

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

**BASIC FINANCIAL STATEMENTS
AND COMPLIANCE SECTION**

As of and the Year Ended June 30, 2023

And Reports of Independent Auditor

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

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

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of the Public Library of Charlotte and Mecklenburg County (the "Library"), a component unit of Mecklenburg County, North Carolina, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Library's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Library, as of June 30, 2023, and the respective changes in financial position and the respective budgetary comparison for the General Fund and Special Revenue Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the Library and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

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

Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 23, 2023, on our consideration of the Library's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Library's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Library's internal control over financial reporting and compliance.

Cherry Bekaert LLP

Charlotte, North Carolina
October 23, 2023

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

JUNE 30, 2023

Introduction

As management of the Public Library of Charlotte and Mecklenburg County (the “Library”), we offer readers of the Library’s financial statements this narrative overview and analysis of the financial activities of the Library for the fiscal year ended June 30, 2023. 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.

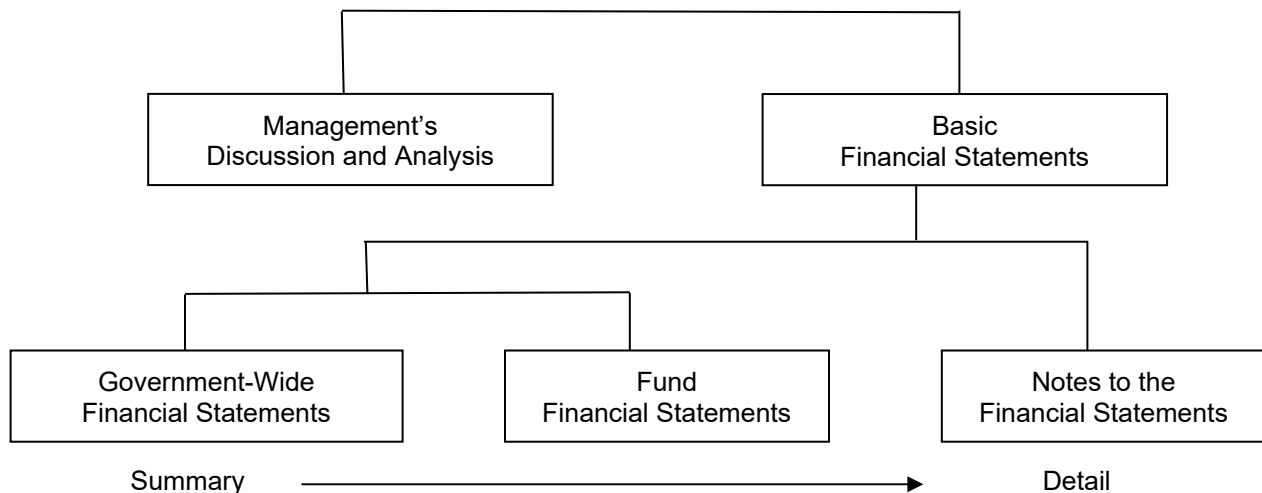
Financial Highlights

- Library assets and deferred outflows exceeded liabilities and deferred inflows at the close of the fiscal year by \$104.5 million (net position).
- The Library Foundation’s contributions and grants including cash donations and pledges for the year totaled \$3.3 million benefiting the Library.
- At the close of the fiscal year, the Library’s portion of fund balance not designated for future use was \$2.4 million.
- The operating budget from the Library’s largest revenue source (Mecklenburg County) increased 10.6% from the prior year.
- Total actual revenues increased 7.9% for fiscal year ended June 30, 2023, which was primarily related to Emergency Connectivity Fund grant revenue for the MeckTech Computer Distribution project.

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, 2023

Basic Financial Statements

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

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

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

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

Government-Wide Financial Statements

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

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

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

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

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

JUNE 30, 2023

Fund Financial Statements

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

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

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

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

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

JUNE 30, 2023

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 \$12.8 million for the fiscal year ended June 30, 2023. The largest portion of net position, totaling \$122.9 million is the Library's investment in capital assets (books, land, equipment, right-of-use leased assets, subscription-based IT arrangements, and buildings), less any amounts remaining to acquire those items. The Library uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Library's investment in its capital assets is reported net of the outstanding related debt, much of the debt is handled by Mecklenburg County except for the Library's lease liability and Subscription-Based IT Arrangements ("SBITA") liability. An additional portion of the Library's net position of \$57.5 million represents resources that are subject to restrictions on how they may be used. The remaining deficit of (\$75.9) million is unrestricted. The deficit is related to the Library's proportionate share of the Local Government Employees' pension expense as required by Government Accounting Standards Board ("GASB") 68 and Other Postemployment Benefits ("OPEB") expenses as required by GASB 75. Decisions regarding the allocations are made by the administrators of the pension plan and OPEB plans, respectively, not by the Library's management.

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

	Government-Wide June 30, 2023	Government-Wide June 30, 2022
Assets		
Current assets	\$ 15,926	\$ 17,129
Pledges receivable, current	7,869	10,048
Pledges receivable, noncurrent	8,802	11,730
Investments	35,767	27,517
Capital assets, net of accumulated depreciation and amortization	<u>140,035</u>	<u>125,910</u>
Total Assets	<u>208,399</u>	<u>192,334</u>
Deferred outflows of resources	<u>15,420</u>	<u>11,090</u>
Liabilities		
Current and other liabilities	10,078	11,213
Long-term liabilities	<u>92,477</u>	<u>92,950</u>
Total Liabilities	<u>102,555</u>	<u>104,163</u>
Deferred inflows of resources	<u>16,767</u>	<u>7,564</u>
Net Position		
Net investment in capital assets	122,921	116,666
Restricted	57,527	53,450
Unrestricted	<u>(75,951)</u>	<u>(78,419)</u>
Total Net Position	<u>\$ 104,497</u>	<u>\$ 91,697</u>

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

JUNE 30, 2023

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

	Government-Wide June 30, 2023	Government-Wide June 30, 2022
Revenues		
Program Revenues:		
Charges for services	\$ 755	\$ 310
Operating grants and contributions	9,044	1,230
General Revenues:		
Mecklenburg County appropriation	57,193	51,715
City of Charlotte appropriation	3	3
Investment earnings	1,731	(1,188)
Contributions to the Foundation	3,591	14,555
ABC Board contribution	1,019	1,111
Other income	476	701
Total Revenues	73,812	68,437
Program Expenses		
General public services	59,674	52,874
Program/Outreach services	538	411
Printing and copying services	284	307
Interest on long-term debt	516	328
	61,012	53,920
Change in net position	12,800	14,517
Net position, beginning of year	91,697	77,180
Net position, end of year	\$ 104,497	\$ 91,697

Net position increased by \$12.8 million primarily due to contributions and pledges obtained through the Library Foundation and investment earnings. The Library also received approximately \$7.7 million in federal grant money that was recognized and spent in the same year on laptops for the community through the Emergency Connectivity Fund grant program. Each laptop individually did not exceed the Library's capitalization threshold and so all laptops have been expensed but are being tracked in accordance with the grant agreement.

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

JUNE 30, 2023

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 91.0% of total revenues received during the Library's fiscal year ended June 30, 2023, as compared to 79.4% for fiscal year ended June 30, 2022. Mecklenburg County, the City of Charlotte, and the ABC Board comprise 78.9% of total revenues as of June 30, 2023, as compared to 78.0% for the fiscal year ended June 30, 2022. The state of North Carolina and Federal Revenue Sources totaled 12.1%, primarily related to Emergency Connectivity Fund grant revenue for the MeckTech Computer Distribution project. Revenues generated through fees, charges for services, and grants used to cover services account for 1.0% of total revenue for June 30, 2023. E-Rate reimbursement accounted for 0.1% of total revenues. Investment earnings increased \$2.9 million from the prior year due to market conditions in fiscal year 2023 versus fiscal year 2022.

Governmental funds expenditures were primarily comprised of the following: Personnel, 42.3%, Library Collections (books, videos, software for public use, etc.) 7.5%; General Operations, 23.5%; and Capital Projects 26.7%. Capital Project expenditures are higher in fiscal year 2023 largely due to the recognition of right-of-use leased assets, the recognition of right-of-use subscription-based IT arrangements, and continued construction in process.

General Fund Budgetary Highlights

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

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

Adjustments to increase original budgeted revenues for 2023 totaled \$4.9 million, primarily driven by Mecklenburg County operating increases, and Mecklenburg County in-kind facilities and security related expenditures.

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

JUNE 30, 2023

Capital Assets

The Library's investment in capital assets net of accumulated depreciation for governmental activities as of June 30, 2023 and 2022 is \$140.0 million and \$125.9 million, respectively. Capital assets include land, buildings and buildings improvements, books, furniture and fixtures, right-of-use leased assets and subscription-based IT arrangements, and construction in progress.

Capital Assets, Net of Accumulated Depreciation

	Government-wide Activities June 30, 2023	Government-wide Activities June 30, 2022
Land	\$ 13,523	\$ 13,523
Buildings and building improvements	79,412	82,906
Books	4,224	3,892
Furniture and equipment	1,936	1,897
Intangible assets	4,081	3,574
Subscription-based IT arrangements	1,413	-
Right-of-use leased assets	15,200	8,906
Leasehold Improvements	1,148	1,194
Construction in progress	19,098	10,017
	<u>\$ 140,035</u>	<u>\$ 125,910</u>

Fiscal Year 2024 Economic Conditions

The Library's fiscal year 2024 budget is approximately \$53.8 million (0.5% increase from fiscal year 2023), with \$47.1 million coming from Mecklenburg County. The budget was approved by the Library Board of Trustees on June 28, 2023. Additional funding was provided for:

- Annual pay increases for Library employees
- Contractual increases related to rent at leased facilities
- Additional funding for Library programming throughout the system
- One-time funding increase for Library digital and print collections
- Three additional positions (HR Coordinator, Chief Equity & Inclusion Officer, and a Data Analyst)

The Library has set the following enterprise-wide operating priorities for fiscal year 2024:

- Increase access to libraries: Advance University City, New Main Library, CIP Planning, & Uptown Temporary Location(s).
- Grow and Optimize Library Services: Plan, structure and expand programs and services to meet community needs in the physical, community, and virtual spaces.
- Community Partnerships: Evaluate and deepen existing partnerships and create new ones that will strengthen public engagement, support economic opportunity, and connect community resources.
- Invest in Employees: Increase organizational capacity by delivering a transformed Library performance management platform and by achieving measurable advances in learning and development in areas including but not limited to onboarding, manager and supervisor training, and all staff learning opportunities.
- Strategic Direction: Complete strategic planning process in concert with Library Board of Trustees.

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

JUNE 30, 2023

Fiscal Year 2024 Economic Conditions (continued)

- Equity: With the strategic guideposts of the Library's Racial Equity Task Force report, onboard the new CEIO, determine organization strategy, short- and long-term goals, communicate with staff, and maximize partnership with the County's Equity Office.
- Digital Equity & Literacy: Maximize digital equity efforts through the three-pronged approach of access, tools, and skills including advancing programs, partnerships, and implementation of American Rescue Plan Act (ARPA) funded projects.
- Emerging Technology: Plan for emerging technologies, including finalizing a content creation plan for technology spaces at New Main Library, helping customers understand the community impacts through resources and programs, and evaluating and preparing for organizational impacts of new technologies.

Request for Information

This report is designed to provide an overview of the Library's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should contact the Chief Finance & Administration Officer, Public Library of Charlotte & Mecklenburg County, 101 Eastway Drive, Charlotte, NC 28213.

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

JUNE 30, 2023

	Governmental Activities
ASSETS	
Current Assets:	
Cash and cash equivalents	\$ 13,288,295
Refundable sales tax	471,759
Other receivables	335,177
Pledges receivable, current	7,868,507
Due from other government agencies	1,682,246
Prepays	148,603
Total Current Assets	<u>23,794,587</u>
Noncurrent Assets:	
Restricted long-term investments	35,766,545
Pledges receivable, noncurrent	8,802,502
Capital Assets:	
Land and other non-depreciable assets	32,621,568
Depreciable capital assets, net of depreciation	90,800,266
Subscription-based IT arrangements, net of amortization	1,412,906
Right-of-use leased assets, net of amortization	15,199,795
Capital Assets, net	<u>140,034,535</u>
Total Assets	<u>208,398,169</u>
DEFERRED OUTFLOWS OF RESOURCES:	
Contributions to pension plan subsequent to the measurement date	2,623,714
Contributions to OPEB plan subsequent to the measurement date	1,162,640
Pension-related deferrals	7,061,802
OPEB-related deferrals	4,572,566
Total Deferred Outflows of Resources	<u>15,420,722</u>
LIABILITIES	
Current Liabilities:	
Accounts payable - trade	111,693
Other payables	697,796
Due to other governmental agencies	5,612,879
Current portion of compensated absences	2,146,879
Current portion of SBITA liability	455,263
Current portion of lease liability	1,053,057
Total Current Liabilities	<u>10,077,567</u>
Long-Term Liabilities:	
Compensated absences	517,435
SBITA liability	826,152
Lease liability	14,778,565
Total OPEB liability	61,909,309
Net pension liability	14,446,005
Total Liabilities	<u>102,555,033</u>
DEFERRED INFLOWS OF RESOURCES	
OPEB-related deferrals	15,762,480
Pension-related deferrals	329,841
Prepaid lease revenue	674,842
Total Deferred Inflows of Resources	<u>16,767,163</u>
NET POSITION	
Net investment in capital assets	122,921,497
Restricted For:	
Grants	160,132
Programming	325,665
Stabilization by state statute	3,328,279
Facility enhancements	1,093,244
Contributions held by the Foundation	47,887,300
Endowment funds held by the Foundation	4,732,005
Unrestricted deficit	(75,951,427)
Total Net Position	<u>\$ 104,496,695</u>

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

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

YEAR ENDED JUNE 30, 2023

Functions/Programs	Expenses	Program Revenues		Governmental Activities
		Charges for Services	Operating Grants and Contributions	
Primary Government:				
Governmental Activities:				
General public services	\$ 59,674,202	\$ 559,804	\$ 9,043,863	\$ (50,070,535)
Program/outreach services	537,626	-	-	(537,626)
Printing and copying services	284,275	194,950	-	(89,325)
Interest on long-term debt	515,853	-	-	(515,853)
Total Governmental Activities	<u>\$ 61,011,955</u>	<u>\$ 754,754</u>	<u>\$ 9,043,863</u>	<u>(51,213,339)</u>
General Revenues:				
Mecklenburg County appropriation				57,192,986
City of Charlotte appropriation				2,500
Contributions to the Foundation				3,590,545
Investment earnings to the Foundation				1,731,453
ABC Board contribution				1,018,628
Other income				476,150
Total General Revenues				<u>64,012,262</u>
Change in net position				12,798,923
Net position, beginning of year				<u>91,697,772</u>
Net position, end of year				<u>\$ 104,496,695</u>

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

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

JUNE 30, 2023

	General Fund	Special Revenue Fund	Library Foundation Fund	Capital Projects Fund	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 13,017,045	\$ (7,297)	\$ 278,547	\$ -	\$ 13,288,295
Refundable sales tax	391,803	79,956	-	-	471,759
Other receivables	52,821	282,356	-	-	335,177
Due from other governmental agencies	373,078	1,309,168	-	-	1,682,246
Prepays	148,603	-	-	-	148,603
Pledges receivable, current	-	-	7,868,507	-	7,868,507
Pledges receivable, noncurrent	-	-	8,802,502	-	8,802,502
Long-term investments	-	-	35,766,545	-	35,766,545
Total Assets	\$ 13,983,350	\$ 1,664,183	\$ 52,716,101	\$ -	\$ 68,363,634
LIABILITIES DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
Liabilities:					
Accounts payable - trade	\$ 109,643	\$ 2,050	\$ -	\$ -	\$ 111,693
Other payables	531,646	-	166,150	-	697,796
Due to other governmental agency	5,612,879	-	-	-	5,612,879
Total Liabilities	6,254,168	2,050	166,150	-	6,422,368
Unavailable resources	-	1,197,579	-	-	1,197,579
Prepaid lease revenue	674,842	-	-	-	674,842
Total Deferred Inflows	674,842	1,197,579	-	-	1,872,421
Fund Balances:					
Non-Spendable Fund Balance:					
Prepaid expenses	148,603	-	-	-	148,603
Endowments held by the Foundation	-	-	4,732,005	-	4,732,005
Restricted Fund Balance:					
Grants	-	160,132	-	-	160,132
Contributions held by the Foundation	-	69,354	47,817,946	-	47,887,300
Stabilization by State Statute	1,563,862	1,764,417	-	-	3,328,279
Facility enhancements	-	1,093,244	-	-	1,093,244
Programming	-	325,665	-	-	325,665
Unassigned fund balance (deficit)	5,341,875	(2,948,258)	-	-	2,393,617
Total Fund Balances	7,054,340	464,554	52,549,951	-	60,068,845
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 13,983,350	\$ 1,664,183	\$ 52,716,101	\$ -	\$ 68,363,634

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

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

JUNE 30, 2023

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

Ending fund balance - governmental funds	\$ 60,068,845
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	
Cost of capital assets:	
Tangible assets	182,809,813
Right-of-use subscription-based IT arrangements	17,474,295
Right-of-use leased assets	1,882,555
Accumulated depreciation	(53,581,026)
Accumulated amortization	(8,551,102)
Contributions to the pension plan in the current fiscal year are not included in the outflows of resources on the statement of net position.	2,623,714
Benefit payments to OPEB plan in the current fiscal year are deferred outflows of resources on the statement of net position.	1,162,640
Other pension related deferrals in the current fiscal year are deferred outflows and inflows of resources on the statement of net position.	6,731,961
Other OPEB related deferrals in the current fiscal year are deferred outflows of resources on the statement of net position.	(11,189,914)
Unavailable resources that are a deferred inflow of resources at the fund level and that recognized as revenue under full accrual accounting	1,197,579
Long-term liabilities that are not due and payable in the current period and, therefore, are not reported in the funds.	
Lease liability	(15,831,623)
SBITA liability	(1,281,414)
Compensated absences	(2,664,314)
Total OPEB liability	(61,909,309)
Net pension liability	(14,446,005)
Net Position of Governmental Activities	<u>\$ 104,496,695</u>

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

PUBLIC LIBRARY OF CHARLOTTE & MECKLENBURG COUNTY

(A Component Unit of Mecklenburg County, NC)

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

YEAR ENDED JUNE 30, 2023

	General Fund	Special Revenue Fund	Library Foundation Fund	Capital Projects Fund	Total Governmental Funds
Revenues					
Intergovernmental:					
Mecklenburg County Operations	\$ 42,941,758	\$ -	\$ -	\$ -	\$ 42,941,758
Amounts paid on behalf by					
Mecklenburg County	2,728,222	-	-	11,523,006	14,251,228
ABC Board	1,018,628	-	-	-	1,018,628
City of Charlotte	2,500	-	-	-	2,500
North Carolina	-	682,386	-	-	682,386
North Carolina (non-recurring)	-	406,105	-	-	406,105
Federal	-	6,677,845	-	-	6,677,845
Total Intergovernmental Revenues	46,691,108	7,766,336	-	11,523,006	65,980,450
Fees	754,754	-	-	-	754,754
E-Rate reimbursement	79,948	-	-	-	79,948
Contributions	-	275,362	3,315,183	-	3,590,545
Investment income, net	-	-	1,731,453	-	1,731,453
Other income	476,150	-	-	-	476,150
Total Revenues	48,001,960	8,041,698	5,046,636	11,523,006	72,613,300
Expenditures					
Current:					
Salaries and benefits	32,638,725	826,494	-	-	33,465,219
Library collection	4,941,033	972,730	-	-	5,913,763
Facility related	4,022,876	-	-	-	4,022,876
Programming	253,576	284,050	-	-	537,626
Technology and equipment	433,495	7,939,658	-	-	8,373,153
Professional services	841,231	117,689	-	-	958,920
Personnel related	947,920	18,340	-	-	966,260
Miscellaneous	751,718	647,741	250,934	-	1,650,393
Capital Outlay:					
Other	9,613,137	-	-	11,523,006	21,136,143
Debt Services:					
Principal	1,563,647	-	-	-	1,563,647
Interest	515,853	-	-	-	515,853
Total Expenditures	56,523,211	10,806,702	250,934	11,523,006	79,103,853
Excess (Deficiency) of Revenues Over (Under) Expenditures	(8,521,251)	(2,765,004)	4,795,702	-	(6,490,553)
Other Financing Sources (Uses):					
Interfund transfer in	-	1,416,053	-	-	1,416,053
Interfund transfer out	-	-	(1,416,053)	-	(1,416,053)
SBITA liabilities issued	1,882,555	-	-	-	1,882,555
Lease liabilities issued	7,630,892	-	-	-	7,630,892
Total Other Financing Sources(Uses)	9,513,447	1,416,053	(1,416,053)	-	9,513,447
Net Change in Fund Balances	992,196	(1,348,951)	3,379,649	-	3,022,894
Fund Balance, Beginning of Year	6,062,144	1,813,505	49,170,302	-	57,045,951
Fund Balance, End of Year	\$ 7,054,340	\$ 464,554	\$ 52,549,951	\$ -	\$ 60,068,845

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

PUBLIC LIBRARY OF CHARLOTTE & MECKLENBURG COUNTY

(A Component Unit of Mecklenburg County, NC)

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

YEAR ENDED JUNE 30, 2023

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

Net change in fund balances - total governmental funds	\$ 3,022,894
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:	
Capital Outlay:	
Tangible assets	15,609,368
Right-of-use subscription-based IT arrangements	1,882,555
Right-of-use leased assets	7,630,892
Less current year depreciation	(5,630,896)
Less current year amortization	(3,145,895)
Loss on disposal of capital assets	(2,140,893)
Contributions to the pension plan in the current fiscal year are not included in the statement of activities.	2,623,714
Benefit payments to OPEB plan in the current fiscal year statement of activities.	1,162,640
Recognition of unavailable resources received outside of availability criteria	1,197,579
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.	
New long-term debt issued	(9,513,447)
Principal payments on long-term debt	1,563,646
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds:	
Compensated absences in excess of benefits used over current provision	(318,872)
OPEB expense	2,996,245
Pension expense	(4,140,607)
Change in Net Position of Governmental Activities	<u>\$ 12,798,923</u>

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

PUBLIC LIBRARY OF CHARLOTTE & MECKLENBURG COUNTY

(A Component Unit of Mecklenburg County, NC)

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

YEAR ENDED JUNE 30, 2023

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues				
Intergovernmental:				
Mecklenburg County Operations	\$ 42,255,300	43,180,300	\$ 42,941,758	\$ (238,542)
Amounts paid on behalf by				
Mecklenburg County	-	3,300,000	2,728,222	(571,778)
ABC Board	860,733	1,386,154	1,018,628	(367,526)
City of Charlotte	2,500	2,500	2,500	-
Total Intergovernmental Revenues	<u>43,118,533</u>	<u>47,868,954</u>	<u>46,691,108</u>	<u>(1,177,846)</u>
Fees	315,000	315,000	754,754	439,754
E-Rate reimbursement	79,000	79,000	79,948	948
Other	231,500	357,621	476,150	118,529
Total Revenues	<u>43,744,033</u>	<u>48,620,575</u>	<u>48,001,960</u>	<u>(618,615)</u>
Expenditures				
Current:				
Salaries and benefits	32,162,571	32,879,321	32,638,725	240,596
Library collection	4,786,671	5,203,003	4,941,033	261,970
Facility related	2,481,421	4,937,163	4,022,876	914,287
Programming	225,732	277,424	253,576	23,848
Technology and equipment	418,753	447,760	433,495	14,265
Professional services	522,500	1,303,351	841,231	462,120
Personnel related	189,100	1,049,100	947,920	101,180
Miscellaneous	727,886	1,084,172	751,718	332,454
Capital Outlay:				
Other	49,899	196,062	99,690	96,372
Debt Services:				
Principal	1,563,647	1,563,647	1,563,647	-
Interest	515,853	515,853	515,853	-
Total Expenditures	<u>43,644,033</u>	<u>49,456,855</u>	<u>47,009,764</u>	<u>2,447,091</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>100,000</u>	<u>(836,280)</u>	<u>992,196</u>	<u>1,828,476</u>
Other Financing Sources (Uses):				
Interfund transfer in	(100,000)	(100,000)	-	100,000
Fund balance appropriated	-	936,280	-	(936,280)
Total Other Financing Sources (Uses)	<u>(100,000)</u>	<u>836,280</u>	<u>-</u>	<u>(836,280)</u>
Net Change in Fund Balances	<u>\$ -</u>	<u>-</u>	<u>992,196</u>	<u>\$ 992,196</u>
Fund Balance, Beginning of Year			<u>6,062,144</u>	
Fund Balance, End of Year			<u>\$ 7,054,340</u>	

The following table presents a reconciliation of resulting basis differences in the fund balance (budgetary basis) at June 30, 2023 to the fund balance on a modified accrual basis (GAAP).

Fund Balance (Non-GAAP) June 30, 2023	\$ 7,054,340
Reconciling Adjustments:	
Other Financing Sources (Uses)	9,513,447
Lease and\ SBITA Capital Outlay	(9,513,447)
Fund Balance (GAAP Basis) June 30, 2023	<u>\$ 7,054,340</u>

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

PUBLIC LIBRARY OF CHARLOTTE & MECKLENBURG COUNTY

(A Component Unit of Mecklenburg County, NC)

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

YEAR ENDED JUNE 30, 2023

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues				
Intergovernmental:				
North Carolina	\$ 633,919	\$ 682,386	\$ 682,386	\$ -
North Carolina (non-recurring)	-	406,105	406,105	-
Federal	98,858	3,041,947	145,045	(2,896,902)
Total Intergovernmental Revenues	732,777	4,130,438	1,233,536	(2,896,902)
E-Rate reimbursement	7,853,040	7,853,040	6,532,800	(1,320,240)
Other income	-	-	-	-
Contributions	148,159	359,591	275,362	(84,229)
Total Revenues	<u>8,733,976</u>	<u>12,343,069</u>	<u>8,041,698</u>	<u>(4,301,371)</u>
Expenditures				
Current:				
Salaries and benefits	796,390	1,273,198	826,494	446,704
Library collection	646,329	2,199,723	972,730	1,226,993
Programming	564,482	681,899	284,050	397,849
Technology and equipment	7,853,040	8,367,488	7,939,658	427,830
Professional services	86,662	461,662	117,689	343,973
Personnel related	16,323	68,823	18,340	50,483
Miscellaneous	716,546	1,418,586	647,741	770,845
Capital outlay	26,588	26,588	-	26,588
Total Expenditures	<u>10,706,360</u>	<u>14,521,967</u>	<u>10,806,702</u>	<u>3,715,265</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(1,972,384)</u>	<u>(2,178,898)</u>	<u>(2,765,004)</u>	<u>(586,106)</u>
Other Financing Sources (Uses):				
Interfund transfer in	1,530,348	1,748,972	1,416,053	(332,919)
Fund balance appropriated	442,036	429,926	-	(429,926)
Total Other Financing Sources (Uses)	<u>1,972,384</u>	<u>2,178,898</u>	<u>1,416,053</u>	<u>(762,845)</u>
Net Change in Fund Balances	<u>\$ -</u>	<u>\$ -</u>	<u>(1,348,951)</u>	<u>\$ (1,348,951)</u>
Fund Balance, Beginning of Year			<u>1,813,505</u>	
Fund Balance, End of Year			<u>\$ 464,554</u>	

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

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

JUNE 30, 2023

Note 1—Reporting entity and summary of significant accounting policies

Reporting Entity – The Public Library of Charlotte & Mecklenburg County (the “Library”) is a public library formed in 1902 by charter granted by the state of North Carolina. The Library is a component unit of Mecklenburg County and is included in Mecklenburg County’s basic financial statements. Mecklenburg County has historically provided approximately 85%-90% of the Library’s general funding and appoints a majority of the 11-member Library Board of Trustees (the “Board”). As required under generally accepted accounting principles (“U.S. GAAP”), these financial statements present the Library and its component unit, the Charlotte Mecklenburg Library Foundation (the “Foundation”), a legally separate entity for which the Library is financially accountable. The Foundation exists solely to provide financial resources to the Library. The Foundation meets the criteria for being a blended component unit based on the following criteria under Governmental Accounting Standards Board (“GASB”) 61 that it has a financial benefit or burden to the Library and Library personnel below the level of elected official have operational responsibility for its operations.

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

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

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

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

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

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

JUNE 30, 2023

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

The Library reports the following major governmental funds:

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

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

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

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

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

Budgetary Data – The Library's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund and one Major Special Revenue Fund. The Capital Projects Fund, a multi-year fund, is budgeted by project. For the fiscal year ended June 30, 2023, project budgets totaled \$11,523,006. The Foundation is a non-profit as defined under Internal Revenue Code ("IRC") 501(c)3. It operates under Financial Accounting Standards Board ("FASB") statements and interpretations and is not required to adopt a budget. All annual appropriations lapse at the fiscal year-end. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the functional level for all annually budgeted funds and at the object level for the multi-year funds. Amendments are required for any revisions which alter total expenditures of any fund or change functional appropriations by more than \$25,000. The governing board must adopt an interim budget which 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 \$35,766,545 as of June 30, 2023, 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, 2023, \$4,732,005 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, 2023, the net appreciation on investments of donor-restricted endowments was \$1,731,453 due to market conditions. In some instances, the Library may elect to have the income transferred to the principal of the endowment. These endowments are presented in the Library's non-spendable fund balance. The Foundation has certain investments that are being held to generate future income; therefore, they cannot be converted within a 12-month period.

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

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

JUNE 30, 2023

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

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

Management evaluates pledges receivable for collectability at least annually. The Library provides a provision for losses on uncollectible pledges equal to the estimated uncollectible amounts. Management’s estimate is based on historical charge-offs, factors related to the specific donors’ ability to pay, donor giving history, and current economic trends. As of June 30, 2023, there is a \$1,390,668 allowance related to outstanding pledges.

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

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

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

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

Right-To-Use Subscription-Based IT Arrangements and SBITA Liability – The Library has recorded subscription-based IT arrangement (“SBITA”) assets and liabilities as a result of implementing GASB 96. The SBITA assets are initially measured at an amount equal to the initial measurement of the related liability plus any payments made prior to the contract term, less incentives, and plus ancillary charges necessary to place the asset into service. The SBITA assets are amortized on a straight-line basis over the life of the related SBITA.

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 up to 240 hours. Employees earn sick leave at a flat rate and there is no limit on accumulation. One-fourth of the 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.

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

JUNE 30, 2023

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

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

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 assets 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 assets that applies to a future period and so will not be recognized until then. The Library has several items that meets the criterion for this category – prepaid lease revenue, unavailable resources, pension-related deferrals, and OPEB-related deferrals.

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

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

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

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

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

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

Fund balances are classified as follows:

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

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

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

PUBLIC LIBRARY OF CHARLOTTE & MECKLENBURG COUNTY
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Note 1—Reporting entity and summary of significant accounting policies (continued)

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

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

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

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

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

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

Assigned Fund Balance – Portion of fund balance whose intended use is established by the official designated by the governing body to encumber funds. The Library did not have any assigned fund balances at year-end.

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	\$ 7,054,340
Less prepaid expenses	148,603
Less stabilization by state statute	<u>1,563,862</u>
Remaining fund balance	<u><u>\$ 5,341,875</u></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>
\$746,160	\$92,938

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.

PUBLIC LIBRARY OF CHARLOTTE & MECKLENBURG COUNTY
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JUNE 30, 2023

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

Risk Management – The Library is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Library acquires its risk management services through the City of Charlotte’s Risk Management Division. The Library has commercial general liability insurance of \$1 million per occurrence, workers’ compensation employers’ liability coverage of \$500,000, and public officers’ coverage of \$1 million per loss. There have been no significant reductions in insurance coverage from coverage levels in the prior year and settled claims have not exceeded coverage in any of the past three fiscal years. As of June 30, 2023, the Library does not hold any flood insurance.

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

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

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

Transfers – Transfers are used to move money between the funds to meet operating needs, such as for payroll and grants, and are funds transferred from the Foundation transferring to the special revenue fund. Transfers totaled approximately \$1.4 million in fiscal year 2023.

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

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

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JUNE 30, 2023

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

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

Contributions and unconditional promises to give to the Library Foundation are recognized as revenue when made or a written promise to give is conveyed, whichever is earliest. Contributions received with donor stipulations that restrict the use of the assets and promises to give that have time or purpose restrictions are reported as restricted fund balance and net position. The Library Foundation recognizes contributions when cash, securities, or other assets; or an unconditional promise to give is received. Conditional promises to give – that is, those with a measurable performance or other barrier and a right of return – are not recognized until the conditions on which they depend have been met. At June 30, 2023, the Library Foundation did not have any conditional promises to give.

New Accounting Pronouncement

As of July 1, 2022, the Library adopted the provisions of GASB 96, *Subscription-Based Information Technology Arrangements (SBITA)*, which amended the existing accounting standards for SBITA reporting. The new guidance requires lessees in a subscription-based information technology arrangement recognize a right-of-use asset and a liability for most SBITAs (other than SBITAs that meet the definition of a short-term agreement) at commencement. The liability will be equal to the present value of SBITA payments. Following the adoption of the standard, the Library has determined there were material SBITAs that would be considered subject to the standard and, therefore, a right-to-use SBITA asset and liability has been recorded in the statement of net position.

Note 2—Deposits and investments

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

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

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Note 2—Deposits and investments (continued)

At June 30, 2023, the Library's deposits had a carrying amount of \$13,000,931 and a bank balance of \$13,000,932. The Federal Deposit Insurance Corporation 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 \$12,750,932 was covered by collateral held under the Pooling Method. The Foundation has deposits with a carrying amount of \$278,547 held in the Foundation for the Carolina's Investment Fund that have a maturity of three months or less. The fund invests in the BlackRock TempFund, one of BlackRock's Liquidity Funds which seeks as high a level of current income as is consistent with liquidity and stability of principal. At June 30, 2023, the Library's petty cash fund totaled \$8,817. The Library has no policy for managing interest rate risk or credit risk.

Note 3—Investments

At June 30, 2023, the Foundation's investment balances were as follows:

<u>Investment Type</u>	<u>Investment Measurement Method</u>	<u>Fair Value</u>	<u>Less than 1 Year</u>	<u>Less than 5 Years</u>	<u>2-5 Years</u>	<u>3-7 Years+</u>
Foundation for the Carolinas						
Income and Growth Pool	Net Asset Value	\$ 538,075	\$ -	\$ -	\$ 538,075	\$ -
Foundation for the Carolinas						
Low Duration Fixed Income Pool	Net Asset Value	26,018,261	-	26,018,261	-	-
Foundation for the Carolinas						
Active Long-Term Growth Pool	Net Asset Value	794,753	-	-	-	794,753
Foundation for the Carolinas						
Diversified Long-Term Growth Pool	Net Asset Value	8,415,456	-	-	-	8,415,456
		<u>\$ 35,766,545</u>	<u>\$ -</u>	<u>\$ 26,018,261</u>	<u>\$ 538,075</u>	<u>\$ 9,210,209</u>

Foundation funds are invested in Foundation for the Carolina's Pooled Investment Funds. As of June 30, 2023, there were no unfunded commitments and redemption frequency is daily. The following describes the Pooled Investment Funds listed:

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

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Note 3—Investments (continued)

Diversified Long-Term Growth Pool – 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.

PUBLIC LIBRARY OF CHARLOTTE & MECKLENBURG COUNTY
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Note 4—Capital assets

Capital asset activity for the year ended June 30, 2023 was as follows:

	Beginning Balance June 30, 2022	Additions	Disposals Retirements and Reclassifications	Ending Balance June 30, 2023
Governmental activities:				
Non-depreciable assets:				
Land	\$ 13,523,473	\$ -	\$ -	\$ 13,523,473
Construction in progress	10,017,298	11,509,879	(2,429,082)	19,098,095
	23,540,771	11,509,879	(2,429,082)	32,621,568
Depreciable assets:				
Building and building improvements	130,891,377	1,930,892	(10,943,708)	121,878,561
Books	9,480,619	2,041,319	(2,259,676)	9,262,262
Furniture and equipment	8,275,445	582,038	(1,146,124)	7,711,359
Subscription-based IT Arrangements	-	1,882,555	-	1,882,555
Leased buildings	8,970,535	7,628,709	-	16,599,244
Leased equipment and fixtures	872,868	2,183	-	875,051
Leasehold improvements	1,401,437	46,553	-	1,447,990
Totals at historical cost	183,433,052	25,624,128	(16,778,590)	192,278,590
Intangible assets:				
Digital books	7,431,929	1,767,489	-	9,199,418
Website and other projects	609,345	79,310	-	688,655
Total intangible assets	8,041,274	1,846,799	-	9,888,073
Less accumulated amortization:				
Digital books	(3,885,136)	(1,332,571)	-	(5,217,707)
Website and other projects	(582,547)	(6,700)	-	(589,247)
SBITA assets	-	(469,648)	-	(469,648)
Leased assets	(937,524)	(1,336,976)	-	(2,274,500)
Less accumulated depreciation:				
Building and building improvements	(47,984,967)	(3,284,917)	8,803,421	(42,466,463)
Books	(5,588,724)	(1,709,574)	2,259,676	(5,038,622)
Leasehold improvements	(206,951)	(93,429)	-	(300,380)
Furniture and equipment	(6,378,103)	(542,976)	1,145,518	(5,775,561)
Total accumulated amortization and depreciation	(65,563,952)	(8,776,791)	12,208,615	(62,132,128)
Capital assets, net	\$ 125,910,374	\$ 18,694,136	\$ (4,569,975)	\$ 140,034,535

Additions to capital assets include approximately \$11,523,006 of buildings and equipment transferred to the Library from Mecklenburg County through capital reserve funding. Mecklenburg County obtained the funds to purchase these assets through the issuance of general obligation bonds and certificates of participation, which are an obligation of Mecklenburg County and not the Library.

PUBLIC LIBRARY OF CHARLOTTE & MECKLENBURG COUNTY
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NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2023

Note 5—Long-term obligations

Long-term liability activity for the year ended June 30, 2023 was as follows:

	Beginning Balance			Ending Balance		Due Within One Year
	June 30, 2022	Additions	Retirements	June 30, 2023		
Compensated absences	\$ 2,345,442	\$ 2,455,808	\$ 2,136,936	\$ 2,664,314	\$ 2,146,879	
SBITA liabilities	-	1,882,555	601,140	1,281,415	455,263	
Lease liabilities	9,244,205	7,549,924	962,506	15,831,623	1,053,057	
Net pension liability	4,106,050	10,339,955	-	14,446,005	-	
Total OPEB liability	79,764,118	-	17,854,809	61,909,309	-	
	<u>\$ 95,459,815</u>	<u>\$ 22,228,242</u>	<u>\$ 21,555,391</u>	<u>\$ 96,132,666</u>	<u>\$ 3,655,198</u>	

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

Note 6—Leases

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

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2023 were as follows:

<u>Fiscal Years Ending June 30,</u>	<u>Principal Payments</u>	<u>Interest Payments</u>	<u>Total</u>
2024	\$ 1,053,057	\$ 533,585	\$ 1,586,642
2025	870,291	502,557	1,372,848
2026	701,680	475,019	1,176,699
2027	695,730	451,193	1,146,923
2028	733,162	426,247	1,159,409
2029-2033	4,311,644	1,707,095	6,018,739
2034-2038	5,124,479	850,426	5,974,905
2039-2043	2,341,579	148,649	2,490,228
	<u>\$ 15,831,622</u>	<u>\$ 5,094,771</u>	<u>\$ 20,926,393</u>

PUBLIC LIBRARY OF CHARLOTTE & MECKLENBURG COUNTY
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JUNE 30, 2023

Note 7—Subscription-Based IT Arrangements (SBITA)

The Library has entered into seven right-of-use agreements for SBITA. The SBITA agreements qualify as other than short-term under GASB 96 and, therefore, have been recorded at the present value of the future minimum contract payments as of the date of their inception. The right-of-use SBITA assets are amortized on a straight-line basis over the terms of the related leases. Each lease liability is measured using a discount rate that ranges from 2.5% and 3.0%, which is the Library’s incremental rate.

The future minimum SBITA obligations and the net present value of these minimum SBITA payments as of June 30, 2023 were as follows:

<u>Fiscal Years Ending June 30,</u>	<u>Principal Payments</u>	<u>Interest Payments</u>	<u>Total</u>
2024	\$ 455,263	\$ 34,594	\$ 489,857
2025	467,100	22,757	489,857
2026	108,163	10,610	118,773
2027	88,887	7,530	96,417
2028	66,280	4,927	71,207
2029-2033	95,722	3,746	99,468
	<u>\$ 1,281,415</u>	<u>\$ 84,164</u>	<u>\$ 1,365,579</u>

Note 8—Retirement plan

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

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.

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JUNE 30, 2023

Note 8—Retirement plan (continued)

Contributions – Contribution provisions are established by G.S. 128-30 and may be amended only by the North Carolina General Assembly. Library employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The Library’s contractually required contribution rate for the year ended June 30, 2023 was 12.10% for general employees, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the Library were \$2,623,714 for the year ended June 30, 2023.

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, 2023, the Library reported a liability of \$14,446,005 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2021. The total pension liability was then rolled forward to the measurement date of June 30, 2022 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, 2022 (the measurement date), the Library’s proportion was 0.256%, which was a decrease of 0.012% from its proportion measured as of June 30, 2021.

For the year ended June 30, 2023, the Library recognized pension expense of \$4,140,607. At June 30, 2023, the Library reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 622,465	\$ 61,029
Changes of assumptions	1,441,387	-
Net difference between projected and actual earning on pension plan investments	4,774,556	-
Changes in proportion and differences between Library contributions and proportionate share of contributions	223,394	268,812
Library contributions subsequent to measurement date	2,623,714	-
	<u>\$ 9,685,516</u>	<u>\$ 329,841</u>

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Note 8—Retirement plan (continued)

The \$2,623,714 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, 2024. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Years Ended June 30,</u>	
2024	\$ 2,162,164
2025	1,839,230
2026	455,879
2027	2,274,688
	<u>\$ 6,731,961</u>

Actuarial Assumptions – The total pension liability in the December 31, 2021 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

The actuarial assumptions used in the December 31, 2021 valuation were based on the results of an actuarial experience study for the period January 1, 2015 through December 31, 2019.

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

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

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JUNE 30, 2023

Note 8—Retirement plan (continued)

As of June 30, 2022, 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%	1.1%
Global equity	42%	6.5%
Real estate	8%	5.9%
Alternatives	8%	7.5%
Credit	7%	5.0%
Inflation	6%	2.7%
	100%	

The information above is based on 30-year expectations developed with the consulting actuary and is part of the asset liability and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 2.25%. All rates of return and inflation are annualized.

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

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

	1% Decrease (5.50%)	Discount Rate (6.50%)	1% Increase (7.50%)
Library’s proportionate share of the net pension liability (asset)	\$ 26,073,178	\$ 14,446,005	\$ 4,864,539

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

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

JUNE 30, 2023

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 IRC. Eligible participants may contribute up to the maximum allowable under law as a percent of base salary. For the year ended June 30, 2023, the Library matched 100% of employee contributions up to 5% of compensation. Total expense relating to this plan was \$693,221 for the year ended June 30, 2023.

Note 10—Other Postemployment Benefits (OPEB)

Healthcare Benefits

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

Healthcare participants was based on personnel information from Mecklenburg County, North Carolina Library records as of January 1, 2023:

Active participants	143
Retirees and dependents	<u>137</u>
Total participants	<u><u>280</u></u>

Total OPEB Liability

The Library’s total OPEB liability of \$61,909,309 was measured as of June 30, 2022 and was determined by an actuarial valuation as of January 1, 2022.

Actuarial Assumptions and Other Inputs – The total OPEB liability in the January 1, 2022 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation:	2.5%
Salary increases:	3.25% – 8.41%
Healthcare cost trend rates:	Pre-65 – 7.00%
	Post-65 – 5.125%
	Decreasing each year to a rate of 4.50% Pre-65 by 2032 and 4.50% Post-65 in 2025

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

JUNE 30, 2023

Note 10—Other Postemployment Benefits (OPEB) (continued)

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

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance recognized at June 30, 2022	\$ 79,764,118
Changes recognized for the fiscal year:	
Service cost	1,841,359
Interest on the total OPEB liability	1,750,004
Change in benefit terms	(3,506,179)
Difference between expected and actual experience	4,368,924
Changes of assumptions	(21,129,032)
Contributions from employer	(1,179,885)
Total OPEB liability	<u>\$ 61,909,309</u>

Changes in assumptions and other inputs reflect a change in the discount rate from 2.16% to 3.54%.

Mortality rates were based on the Pub-2010 mortality tables, with adjustments for LGERS experience and generational mortality improvements using Scale MP-2019.

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

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate – The following represents the total OPEB liability of the Library, as well as what the Library’s total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.54%) or 1-percentage point higher (4.54%) than the current discount rate:

	1% Decrease (2.54%)	Interest Rate Discount Rate (3.54%)	1% Increase (4.54%)
Total OPEB liability	<u>\$ 73,542,357</u>	<u>\$ 61,909,309</u>	<u>\$ 52,785,748</u>

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

	1% Decrease	Healthcare Cost Trend Rate	1% Increase
Total OPEB liability	<u>\$ 52,064,636</u>	<u>\$ 61,909,309</u>	<u>\$ 74,565,768</u>

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

JUNE 30, 2023

Note 10—Other Postemployment Benefits (OPEB) (continued)

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

For the year ended June 30, 2023, the Library recognized OPEB expense of (\$34,521,205). At June 30, 2023, 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	\$ 3,348,620	\$ 102,785
Changes in Assumptions	1,223,946	15,659,695
Library contributions subsequent to measurement date	1,162,640	-
	<u>\$ 5,735,206</u>	<u>\$ 15,762,480</u>

The \$1,162,640 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, 2024. 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,

2024	\$ (3,353,188)
2025	(4,592,833)
2026	<u>(3,243,893)</u>
	<u>\$ (11,189,914)</u>

Note 11—Major supplier

For the year ended June 30, 2023, approximately 32.5% of all books and related items were purchased from one supplier.

Note 12—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, 2023, the endowments, which amounted to \$4,732,005 are presented in the Library's non-spendable fund balance as recorded through the Foundation.

Note 13—Contributed rent

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 six successive options to renew and extend the agreement for a period of five years each. Under this agreement, CTC has access to the theatres, classrooms, and office space for \$1, upon execution of the agreement, and agrees to share in 50% of the operating costs of the facility.

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

JUNE 30, 2023

Note 14—Related party transaction

As of June 30, 2023, the Library owes \$5,612,879 to Mecklenburg County.

Note 15—Pledges receivable

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

Future pledges have been discounted at 4.7% (\$1,309,668) for a total net present value of \$16,671,009. A discount rate of 4.7% was chosen based upon two- and three-year treasury yields as of June 30, 2023, which is consistent with the average length of outstanding pledges.

Pledges receivable at June 30, 2023 are scheduled to be received as follows:

Years Ending June 30,

2024	\$ 8,238,327
2025	7,694,812
2026	1,178,538
2027	364,000
2028	236,000
Thereafter	<u>350,000</u>
Total pledges receivable	18,061,677
Present value adjustment	<u>(1,390,668)</u>
Total pledges receivable, adjusted	<u><u>\$ 16,671,009</u></u>

Note 16—Subsequent events

The Library has evaluated subsequent events through October 23, 2023, 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**

Last Six Fiscal Years

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total OPEB Liability						
Service cost	\$ 1,841,359	\$ 1,927,704	\$ 1,517,248	\$ 1,498,027	\$ 1,678,648	\$ 2,049,008
Interest	1,750,004	1,745,729	2,413,578	2,510,687	2,298,451	2,017,454
Changes of benefit terms	(3,506,179)					
Differences between expected and actual experience	4,368,924	(169,410)	762,583	(821,179)	689,336	121,547
Changes of assumptions	(21,129,032)	(500,870)	5,765,298	1,524,160	(3,006,549)	(9,477,810)
Benefit payments	(1,179,885)	(509,507)	(860,366)	(826,497)	(786,769)	(1,063,005)
Net change in total OPEB liability	(17,854,809)	2,493,646	9,598,341	3,885,198	873,117	(6,352,806)
Total OPEB liability, beginning of year	79,764,118	77,270,472	67,672,131	63,786,933	62,913,816	69,266,622
Total OPEB liability, end of year	<u>\$ 61,909,309</u>	<u>\$ 79,764,118</u>	<u>\$ 77,270,472</u>	<u>\$ 67,672,131</u>	<u>\$ 63,786,933</u>	<u>\$ 62,913,816</u>
Covered payroll	\$ 19,186,480	\$ 19,240,886	\$ 20,048,037	\$ 19,847,880	\$ 17,405,973	\$ 17,737,012
Total OPEB Liability as a percentage of covered payroll	322.67%	414.56%	385.43%	340.95%	366.47%	354.70%

NOTES TO THE SCHEDULE

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

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

2017	2.85%
2018	3.58%
2019	3.87%
2020	3.51%
2021	2.21%
2022	2.16%
2023	3.54%

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

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

Last Ten Fiscal Years

	Last Ten Fiscal Years *									
	Local Government Employees' Retirement System									
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Library's proportion of the net pension liability (asset) (%)	0.25607%	0.26774%	0.24904%	0.24467%	0.26173%	0.26734%	0.26457%	0.26692%	0.24970%	0.27190%
Library's proportion of the net pension liability (asset) (\$)	\$ 14,446,005	\$ 4,106,050	\$ 8,899,262	\$ 6,681,747	\$ 6,209,133	\$ 4,084,215	\$ 5,615,062	\$ 1,197,926	\$ (1,472,596)	\$ 2,577,111
Library's covered payroll	\$ 19,240,886	\$ 20,048,038	\$ 19,811,279	\$ 18,163,070	\$ 18,912,433	\$ 17,155,056	\$ 17,397,652	\$ 16,291,567	\$ 15,182,660	\$ 13,262,181
Library's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	75.08%	20.48%	44.92%	36.79%	32.83%	23.81%	32.27%	7.35%	(9.70%)	19.43%
Plan fiduciary net position as a percentage of the total pension liability**	84.14%	95.51%	88.61%	90.86%	94.16%	94.18%	91.47%	98.09%	102.64%	94.35%

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

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

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

Last Ten Fiscal Years

Last Ten Fiscal Years										
Local Government Employees' Retirement System										
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Contractually required contribution	\$ 2,623,714	\$ 2,208,567	\$ 1,943,167	\$ 1,683,444	\$ 1,372,103	\$ 1,337,155	\$ 1,029,303	\$ 1,177,606	\$ 1,151,433	\$ 1,074,340
Contributions in relation to the contractually required contribution	(2,623,714)	(2,208,567)	(1,943,167)	(1,683,444)	(1,372,103)	(1,337,155)	(1,029,303)	(1,177,606)	(1,151,433)	(1,074,340)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Public Library's covered-employee payroll	\$ 21,908,772	\$ 19,240,886	\$ 19,148,037	\$ 19,811,279	\$ 18,163,070	\$ 18,912,433	\$ 17,155,056	\$ 17,397,652	\$ 16,291,567	\$ 15,182,660
Contributions as a percentage of covered-employee payroll	11.98%	11.48%	9.69%	8.50%	7.55%	7.07%	6.00%	6.77%	7.07%	7.08%

ACCOMPANYING INFORMATION

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

YEAR ENDED JUNE 30, 2023

	General Fund	Special Revenue Fund	Library Foundation Fund	Capital Projects Fund	Total Governmental Funds
Salaries and Benefits:					
Salaries, full-time employees	\$ 21,197,160	\$ 622,925	\$ -	\$ -	\$ 21,820,085
Salaries, limited part-time	1,598,571	-	-	-	1,598,571
Salaries, other	2,482	-	-	-	2,482
Retirement benefits	9,840,512	203,569	-	-	10,044,081
Total Salaries and Benefits	<u>32,638,725</u>	<u>826,494</u>	<u>-</u>	<u>-</u>	<u>33,465,219</u>
Library Collection:					
Books and related items	4,941,033	972,730	-	-	5,913,763
Facility Related:					
Utilities	1,039,203	-	-	-	1,039,203
Telephone	101,821	-	-	-	101,821
Facility insurance	321,190	-	-	-	321,190
Building and grounds, maintenance, and repairs	2,118,777	-	-	-	2,118,777
Real estate rental	245,679	-	-	-	245,679
Data lines	196,206	-	-	-	196,206
Total Facility Related	<u>4,022,876</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,022,876</u>
Programming:					
Adult programs	58,227	78,307	-	-	136,534
Teen programs	52,140	1,683	-	-	53,823
Children programs	143,209	79,919	-	-	223,128
Other	-	124,141	-	-	124,141
Total Programming	<u>253,576</u>	<u>284,050</u>	<u>-</u>	<u>-</u>	<u>537,626</u>
Technology and Equipment:					
Technology and software	371,812	7,939,658	-	-	8,311,470
Copier expense	61,683	-	-	-	61,683
Total Technology and Equipment	<u>433,495</u>	<u>7,939,658</u>	<u>-</u>	<u>-</u>	<u>8,373,153</u>
Professional Services:					
Consulting services	170,435	117,689	-	-	288,124
Legal services	670,796	-	-	-	670,796
Miscellaneous expense	-	-	-	-	-
Total Professional Services	<u>841,231</u>	<u>117,689</u>	<u>-</u>	<u>-</u>	<u>958,920</u>
Personnel Related:					
Auto allowance	25,886	-	-	-	25,886
Security	762,503	-	-	-	762,503
Training and travel	114,326	1,140	-	-	115,466
Professional development	24,921	2,200	-	-	27,121
Recruitment	750	-	-	-	750
Volunteers	11,475	-	-	-	11,475
Employee recognition	8,059	15,000	-	-	23,059
Total Personnel Related	<u>947,920</u>	<u>18,340</u>	<u>-</u>	<u>-</u>	<u>966,260</u>

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

YEAR ENDED JUNE 30, 2023

	<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	\$ 20,470	\$ -	\$ -	\$ -	\$ 20,470
Supplies	115,730	4,859	-	-	120,589
Gas	65,530	-	-	-	65,530
Printing	222,592	-	-	-	222,592
Bank fees	47,606	-	-	-	47,606
Miscellaneous	279,790	642,882	250,934	-	1,173,606
Total Miscellaneous	<u>751,718</u>	<u>647,741</u>	<u>250,934</u>	<u>-</u>	<u>1,650,393</u>
Capital Outlay:					
Buildings, equipment, and furnishings	9,613,137	-	-	11,523,006	21,136,143
Debt Service:					
Principal payments	1,563,647	-	-	-	1,563,647
Interest payments	515,853	-	-	-	515,853
Total Debt Service	<u>2,079,500</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,079,500</u>
Total Expenditures	<u>\$ 56,523,211</u>	<u>\$ 10,806,702</u>	<u>\$ 250,934</u>	<u>\$ 11,523,006</u>	<u>\$ 79,103,853</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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of the Public Library of Charlotte and Mecklenburg County (the “Library”), a component unit of Mecklenburg County, North Carolina, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Library’s basic financial statements, and have issued our report thereon dated October 23, 2023.

Report on Internal Control over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

Purpose of this Report

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

Cherry Bekaert LLP

Charlotte, North Carolina
October 23, 2023

Report of Independent Auditor on Compliance for Each Major Federal Program and on Internal Control over Compliance in Accordance with Uniform Guidance

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

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the Public Library of Charlotte and Mecklenburg County (the “Library”), a component unit of Mecklenburg County, North Carolina with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Library’s major federal programs for the year ended June 30, 2023. The Library’s major federal programs are identified in the *Summary of Auditor’s Results* section of the accompanying schedule of findings and questioned costs.

In our opinion, the Library complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2023.

Basis for Opinion on Each Major Federal Program

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

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

Responsibilities of Management for Compliance

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

Auditor’s Responsibilities for the Audit of Compliance

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

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

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

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

Report on Internal Control over Compliance

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

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

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

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. Accordingly, this report is not suitable for any other purpose.



Charlotte, North Carolina
October 23, 2023

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

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

Report on Compliance for the Major State Program

Opinion on the Major State Program

We have audited the Public Library of Charlotte and Mecklenburg County, a component unit of Mecklenburg County, North Carolina's (the "Library"), compliance with the types of compliance identifies as subject to audit in the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission that could have a direct and material effect on each of the Library's major state programs for the year ended June 30, 2023. The Library's major state program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Library complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state program for the year ended June 30, 2023.

Basis for Opinion on Each Major State Program

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

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

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

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

Report on Internal Control over Compliance

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

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

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

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



Charlotte, North Carolina
October 23, 2023

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

YEAR ENDED JUNE 30, 2023

Section I – Summary of Auditor’s Results

Financial Statements

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

Unmodified

Internal Control over Financial Reporting:

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

Noncompliance Material to Financial Statements Noted? yes no

Federal Awards

Internal control over major federal programs:

- Material weakness(es) identified? Yes no
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? yes no

Noncompliance material to financial statements noted? yes no

Type of auditor’s report issued on compliance for major federal program: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? yes no

Identification of major federal programs:

Federal Financial Assistance
Listing Number
 32.009

Name of Federal Program or Cluster
 Emergency Connectivity Fund

Dollar threshold used to distinguish between Type A and Type B Programs \$750,000

Auditee qualified as low-risk auditee? yes no

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

YEAR ENDED JUNE 30, 2023

Section I – Summary of Auditor’s Results (continued)

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:

State Aid to Public Libraries

Section II – Financial Statement Findings

None reported.

Section III – Federal Award Finding and Questioned Costs

None reported.

Section IV – State Award Findings and Questioned Costs

None reported.

Section V – Prior Year Findings

None reported.

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

YEAR ENDED JUNE 30, 2023

<u>Grantor/Program Title</u>	<u>Federal Assistance Listing Number</u>	<u>Expenditures</u>
<u>Institute of Museum and Library Services Federal grants passed through the State of North Carolina and distributed to the Public Library of Charlotte and Mecklenburg County</u>		
North Carolina Department of Cultural Resources, Division of State Library:		
National Leadership Grant -Neighborhood WISP Network	45.312	\$ 38,379
<u>American Rescue Plan Act passed through County of Mecklenburg, North Carolina and distributed to the Public Library of Charlotte and Mecklenburg County</u>		
COVID-19: ARPA - Digital Divide	21.027	145,044
<u>Federal Communications Commission distributed to the Public Library of Charlotte and Mecklenburg County</u>		
Emergency Connectivity Fund	32.009	7,692,000
Total Federal Financial Assistance		7,875,424
<u>State Grants distributed directly to the Public Library of Charlotte and Mecklenburg County</u>		
North Carolina Department of Cultural Resources, Division of State Library: Aid to Public Libraries (State Aid) Program	-	1,088,491
Total State Financial Assistance		1,088,491
Total Federal and State Awards Expended		\$ 8,963,914

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, 2023

Note 1—Basis of presentation

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

Note 2—Significant accounting policies

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

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

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