	-	-	-	664,558
City of Charlotte	2,500	-	-	-	2,500
North Carolina	-	627,110	-	-	627,110
Federal	-	152,293	-	-	152,293
Total Intergovernmental Revenues	38,006,817	779,403	-	11,360,626	50,146,846
Fines	599,133	-	-	-	599,133
Fees	545,317	-	-	-	545,317
E-rate reimbursement	152,393	-	-	-	152,393
Contributions	-	13,949	3,702,611	-	3,716,560
Local grants	-	100,300	-	-	100,300
Net investment income	-	-	393,027	-	393,027
Other income	710,510	-	-	-	710,510
Total Revenues	40,014,170	893,652	4,095,638	11,360,626	56,364,086
<b>Expenditures</b>					
Current:					
Salaries and benefits	27,005,359	66,154	-	-	27,071,513
Library collection	5,054,077	652,467	-	-	5,706,544
Facility related	5,060,031	101,971	-	-	5,162,002
Programming	225,885	192,366	-	-	418,251
Technology and equipment	1,332,236	20,000	-	-	1,352,236
Professional services	849,604	132,660	-	-	982,264
Personnel related	826,378	21,042	-	-	847,420
Miscellaneous	955,188	92,396	115,029	-	1,162,613
Capital outlay:					
Other	292,919	3,430	-	11,360,626	11,656,975
Debt services:					
Principal	361	-	-	-	361
Interest	1,140	-	-	-	1,140
Total Expenditures	41,603,178	1,282,486	115,029	11,360,626	54,361,319
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>(1,589,008)</b>	<b>(388,834)</b>	<b>3,980,609</b>	<b>-</b>	<b>2,002,767</b>
<b>Other Financing Sources (Uses)</b>					
Interfund transfer in	792,000	255,890	-	-	1,047,890
Interfund transfer out	-	-	(1,047,890)	-	(1,047,890)
Total Other Financing Sources (Uses)	792,000	255,890	(1,047,890)	-	-
<b>Net change in fund balances</b>	<b>(797,008)</b>	<b>(132,944)</b>	<b>2,932,719</b>	<b>-</b>	<b>2,002,767</b>
<b>Fund balance, beginning of year</b>	<b>7,214,296</b>	<b>2,281,776</b>	<b>7,884,849</b>	<b>-</b>	<b>17,380,921</b>
<b>Fund balance, end of year</b>	<b>\$ 6,417,288</b>	<b>\$ 2,148,832</b>	<b>\$ 10,817,568</b>	<b>\$ -</b>	<b>\$ 19,383,688</b>

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

# 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, 2019

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

Net change in fund balances - total governmental funds	\$ 2,002,767
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful life.</p>	
Expenditures for capital assets	14,621,229
Loss on disposals	(212,761)
Less current year depreciation	(5,203,871)
Less current year amortization	(579,191)
<p>Contributions to the pension plan in the current fiscal year are not included in the statement of activities.</p>	
	1,372,103
<p>The issuance of long-term debt provides current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of the principal of long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.</p>	
Principal payments on capital lease obligations	361
OPEB payments	1,148,214
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.</p>	
Compensated absences in excess of benefits used over current provision	38,461
OPEB expense	(1,596,255)
Pension expense	(1,897,835)
Contributed lease expense	(1,275,000)
<p>Some revenues reported in the statement of activities do not provide current financial resources and, therefore, are not reported as revenues in the governmental fund.</p>	
Deferred revenue amortized	31,758
Contributed lease revenue	1,275,000
Change in net position of governmental activities	<u>\$ 9,724,980</u>

**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 – GENERAL FUND**

YEAR ENDED JUNE 30, 2019

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>Revenues</b>				
Intergovernmental Revenues:				
Mecklenburg County Operations	\$ 36,105,228	\$ 40,607,374	\$ 34,209,885	\$ (6,397,489)
Amounts paid on behalf by				
Mecklenburg County	-	-	3,129,874	3,129,874
ABC Board	587,674	614,558	664,558	50,000
City of Charlotte	2,500	2,500	2,500	-
Total Intergovernmental Revenues	<u>36,695,402</u>	<u>41,224,432</u>	<u>38,006,817</u>	<u>(3,217,615)</u>
Fines	700,000	700,000	599,133	(100,867)
Fees	547,200	547,200	545,317	(1,883)
E-rate reimbursement	150,000	150,000	152,393	2,393
Other	231,500	459,794	710,510	250,716
Total Revenues	<u>38,324,102</u>	<u>43,081,426</u>	<u>40,014,170</u>	<u>(3,067,256)</u>
<b>Expenditures</b>				
Current:				
Salaries and benefits	27,765,577	28,223,886	27,005,359	1,218,527
Library collection	5,380,112	5,497,200	5,054,077	443,123
Facility related	2,596,022	5,796,022	5,060,031	735,991
Programming	225,732	243,716	225,885	17,831
Technology and equipment	1,247,470	1,590,992	1,332,236	258,756
Professional services	414,535	1,622,342	849,604	772,738
Personnel related	243,200	1,046,685	826,378	220,307
Miscellaneous	1,046,830	1,086,032	955,188	130,844
Capital outlay:				
Other	261,899	382,161	292,919	89,242
Debt services:				
Principal	361	361	361	-
Interest	1,140	1,140	1,140	-
Total Expenditures	<u>39,182,878</u>	<u>45,490,537</u>	<u>41,603,178</u>	<u>3,887,359</u>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<u>(858,776)</u>	<u>(2,409,111)</u>	<u>(1,589,008)</u>	<u>820,103</u>
<b>Other Financing Sources (Uses)</b>				
Interfund transfer in	800,000	825,000	792,000	(33,000)
Interfund transfer out	-	-	-	-
Fund balance appropriated	58,776	1,584,111	-	(1,584,111)
Total Other Financing Sources	<u>858,776</u>	<u>2,409,111</u>	<u>792,000</u>	<u>(1,617,111)</u>
<b>Net change in fund balances</b>	<u>\$ -</u>	<u>\$ -</u>	<u>(797,008)</u>	<u>\$ (797,008)</u>
<b>Fund balance, beginning of year</b>			<u>7,214,296</u>	
<b>Fund balance, end of year</b>			<u>\$ 6,417,288</u>	

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

**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, 2019

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>Revenues</b>				
Intergovernmental Revenues:				
North Carolina	\$ 606,135	\$ 627,110	\$ 627,110	\$ 606,135
Federal	150,000	153,000	152,293	149,293
Total Intergovernmental Revenues	756,135	780,110	779,403	(707)
Local grants	-	100,500	100,300	(200)
Contributions	87,760	87,760	13,949	(73,811)
Total Revenues	843,895	968,370	893,652	(74,718)
<b>Expenditures</b>				
Current:				
Salaries and benefits	130,958	151,566	66,154	85,412
Library collection	613,193	659,168	652,467	6,701
Facility related	110,000	210,000	101,971	108,029
Programming	397,736	418,410	192,366	226,044
Technology and equipment	-	20,000	20,000	-
Professional services	132,660	132,660	132,660	-
Personnel related	21,120	24,120	21,042	3,078
Miscellaneous	220,924	273,170	92,396	180,774
Capital outlay	9,587	15,289	3,430	11,859
Total Expenditures	1,636,178	1,904,383	1,282,486	621,897
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<u>(792,283)</u>	<u>(936,013)</u>	<u>(388,834)</u>	<u>547,179</u>
<b>Other Financing Sources (Uses)</b>				
Interfund transfer in	144,870	171,531	255,890	84,359
Fund balance appropriated	647,413	764,482	-	(764,482)
Total Other Financing Sources Uses	792,283	936,013	255,890	(680,123)
<b>Net change in fund balances</b>	<u>\$ -</u>	<u>\$ -</u>	<u>(132,944)</u>	<u>\$ (132,944)</u>
<b>Fund balance, beginning of year</b>			2,281,776	
<b>Fund balance, end of year</b>			<u>\$ 2,148,832</u>	

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

JUNE 30, 2019

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**Note 1—Summary of significant accounting policies**

*Reporting Entity* – The Public Library of Charlotte & Mecklenburg County (the “Library”) is a public library formed in 1902 by charter granted by the State of North Carolina. The Library is a component unit of Mecklenburg County and is included in Mecklenburg County’s basic financial statements. Mecklenburg County provides approximately 88 percent of the Library’s general funding and appoints a majority of the 11-member Library Board of Trustees. As required under generally accepted accounting principles, 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”) Statement No. 61 that it has a financial benefit or burden to the Library and Library personnel below the level of elected official have operational responsibility for its operations.

*Government-Wide and Fund Financial Statements* – The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all 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, 2019

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

The Library reports the following major governmental funds:

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

The *Special Revenue Funds* account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes. Generally, proceeds from federal and State grants as well as contributions to 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 ended June 30, 2019, project budgets totaled \$11,360,626. The Foundation is a non-profit as defined under Internal Revenue Code 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 \$10,527,789 as of June 30, 2019, 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, 2019, \$6,705,662 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, 2019, the net appreciation on investments of donor-restricted endowments was \$393,027. 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.

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

JUNE 30, 2019

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

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

*Capital Assets* – Capital assets, 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 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

*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 thirty-two 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.

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

*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 two items that meet the criterion for this category – pension-related deferrals and OPEB-related deferrals.

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

JUNE 30, 2019

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

*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, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

*Restricted* – Consists of net assets 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* – Net position that does 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.

*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.



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

JUNE 30, 2019

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

*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	\$ 6,417,288
Less prepaid expenses	(146,455)
Less stabilization by state statute	<u>(2,613,838)</u>
Remaining Fund Balance	<u>\$ 3,656,995</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>
\$ 1,678,955	\$ 108,926

*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.

*Risk Management* – The Library is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Library acquires its risk management services through the City of Charlotte's Risk Management Division. The Library has commercial general liability insurance of \$1 million per occurrence, worker's compensation employers' liability coverage of \$500,000, and public officers' coverage of \$1 million per loss. There have been no significant reductions in insurance coverage from coverage levels in the prior year and settled claims have not exceeded coverage in any of the past three fiscal years. As of June 30, 2019, 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.

**PUBLIC LIBRARY OF CHARLOTTE & MECKLENBURG COUNTY**  
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**Note 1—Summary of significant accounting policies (continued)**

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

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

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

*Transfers* – Transfers are used to move money between the funds, as needed to meet operating needs. Transfers totaled approximately \$1.1 million in fiscal year 2019.

*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.

**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.

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

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.

At June 30, 2019, the Library’s deposits had a carrying amount of \$11,120,338 and a bank balance of \$11,869,596. The Federal Deposit Insurance Corporation (FDIC) covers \$250,000 for substantially all depository accounts and for certain qualifying and participating non-interest-bearing transaction accounts. Of the bank balance, \$250,000 was covered by federal depository insurance and \$11,619,596 was covered by collateral held under the pooling method. At June 30, 2019, the Library’s petty cash fund totaled \$10,286. The Library has no policy for managing interest rate risk or credit risk.

**Note 3—Investments**

At June 30, 2019, the Foundation’s investment balances were as follows:

Investment Type	Investment Measurement Method	Fair Value	Less than 5 Years			
			Less than 1 Year	Less than 5 Years	2-5 Years	3-7 Years+
Foundation for the Carolinas Liquid Reserve Pool	Fair Value - Level 3	\$ 289,779	\$ 289,779	\$ -	\$ -	\$ -
Foundation for the Carolinas Income and Growth Pool	Fair Value - Level 3	562,231	-	-	562,231	-
Foundation for the Carolinas Low Duration Fixed Income Pool	Fair Value - Level 3	2,439,263	-	2,439,263	-	-
Foundation for the Carolinas Active Long-Term Growth Pool	Fair Value - Level 3	820,633	-	-	-	820,633
Foundation for the Carolinas Diversified Long-Term Growth Pool	Fair Value - Level 3	6,705,662	-	-	-	6,705,662
		<u>\$ 10,817,568</u>	<u>\$ 289,779</u>	<u>\$ 2,439,263</u>	<u>\$ 562,231</u>	<u>\$ 7,526,295</u>

Foundation funds are invested in Foundation for the Carolina’s Pooled Investment Funds. At June 30, 2019, \$289,779 of the amount listed on the previous page is included in cash and cash equivalents. The following describes the Pooled Investment Funds listed on the previous page:

*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.

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**Note 3—Investments (continued)**

*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.

*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, 2019 was as follows:

	Beginning Balance June 30, 2018	Additions	Disposals Retirements and Reclassifications	Ending Balance June 30, 2019
<b>Governmental Activities:</b>				
Non-depreciable assets:				
Land	\$ 13,523,473	\$ -	\$ -	\$ 13,523,473
Construction in progress	1,908,998	10,638,489	(824,520)	11,722,967
	<u>15,432,471</u>	<u>10,638,489</u>	<u>(824,520)</u>	<u>25,246,440</u>
Depreciable assets:				
Building and building improvements	101,456,142	157,867	(250,254)	101,363,755
Books	14,003,163	2,604,626	(3,702,259)	12,905,530
Furniture and equipment	7,540,332	980,060	(300,661)	8,219,731
Totals at historical cost	<u>138,432,108</u>	<u>14,381,042</u>	<u>(5,077,694)</u>	<u>147,735,456</u>
Intangible assets:				
Digital books	1,963,626	1,064,707	-	3,028,333
Website and other projects	575,845	-	-	575,845
Total intangible assets	<u>2,539,471</u>	<u>1,064,707</u>	<u>-</u>	<u>3,604,178</u>
Less accumulated amortization:				
Digital books	(798,652)	(464,020)	-	(1,262,672)
Website and other projects	(245,681)	(115,171)	-	(360,852)
Less accumulated depreciation:				
Building and building improvements	(38,782,499)	(2,532,900)	-	(41,315,399)
Books	(9,633,909)	(2,058,545)	3,702,259	(7,990,195)
Furniture and equipment	(5,734,128)	(612,426)	338,154	(6,008,400)
Total accumulated amortization and depreciation	<u>(55,194,869)</u>	<u>(5,783,062)</u>	<u>4,040,413</u>	<u>(56,937,518)</u>
Capital assets, net	<u>\$ 85,776,710</u>	<u>\$ 9,662,687</u>	<u>\$ (1,037,281)</u>	<u>\$ 94,402,116</u>

Included in buildings and furniture and equipment are assets under capital lease that had a cost basis and accumulated depreciation of \$3,068,972 and \$1,493,179, respectively, at June 30, 2019. All depreciation expense was charged to public services on the statement of activities. Additions to capital assets include approximately \$666,653 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, 2019 was as follows:

	<b>Restated Beginning Balance June 30, 2018</b>	<b>Additions</b>	<b>Retirements</b>	<b>Ending Balance June 30, 2019</b>	<b>Due Within One Year</b>
Compensated absences	\$ 2,106,963	\$ 1,810,070	\$ 1,848,531	\$ 2,068,502	\$ 1,805,090
Capital lease obligations	21,023	-	361	20,662	426
Unearned revenue	801,874	-	31,758	770,116	-
Net pension liability	4,084,215	2,124,918	-	6,209,133	-
Total OPEB liability	62,913,816	873,117	-	63,786,933	-
	<u>\$ 69,927,891</u>	<u>\$ 4,808,105</u>	<u>\$ 1,880,650</u>	<u>\$ 72,855,346</u>	<u>\$ 1,805,516</u>

**Note 6—Leases**

The Library leases certain facilities under lease agreements having initial terms of three to 50 years. The Library lease agreements include scheduled rent increases which management believes are intended to cover economic factors related to the underlying property, such as property value appreciation and inflation.

Two of the branch facility leases have been classified as capital leases. Monthly lease payments of \$1,500 are required on the first capital lease until September 2045. Beginning July 2018, the second capital lease has an annual lease payment of \$1 through July 2051.

Total rent expenses for all leases amounted to approximately \$1,180,379 during the 2019 fiscal year. The following is a summary of the future minimum lease payments under the capital leases together with the present value of net minimum lease payments and approximate future minimum rental commitments under noncancellable operating leases with initial or remaining terms of one year or more as of June 30, 2019:

<u><b>Fiscal Years Ending June 30,</b></u>	<u><b>Capital</b></u>	<u><b>Operating</b></u>
2020	\$ 1,501	\$ 671,956
2021	1,501	430,573
2022	1,501	437,855
2023	1,501	363,263
2024	1,501	284,941
2025 - 2029	7,505	3,364,836
2030 - 2034	7,505	-
2035 - 2039	7,505	-
2040 - 2044	7,505	-
2045 - 2049	1,880	-
2045 - 2049	2	-
Total minimum payments	39,407	\$ 5,553,424
Less amount representing interest	(18,745)	
Present value of net minimum capital lease payments	<u>\$ 20,662</u>	

Total interest costs for the year ended June 30, 2019 were \$1,141 relating to the capital lease obligations.

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**Note 7—Lease revenue**

The Library has an informal leasing arrangement with the City of Charlotte (the “City”) that relates to a joint venture project. The joint venture project was the construction of a building that incorporates a police station with a library branch. The Library and City agreed to share the cost of the construction, with the Library’s portion being funded by Mecklenburg County. The City has paid the Library approximately \$1.30 million related to the arrangement. The payments from the City were recorded by the Library as unearned revenue. The Library is amortizing the prepayment on a straight-line basis over the life of the building, which is estimated at 40 years. Rental income recognized in 2018 was \$31,758. Rental income is to be recognized as follows:

**Fiscal Years Ending June 30,**

2020	\$	31,758
2021		31,758
2022		31,758
2023		31,758
2024		31,758
2025 - 2029		158,790
2030 - 2034		158,790
2035 - 2039		158,790
2040 -2044		134,956
	<u>\$</u>	<u>770,116</u>

**Note 8—Retirement plan**

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

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**Note 8—Retirement plan (continued)**

*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 post-retirement benefit increases. Increases are contingent upon actuarial gains of the plan.

*Contributions* – Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. 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, 2019 was 7.80% 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 \$1,372,103 for the year ended June 30, 2019.

*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, 2019, the Library reported a liability of \$6,209,133 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2017. The total pension liability was then rolled forward to the measurement date of June 30, 2018 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, 2018, the Library's proportion was .262%, which was a decrease of .005% from its proportion measured as of June 30, 2017.



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**Note 8—Retirement plan (continued)**

For the year ended June 30, 2019, the Library recognized pension expense of \$1,897,827. At June 30, 2019, 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	\$ 957,921	\$ 32,143
Changes of assumptions	1,647,664	-
Net difference between projected and actual earning on pension plan investments	852,329	-
Changes in proportion and differences between Library contributions and proportionate share of contributions	64,243	8,878
Library contributions subsequent to measurement date	1,372,103	-
Total	<u>\$ 4,894,260</u>	<u>\$ 41,021</u>

The \$1,372,103 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, 2020. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

**Years ending June 30,**

2020	\$ 1,699,430
2021	1,087,158
2022	201,901
2023	492,647
	<u>\$ 3,481,136</u>

*Actuarial Assumptions* – The total pension liability in the December 31, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.00%
Salary increases	3.50% - 8.10%, including inflation and productivity factor
Investment rate of return	7.00%, 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.

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**Note 8—Retirement plan (continued)**

The actuarial assumptions used in the December 31, 2017 valuation were based on the results of an actuarial experience study prepared as of December 31, 2014.

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. As of June 30, 2017, the target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
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%
Total	100.00%	

The information above is based on 30-year expectations developed with the consulting actuary for the 2017 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 3.00%. All rates of return and inflation are annualized.

*Discount Rate* – The discount rate used to measure the total pension liability was 7.00%. 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.

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

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**Note 8—Retirement plan (continued)**

*Sensitivity of the Library’s Proportionate Share of the Net Pension Asset 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 7.00%, 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 (6.00%) or 1 percentage-point higher (8.00%) than the current rate:

	<u>1% Decrease (6.00%)</u>	<u>Discount Rate (7.00%)</u>	<u>1% Increase (8.00%)</u>
Library’s proportionate share of the net pension liability (asset)	<u>\$ 14,914,870</u>	<u>\$ 6,209,133</u>	<u>\$ (1,065,521)</u>

**Note 9—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 Internal Revenue Code (the “IRC”) code. Eligible participants may contribute up to the maximum allowable under law as a percent of base salary. For the year ended June 30, 2019, the Library matched 100% of employee contributions up to 5% of compensation. Total expense relating to this plan was \$554,199 for the year ended June 30, 2019.

**Note 10—Deferred compensation plan**

The Library offers its employees a deferred compensation plan created in accordance with IRC Section 457. The plan, available to all permanent employees who contribute to the plan, permits employees to defer a portion of their salary until future years. The compensation so deferred is not available to employees until termination, retirement, death, unforeseen emergency, or until the employee attains age 55. The compensation amount contributed by the Library was \$24,500.

**Note 11—Other postemployment benefits (“OPEB”)**

Healthcare Benefits

*Plan Description* – As a component unit of Mecklenburg County, the Library’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 Library, provided they participate in the LGERS and have at least 20 years of creditable service with the Library. After 10 years of service but prior to 20 years, the Library pays 50% of the cost. The Library’s retirees can purchase coverage for their dependents at the Library’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 Statement No. 75. There are no authoritative requirements to pay OPEB as benefits come due.

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**Note 11—Other postemployment benefits (“OPEB”) (continued)**

Health care participants was based on personnel information from Mecklenburg County, North Carolina Library records as of January 1, 2018:

Active Participants	196
Retirees and dependents	184
Total Participants	<u>380</u>

**Total OPEB Liability**

The Library’s total OPEB liability of \$63,786,933 was measured as of June 30, 2018 and was determined by an actuarial valuation as of January 1, 2018.

*Actuarial Assumptions and Other Inputs* – The total OPEB liability in the July 1, 2018 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 increase	3.50% – 7.75%
Healthcare cost trend rates	Pre-65 – 8.20%
	Post-65 – 9.80%
	Decreasing each year to a rate of 4.90% Pre-65 and 4.88% Post-65 in 2055

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, 2018	\$ 62,913,816
Changes Recognized for the Fiscal Year:	
Service cost	1,678,648
Interest on the total OPEB liability	2,298,451
Difference between expected and actual experience	689,336
Changes of assumptions	(3,006,549)
Contributions from Employer	(786,769)
Total OPEB Liability	<u>\$ 63,786,933</u>

Changes in assumptions and other inputs reflect a change in the discount rate from 3.58% to 3.87%.

Mortality rates were based on the PUB-2010 amounts-weighted Teachers Mortality Tables projected generationally with Scale MP2018.

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

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

JUNE 30, 2019

**Note 11—Other postemployment benefits (“OPEB”) (continued)**

*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 (2.87%) or 1-percentage point higher (4.87%) than the current discount rate:

	<u>1% Decrease (2.87%)</u>	<u>Interest Rate Discount Rate (3.87%)</u>	<u>1% Increase (4.87%)</u>
Total OPEB Liability	\$ 77,902,463	\$ 63,786,933	\$ 52,954,635

*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:

	<u>1% Decrease</u>	<u>Healthcare Cost Trend Rate</u>	<u>1% Increase</u>
Total OPEB Liability	\$ 51,828,635	\$ 63,786,933	\$ 79,601,485

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

For the year ended June 30, 2019, the Library recognized OPEB expense of \$1,596,255. At June 30, 2019, the Library reported deferred outflows and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 598,485	\$ -
Changes in Assumptions	-	7,481,588
Library contributions subsequent to measurement date	1,148,214	-
	<u>\$ 1,746,699</u>	<u>\$ 7,481,588</u>

The \$1,148,214 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, 2020. 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,**

2020	\$ (2,659,106)
2021	(2,659,106)
2022	(1,359,034)
2023	(205,857)
Total	<u>\$ (6,883,103)</u>

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

*JUNE 30, 2019*

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**Note 12—Major supplier**

For the year ended June 30, 2019, approximately 30.3% of all books and related items were purchased from one supplier.

**Note 13—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, 2019, the endowments, which amount to \$3,674,633, are presented in the Library's non-spendable fund balance as recorded through the Foundation.

**Note 14—Contributed rent revenue**

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

Estimating the fair value of the lease at \$25 per square foot, based on a furnished and equipped special purpose facility, and using a 5% discount rate, a net present value was calculated in the amount of \$19,087,608 at the inception of the agreement. Based on this calculation, the total annual value of the lease agreement is estimated at \$1,275,000. For the year ended June 30, 2019, the estimated lease value is \$1,275,000.

The Library recorded contributed rent revenue and corresponding contributed rent expense in the amount of \$1,275,000 for the year ended June 30, 2019.

**Note 15—Related party transaction**

As of June 30, 2019, the Library owes \$2,408,450 to Mecklenburg County.

**Note 16—Subsequent events**

The Library has evaluated subsequent events through October 17, 2019, 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**

**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**

YEAR ENDED JUNE 30, 2019

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	<u>2019</u>	<u>2018</u>
<b>Total OPEB Liability</b>		
Service cost	\$ 1,678,648	\$ 2,049,008
Interest	2,298,451	2,017,454
Differences between expected and actual experience	689,336	121,547
Changes of assumptions	(3,006,549)	(9,477,810)
Benefit payments	<u>(786,769)</u>	<u>(1,063,005)</u>
Net change in total OPEB liability	873,117	(6,352,806)
Total OPEB liability, beginning of year	<u>62,913,816</u>	<u>69,266,622</u>
Total OPEB liability, end of year	<u><u>\$ 63,786,933</u></u>	<u><u>\$ 62,913,816</u></u>
Covered Payroll	\$ 17,405,973	\$ 17,737,012
Total OPEB Liability as a Percentage of Covered Payroll	366.47%	354.70%

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**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 No. 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%

\* This schedule 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**

*JUNE 30, 2019*

**Last Five Fiscal Years \***  
**Local Government Employees' Retirement System**

	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
Library's proportion of the net pension liability (asset) (%)	0.26173%	0.26734%	0.26457%	0.26692%	0.24970%	0.27190%
Library's proportion of the net pension liability (asset) (\$)	\$ 6,209,133	\$ 4,084,215	\$ 5,615,062	\$ 1,197,926	\$ (1,472,596)	\$ 2,577,111
Library's covered payroll	\$ 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	32.83%	23.81%	32.27%	7.35%	( 9.70%)	19.43%
Plan fiduciary net position as a percentage of the total pension liability**	91.63%	94.18%	91.47%	98.09%	102.64%	95.35%

\* 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.

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

*JUNE 30, 2019*

**Last Five Fiscal Years**  
**Local Government Employees' Retirement System**

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 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	<u>(1,372,103)</u>	<u>(1,337,155)</u>	<u>(1,029,303)</u>	<u>(1,177,606)</u>	<u>(1,151,433)</u>	<u>(1,074,340)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Public Library's covered-employee payroll	\$ 18,163,070	\$ 18,912,433	\$ 17,155,056	\$ 17,397,652	\$ 16,291,567	\$ 16,291,567
Contributions as a percentage of covered-employee payroll	7.55%	7.07%	6.00%	6.77%	7.07%	7.07%

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

## **ACCOMPANYING INFORMATION**

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

YEAR ENDED JUNE 30, 2019

	<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>Salaries and Benefits:</b>					
Salaries, full-time employees	\$ 18,550,538	\$ 53,857	\$ -	\$ -	\$ 18,604,395
Salaries, other	57,826	12,297	-	-	70,123
Retirement benefits	8,396,995	-	-	-	8,396,995
<b>Total Salaries and Benefits</b>	<b>27,005,359</b>	<b>66,154</b>	<b>-</b>	<b>-</b>	<b>27,071,513</b>
<b>Library Collection:</b>					
Books and related items	5,054,077	652,467	-	-	5,706,544
<b>Facility Related:</b>					
Utilities	1,078,282	-	-	-	1,078,282
Telephone	154,443	-	-	-	154,443
Facility insurance	301,944	-	-	-	301,944
Building and grounds, maintenance, and repairs	2,520,408	101,971	-	-	2,622,379
Real estate rental	806,584	-	-	-	806,584
Data lines	198,370	-	-	-	198,370
<b>Total Facility Related</b>	<b>5,060,031</b>	<b>101,971</b>	<b>-</b>	<b>-</b>	<b>5,162,002</b>
<b>Programming:</b>					
Adult programs	54,984	-	-	-	54,984
Teen programs	50,278	186	-	-	50,464
Children programs	120,623	105,215	-	-	225,838
Other	-	86,965	-	-	86,965
<b>Total Programming</b>	<b>225,885</b>	<b>192,366</b>	<b>-</b>	<b>-</b>	<b>418,251</b>
<b>Technology and Equipment:</b>					
Technology and software	930,668	152,660	-	-	1,083,328
Miscellaneous expense	29,276	10,708	-	-	39,984
Copier expense	372,292	-	-	-	372,292
<b>Total Technology and Equipment</b>	<b>1,332,236</b>	<b>163,368</b>	<b>-</b>	<b>-</b>	<b>1,495,604</b>
<b>Professional Services:</b>					
Consulting services	808,960	-	-	-	808,960
Legal services	40,644	-	-	-	40,644
<b>Total Professional Services</b>	<b>849,604</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>849,604</b>
<b>Personnel Related:</b>					
Auto allowance	37,815	-	-	-	37,815
Security	623,498	-	-	-	623,498
Training and travel	66,699	3,770	-	-	70,469
Professional development	26,421	-	-	-	26,421
Recruitment	3,875	-	-	-	3,875
Volunteers	12,586	-	-	-	12,586
Interns	43,000	-	-	-	43,000
Employee recognition	12,484	17,272	-	-	29,756
<b>Total Personnel Related</b>	<b>826,378</b>	<b>21,042</b>	<b>-</b>	<b>-</b>	<b>847,420</b>

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

YEAR ENDED JUNE 30, 2019

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Library Foundation Fund</u>	<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>
Miscellaneous:					
Postage	\$ 9,757	\$ -	\$ -	\$ -	\$ 9,757
Agency grant distributions	-	-	-	-	-
Administration fees	-	-	-	-	-
Supplies	91,694	39,873	-	-	131,567
Gas	25,433	-	-	-	25,433
Printing	253,697	-	-	-	253,697
Foundation operations	427,854	-	-	-	427,854
Strategic expenses	-	-	-	-	-
Bank fees	51,214	-	-	-	51,214
Miscellaneous	95,539	41,815	115,029	-	252,383
Total Miscellaneous	<u>955,188</u>	<u>81,688</u>	<u>115,029</u>	<u>-</u>	<u>1,151,905</u>
Capital Outlay:					
Buildings, equipment, and furnishings	292,919	3,430	-	11,360,626	11,656,975
Debt Service:					
Principal payments on capital leases	361	-	-	-	361
Interest payments on capital leases	1,140	-	-	-	1,140
Total Debt Service	<u>1,501</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,501</u>
Total Expenditures	<u>\$ 41,603,178</u>	<u>\$ 1,282,486</u>	<u>\$ 115,029</u>	<u>\$ 11,360,626</u>	<u>\$ 54,361,319</u>

## **COMPLIANCE SECTION**

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of the Public Library of Charlotte and Mecklenburg County (the “Library”) as of and for the year ended June 30, 2019, and the related notes to financial statements, which collectively comprises the Library’s basic financial statements, and have issued our report thereon dated October 17, 2019.

**Internal Control over Financial Reporting**

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

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

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

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Library’s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion.

**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 Library's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Library's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Channing R. Burt LLP

Charlotte, North Carolina  
October 17, 2019



**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**

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

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

We have audited the Public Library of Charlotte and Mecklenburg County's (the "Library") compliance with the types of compliance requirements described in the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission that could have a direct and material effect on each of the Library's major state programs for the year ended June 30, 2019. 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.

**Management's Responsibility**

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

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of the Library's major state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and applicable sections of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance") as described in the *Audit Manual for Governmental Auditors in North Carolina*, and the State Single Audit Implementation Act. Those standards, the Uniform Guidance, and the State Single Audit Implementation Act, require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred. An audit includes examining, on a test basis, evidence about the Library's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances.

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

**Opinion on Each Major Program**

In our opinion, the Library complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state program for the year ended June 30, 2019.

## Report on Internal Control over Compliance

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

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

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

## Purpose of this Report

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 and the State Single Audit Implementation Act. Accordingly, this report is not suitable for any other purpose.

Channing Roubert LLP

Charlotte, North Carolina  
October 17, 2019

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

YEAR ENDED JUNE 30, 2019

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

**Financial Statements**

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

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

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

**State Awards**

Internal control over State major programs:

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

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

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

Identification of major State programs:

**Program Name**

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

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

*YEAR ENDED JUNE 30, 2019*

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**Section II. Financial Statement Findings**

None reported for the year ended June 30, 2019.

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

None reported for the year ended June 30, 2019.

**Section IV. Prior-Year Findings**

None

**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, 2019

<b>Grantor/Program Title</b>	<b>Federal CFDA Number</b>	<b>Expenditures</b>
<b>Institute of Museum and Library Services Federal grants passed through North Carolina and distributed to the Public Library of Charlotte and Mecklenburg County</b>		
North Carolina Department of Cultural Resources, Division of State Library:		
Library Services and Technology Act EZ Grant	45.310	\$ 150,000
Library Services and Technology Act Internet Librarian Scholarship Grant	45.310	2,293
<b>National Endowment for the Humanities passed through the American Library Association to the Public Library of Charlotte and Mecklenburg County</b>		
American Library Association:		
Truth Racial Healing and Transformation Great Stories Club	45.024	<u>186</u>
Total Federal Awards Expended		152,479
<b>State Grants distributed directly to the Public Library of Charlotte and Mecklenburg County</b>		
North Carolina Department of Cultural Resources, Division of State Library: Aid to Public Libraries (State Aid) Program		<u>627,110</u>
Total Federal and State Awards Expended		<u><u>\$ 779,589</u></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, 2019*

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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 US 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.