

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

**Basic Financial Statements
and
Accompanying Information**

Year Ended June 30, 2012

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

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Independent Auditors' Report

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

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Public Library of Charlotte and Mecklenburg County (the "Library"), a component unit of Mecklenburg County, North Carolina, as of and for the year ended June 30, 2012, which collectively comprise the Library's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Library's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

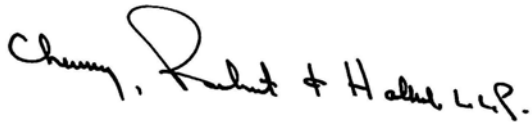
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the Library as of June 30, 2012, and the respective changes in financial position thereof and the respective budgetary comparison for the General Fund and annually budgeted Special Revenue Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 28, 2012 on our consideration of the Library's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

As discussed in the Notes to the Financial Statements, the Library adopted the provisions of Governmental Accounting Standards Board Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, as of and for the year ended June 30, 2012. This statement results in the Library reporting deferred inflows of resources, deferred outflows of resources and changes the presentation of the government wide financial statements.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Library's financial statements as a whole. The accompanying information, as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

A handwritten signature in black ink that reads "Cherry, Ruland & Hahn LLP." The signature is written in a cursive, flowing style.

Charlotte, North Carolina
September 28, 2012

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

Management's Discussion and Analysis

Introduction

As management of the Public Library of Charlotte and Mecklenburg County (the "Library"), we offer readers of the Public Library of Charlotte and Mecklenburg County's financial statements this narrative overview and analysis of the financial activities of the Public Library of Charlotte and Mecklenburg County for the fiscal year ended June 30, 2012. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the Library's financial statements, which follow this narrative.

Financial Highlights

- The Library's assets exceed its liabilities at the close of the fiscal year by \$78,915,482 (net position).
- The Library chose to implement GASB Statement 63 early. This changes the statement of net assets to a statement of net position and reflects deferred inflows and outflows.
- At the close of the current fiscal year, the Library's portion of fund balance that had not been designated for future use was \$4,030,562.
- Operating Funds from our largest source (Mecklenburg County) was increased by 10% for fiscal year ended June 30, 2012. This was in addition to the \$2.3 million that Mecklenburg County paid directly on our behalf for maintenance and security services.
- With the completion of the Beatties Ford Road library, we have ended our involvement with capital facilities. These will now be handled directly by Mecklenburg County.

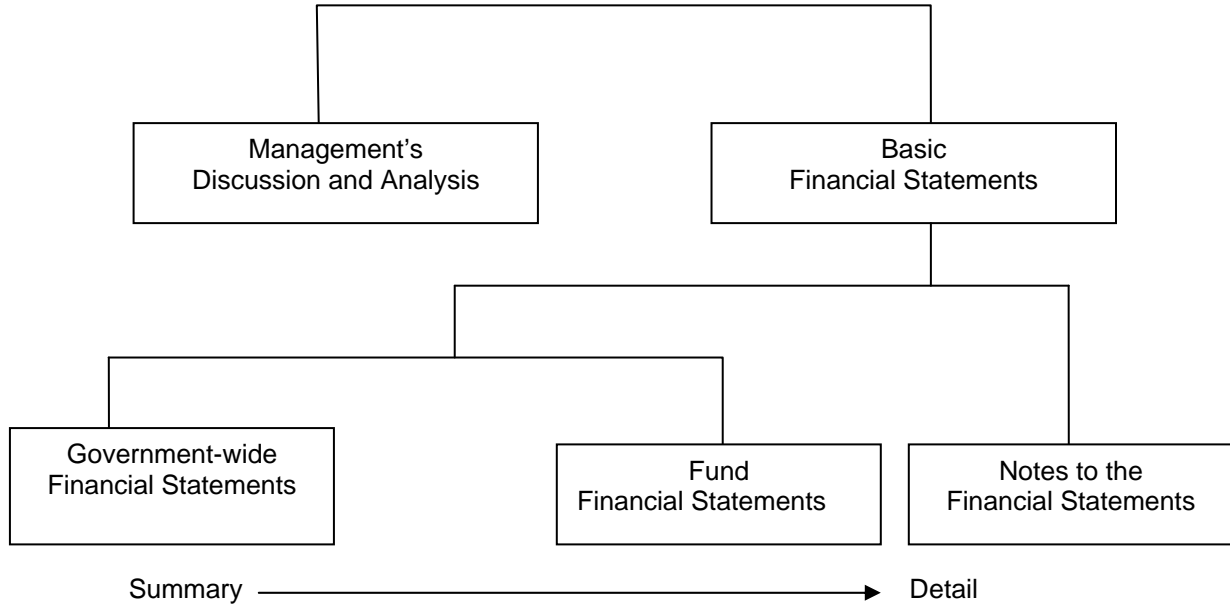
Overview of the Financial Statements

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

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

Management's Discussion and Analysis

Required Components of Annual Financial Report



Basic Financial Statements

The first two statements in the basic financial statements are the **Government-wide Financial Statements** (pages 10 and 11). They provide both short and long-term information about the Library's financial status.

The next statements are **Fund Financial Statements** (pages 12 - 17). These statements focus on the activities of the individual parts of the Library's activities. These statements provide more detail than the government-wide statements. There are two parts to the Fund Financial Statements: 1) the governmental funds statements; and 2) the budgetary comparison statements.

The next section of the basic financial statements is the **notes** (pages 18 - 30). The notes to the financial statements explain in detail some of the data contained in those statements. After the notes, **supplemental information** is provided to show details about the Library's governmental funds. Budgetary information required by the General Statutes also can be found in this part of the statements.

Following the notes is the required supplementary information. This section contains funding information about the Library's other post-employment benefits.

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

Management's Discussion and Analysis

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 component units. The governmental activities include most of the Library's basic services such as general public service and programming. Mecklenburg County's annual appropriation finances most of these activities.

The government-wide financial statements are the first two statements in the basic financial statements (pages 10 and 11).

Fund Financial Statements

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

Governmental Funds – Governmental funds are used to account for those functions reported as governmental activities in the government-wide financial statements. These funds focus on how assets can readily be converted into cash flow in and out, and what monies are left at year end that will be available for spending next year. Governmental funds are reported using an accounting method called modified accrual accounting. This method also has a current financial resources focus. As a result, the governmental fund financial statements give the reader a detailed short-term view that helps him or her determine if there are more or less financial resources available to finance the Library's programs. The relationship between governmental 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 Public Library of Charlotte and Mecklenburg County adopts an annual budget for its General Fund, as required by North Carolina General Statutes. The budget is a legally adopted document that incorporates input from the citizens of the County, the management of the Library, and the decisions of the Board about which services to provide and how to pay for them. It also authorizes the Library to obtain funds from identified sources to finance these current period activities.

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

Governmental Funds (continued) – The budgetary statement provided for the General Fund demonstrates how well the Library complied with the budget ordinance and whether or not the Library succeeded in providing the services as planned when the budget was adopted. The budgetary comparison statement uses the budgetary basis of accounting and is presented using the same format, language, and classifications as the legal budget document. The statement shows four columns: 1) the original budget as adopted by the board; 2) the final budget as amended by the board; 3) the actual resources, charges to appropriations, and ending balances in the General Fund; and 4) the difference or variance between the final budget and the actual resources and charges.

Notes to Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements start on page 18 of this report.

Government-Wide Financial Analysis

As noted earlier, the Library does not issue debt for land or construction of capital facilities. The assets and deferred outflows of the Public Library of Charlotte and Mecklenburg County exceeded liabilities plus deferred inflows by \$78,915,482 as of June 30, 2012. The Library's net position decreased by \$3,080,599 for the fiscal year ended June 30, 2012. The largest portion \$83,653,163 (106.0%) is the Library's net investment in capital assets (e.g. books, land, equipment, and buildings less any amounts remaining on the leases signed to acquire those items). The Library uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Public Library of Charlotte and Mecklenburg County's investment in its capital assets is reported net of the outstanding related debt, much of the debt is handled by Mecklenburg County. An additional portion of the Public Library of Charlotte and Mecklenburg County's net position \$3,972,736 (5.0%) represents resources that are subject to restrictions on how they may be used. The remaining balance of \$(8,710,417) (11.0%) is unrestricted.

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

	Governmental Activities June 30, 2012	Governmental Activities June 30, 2011
<u>Assets</u>		
Current assets	\$ 11,450,959	\$ 10,686,535
Capital assets, net of depreciation	84,564,878	86,745,051
Total assets	96,015,837	97,431,586
<u>Liabilities</u>		
Current and other liabilities	2,068,412	2,393,187
Long-term liabilities	15,010,943	13,042,318
Total liabilities	17,079,355	15,435,505
Deferred inflows of resources	21,000	-
<u>Net Position</u>		
Net investment in capital assets	83,653,163	85,672,102
Restricted	3,972,736	4,648,260
Unrestricted	(8,710,417)	(8,324,281)
Total net position	\$ 78,915,482	\$ 81,996,081

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

Management's Discussion and Analysis

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

	Governmental Activities <u>June 30, 2012</u>	Governmental Activities <u>June 30, 2011</u>
<u>Revenues</u>		
Program revenues:		
Charges for services	\$ 2,091,236	\$ 2,747,873
Operating grants and contributions	1,989,683	2,076,141
Capital grants and contributions	277,659	2,374,958
General revenues:		
Mecklenburg County	25,481,184	22,893,228
City of Charlotte	2,500	1,938,358
Investment earnings	37,376	59,083
ABC Board	305,393	290,850
Total revenues	<u>30,185,031</u>	<u>32,380,491</u>
<u>Program expenses</u>		
General public service	32,740,459	32,643,649
Program/outreach services	339,721	310,468
Copying services	124,600	109,604
Publications	-	17,007
Interest on long-term debt	60,850	5,854
Total expenses	<u>33,265,630</u>	<u>33,086,582</u>
Change in net position	(3,080,599)	(706,091)
Net position-beginning	81,996,081	82,702,172
Net position-ending	<u>\$ 78,915,482</u>	<u>\$ 81,996,081</u>

Net position decreased by \$3.08 million. This is due to an increase in liabilities of \$1.6 million, with \$2.4 being postemployment benefits liability offset by reductions of various other liabilities. We also had a drop in assets of \$1.4 million due to an increase of \$1.6 million in accumulated depreciation offset by increases of various other assets. This decrease is up from last year's \$(.7) million decrease. Revenues were down \$2.1 million due to a drop in capital contributions as our Beatties Ford Road branch was completed. The Library was able to cover 12.1% of operating expenditures through operating grants, contributions, and charges for services.

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

Management's Discussion and Analysis

Financial Analysis of the Library's Funds

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

Revenues from intergovernmental sources comprise 88.0% of total revenues received during the Library's fiscal year ending June 30, 2012 as compared to 90.2% for fiscal year ending June 30, 2011. Mecklenburg County, the City of Charlotte and the ABC Board comprise 86.4% of total revenues as of June 30, 2012 as compared to 88.9% for the fiscal year ending June 30, 2011 while the State of North Carolina and Federal Revenue Sources total 1.6% and 0.0%, respectively. Revenues generated through fines, fees, charges for services and grants used to cover services account for 4.5% of total revenue, up .5% from the prior year. Other sources of revenue include general contributions to the Library of .4% down .6% from last year and other sources of revenue were 7.1%, up .7% from the prior year.

Governmental funds expenditures were comprised of the following: Personnel, 66.6%, Library materials (books, videos, software for public use, etc.) 8.6%, General Operations 19.3%, Capital Projects 4.7% and Debt Services .8% as compared to 62.3%, 6.2%, 21.4%, 10.0%, and .1%, respectively, from the prior year.

General Fund Budgetary Highlights

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

During the course of fiscal years 2012 and 2011, the Library amended the general fund budget to reflect current circumstances. The Library Director is authorized to transfer budget amounts up to \$25,000 without formal approval from the Library's Board of Trustees; and budget transfers over \$25,000 require Board approval. The general fund, as the primary fund supporting the majority of activities of the Library is monitored by the Finance Director for any shortfalls of revenue or overspending of the budget. Purchase orders are pre-audited to ensure availability of funds for payment when goods or services are delivered.

Adjustments to increase original budgeted revenue for 2012 totaled \$1.7 million (\$2.7 million was on behalf of payments which were not budgeted) and adjustments to increase original budgeted revenue for 2011 totaled \$3.4 million. There were adjustments to increase budgeted expenditures of \$4.3 million (\$2.7 million for on behalf of not reflected in original budget) in 2012 and \$5.4 million in 2011. Mecklenburg County appropriated money for programming, approximately \$226K in 2012. These funds used to be appropriated from revenues received from other sources.

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

Management's Discussion and Analysis

Capital Assets and Long-Term Debt Activity

The Library's investment in capital assets net of accumulated depreciation for governmental activities as of June 30, 2012 and 2011 is \$84,564,878 and \$86,745,051, respectively. Capital assets include land, buildings and building improvements, books, furniture and fixtures and construction in progress.

All construction of capital facilities will be handled by Mecklenburg County in the future.

Capital Assets, Net of Depreciation

	<u>Governmental Activities June 30, 2012</u>	<u>Governmental Activities June 30, 2011</u>
Land	\$ 13,523,473	\$ 13,523,473
Buildings	63,294,905	64,724,137
Books	3,829,535	3,963,117
Furniture and fixtures	1,550,201	2,037,597
Capital lease	2,162,757	2,255,105
Construction in progress	204,007	241,622
Total	<u>\$ 84,564,878</u>	<u>\$ 86,745,051</u>

In relation to the fixed assets, the Library had total debt outstanding of \$911,715. The debt is secured by the related assets of the Library which includes capital lease obligations that decreased by \$161,234 during the past fiscal year.

Fiscal Year 2012 Highlights

We turned our capital project management, Human Resource function and the majority of our Information Technology functions over to Mecklenburg County to achieve greater efficiency and cost savings.

Fiscal year 2013 will see the enhancement of access to new technologies for the public with the offering of e-books and e-readers. Library hours will expand as our regional libraries will offer expanded hours. The public service area has an increased focus on standardized programming to achieve greater effectiveness and efficiency.

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 be directed to the Director of Finance, Public Library of Charlotte and Mecklenburg County, 310 N. Tryon St, Charlotte, NC 28202.

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

Statement of Net Position
June 30, 2012

	<u>Governmental Activities</u>
ASSETS	
Current assets	
Cash and cash equivalents	\$ 10,885,053
Refundable sales tax	196,837
Other receivables	48,969
Due from other governmental agencies	76,348
Prepays	<u>243,752</u>
Total current assets	<u>11,450,959</u>
Capital assets	
Land and other non-depreciable assets	13,727,480
Other capital assets, net of depreciation	<u>70,837,398</u>
Net capital assets	<u>84,564,878</u>
Total assets	<u>96,015,837</u>
LIABILITIES	
Current liabilities	
Accounts payable-trade	208,632
Other payables	493,118
Current portion of compensated absences	1,200,000
Current portion of capital lease obligation	<u>166,662</u>
Total current liabilities	<u>2,068,412</u>
Long-term liabilities	
Unearned revenue	992,422
Compensated absences	517,329
OPEB liability	12,756,139
Capital lease obligation	<u>745,053</u>
Total liabilities	<u>17,079,355</u>
DEFERRED INFLOWS OF RESOURCES	
	<u>21,000</u>
NET POSITION	
Net investment in capital assets	83,653,163
Restricted for:	
Grants	377,732
Stabilization by state statute	1,562,371
Facility enhancements	2,032,633
Unrestricted (deficit)	<u>(8,710,417)</u>
Total net position	<u>\$ 78,915,482</u>

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

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

Statement of Activities
Year Ended June 30, 2012

Functions/ Programs	Program Revenues			Governmental	
Primary government:	Expenses	Charges for	Operating	Capital Grants	Activities
Governmental activities:	Charges for	Grants and	and	and	Governmental
General public service	Services	Contributions	Contributions	Contributions	Activities
General public service	\$ 32,740,459	\$ 2,061,122	\$ 1,989,683	\$ 277,659	\$ (28,411,995)
Program/outreach services	339,721	-	-	-	(339,721)
Copying services	124,600	26,958	-	-	(97,642)
Publications	-	3,156	-	-	3,156
Interest on long-term debt	60,850	-	-	-	(60,850)
Total governmental activities	\$ 33,265,630	\$ 2,091,236	\$ 1,989,683	\$ 277,659	(28,907,052)
General revenues:					
Mecklenburg County appropriation					25,481,184
City of Charlotte appropriation					2,500
Investment earnings					37,376
ABC Board					305,393
Total general revenues					25,826,453
Change in net position					(3,080,599)
Net position-beginning					81,996,081
Net position-ending					\$ 78,915,482

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

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

Balance Sheet
Governmental Funds
June 30, 2012

	(Major) General Fund	(Major) Special Revenue Fund	Capital Projects Fund	Total Governmental Funds
Assets				
Cash and cash equivalents	\$ 8,916,833	\$ 1,968,220	\$ -	\$ 10,885,053
Refundable sales tax	169,264	27,573	-	196,837
Other receivables	48,969	-	-	48,969
Due from other governmental agencies	76,348	-	-	76,348
Prepays	243,752	-	-	243,752
Total assets	<u>\$ 9,455,166</u>	<u>\$ 1,995,793</u>	<u>\$ -</u>	<u>\$ 11,450,959</u>
Liabilities and fund balances				
Liabilities:				
Accounts payable-trade	\$ 208,632	\$ -	\$ -	\$ 208,632
Other payables	490,195	2,923	-	493,118
Total liabilities	<u>698,827</u>	<u>2,923</u>	<u>-</u>	<u>701,750</u>
Deferred inflows of resources	<u>21,000</u>	<u>-</u>	<u>-</u>	<u>21,000</u>
Fund balances:				
Nonspendable fund balance				
Prepaid expenses	243,752	-	-	243,752
Restricted fund balance				
Grants	377,732	-	-	377,732
Stabilization by state statute	1,534,798	27,573	-	1,562,371
Facility enhancements	48,723	1,983,910	-	2,032,633
Committed fund balance				
Professional services	84,000	-	-	84,000
Assigned fund balance				
Subsequent year's expenditures	2,309,144	-	-	2,309,144
Site improvements	88,015	-	-	88,015
Unassigned fund balance	4,049,175	(18,613)	-	4,030,562
Total fund balances	<u>8,735,339</u>	<u>1,992,870</u>	<u>-</u>	<u>10,728,209</u>
Total liabilities and fund balances	<u>\$ 9,455,166</u>	<u>\$ 1,995,793</u>	<u>\$ -</u>	<u>\$ 11,450,959</u>

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

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

Reconciliation of the Fund Balance of Governmental Funds to
Net Position of Governmental Activities
June 30, 2012

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

Ending fund balance - governmental funds	\$ 10,728,209
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	
Cost of capital assets	129,056,999
Accumulated depreciation	(44,492,121)
Long-term liabilities that are not due and payable in the current period and, therefore, are not reported in the funds	
Compensated absences	(1,717,329)
Capital lease obligations	(911,715)
OPEB obligation	(12,756,139)
Unearned revenue	<u>(992,422)</u>
Net position of governmental activities	<u>\$ 78,915,482</u>

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

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

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2012

	(Major) General Fund	(Major) Special Revenue Fund	Capital Projects Fund	Total Governmental Funds
Revenues				
Intergovernmental:				
Mecklenburg County				
Operations	\$ 23,184,595	\$ -	\$ -	\$ 23,184,595
Amounts paid on behalf by				
Mecklenburg County	2,296,589	-	277,659	2,574,248
ABC Board	305,393	-	-	305,393
City of Charlotte	2,500	-	-	2,500
North Carolina	-	471,011	-	471,011
Total intergovernmental revenues	<u>25,789,077</u>	<u>471,011</u>	<u>277,659</u>	<u>26,537,747</u>
Fines, fees and collections	977,991	-	-	977,991
Collections for photocopies	26,958	-	-	26,958
Interest	37,376	-	-	37,376
Contributions	108,991	134,681	-	243,672
Book rentals	45,041	-	-	45,041
Book sales	151,143	-	-	151,143
Miscellaneous	801,669	56,676	-	858,345
Total revenues	<u>27,938,246</u>	<u>662,368</u>	<u>277,659</u>	<u>28,878,273</u>
Expenditures				
Current:				
Personnel	18,506,338	-	-	18,506,338
Library materials	1,849,427	543,130	-	2,392,557
Facility maintenance	2,580,544	-	-	2,580,544
Fixed charges	741,357	-	-	741,357
Other	1,962,950	80,478	-	2,043,428
Capital outlay:				
Amounts paid on behalf by				
Mecklenburg County	-	-	277,659	277,659
Other	1,042,909	-	-	1,042,909
Debt service:				
Principal	161,234	-	-	161,234
Interest	60,850	-	-	60,850
Total expenditures	<u>26,905,609</u>	<u>623,608</u>	<u>277,659</u>	<u>27,806,876</u>
Excess (deficiency) of revenues over (under) expenditures	1,032,637	38,760	-	1,071,397
Fund balance-beginning	<u>7,702,702</u>	<u>1,954,110</u>	<u>-</u>	<u>9,656,812</u>
Fund balance-ending	<u>\$ 8,735,339</u>	<u>\$ 1,992,870</u>	<u>\$ -</u>	<u>\$ 10,728,209</u>

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

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

**Reconciliation of the Net Change in Fund Balances of Governmental Funds
to Change in Net Position of Governmental Activities
Year Ended June 30, 2012**

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

Net change in fund balances - total governmental funds	\$	1,071,397
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful life</p>		
Expenditures for capital assets		2,429,199
Less current year depreciation		(4,609,372)
<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		161,234
OPEB Payments		590,565
<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		268,540
OPEB Liability		(3,023,920)
Contributed Lease expense		(1,275,000)
<p>Some revenues reported in the statement of activities do not provide current financial resources and, therefore, are not reported as revenues in the governmental funds</p>		
Deferred revenue amortized		31,758
Contributed lease revenue		1,275,000
		1,275,000
Change in net position of governmental activities	\$	(3,080,599)

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

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

Statement of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - General Fund
Year Ended June 30, 2012

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues				
Intergovernmental:				
Mecklenburg County				
Operations	\$ 24,257,052	\$ 23,284,294	\$ 23,184,595	\$ (99,699)
Amounts paid on behalf by				
Mecklenburg County	-	2,669,765	2,296,589	(373,176)
ABC Board	290,850	305,393	305,393	-
City of Charlotte	2,500	2,500	2,500	-
Total intergovernmental revenues	<u>24,550,402</u>	<u>26,261,952</u>	<u>25,789,077</u>	<u>(472,875)</u>
Fines, fees and collections	870,000	870,000	977,991	107,991
Collections for photocopies	110,000	110,000	26,958	(83,042)
Interest	-	-	37,376	37,376
Contributions	200,000	200,000	108,991	(91,009)
Book rentals	40,000	40,000	45,041	5,041
Book sales	90,000	90,000	151,143	61,143
Miscellaneous	619,000	629,000	801,669	172,669
Total revenues	<u>26,479,402</u>	<u>28,200,952</u>	<u>27,938,246</u>	<u>(262,706)</u>
Expenditures				
Current:				
Personnel	20,107,889	19,850,402	18,506,338	1,344,064
Library materials	1,781,277	2,766,522	1,849,427	917,095
Facility maintenance	2,083,261	2,831,656	2,580,544	251,112
Fixed charges	1,026,170	803,170	741,357	61,813
Other	1,480,805	2,734,884	1,962,950	771,934
Capital outlay:				
Other	-	1,519,988	1,042,909	477,079
Debt service:				
Principal	-	162,000	161,234	766
Interest	-	61,000	60,850	150
Total expenditures	<u>26,479,402</u>	<u>30,729,622</u>	<u>26,905,609</u>	<u>3,824,013</u>
Excess (deficiency) of revenues over (under) expenditures	-	(2,528,670)	1,032,637	3,561,307
Other financing sources (uses)				
Fund balance appropriated	-	2,528,670	-	(2,528,670)
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	1,032,637	<u>\$ 1,032,637</u>
Fund balance-beginning			<u>7,702,702</u>	
Fund balance-ending			<u>\$ 8,735,339</u>	

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

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

Statement of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - Special Revenue Fund
Year Ended June 30, 2012

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues				
Intergovernmental:				
North Carolina	\$ 330,000	\$ 470,437	\$ 471,011	\$ 574
Total intergovernmental revenues	<u>330,000</u>	<u>470,437</u>	<u>471,011</u>	<u>574</u>
Contributions	-	79,651	134,681	55,030
Miscellaneous	-	47,450	56,676	9,226
Total revenues	<u>330,000</u>	<u>597,538</u>	<u>662,368</u>	<u>64,830</u>
Expenditures				
Current:				
Library materials	330,000	543,130	543,130	-
Other	-	191,059	80,478	110,581
Capital outlay:				
Other	-	2,483	-	2,483
Total expenditures	<u>330,000</u>	<u>736,672</u>	<u>623,608</u>	<u>113,064</u>
Excess (deficiency) of revenues over (under) expenditures	-	(139,134)	38,760	177,894
Other financing sources (uses)				
Fund balance appropriated	-	139,134	-	(139,134)
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	38,760	<u>\$ 38,760</u>
Fund balance-beginning			<u>1,954,110</u>	
Fund balance-ending			<u>\$ 1,992,870</u>	

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

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

Notes to Financial Statements
June 30, 2012

Note 1 – Summary of significant accounting policies

Reporting entity – The Public Library of Charlotte & Mecklenburg County (the “Library”) is a public library formed in 1902 by charter granted by the State of North Carolina. The Library is a component unit of Mecklenburg County and is included in Mecklenburg County’s basic financial statements. Mecklenburg County provides approximately 90 percent of the Library’s general funding and appoints a majority of the Library’s Board of Trustees. For financial statement reporting purposes, the Library includes all agencies that are either controlled by or financially dependent on the Library. Control by or financial dependence was determined on the basis of the Library being obligated for financing of deficits, guarantee of debt, selection of governing authority, approval of budget, ownership of assets and scope of public service and special financing relationships where there was only partial or no oversight responsibility.

The Library adopted the provisions of Governmental Accounting Standards Board (“GASB”) Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, as of and for the year ended June 30, 2012. This statement results in the Library reporting deferred inflows of resources, deferred outflows of resources and changes the presentation of the government wide financial statements.

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

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

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

Measurement focus, basis of accounting, and financial statement presentation – In accordance with North Carolina General Statutes, all funds of the Library are maintained during the year using the *modified accrual basis of accounting*. The government-wide financial statements are reported using the *economic resources measurement focus and accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the Library gives (or receives) value without directly receiving (or giving) equal value in exchange, include intergovernmental appropriations, grants and donations. Revenues from intergovernmental appropriations, grants and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied.

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

Notes to Financial Statements
June 30, 2012

Note 1 – Summary of significant accounting policies (continued)

Measurement focus, basis of accounting, and financial statement presentation (continued)

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

The Library reports the following major governmental funds:

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

The *special revenue fund* accounts for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes. Generally, proceeds from federal and State grants are accounted for in the Library's Special Revenue Fund.

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

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

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

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 the Special Revenue Fund. All annual appropriations lapse at the fiscal year-end. Project ordinances are adopted for the Capital Projects Funds. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the functional level for all annually budgeted funds and at the object level for the multi-year funds. Amendments are required for any revisions that alter total expenditures of any fund or that change functional appropriations by more than \$25,000. The governing board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

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

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

Notes to Financial Statements
June 30, 2012

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, include land, buildings and improvements, furniture and equipment, and are reported in the government-wide financial statements. Capital assets are defined by the Library as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Purchased or constructed assets are recorded at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair value at the date of donation. The Library capitalizes all library books with a useful life greater than one year.

The Library has certain books that are considered historical treasures which are not capitalized and are recorded as expenditures in the year of acquisition. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

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

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

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

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

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

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

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

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

Notes to Financial Statements
June 30, 2012

Note 1 – Summary of significant accounting policies (continued)

Net position and fund balance (continued)

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

Fund balances are classified as follows:

Nonspendable 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.

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.

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

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

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

Committed fund balance – portion of fund balance that has been designated for appropriation by a formal action of our governing board and requires formal action to remove designation.

Professional services – portion of fund balance assigned by the Board of Trustees for professional services.

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

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

Site improvements – portion of fund balance that has been assigned for facility improvement and repair.

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

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

Notes to Financial Statements
June 30, 2012

Note 1 – Summary of significant accounting policies (continued)

Net position and fund balance (continued) - Fund Balance

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

Total fund balance	\$ 8,735,339
Less:	
Prepaid expenses	243,752
Grants	377,732
Stabilization by state statute	1,534,798
Facility enhancements	48,723
Professional services	84,000
Subsequent year's expenditures	2,309,144
Site improvements	<u>88,015</u>
Remaining fund balance	<u>\$ 4,049,175</u>

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

<u>Encumbrances</u>	<u>General Fund</u>	<u>Non-major Funds</u>
	\$ 1,240,217	\$0

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

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

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

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

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

Notes to Financial Statements
June 30, 2012

Note 1 – Summary of significant accounting policies (continued)

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

Note 2 – Deposits and investments

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

All deposits of the Library are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits exceeding the federal depository insurance coverage level are collateralized with securities held by the Library’s agents in the Library’s name. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer’s agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the Library, these deposits are considered to be held by the agent in the entity’s name. The amount of the pledged collateral is based on an approved averaging method for non-interest bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the Library. Under the Pooling Method, the potential exists for under-collateralization, and this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method. The Library has no policy regarding custodial credit risk for deposits, but relies on the State Treasurer to enforce standards of minimum capitalization for all pooling method financial institutions and to monitor them for compliance. The Library complies with the provisions of G.S. 159-31 when designating official depositories and verifying that deposits are properly secured.

At June 30, 2012 the Library’s deposits had a carrying amount of \$10,878,068 and a bank balance of \$12,030,912. 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 \$11,385,695 was covered by collateral held under the pooling method and \$395,217 was covered under the dedicated method. At June 30, 2012, the Library’s petty cash fund totaled \$6,985. Included in the amounts above are money market accounts totaling \$645,217. The money market account is held at the Bank of Commerce which is unrated. The Library has no policy for managing interest rate risk or credit risk.

Note 3 – Deferred inflows of resources

Deferred inflows of resources is an acquisition of net position that is applicable to a future reporting period. The Library recorded \$21,000 in deferred inflows relating to multiple events that are expected to occur during Fiscal Year 2013.

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

Notes to Financial Statements
June 30, 2012

Note 4 – Capital assets

Capital asset activity for the year ended June 30, 2012 was as follows:

	Beginning Balance June 30, 2011	Additions	Disposals, Retirement and Reclassifications	Ending Balance June 30, 2012
Non-depreciable assets				
Land	\$ 13,523,473	\$ -	\$ -	\$ 13,523,473
Construction in progress	241,622	504,001	(541,616)	204,007
	<u>13,765,095</u>	<u>504,001</u>	<u>(541,616)</u>	<u>13,727,480</u>
Depreciable assets				
Buildings and improvements	89,780,406	745,082	-	90,525,488
Books	18,981,147	1,602,534	(2,075,088)	18,508,593
Furniture and equipment	7,113,739	119,198	(937,499)	6,295,438
	<u>129,640,387</u>	<u>2,970,815</u>	<u>(3,554,203)</u>	<u>129,056,999</u>
Total				
Less accumulated depreciation				
Buildings and improvements	(22,801,164)	(2,266,662)	-	(25,067,826)
Books	(15,020,188)	(1,733,958)	2,075,088	(14,679,058)
Furniture and equipment	(5,073,984)	(608,752)	937,499	(4,745,237)
	<u>(42,895,336)</u>	<u>(4,609,372)</u>	<u>3,012,587</u>	<u>(44,492,121)</u>
Total accumulated depreciation				
Capital assets, net of depreciation	<u>\$ 86,745,051</u>	<u>\$(1,638,557)</u>	<u>\$ (541,616)</u>	<u>\$ 84,564,878</u>

Included in buildings are assets under capital lease that had a cost basis and accumulated depreciation of \$3,147,095 and \$984,338, respectively, at June 30, 2012. All depreciation expense was charged to general public service on the Statement of Activities. Additions to capital assets include approximately \$766,431 of buildings and equipment transferred to the Library from Mecklenburg County through capital projects and capital reserve funding. Mecklenburg County obtained the funds to purchase these assets through the issuance of general obligation bonds and certificates of participation, which are an obligation of Mecklenburg County and not the Library.

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

Notes to Financial Statements
June 30, 2012

Note 5 – Long-term obligations

Long-term liability activity for the year ended June 30, 2012 was as follows:

	Beginning Balance June 30, 2011	Additions	Retirements	Ending Balance June 30, 2012	Due Within One Year
Compensated absences	\$ 1,985,869	\$ 902,186	\$ 1,170,726	\$ 1,717,329	\$ 1,200,000
Capital lease obligations	1,072,949	-	161,234	911,715	166,662
OPEB liability	10,322,784	3,023,920	590,565	12,756,139	-
	<u>\$ 13,381,602</u>	<u>\$ 3,926,106</u>	<u>\$ 1,922,525</u>	<u>\$ 15,385,183</u>	<u>\$ 1,366,662</u>

Note 6 – Leases

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

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

Total rent expenses for all leases amounted to approximately \$719,000 during the 2012 fiscal year. The following is a summary of the future minimum lease payments under the capital leases together with the present value of net minimum lease payments and approximate future minimum rental commitments under noncancelable operating leases with initial or remaining terms of one year or more as of June 30, 2012:

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

Notes to Financial Statements
June 30, 2012

Note 6 – Leases (continued)

<u>Year ending June 30</u>	<u>Capital</u>	<u>Operating</u>
2013	\$ 214,160	\$ 287,538
2014	205,957	183,655
2015	196,210	183,655
2016	172,696	183,655
2017	80,223	183,655
2018-2022	212,113	397,949
2023-2027	7,505	-
2028-2032	7,505	-
2033-2037	7,505	-
2038-2042	7,505	-
2043-2047	4,880	-
2048-2051	4	-
Total minimum payments	1,116,263	\$ 1,420,107
Less amounts representing interest	204,548	
Present value of net minimum capital lease payments	\$ 911,715	

Total interest costs for the year ended June 30, 2012 were \$60,850, relating to the capital lease obligations.

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 2012 was \$31,758. Rental income is to be recognized as follows:

<u>Year Ending June 30</u>		
2013		\$ 31,758
2014		31,758
2015		31,758
2016		31,758
2017		31,758
2018-2022		158,790
2023-2027		158,790
2028-2032		158,790
2033-2037		158,790
2038-2042		158,790
2043-2044		39,682
		\$ 992,422

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

Notes to Financial Statements
June 30, 2012

Note 8 – Retirement plan

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

Funding Policy – The Library's total payroll for the year ended June 30, 2012 was \$13,183,426 of which \$12,642,935 was covered under this plan. Plan members (covered employees) are required to contribute six percent of their annual covered salary. Plan members' contributions to LGERS for the year ended June 30, 2012 totaled \$758,575, which equaled the Plan members' required contributions for the year. The Library is required to contribute an actuarially determined rate. For the Library, the current rate is 6.96 percent of annual covered payroll. The Library's contributions to LGERS for the years ended June 30, 2012, 2011, and 2010 were \$879,948, \$841,898 and \$854,824, respectively, which equaled the Library's required contributions in each year.

Note 9 – Employee benefit plan

Through the State of North Carolina, the Library provides a supplemental income plan to substantially all employees. This plan is a 401(k) savings plan under the Internal Revenue Code (the IRC) code. Eligible participants may contribute up to the maximum allowable under law as a percent of base salary. For the year ended June 30, 2012, the Library matched 100 percent of employee contributions up to three percent of compensation. Total expense relating to this plan was \$221,802 for the year ended June 30, 2012.

Note 10 – Deferred compensation plan

The Library offers its employees a deferred compensation plan created in accordance with IRC Section 457. The plan, available to all permanent employees who contribute to the plan, permits employees to defer a portion of their salary until future years. The compensation so deferred is not available to employees until termination, retirement, death, unforeseen emergency or until the employee attains age 55. The compensation deferred by employees for the year ended June 30, 2012 was \$270.

Note 11 – Other Postemployment Benefits (OPEB)

Healthcare Benefits

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

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

Notes to Financial Statements
June 30, 2012

Note 11 – Other Postemployment Benefits (OPEB) (continued)

Funding Policy – The Library pays the full cost of coverage for the benefits paid to qualified retirees under the plan. The Library has chosen to fund the healthcare benefits on a pay as you go basis. Funding for these costs is included in budgeted appropriations in the annual budget. The cost of these benefits recognized as an expenditure for fiscal year ended June 30, 2011 was approximately \$441,216 for the ninety-one retirees covered. The current ARC rate is 3.5% of annual covered payroll. For the current year, the Library contributed \$590,565 or 4.7% of covered payroll.

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

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

Annual required contribution	\$ 3,223,886
Interest on net OPEB obligation	361,297
Adjustment to annual required contribution	<u>(561,263)</u>
Annual OPEB cost	3,023,920
Contributions made	<u>(590,565)</u>
Increase in net OPEB obligations	2,433,355
Net OPEB obligation, beginning of year	<u>10,322,784</u>
Net OPEB obligation, end of year	<u><u>\$ 12,756,139</u></u>

The Library's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2010, 2011 and 2012 were as follows:

Fiscal Year Ended June 30	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2010	\$ 3,113,209	11.99%	\$ 7,679,931
2011	3,084,069	14.31%	10,322,784
2012	3,023,920	19.53%	12,756,139

Funded Status and Funding Process – As of January 1, 2012 the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits and thus, the unfunded actuarial accrued liability (UAAL) was \$49,666,396. The covered payroll (annual payroll of active employees by the plan) was \$12,642,935 and the ratio of the UAAL to the covered payroll was 392.84%. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employee, mortality, and healthcare trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as the actual results are compared with past expectations and new estimates are made about the future.

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

Notes to Financial Statements
June 30, 2012

Note 11 – Other Postemployment Benefits (OPEB) (continued)

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

Note 12 – Other post-employment benefits (death benefit plan)

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

Note 13 – Major supplier

For the year ended June 30, 2012, approximately 52.9 percent of all books and related items were purchased from one supplier.

Note 14 – Endowment funds

The Library has been designated as the beneficiary of the income of several endowments. Under the terms of the agreements, the assets are held by a third-party and the annual investment income is distributable to the Library. In some instances, the Library may elect to have the income transferred to the principal of the endowment. The Library received \$51,348 from those funds during the year ended June 30, 2012. Since the Library does not have, under the agreements, any rights to the principal of the endowments, they have not been reflected in the financial statements. At June 30, 2012, the approximate value of the principal in these endowments totaled \$2,824,600.

Note 15 – Contributed rent revenue

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

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

Notes to Financial Statements
June 30, 2012

Note 15 – Contributed rent revenue (continued)

Estimating the fair value of the lease at \$25 per square foot, based on a furnished and equipped special purpose facility, and using a 5% discount rate, a net present value was calculated in the amount of \$19,087,608 at the inception of the agreement. Based on this calculation, the total annual value of the lease agreement is estimated at \$1,275,000. The estimated lease value for the year ending June 30, 2012 is \$1,275,000.

The Library recorded contributed rent revenue and corresponding contributed rent expense in the amount of \$1,275,000 for the year ending June 30, 2012.

Note 16 – Subsequent Events

The Library has evaluated subsequent events through September 28, 2012, 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 AND MECKLENBURG COUNTY
(A Component Unit of Mecklenburg County, North Carolina)

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

Actuarial Valuation Date	Value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded ALL (UAAL) (b) - (a)	Funded Ratio (a) / (b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b) - (a)) / (c)
01/01/2010	\$ -	\$ 34,541,337	\$ 34,541,337	0%	\$ 17,567,720	196.62%
01/01/2011	-	32,204,930	32,204,930	0%	13,119,012	245.48%
01/01/2012	-	49,666,396	49,666,396	0%	12,642,935	392.84%

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

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

Year Ending June 30	Annual OPEB Cost	Actual Contribution	Percentage Contributed
2010	\$ 3,113,209	\$ 373,383	11.99%
2011	3,084,069	441,216	14.31%
2012	3,023,920	590,565	19.53%

Notes to the Required Schedules:

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

Valuation Date:	1/1/2012
Actuarial cost method:	Projected unit credit
Amortization method:	Level dollar amount, open
Remaining amortization period:	30 years, closed January 1, 2011; 29 years remaining
Asset Valuation Method:	5-Year Smooth Market
Actuarial assumptions:	
Investment rate of return*	4.91% annual return net of investment related expenses
Projected salary increases*	0.00%
Healthcare cost trend rate*	Getzen Trend Model: 7.00% graded to 4.70% over 80 years

*includes an inflation assumption of 0%

ACCOMPANYING INFORMATION

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

Schedule of Expenditures
Governmental Funds
Year Ended June 30, 2012

	(Major) General Fund	(Major) Special Revenue Fund	Capital Projects Fund	Total Governmental Funds
Personnel				
Salaries, full-time employees	\$ 12,547,348	\$ -	\$ -	\$ 12,547,348
Salaries, other	636,079	-	-	636,079
Retirement, social security and other employee benefits (includes workers' compensation)	5,322,911	-	-	5,322,911
Total personnel	<u>18,506,338</u>	<u>-</u>	<u>-</u>	<u>18,506,338</u>
Library materials				
Books and related items	1,831,755	543,130	-	2,374,885
Dues and subscriptions	17,672	-	-	17,672
Total library materials	<u>1,849,427</u>	<u>543,130</u>	<u>-</u>	<u>2,392,557</u>
Facility maintenance				
Utilities	980,424	-	-	980,424
Telephone	126,246	-	-	126,246
Building and grounds, maintenance and repairs	1,325,513	-	-	1,325,513
Equipment maintenance and repairs	97,637	-	-	97,637
Vehicle maintenance	50,724	-	-	50,724
Total facility maintenance	<u>2,580,544</u>	<u>-</u>	<u>-</u>	<u>2,580,544</u>
Fixed charges				
Building rent	521,413	-	-	521,413
Insurance property and liability	219,944	-	-	219,944
Total fixed charges	<u>741,357</u>	<u>-</u>	<u>-</u>	<u>741,357</u>
Capital outlay				
Buildings, equipment and furnishings	556,596	-	277,659	834,255
Equipment rental	486,313	-	-	486,313
Total capital outlay	<u>1,042,909</u>	<u>-</u>	<u>277,659</u>	<u>1,320,568</u>
Debt service				
Principal payments on capital leases	161,234	-	-	161,234
Interest payments on capital leases	60,850	-	-	60,850
Total debt service	<u>222,084</u>	<u>-</u>	<u>-</u>	<u>222,084</u>
Other				
Supplies	116,494	-	-	116,494
Communications	304,049	-	-	304,049
Advertising	3,812	42,460	-	46,272
Photocopying expense	241,263	-	-	241,263
Postage	32,435	-	-	32,435
Auto mileage and allowance	20,001	-	-	20,001
Public relations	2,995	-	-	2,995
Professional fees	712,246	-	-	712,246
Travel	70,899	-	-	70,899
Special events	301,721	38,000	-	339,721
Miscellaneous	157,035	18	-	157,053
Total other	<u>1,962,950</u>	<u>80,478</u>	<u>-</u>	<u>2,043,428</u>
Total expenditures	<u>\$ 26,905,609</u>	<u>\$ 623,608</u>	<u>\$ 277,659</u>	<u>\$ 27,806,876</u>

PUBLIC LIBRARY OF CHARLOTTE AND MECKLENBURG COUNTY

(A Component Unit of Mecklenburg County, North Carolina)

Schedule of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual - Capital Projects Fund

Year Ended June 30, 2012

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Positive (Negative)
Revenues					
Intergovernmental:					
Amounts paid on behalf by Mecklenburg County	\$ 24,030,000	\$ 12,712,820	\$ 277,659	\$ 12,990,479	\$ (11,039,521)
Expenditures					
Myers Park project:					
Capital outlay					
Amounts paid on behalf by Mecklenburg County	989,500	986,607	-	986,607	2,893
Morrison Library project:					
Capital outlay					
Amounts paid on behalf by Mecklenburg County	1,059,000	1,056,920	-	1,056,920	2,080
Beatties Ford Road project:					
Capital outlay					
Amounts paid on behalf by Mecklenburg County	3,970,000	3,633,866	271,350	3,905,216	64,784
Scaleybark project:					
Capital outlay					
Amounts paid on behalf by Mecklenburg County	5,564,543	1,669	-	1,669	5,562,874
Sharon Road project:					
Capital outlay					
Amounts paid on behalf by Mecklenburg County	5,050,557	55,697	-	55,697	4,994,860
Main Master Plan project:					
Capital outlay					
Amounts paid on behalf by Mecklenburg County	150,000	141,279	-	141,279	8,721
Hickory Grove project:					
Capital outlay					
Amounts paid on behalf by Mecklenburg County	5,596,400	5,203,302	6,309	5,209,611	386,789
Southwest Regional project:					
Capital outlay					
Amounts paid on behalf by Mecklenburg County	1,650,000	1,633,480	-	1,633,480	16,520
Total Expenditures	<u>24,030,000</u>	<u>12,712,820</u>	<u>277,659</u>	<u>12,990,479</u>	<u>11,039,521</u>
Revenues over (under) expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>	<u>\$ -</u>
Fund Balance-beginning			<u>-</u>		
Fund Balance-ending			<u>\$ -</u>		

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

Schedule of Expenditures
Budgetary Basis (Non-GAAP) - General and Special Revenue Funds
Year Ended June 30, 2012

	(Major) General Fund			(Major) Special Revenue Fund			Total General and Special Revenue Funds		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
Personnel									
Salaries, full-time employees	\$ 12,667,498	\$ 12,547,348	\$ 120,150	\$ -	\$ -	\$ -	\$ 12,667,498	\$ 12,547,348	\$ 120,150
Salaries, other	720,677	636,079	84,598	-	-	-	720,677	636,079	84,598
Retirement, social security and other employee benefits (includes workers' compensation)	6,462,227	5,322,911	1,139,316	-	-	-	6,462,227	5,322,911	1,139,316
Total personnel	<u>19,850,402</u>	<u>18,506,338</u>	<u>1,344,064</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>19,850,402</u>	<u>18,506,338</u>	<u>1,344,064</u>
Library materials									
Books and related items	2,741,522	1,831,755	909,767	543,130	543,130	-	3,284,652	2,374,885	909,767
Dues and subscription	25,000	17,672	7,328	-	-	-	25,000	17,672	7,328
Total library materials	<u>2,766,522</u>	<u>1,849,427</u>	<u>917,095</u>	<u>543,130</u>	<u>543,130</u>	<u>-</u>	<u>3,309,652</u>	<u>2,392,557</u>	<u>917,095</u>
Facility maintenance									
Utilities	1,139,688	980,424	159,264	-	-	-	1,139,688	980,424	159,264
Telephone	164,616	126,246	38,370	-	-	-	164,616	126,246	38,370
Building and grounds, maintenance and repairs	1,334,408	1,325,513	8,895	-	-	-	1,334,408	1,325,513	8,895
Equipment maintenance and repairs	132,999	97,637	35,362	-	-	-	132,999	97,637	35,362
Vehicle maintenance	59,945	50,724	9,221	-	-	-	59,945	50,724	9,221
Total facility maintenance	<u>2,831,656</u>	<u>2,580,544</u>	<u>251,112</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,831,656</u>	<u>2,580,544</u>	<u>251,112</u>
Fixed charges									
Building rent	578,170	521,413	56,757	-	-	-	578,170	521,413	56,757
Insurance, property and liability	225,000	219,944	5,056	-	-	-	225,000	219,944	5,056
Total fixed charges	<u>803,170</u>	<u>741,357</u>	<u>61,813</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>803,170</u>	<u>741,357</u>	<u>61,813</u>
Capital outlay									
Buildings, equipment and furnishings	992,065	556,596	435,469	2,483	-	2,483	994,548	556,596	437,952
Equipment rental	527,923	486,313	41,610	-	-	-	527,923	486,313	41,610
Total capital outlay	<u>1,519,988</u>	<u>1,042,909</u>	<u>477,079</u>	<u>2,483</u>	<u>-</u>	<u>2,483</u>	<u>1,522,471</u>	<u>1,042,909</u>	<u>479,562</u>
Debt service									
Principal payments on capital leases	162,000	161,234	766	-	-	-	162,000	161,234	766
Interest payments on capital leases	61,000	60,850	150	-	-	-	61,000	60,850	150
Total debt service	<u>223,000</u>	<u>222,084</u>	<u>916</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>223,000</u>	<u>222,084</u>	<u>916</u>
Other									
Supplies	175,840	116,494	59,346	-	-	-	175,840	116,494	59,346
Communications	305,000	304,049	951	-	-	-	305,000	304,049	951
Advertising	20,000	3,812	16,188	149,059	42,460	106,599	169,059	46,272	122,787
Photocopying expense	372,401	241,263	131,138	-	-	-	372,401	241,263	131,138
Postage	37,000	32,435	4,565	-	-	-	37,000	32,435	4,565
Auto mileage and allowance	20,077	20,001	76	-	-	-	20,077	20,001	76
Public relations	5,000	2,995	2,005	-	-	-	5,000	2,995	2,005
Professional fees	822,700	712,246	110,454	-	-	-	822,700	712,246	110,454
Travel	74,091	70,899	3,192	-	-	-	74,091	70,899	3,192
Special events	509,042	301,721	207,321	38,000	38,000	-	547,042	339,721	207,321
Miscellaneous	393,733	157,035	236,698	4,000	18	3,982	397,733	157,035	240,680
Total other	<u>2,734,884</u>	<u>1,962,950</u>	<u>771,934</u>	<u>191,059</u>	<u>80,478</u>	<u>110,581</u>	<u>2,925,943</u>	<u>2,043,428</u>	<u>882,515</u>
Total expenditures	<u>\$ 30,729,622</u>	<u>\$ 26,905,609</u>	<u>\$ 3,824,013</u>	<u>\$ 736,672</u>	<u>\$ 623,608</u>	<u>\$ 113,064</u>	<u>\$ 31,466,294</u>	<u>\$ 27,529,217</u>	<u>\$ 3,937,077</u>

COMPLIANCE SECTION



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

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

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Public Library of Charlotte and Mecklenburg County (the "Library"), a component unit of Mecklenburg County, North Carolina, as of and for the year ended June 30, 2012, which collectively comprise the Library's basic financial statements, and have issued our report thereon dated September 28, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A 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.

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

Compliance and Other Matters

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

We noted certain matters that we reported to management of the Library in a separate letter dated September 28, 2012.

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

Cheney, Ruland & Hallett L.P.

Charlotte, North Carolina
September 28, 2012