

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

**BASIC FINANCIAL STATEMENTS AND
ACCOMPANYING INFORMATION**

Year Ended June 30, 2015

And Report of Independent Auditor

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

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of the Public Library of Charlotte and Mecklenburg County (the "Library"), a component unit of Mecklenburg County, North Carolina, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Library's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and each major fund of the Library as of June 30, 2015 and the respective changes in financial position and the respective budgetary comparison for the General Fund and Special Revenue Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 15 to the financial statements, the Library adopted Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27* and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis ("MD&A") and Required Supplementary Information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of 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 and Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying information, as listed in the table of contents and the Schedule of Expenditures of Federal and State Awards, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and the State Single Audit Implementation Act, are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 12, 2015, on our consideration of the Library's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of the report is to describe the scope of our testing of internal control over financial reporting and on compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Library's internal control over financial reporting and compliance.



Raleigh, North Carolina
October 12, 2015

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

Introduction

As management of the Public Library of Charlotte and Mecklenburg County (the “Library”), we offer readers of the Library financial statements this narrative overview and analysis of the financial activities of Library for the fiscal year ended June 30, 2015. 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 exceeded liabilities at the close of the fiscal year by \$68 million (net position).
- The Library Foundation contributed close to \$1.1 million in gifts and grants in support of Library operations.
- At the close of the fiscal year, the Library’s portion of fund balance not designated for future use was \$3.5 million.
- The operating budget from the Library’s largest revenue source (Mecklenburg County) increased by 14% for fiscal year ended June 30, 2015.
- Actual operating revenues from Mecklenburg County increased by 17% for fiscal year ended June 30, 2015. This included \$4.5 million that Mecklenburg County paid directly on behalf of the Library and \$1.3 million in one-time funds.

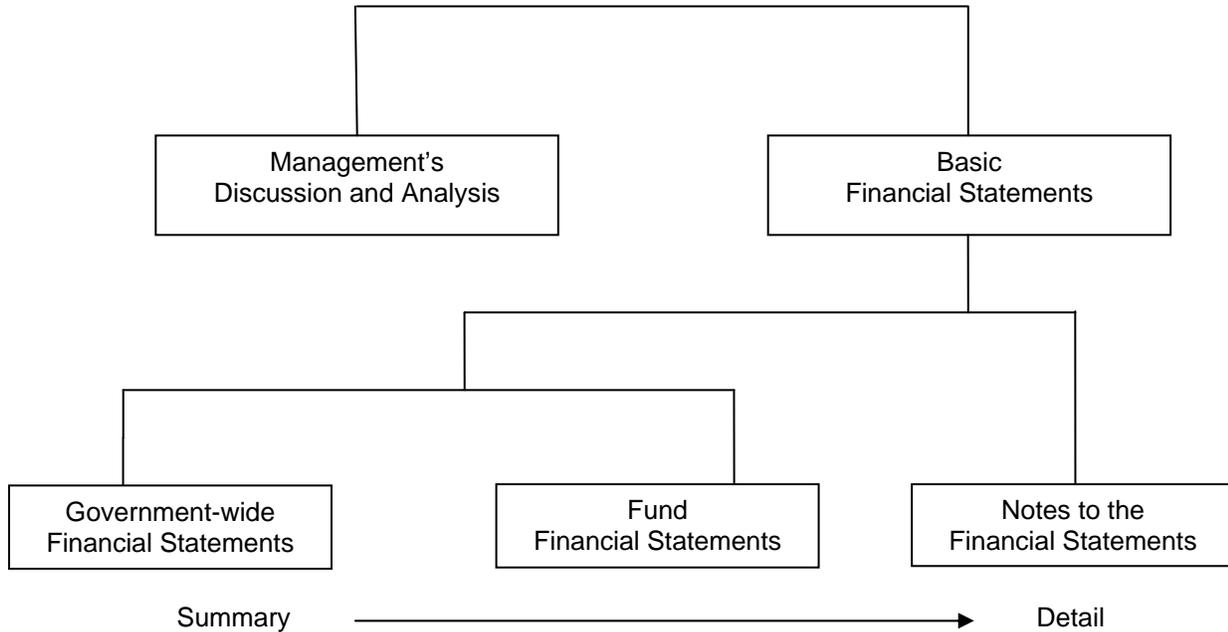
Overview of the Financial Statements

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

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

Required Components of Annual Financial Report

Figure 1



Basic Financial Statements

The first two statements (Pages 10 and 11) 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. Budgetary information required by the General Statutes also can be found in this part of the statements.

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

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

Following the notes is the required supplemental information. This section contains funding information about the Library’s other post-employment 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.

PUBLIC LIBRARY OF CHARLOTTE & MECKLENBURG COUNTY

(A Component Unit of Mecklenburg County, North Carolina)

MANAGEMENT'S DISCUSSION AND ANALYSIS

Government-wide Financial Statements

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

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

The government-wide statements consist only of governmental activities as the Library does not have any business type activities or 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 10 and 11 of this report.

Fund Financial Statements

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

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

The Library adopts an annual budget for its General Fund and Special Revenue Fund, as required by the General Statutes. The budget is a legally adopted document that incorporates input from the citizens of the County through the County's budget process, the management of the Library, and the decisions of the Library Board of Trustees 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 statement provided for the General Fund and Special Revenue Fund demonstrates how well the Library complied with the budget ordinance. The budgetary comparison statement uses the budgetary basis of accounting and is presented using the same format, language, and classifications as the legal budget document. The statement shows four columns: 1) the original budget as adopted by the Board 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 Foundation is governed by the Financial Accounting Standards Board and is not required by law to adopt a budget.

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

Notes to Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements start on pages 18-36 of this report.

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 decreased by \$2.7 million for the fiscal year ended June 30, 2015. The largest portion, \$80 million (118%) is the Library’s net investment in capital assets (books, land, equipment, and buildings); less any amounts remaining on the leases signed to acquire those items. The Library uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Library’s investment in its capital assets is reported net of the outstanding related debt, much of the debt is handled by Mecklenburg County. An additional portion of the Library’s net position of \$9.2 million (14%) represents resources that are subject to restrictions on how they may be used. The remaining balance of (\$21) million is unrestricted. Also, the Library implemented GASB Statement 68 and 71 this year. With the new reporting change, the Library is allocated its proportionate share of the Local Government Employees’ Retirement System’s net pension asset, deferred outflows of resources, deferred inflows of resources, and pension expense. An adjustment was made to record the cumulative effect of the change in accounting principle which decreased beginning net position by \$1.5 million. Decisions regarding the allocations are made by the administrators of the pension plan, not by the Library’s management.

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

Condensed and Rounded to nearest thousand (000)

Figure 2

	Government-wide Activities June 30, 2015	Government-wide Activities June 30, 2014
<u>Assets</u>		
Current assets	\$ 8,860	\$ 9,273
Non-current assets	7,413	5,197
Capital assets, net of accumulated depreciation	80,530	81,394
Total assets	<u>96,803</u>	<u>95,864</u>
Deferred outflows of resources	<u>1,568</u>	<u>-</u>
<u>Liabilities</u>		
Current and other liabilities	2,085	2,209
Long-term liabilities	24,860	21,615
Total liabilities	<u>26,945</u>	<u>23,824</u>
Deferred inflows of resources	3,589	-
<u>Net Position</u>		
Net investment in capital assets	80,122	80,814
Restricted	9,214	9,518
Unrestricted	(21,499)	(18,292)
Total net position	<u>\$ 67,837</u>	<u>\$ 72,040</u>

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

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

Condensed and Rounded to nearest thousand (000)

Figure 3

	Governmental Activities June 30, 2015	Governmental Activities June 30, 2014
<u>Revenues</u>		
Program revenues:		
Charges for services	\$ 2,945	\$ 1,894
Operating grants and contributions	1,040	2,014
General revenues:		
Mecklenburg County	35,232	29,838
City of Charlotte	3	3
Investment earnings	193	502
Contributions to Foundation	1,090	758
ABC Board Contributions	424	369
Total Revenues	<u>40,927</u>	<u>35,378</u>
<u>Program Expenses</u>		
General public services	42,872	38,954
Program/outreach services	364	524
Copying and printing	386	326
Interest on long-term debt	4	37
Total Expenses	<u>43,626</u>	<u>39,841</u>
Change in net position	(2,699)	(4,463)
Net Position-beginning	72,040	76,503
Cumulative effect of change in accounting principle	(1,504)	-
Net Position-end of year	<u>\$ 67,837</u>	<u>\$ 72,040</u>

Net position decreased by \$2.7 million. The decrease was driven primarily by additional investments to improve Library collections, programming, buildings, and equipment. In addition, other post-employment benefits and depreciation expenses increased in fiscal year 2015.

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

Financial Analysis of the Library's Funds

As noted earlier, the 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 and special revenue funds.

Revenues from intergovernmental sources comprise 91% of total revenues received during the Library's fiscal year ending June 30, 2015 as compared to 91% for fiscal year ending June 30, 2014. Mecklenburg County, the City of Charlotte and the ABC Board comprise 90% of total revenues as of June 30, 2015 as compared to 89% for the fiscal year ending June 30, 2014. The State of North Carolina revenue sources total 1%. Revenues generated through fines, fees, charges for services and grants used to cover services account for 9% of total revenue, up from 7% from the prior year. This increase is driven by increases in library generated revenue including room rental and proctoring.

Governmental funds expenditures were comprised of the following: Personnel, 65%, Library Collections (books, videos, software for public use, etc.) 11%, General Operations, 19%, and Capital Projects 5%. These percentages are similar to the prior year.

General Fund Budgetary Highlights

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

During the course of the 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 general fund budgeted revenues for 2015 totaled \$4.0 million. In addition, \$1.9 million in fund balance was appropriated to fund fiscal year expenditures.

Capital Assets and Long-Term Debt Activity

The Library's investment in capital assets net of accumulated depreciation for governmental activities as of June 30, 2015 and 2014 is \$80.5 million and \$81.4 million respectively. Capital assets include land, buildings and buildings improvements, books, furniture and fixtures, and construction in progress.

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

Capital Assets, Net of Accumulated Depreciation

	Governmental Activities June 30, 2015	Governmental Activities June 30, 2014
Land	\$ 13,523	\$ 13,523
Buildings	59,905	59,522
Books	4,103	4,977
Furniture and fixtures	582	971
Intangible assets	308	233
Capital lease	1,887	1,978
Construction in progress	222	190
Total	<u>\$ 80,530</u>	<u>\$ 81,394</u>

In relation to the fixed assets, the Library had total debt outstanding of \$407 thousand. The debt is secured by the related assets of the Library which includes capital lease obligations that decreased by \$172 thousand during the past fiscal year.

Fiscal Year 2015 Highlights

In fiscal year 2015, the Library made significant progress toward the outcomes in the 2014-2017 Strategic Plan, benefiting the Charlotte-Mecklenburg community in the following ways:

- Increased Library access and hours
- Increased usage and impact
- Broader community awareness and engagement, and
- Expanded digital options for customers.

Other highlights of the fiscal year include:

- The Library began the *Blueprint* planning process, which will take the current Strategic Plan and extend it through 2025.
- The Library Foundation contributed nearly \$1.1 million in gifts and grants well in excess of its target.
- The community-led Main Library Committee created a vision for the next Main Library.
- The White House chose *ImaginOn* for a presidential visit.

In fiscal year 2016, the Library will continue to focus on activities and initiatives that align with the Strategic Plan and benefit the community. These include ONE Access, an initiative to provide instant Library accounts to 145,000 students in CMS; a Community Read; a renovation/expansion of Morrison Regional by Mecklenburg County; “EpicFest,” a new free literary festival for kids of all ages made possible by the Foundation; and completion of the *Blueprint* planning process.

Request for Information

This report is designed to provide an overview of the Library’s finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should contact the Director of Finance, Public Library of Charlotte & Mecklenburg County, 310 N. Tryon St, Charlotte, NC 28202.

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

JUNE 30, 2015

	<u>Governmental Activities</u>
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 7,817,669
Refundable sales tax	330,315
Other receivables	58,171
Due from other governmental agencies	250,032
Prepays	404,136
Total current assets	<u>8,860,323</u>
Non-current assets:	
Net pension asset	1,472,596
Restricted long-term investments	5,940,578
Total non-current assets	<u>7,413,174</u>
Capital assets:	
Land and other non-depreciable assets	13,533,401
Depreciable capital assets, net of depreciation	66,996,130
Net capital assets	<u>80,529,531</u>
Total Assets	<u><u>96,803,028</u></u>
Deferred outflows of resources:	
Contributions to pension plan in current fiscal year	1,151,433
Pension-related deferrals	416,100
Total deferred outflows of resources	<u>1,567,533</u>
LIABILITIES	
Current liabilities:	
Accounts payable - trade	144,834
Other payables	567,517
Current portion of compensated absences	1,200,000
Current portion of capital lease obligation	172,690
Total current liabilities	<u>2,085,041</u>
Long-term liabilities:	
Unearned revenue	897,148
Compensated absences	807,748
OPEB liability	22,919,959
Capital lease obligation	234,732
Total Liabilities	<u><u>26,944,628</u></u>
Deferred inflows of resources:	
Pension-related deferrals	3,589,078
NET POSITION	
Net investment in capital assets	80,122,109
Restricted for:	
Grants	281,435
Stabilization by state statute	1,398,440
Facility enhancements	1,531,605
Endowment funds held by the Foundation	6,002,048
Unrestricted (deficit)	(21,498,782)
Total Net Position	<u><u>\$ 67,836,855</u></u>

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

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

YEAR ENDED JUNE 30, 2015

Functions/Programs	Program Revenues			Governmental Activities
	Expenses	Charges for Services	Operating Grants and Contributions	
Primary government:				
Governmental activities:				
General public services	\$ 42,871,855	\$ 2,732,498	\$ 1,040,378	\$ (39,098,979)
Program/outreach services	364,139	-	-	(364,139)
Printing and copying services	386,359	212,530	-	(173,829)
Interest on long-term debt	3,896	-	-	(3,896)
Total governmental activities	<u>\$ 43,626,249</u>	<u>\$ 2,945,028</u>	<u>\$ 1,040,378</u>	<u>(39,640,843)</u>
General Revenues:				
Mecklenburg County appropriation				35,231,418
City of Charlotte appropriation				2,500
Contributions				1,089,891
Investment earnings				193,416
ABC Board				424,075
Total general revenues and transfers				<u>36,941,300</u>
Change in net position				(2,699,543)
Net position beginning, previously reported				72,040,170
Cumulative effect of change in accounting principle (Note 15)				<u>(1,503,772)</u>
Net position beginning, restated				<u>70,536,398</u>
Net position, ending				<u>\$ 67,836,855</u>

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

JUNE 30, 2015

	(Major) General Fund	(Major) Special Revenue Fund	(Major) Library Foundation Fund	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 5,257,747	\$ 2,498,452	\$ 61,470	\$ 7,817,669
Refundable sales tax	290,610	39,705	-	330,315
Other receivables	56,050	2,121	-	58,171
Due from other governmental agencies	226,019	24,013	-	250,032
Prepays	404,136	-	-	404,136
Long-term investments	-	-	5,940,578	5,940,578
Total Assets	\$ 6,234,562	\$ 2,564,291	\$ 6,002,048	\$ 14,800,901
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable-trade	\$ 138,224	\$ 6,610	\$ -	\$ 144,834
Other payables	567,517	-	-	567,517
Total Liabilities	705,741	6,610	-	712,351
Fund balances:				
Nonspendable fund balance				
Prepaid expenses	404,136	-	-	404,136
Endowments held by the Foundation	-	-	3,196,950	3,196,950
Restricted fund balance				
Grants	-	281,435	-	281,435
Contributions held by the Foundation	-	-	2,805,098	2,805,098
Stabilization by State Statute	1,323,262	75,178	-	1,398,440
Facility enhancements	9,647	1,521,958	-	1,531,605
Assigned fund balance				
Subsequent year's expenditures	237,208	-	-	237,208
Site improvements	37,311	-	-	37,311
Programming	-	682,804	-	682,804
Unassigned fund balance	3,517,257	(3,694)	-	3,513,563
Total Fund Balances	5,528,821	2,557,681	6,002,048	14,088,550
Total Liabilities and Fund Balances	\$ 6,234,562	\$ 2,564,291	\$ 6,002,048	\$ 14,800,901

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

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

JUNE 30, 2015

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

Ending fund balance - governmental funds	\$ 14,088,550
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	
Cost of capital assets	128,763,791
Accumulated depreciation	(48,103,635)
Accumulated amortization	(130,625)
Net pension asset	1,472,596
Contributions to the pension plan in the current fiscal year are deferred outflows of resources on the Statement of Net Position	1,151,433
Other pension-related deferrals in the current fiscal year are deferred outflows of resources on the Statement of Net Position	416,100
Long-term liabilities that are not due and payable in the current period and, therefore, are not reported in the funds	
Compensated absences	(2,007,748)
Capital lease obligations	(407,422)
OPEB obligation	(22,919,959)
Unearned revenue	(897,148)
Pension-related deferrals	<u>(3,589,078)</u>
Net position of governmental activities	<u>\$ 67,836,855</u>

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

YEAR ENDED JUNE 30, 2015

	(Major) General Fund	(Major) Special Revenue Fund	(Major) Library Foundation Fund	Total Governmental Funds
Revenues				
Intergovernmental:				
Mecklenburg County Operations	\$ 30,683,059	\$ -	\$ -	\$ 30,683,059
Amounts paid on behalf by				
Mecklenburg County	4,548,359	-	-	4,548,359
ABC Board	424,075	-	-	424,075
City of Charlotte	2,500	-	-	2,500
North Carolina	-	404,839	-	404,839
Federal	-	166,862	-	166,862
Total intergovernmental revenues	<u>35,657,993</u>	<u>571,701</u>	<u>-</u>	<u>36,229,694</u>
Fines	873,281	-	-	873,281
Fees	508,546	-	-	508,546
E-rate reimbursement	215,991	-	-	215,991
Contributions	-	36,488	1,089,891	1,126,379
Net investment income	-	-	193,416	193,416
Other income	472,641	-	-	472,641
Total revenues	<u>37,728,452</u>	<u>608,189</u>	<u>1,283,307</u>	<u>39,619,948</u>
Expenditures				
Current:				
Personnel	24,391,058	52,375	-	24,443,433
Library materials	3,331,454	616,883	-	3,948,337
Facility related	5,106,403	2,167	-	5,108,570
Programming	249,032	115,107	-	364,139
Technology & equipment	684,815	-	-	684,815
Professional services	612,856	112,072	-	724,928
Personnel related	748,151	14,893	-	763,044
Miscellaneous	685,401	58,304	-	743,705
Distributions	-	-	14,810	14,810
Administration fees	-	-	89,528	89,528
Capital outlay:				
Other	2,024,654	58,352	-	2,083,006
Debt service:				
Principal	171,865	-	-	171,865
Interest	24,431	-	-	24,431
Total expenditures	<u>38,030,120</u>	<u>1,030,153</u>	<u>104,338</u>	<u>39,164,611</u>
Other financing sources (uses)				
Interfund transfer in	461,200	545,868	400,000	1,407,068
Interfund transfer out	<u>(633,077)</u>	<u>-</u>	<u>(773,991)</u>	<u>(1,407,068)</u>
Total other financing sources (uses)	<u>(171,877)</u>	<u>545,868</u>	<u>(373,991)</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures				
	(473,545)	123,904	804,978	455,337
Fund balance, beginning	6,002,366	2,433,777	5,197,070	13,633,213
Fund balance ending	<u>\$ 5,528,821</u>	<u>\$ 2,557,681</u>	<u>\$ 6,002,048</u>	<u>\$ 14,088,550</u>

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

PUBLIC LIBRARY OF CHARLOTTE & MECKLENBURG COUNTY
(A Component Unit of Mecklenburg County, North Carolina)
RECONCILIATION OF THE NET CHANGE IN FUND BALANCES OF GOVERNMENTAL
FUNDS TO CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES

YEAR ENDED JUNE 30, 2015

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

Net change in fund balances - total governmental funds	\$ 455,337
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful life.</p>	
Expenditures for capital assets	4,194,006
Loss on disposal	(14,594)
Less current year depreciation	(4,959,101)
Less current year amortization	(84,802)
<p>Contributions to the pension plan in the current fiscal year are not included in the statement of activities</p>	
Other pension-related deferrals	1,151,433
	416,100
<p>The issuance of long-term debt provides current financial resources to governmental fund, but issuing debt increases long-term liabilities in the statement of net position. Repayment of the principal of long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.</p>	
Principal payments on capital lease obligations	171,866
OPEB payments	884,961
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.</p>	
Compensated absences in excess of benefits used over current provision	(134,376)
OPEB liability	(4,199,421)
Pension expense	(196,610)
Pension-related deferrals	(416,100)
Contributed lease expense	(1,275,000)
<p>Some revenues reported in the statement of activities do not provide current financial resources and, therefore, are not reported as revenues in the governmental funds.</p>	
Deferred revenue amortized	31,758
Contributed lease revenue	<u>1,275,000</u>
Change in net position of governmental activities	<u>\$ (2,699,543)</u>

PUBLIC LIBRARY OF CHARLOTTE & MECKLENBURG COUNTY
(A Component Unit of Mecklenburg County, North Carolina)
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL – GENERAL FUND

YEAR ENDED JUNE 30, 2015

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues				
Intergovernmental				
Mecklenburg County Operations	\$ 30,608,277	\$ 31,003,993	\$ 30,683,059	\$ (320,934)
Amounts paid on behalf by				
Mecklenburg County	-	3,322,169	4,548,359	1,226,190
ABC Board	424,000	424,000	424,075	75
City of Charlotte	2,500	2,500	2,500	-
Total intergovernmental revenues	<u>31,034,777</u>	<u>34,752,662</u>	<u>35,657,993</u>	<u>905,331</u>
Fines	850,000	850,000	873,281	23,281
Fees	400,000	441,000	508,546	67,546
E-rate reimbursement	255,000	255,000	215,991	(39,009)
Other income	184,000	407,200	472,641	65,441
Total revenues	<u>32,723,777</u>	<u>36,705,862</u>	<u>37,728,452</u>	<u>1,022,590</u>
Expenditures				
Current:				
Personnel	24,814,525	24,862,290	24,391,058	471,232
Library materials	2,887,438	4,003,835	3,331,454	672,381
Facility related	2,744,956	4,876,568	5,106,403	(229,835)
Programming	225,732	255,570	249,032	6,538
Technology & equipment	637,217	770,176	684,815	85,361
Professional services	750,000	757,500	612,856	144,644
Personnel related	218,000	754,610	748,151	6,459
Miscellaneous	893,469	923,743	685,401	238,342
Capital outlay:				
Miscellaneous	161,234	1,248,903	2,024,654	(775,751)
Debt service:				
Principal	168,331	171,865	171,865	-
Interest	27,875	27,875	24,431	3,444
Total expenditures	<u>33,528,777</u>	<u>38,652,935</u>	<u>38,030,120</u>	<u>622,815</u>
Excess (deficiency) of revenues over (under) expenditures	(805,000)	(1,947,073)	(301,668)	1,645,405
Other financing sources (uses)				
Interfund transfer in	385,000	460,000	461,200	1,200
Interfund transfer out	-	(400,000)	(633,077)	(233,077)
Fund balance appropriated	420,000	1,887,073	-	(1,887,073)
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>(473,545)</u>	<u>\$ (473,545)</u>
Fund balances beginning			6,002,366	
Fund balance ending			<u>\$ 5,528,821</u>	

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

PUBLIC LIBRARY OF CHARLOTTE & MECKLENBURG COUNTY
(A Component Unit of Mecklenburg County, North Carolina)
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL – SPECIAL REVENUE FUND

YEAR ENDED JUNE 30, 2015

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Revenues				
Intergovernmental				
North Carolina	\$ 475,000	\$ 404,862	\$ 404,839	\$ (23)
Federal	168,037	166,862	166,862	-
Total intergovernmental revenues	<u>643,037</u>	<u>571,724</u>	<u>571,701</u>	<u>(23)</u>
Contributions	-	500	36,488	35,988
Total revenues	<u>643,037</u>	<u>572,224</u>	<u>608,189</u>	<u>35,965</u>
Expenditures				
Current:				
Personnel	84,012	61,338	52,375	8,963
Library materials	526,287	617,000	616,883	117
Facility related	-	9,500	2,167	7,333
Programming	79,705	314,168	115,107	199,061
Professionals services	85,000	131,200	112,072	19,128
Personnel related	18,238	22,950	14,893	8,057
Miscellaneous	234,045	295,551	58,304	237,247
Capital outlay	40,000	64,051	58,352	5,699
Total expenditures	<u>1,067,287</u>	<u>1,515,758</u>	<u>1,030,153</u>	<u>485,605</u>
Excess (deficiency) of revenues over (under) expenditures	(424,250)	(943,534)	(421,964)	521,570
Other financing sources (uses)				
Interfund transfer in	124,650	356,670	545,868	189,198
Fund balance appropriated	299,600	586,864	-	(586,864)
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	123,904	<u>\$ 123,904</u>
Fund balances beginning			<u>2,433,777</u>	
Fund balance ending			<u>\$ 2,557,681</u>	

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

JUNE 30, 2015

Note 1 – Summary of significant accounting policies

Reporting Entity – The Public Library of Charlotte & Mecklenburg County (the “Library”) is a public library formed in 1902 by charter granted by the State of North Carolina. The Library is a component unit of Mecklenburg County and is included in Mecklenburg County’s basic financial statements. Mecklenburg County provides approximately 89 percent of the Library’s general funding and appoints a majority of the Library’s 11 Board of Trustees members. As required under generally accepted accounting principles, these financial statements present the Library and its component units, legally separate entities for which the Library is financially accountable. The only component unit for the Library is the Charlotte Mecklenburg Library Foundation (the “Foundation”). The Foundation exists solely to provide financial resources to the Library. The Foundation meets the criteria for being a blended component unit based on the following criteria under Governmental Accounting Standards Board (GASB) Statement No. 61 that it has a financial benefit or burden to the Library and Library personnel below the level of elected official have operational responsibility for its operations.

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

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 has three funds, its general fund and two major special revenue funds.

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 considered to be *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 Inter-fund transfers.

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

JUNE 30, 2015

Note 1 – Summary of significant accounting policies (continued)

The Library reports the following major governmental funds:

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

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

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

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

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

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

Restricted Long-term Investments – The restricted long-term investments of \$5,940,578 as of June 30, 2015, are those of the Foundation, a blended component unit of the Library. All of those investments are held by a third-party community foundation. Of those investments, \$3,196,950 as of June 30, 2015 is 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, 2015, the net appreciation on investments of donor-restricted endowments was \$193,416. 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 Nonspendable Fund Balance.

Non-Current Assets – The Foundation has certain investments that are being held to generate future income; therefore, they cannot be converted within a 12-month period.

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

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

JUNE 30, 2015

Note 1 – Summary of significant accounting policies (continued)

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

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

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

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

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

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

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

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

JUNE 30, 2015

Note 1 – Summary of significant accounting policies (continued)

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

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

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

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

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

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

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

JUNE 30, 2015

Note 1 – Summary of significant accounting policies (continued)

Net Position and Fund Balance (Continued) –

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

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

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

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

Programming – portion of fund balance that has been budgeted by the Board of Trustees for our summer reading program.

Unassigned fund balance – 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	\$ 5,528,821
Less:	
Prepaid expenses	404,136
Stabilization by State Statute	1,323,262
Facility enhancements	9,647
Subsequent year's expenditures	237,208
Site improvements	<u>37,311</u>
Remaining Fund Balance	<u>\$ 3,517,257</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>Non-Major Funds</u>
\$ 750,584	\$ 9,339

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

JUNE 30, 2015

Note 1 – Summary of significant accounting policies (continued)

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

Risk Management – The Library is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Library acquires its risk management services through the City of Charlotte's Risk Management Division. The Library has commercial general liability insurance of \$1 million per occurrence, worker's compensation employers' liability coverage of \$500,000 and public officers' coverage of \$1 million per loss. There have been no significant reductions in insurance coverage from coverage levels in the prior year and settled claims have not exceeded coverage in any of the past three fiscal years. As of June 30, 2015 the Library does not hold any flood insurance.

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

Payments on Behalf – The Library has various construction commitments with respect to branch facilities. Under the terms of its agreement with the County, the County directly pays for the construction expenditures. In accordance with the provisions of Governmental Accounting Standards Board Statement No. 33, *Accounting and Financial Reporting for Non Exchange Transactions*, the Library reflects those payments made on its behalf as revenue when made and increases the cost of its capital assets by a corresponding amount. The Library has entered into an 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 our behalf as a revenue and expenditure when made.

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

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

Transfers – Transfers are used to move money between the funds, as needed to meet operating needs. Transfers totaled \$1.4 million in fiscal year 2015.

Stewardship, Compliance and Accountability – For the fiscal year ended June 30, 2015, the expenditures made in the general fund facility related and capital outlay classifications exceeded budgeted expenditures by \$229,835 and \$775,751, respectively.

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

JUNE 30, 2015

Note 1 – Summary of significant accounting policies (continued)

Defined Benefit Pension Plans – The Library participates in one cost-sharing, multiple-employer, defined benefit pension plans that is administered by the State; the Local Governmental Employees' Retirement System (LGERS). For purposes of measuring the net pension asset, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net positions of the state-administered defined benefit pension plans 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 plans. Investments are reported at fair value.

Note 2 – Deposits and investments

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

All deposits of the Library are 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, but relies on the State Treasurer to enforce standards of minimum capitalization for all pooling method financial institutions and to monitor them for compliance. The Library complies with the provisions of G.S. 159-31 when designating official depositories and verifying that deposits are properly secured.

At June 30, 2015, the Library's deposits had a carrying amount of \$7,817,669 and a bank balance of \$8,169,734. The Federal Deposit Insurance Corporation (FDIC) covers \$250,000 for substantially all depository accounts and for certain qualifying and participating non-interest bearing transaction accounts. Of the bank balance at each bank, \$500,000 was covered by federal depository insurance and \$7,669,734 was covered by collateral held under the pooling method. At June 30, 2015, the Library's petty cash fund totaled \$6,985. Included in the amounts above are money market accounts totaling \$396,158. The Library has no policy for managing interest rate risk or credit risk.

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

JUNE 30, 2015

Note 3 – Investments

At June 30, 2015, the Library’s investment balances were as follows:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Less than 1 Year</u>	<u>1-5 Years</u>
Agency funds at Foundation for the Carolinas	\$ 6,002,048	\$ 61,470	\$ 5,940,578
Total	<u>\$ 6,002,048</u>	<u>\$ 61,470</u>	<u>\$ 5,940,578</u>

Of the \$6,002,048 amount shown above, \$61,470 is included in cash and cash equivalents on the statement of net position and \$3,196,950 is comprised of non-spendable funds.

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
(A Component Unit of Mecklenburg County, North Carolina)
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

Note 4 – Capital assets

Capital asset activity for the year ended June 30, 2015 was as follows:

	Beginning Balance June 30, 2014	Additions	Disposals Retirement and Reclassifications	Ending Balance June 30, 2015
Governmental activities:				
Non-depreciable assets				
Land	\$ 13,523,473	\$ -	\$ -	\$ 13,523,473
Construction in progress	190,440	214,887	(183,323)	222,004
	<u>13,713,913</u>	<u>214,887</u>	<u>(183,323)</u>	<u>13,745,477</u>
Depreciable assets				
Buildings and building improvements	91,129,213	85,655	(12,360)	91,202,508
Books	18,230,245	2,964,319	(3,889,962)	17,304,602
Furniture and equipment	6,407,212	782,009	(1,287,743)	5,901,478
	<u>129,480,583</u>	<u>4,046,870</u>	<u>(5,373,388)</u>	<u>128,154,065</u>
Totals at historical cost				
Intangible Assets				
Digital books	279,268	224,488	-	503,756
Website	-	105,970	-	105,970
Less accumulated amortization				
Digital books	(45,823)	(84,802)	-	(130,625)
Less accumulated depreciation				
Buildings and building improvements	(29,615,299)	(2,288,845)	2,369	(31,901,775)
Books	(13,253,117)	(2,362,174)	3,889,961	(11,725,330)
Furniture and equipment	(5,451,590)	(308,082)	1,283,142	(4,476,530)
	<u>(48,365,829)</u>	<u>(5,043,903)</u>	<u>5,175,472</u>	<u>(48,234,260)</u>
Total accumulated amortization and depreciation				
Capital assets, net	<u>\$ 81,394,022</u>	<u>\$ (666,575)</u>	<u>\$ (197,916)</u>	<u>\$ 80,529,531</u>

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

JUNE 30, 2015

Note 4 – Capital assets (continued)

Included in buildings and furniture & equipment are assets under capital lease that had a cost basis and accumulated depreciation of \$3,147,095 and \$1,260,190, respectively, at June 30, 2015. All depreciation expense was charged to general public services on the Statement of Activities. Additions to capital assets include approximately \$546,300 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.

Note 5 – Long-term obligations

Long-term liability activity for the year ended June 30, 2015 was as follows:

	Beginning			Ending	
	Balance			Balance	Due Within
	June 30, 2014	Additions	Retirements	June 30, 2015	One Year
Compensated absences	\$ 1,873,372	\$ 1,773,476	\$ 1,639,100	\$ 2,007,748	\$ 1,200,000
Capital lease obligation	579,288	-	171,866	407,422	172,690
OPEB Liability	19,605,499	4,199,421	884,961	22,919,959	-
	<u>\$ 22,058,159</u>	<u>\$ 5,972,897</u>	<u>\$ 2,695,927</u>	<u>\$ 25,335,129</u>	<u>\$ 1,372,690</u>

Note 6 – Leases

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

Two of the branch facility leases have been classified as capital leases. Monthly lease payments of \$1,500 are required on the first capital lease until September 2045. The second capital lease requires monthly payments, which are changed annually (ranging from \$17,051 to \$6,560), through June 2018. Beginning July 2018 through July 2051, the annual lease payment is \$1.

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

JUNE 30, 2015

Note 6 – Leases (continued)

Total rent expenses for all leases amounted to approximately \$882,113 during the 2015 fiscal year. The following is a summary of the future minimum lease payments under the capital leases together with the present value of net minimum lease payments and approximate future minimum rental commitments under non-cancelable operating leases with initial or remaining terms of one year or more as of June 30, 2015:

<u>Fiscal Year ending June 30:</u>	<u>Capital</u>	<u>Operating</u>
2016	\$ 172,690	\$ 347,338
2017	80,223	314,305
2018	206,109	254,737
2019	1,501	193,370
2020	1,501	193,370
2021-2025	7,505	32,230
2026-2030	7,505	-
2031-2035	7,505	-
2036-2040	7,505	-
2041-2045	4,880	-
2046-2050	3,004	-
2051	1	-
Total minimum payments	<u>499,929</u>	<u>\$ 1,335,350</u>
Less amounts representing interest	<u>(92,507)</u>	
Present value of net minimum capital lease payments	<u>\$ 407,422</u>	

Total interest costs for the year ended June 30, 2015 were \$24,351 relating to the capital lease obligations.

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

JUNE 30, 2015

Note 7 – Lease revenue

The Library has an informal leasing arrangement with the City of Charlotte (the “City”) that relates to a joint venture project. The joint venture project was the construction of a building that incorporates a police station with a library branch. The Library and City agreed to share the cost of the construction, with the Library’s portion being funded by Mecklenburg County. The City has paid the Library approximately \$1.30 million related to the arrangement. The payments from the City were recorded by the Library as unearned revenue. The Library is amortizing the prepayment on a straight line basis over the life of the building, which is estimated at 40 years. Rental income recognized in fiscal year 2015 was \$31,758. Rental income is to be recognized as follows:

Fiscal Year ending June 30,

2016	\$ 31,758
2017	31,758
2018	31,758
2019	31,758
2020	31,758
2021-2025	158,790
2026-2030	158,790
2031-2035	158,790
2036-2040	158,790
2041-2044	103,198
	<u>\$ 897,148</u>

Note 8 – Retirement plan

Plan Description – The County is a participating employer in the statewide Local Governmental Employees’ Retirement System (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 (LEOs) 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, and the State Treasurer and State Superintendent, who serve as ex-officio members. The Local Governmental Employees’ Retirement System is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State’s CAFR includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, by calling (919) 981-5454, or at www.osc.nc.gov.

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

JUNE 30, 2015

Note 8 – Retirement plan (continued)

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

Contributions – Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. Library employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The Library's contractually required contribution rate for the year ended June 30, 2015, was 7.07% for general employees, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the Library were \$1,151,433 for the year ended June 30, 2015.

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 of resources and deferred inflows of resources related to pensions – At June 30, 2015, the Library reported an asset of \$1,472,596 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2014. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2013. The total pension liability was then rolled forward to the measurement date of June 30, 2014 utilizing update procedures incorporating the actuarial assumptions. The Library's proportion of the net pension asset 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, 2014, the Library's proportion was .250%, which was a decrease of .021% from its proportion measured as of June 30, 2013.

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

JUNE 30, 2015

Note 8 – Retirement plan (continued)

For the year ended June 30, 2015, the Library recognized pension expense of \$196,610. At June 30, 2015, 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
Differences between expected and actual experience	\$ -	\$ 160,907
Net difference between projected and actual earnings on pension plan investments	-	3,428,171
Changes in proportion and differences between Library contributions and proportionate share of contributions	416,100	-
Library contributions subsequent to the measurement date	1,151,433	-
Total	<u>\$ 1,567,533</u>	<u>\$ 3,589,078</u>

\$1,151,433 reported as deferred outflows of resources related to pensions resulting from Library contributions subsequent to the measurement date will be recognized as an increase of the net pension asset in the year ended June 30, 2016. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Fiscal Year ended June 30,</u>	
2016	\$ (793,085)
2017	(793,085)
2018	(793,085)
2019	(793,723)

Actuarial Assumptions. The total pension liability in the December 31, 2013 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	4.25 to 8.55 percent, including inflation and productivity factor
Investment rate of return	7.25 percent, 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.

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

JUNE 30, 2015

Note 8 – Retirement plan (continued)

The actuarial assumptions used in the December 31, 2013 valuation were based on the results of an actuarial experience study for the period January 1, 2005 through December 31, 2009.

Future ad hoc COLA 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. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2014 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed Income	36.0%	2.5%
Global Equity	40.5%	6.1%
Real Estate	8.0%	5.7%
Alternatives	6.5%	10.5%
Credit	4.5%	6.8%
Inflation		
Protection	4.5%	3.7%
Total	<u>100.0%</u>	

The information above is based on 30-year expectations developed with the consulting actuary for the 2013 asset liability and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.19%. All rates of return and inflation are annualized.

A new asset allocation policy was finalized during the fiscal year ended June 30, 2014 to be effective July 1, 2014. The new asset allocation policy utilizes different asset classes, changes in the structure of certain asset classes, and adopts new benchmarks. Using the asset class categories in the preceding table, the new long-term expected arithmetic real rates of return are: Fixed Income 2.2%, Global Equity 5.8%, Real Estate 5.2%, Alternatives 9.8%, Credit 6.8% and Inflation Protection 3.4%.

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

JUNE 30, 2015

Note 8 – Retirement plan (continued)

Discount rate. The discount rate used to measure the total pension liability was 7.25%. 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 asset to changes in the discount rate. The following presents the Library's proportionate share of the net pension asset calculated using the discount rate of 7.25 percent, as well as what the Library's proportionate share of the net pension asset or net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25 percent) or 1-percentage-point higher (8.25 percent) than the current rate:

	<u>1% Decrease</u> <u>(6.25%)</u>	<u>Discount Rate</u> <u>(7.25%)</u>	<u>1% Increase</u> <u>(8.25%)</u>
Library's proportionate share of the net pension liability (asset)	\$ 4,998,629	\$ (1,472,596)	\$ (6,921,159)

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued Comprehensive Annual Financial Report (CAFR) for the State of North Carolina.

Note 9 – Employee benefit plan

Through the State of North Carolina the Library offers a supplemental income plan to substantially all employees. This plan is a 401(k) savings plan under the Internal Revenue Code (the IRC) code. Eligible participants may contribute up to the maximum allowable under law as a percent of base salary. For the year ended June 30, 2015, the Library matched 100 percent of employee contributions up to five percent of compensation. Total expense relating to this plan was \$416,594 for the year ended June 30, 2015.

Note 10 – Deferred compensation plan

The Library offers its employees a deferred compensation plan created in accordance with IRC Section 457. The plan, available to all permanent employees who contribute to the plan, permits employees to defer a portion of their salary until future years. The compensation so deferred is not available to employees until termination, retirement, death, unforeseen emergency or until the employee attains age 55. The compensation deferred by employees for the year ended June 30, 2015 was \$260 and the amount contributed by the Library was \$20,000.

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

JUNE 30, 2015

Note 11 – Other postemployment benefits (OPEB)

Healthcare Benefits

Plan Description – The amount of postretirement health care benefits paid by the Library is dependent upon the length of service rendered by the employee if their date of hire was prior to July 1, 2010. If a retiree worked less than ten years, no amount is paid. If a retiree worked ten to nineteen years, 50 percent of insurance costs are paid. For twenty years or more of service, 100 percent of insurance costs are paid.

Funding Policy – The Library pays the full cost of coverage for the benefits paid to qualified retirees under the plan. The Library has chosen to fund the healthcare benefits on a pay as you go basis. Funding for these costs is included in budgeted appropriations in the annual budget. The current ARC rate is 29% of annual covered payroll. For the current year, the Library contributed \$884,963 or 5% of covered payroll.

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

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

Annual required contribution	\$ 4,648,073
Interest on net OPEB obligation	687,137
Adjustment to annual required contribution	<u>(1,135,787)</u>
Annual OPEB cost	4,199,423
Contributions made	<u>(884,963)</u>
Increase (decrease) in net OPEB obligation	3,314,460
Net OPEB obligation, beginning of year	<u>19,605,499</u>
Net OPEB obligation, end of year	<u>\$ 22,919,959</u>

The Library's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2013, 2014 and 2015 were as follows:

<u>For Year Ended June 30,</u>	<u>Annual OPEB</u> <u>Cost</u>	<u>Percent of Annual OPEB</u> <u>Cost Contributed</u>	<u>Net OPEB</u> <u>Obligation</u>
2013	\$ 4,647,885	17.14%	\$ 16,607,215
2014	3,650,316	17.87%	19,605,499
2015	4,199,423	21.07%	22,919,959

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

JUNE 30, 2015

Note 11 – Other postemployment benefits (OPEB) (continued)

Funded Status and Funding Process – As of January 1, 2014 the most recent actuarial valuation date the plan was not funded. The actuarial accrued liability for benefits and thus, the unfunded actuarial accrued liability (UAAL) was \$44,981,509. The covered payroll (annual payroll of active employees by the plan) was \$16,294,567 and the ratio of the UAAL to the covered payroll was 276.05%. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employee, mortality, and healthcare trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as the actual results are compared with past expectations and new estimates are made about the future.

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

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

Note 12 – Major supplier

For the year ended June 30, 2015, approximately 43% of all books and related items were purchased from one supplier.

Note 13 – Endowment fund

The Library has been designated as the beneficiary of the income of several endowments. Under the terms of the agreements, the assets are held by a third-party and the annual investment income is distributable to the Library. In some instances, the Library may elect to have the income transferred to the principal of the endowment. The endowments which amount to \$3,196,650 as of June 30, 2015 are presented in the Library's nonspendable fund balance as recorded through the Foundation.

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

JUNE 30, 2015

Note 14 – Contributed rent revenue

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

Estimating the fair value of the lease at \$25 per square foot, based on a furnished and equipped special purpose facility, and using a 5% discount rate, a net present value was calculated in the amount of \$19,087,608 at the inception of the agreement. Based on this calculation, the total annual value of the lease agreement is estimated at \$1,275,000. The estimated lease value for the year ending June 30, 2015 is \$1,275,000.

The Library recorded contributed rent revenue and corresponding contributed rent expense in the amount of \$1,275,000 for the year ending June 30, 2015.

Note 15 – Change in accounting principle

The Library implemented Governmental Accounting Standards Board (GASB) statement 68, *Accounting and Financial Reporting for Pensions (an amendment of GASB Statement No. 27)* and GASB statement 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date (an amendment of GASB Statement No. 68)*, in the fiscal year ending June 30, 2015. The provisions of Statements No. 68 and 71 required the Library to record a decrease in net position for the cumulative effect of the change in accounting principle in fiscal year 2015. The cumulative effect of adoption of the standards is presented as an adjustment to beginning fiscal year 2015 net position since information is not available to determine the impact on expense and net position in fiscal year 2014. As a result, net position as of July 1, 2014 for the governmental activities decreased by \$1,503,772.

Note 16 – Subsequent events

The Library has evaluated subsequent events through October 12, 2015, 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
OTHER POST-EMPLOYMENT BENEFITS – REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS

JUNE 30, 2015

Actual Valuation Date	Actual Value of Assets (a)	Actuarial Accrued Liability (AAL)- Projected Unit Credit (b)	Unfunded ALL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b-a)/c)
1/1/2012	\$ -	\$ 49,666,396	\$ 49,666,396	0.0%	\$ 12,642,935	392.84%
1/1/2013	-	40,681,887	40,681,887	0.0%	13,262,181	306.75%
1/1/2014	-	44,981,509	44,981,509	0.0%	16,294,567	276.05%

PUBLIC LIBRARY OF CHARLOTTE & MECKLENBURG COUNTY
OTHER POST-EMPLOYMENT BENEFITS – REQUIRED SUPPLEMENTARY INFORMATION
EMPLOYER CONTRIBUTIONS AND NOTES TO THE REQUIRED SCHEDULES

JUNE 30, 2015

<u>Year Ending June 30</u>	<u>Annual Required Contribution</u>	<u>Actual Contribution</u>	<u>Percentage Contributed</u>
2013	\$ 4,908,690	\$ 796,809	16.23%
2014	4,009,659	652,032	16.26%
2015	4,648,073	884,963	19.04%

Notes to the Required Schedules:

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

Valuation Date:	January 1, 2014
Actuarial cost method:	Projected unit credit
Amortization method:	Level dollar amount
Amortization period:	30 years, closed January 1, 2011; 27 years remaining
Asset Valuation Method:	Not Applicable
Actuarial assumptions:	
Investment rate of return	3.5% annual return net of investment related expenses
Projected Salary Increases	0.00%
Health Cost Trend Assumption:	Getzen Trend Model: 6.50% graded to 4.50% over 70 years

PUBLIC LIBRARY OF CHARLOTTE & MECKLENBURG COUNTY
LIBRARY'S PROPORTIONATE SHARE OF NET PENSION LIABILITY (ASSET)
REQUIRED SUPPLEMENTARY INFORMATION

JUNE 30, 2015

Last Two Fiscal Years*

Local Government Employees' Retirement System

	<u>2015</u>	<u>2014</u>
Library's proportion of the net pension liability (asset) (%)	0.24970%	0.27190%
Library's proportion of the net pension liability (asset) (\$)	\$ (1,472,596)	\$ 2,577,111
Library's covered-employee payroll	\$ 16,291,567	\$ 15,182,660
Library's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	(9.04%)	16.97%
Plan fiduciary net position as a percentage of the total pension liability**	102.64%	94.35%

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

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

PUBLIC LIBRARY OF CHARLOTTE & MECKLENBURG COUNTY
LIBRARY'S CONTRIBUTIONS – REQUIRED SUPPLEMENTARY INFORMATION

JUNE 30, 2015

Last Two Fiscal Years*

Local Government Employees' Retirement System

	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 1,151,433	\$ 1,074,340
Contributions in relation to the contractually required contribution	1,151,433	1,074,340
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Library's covered-employee payroll	\$ 16,291,567	\$ 15,182,660
Contributions as a percentage of covered-employee payroll	7.07%	7.08%

ACCOMPANYING INFORMATION

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

YEAR ENDED JUNE 30, 2015

	(Major) General Fund	(Major) Special Revenue Fund	(Major) Library Foundation Fund	Total Governmental Funds
Personnel				
Salaries, full-time employees	\$ 17,431,084	\$ -	\$ -	\$ 17,431,084
Salaries, other	37,658	42,662	-	80,320
Retirement benefits	6,922,316	9,713	-	6,932,029
Total personnel	<u>24,391,058</u>	<u>52,375</u>	<u>-</u>	<u>24,443,433</u>
Library materials				
Books and related items	3,331,454	616,883	-	3,948,337
Facility related				
Utilities	1,126,634	-	-	1,126,634
Telephone	131,465	-	-	131,465
Facility insurance	249,247	2,167	-	251,414
Building and grounds, maintenance and repairs	2,221,290	-	-	2,221,290
Real estate rental	509,089	-	-	509,089
Data lines	335,076	-	-	335,076
Capital projects	533,602	-	-	533,602
Total facility related	<u>5,106,403</u>	<u>2,167</u>	<u>-</u>	<u>5,108,570</u>
Programming				
Adult programs	63,148	12,818	-	75,966
Teen programs	63,743	-	-	63,743
Children programs	122,141	102,289	-	224,430
Total programming	<u>249,032</u>	<u>115,107</u>	<u>-</u>	<u>364,139</u>
Technology and Equipment				
Digital strategic	\$34,398	-	-	34,398
Technology & software	\$426,198	-	-	426,198
Copier expense	\$224,219	-	-	224,219
Total technology and equipment	<u>684,815</u>	<u>-</u>	<u>-</u>	<u>684,815</u>
Professional Services				
Consulting services	570,614	112,072	-	682,686
Legal services	42,242	-	-	42,242
Total professional services	<u>612,856</u>	<u>112,072</u>	<u>-</u>	<u>724,928</u>
Personnel Related				
Auto allowance	\$32,582	-	-	32,582
Security	\$592,518	-	-	592,518
Training & travel	\$57,164	\$14,893	-	72,057
Professional development	\$44,239	-	-	44,239
Volunteers	\$10,400	-	-	10,400
Employee recognition	\$11,248	-	-	11,248
Total personnel related	<u>748,151</u>	<u>14,893</u>	<u>-</u>	<u>763,044</u>
Capital Outlay				
Buildings, equipment, and furnishings	2,024,654	58,352	-	2,083,006
Debt Service				
Principal payments on capital leases	171,865	-	-	171,865
Interest payments on capital leases	24,431	-	-	24,431
Total debt service	<u>196,296</u>	<u>-</u>	<u>-</u>	<u>196,296</u>
Miscellaneous				
Postage	37,074	-	-	37,074
Agency grant distributions	-	-	14,810	14,810
Administration fees	-	-	89,528	89,528
Supplies	122,070	-	-	122,070
Gas	14,033	-	-	14,033
Printing	138,031	36,230	-	174,261
Foundation operations	202,216	-	-	202,216
Strategic expenses	95,406	-	-	95,406
Bank fees	41,338	-	-	41,338
Miscellaneous	35,233	22,074	-	57,307
Total miscellaneous	<u>685,401</u>	<u>58,304</u>	<u>104,338</u>	<u>848,043</u>
Total expenditures	<u>\$ 38,030,120</u>	<u>\$ 1,030,153</u>	<u>\$ 104,338</u>	<u>\$ 39,164,611</u>

COMPLIANCE SECTION

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of the of the Public Library of Charlotte and Mecklenburg County (the "Library") as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprises the Library's basic financial statements, and have issued our report thereon dated October 12, 2015.

Internal Control over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the 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 may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Library's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as 2015-01.

Response to Finding

The Library's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The Library's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

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

Raleigh, North Carolina
October 12, 2015

**Report of Independent Auditor on Compliance Applicable for Each Major State Program and
on Internal Control Over Compliance in Accordance with OMB Circular A-133
and the State Single Audit Implementation Act**

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

Report on Compliance for Each Major State Program

We have audited the Public Library of Charlotte and Mecklenburg County's (the "Library") compliance with the types of compliance requirements described in the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission that could have a direct and material effect on each of the Library's major State programs for the year ended June 30, 2015. The Library's major State programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Library's major State programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and applicable sections of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* as described in the *Audit Manual for Governmental Auditors in North Carolina*, and the State Single Audit Implementation Act. Those standards, OMB Circular A-133, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major State program occurred. An audit includes examining, on a test basis, evidence about the Library's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances.

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

Opinion on Each Major Program

In our opinion, the Library complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major State programs for the year ended June 30, 2015.

Report on Internal Control over Compliance

Management of the Library is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Library's internal control over compliance with the types of requirements that could have a direct and material effect on each major State program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major State program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Library's internal control over compliance.

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

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

Purpose of this Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in black ink that reads "Cheryl Bekant LLP". The signature is written in a cursive, flowing style.

Raleigh, North Carolina
October 12, 2015

PUBLIC LIBRARY OF CHARLOTTE AND MECKLENBURG COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED JUNE 30, 2015

Section I. Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:

Unmodified

Internal control over financial reporting:

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

Noncompliance material to financial statements noted?

yes no

State Awards

Internal control over State major programs:

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

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

Unmodified

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

yes no

Identification of major State programs:

Program Name

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

PUBLIC LIBRARY OF CHARLOTTE AND MECKLENBURG COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED JUNE 30, 2015

Section II. Financial Statement Findings

Finding: 2015-01

Nonmaterial Noncompliance

Criteria: Therefore, notwithstanding any other provision of law, no local government or public authority may expend any moneys, regardless of their source (including moneys derived from bond proceeds, federal state, or private grants or loans, special assessments), except in accordance with a budget ordinance or project ordinance adopted (NC General Statute 159-8).

Condition: Two expense categories had actual expenditures that exceeded the approved budgeted expenditure amounts.

Context: The expenditures made in the general fund facility related and capital outlay classifications exceeded budgeted expenditures by \$229,835 and \$775,751, respectively.

Effect: Budgeted expenditure amounts for these three classifications violated NC General Statute 159-8.

Cause: Budget amendments were not proposed and approved by the board appropriately to cover all expenditures throughout the fiscal year.

Recommendation: Budget amendments should be proposed and adopted throughout the year to account for significant changes in planned expenditures.

Management Response: Management agrees with this finding. In FY2015, in-kind contributions from Mecklenburg County for Maintenance and Capital Outlay came in higher than the anticipated budget. In FY2015, the Library did work with Mecklenburg County to obtain an estimate on these amounts during the first quarter of FY2015. These estimates were taken to Library Board of Trustees. The overage in facility related was primarily due to a vendor change in the 2nd quarter of the fiscal year. The increased cost of the new provider was not captured in the Library's budget. The overage in capital outlay is driven by the fact that the County executes its approved Capital Reserve projects over a 12-24 month period yet the Library reflects the entire budget in a single fiscal year. This creates timing issues on the spend amount between the two entities.

Corrective Action Plan: The Library will work with the County to better reflect actual fiscal year projected expenditures in each of these budget areas to prevent this finding in the future.

Section III. State Award Findings and Questioned Costs

None reported for the year ended June 30, 2015.

PUBLIC LIBRARY OF CHARLOTTE AND MECKLENBURG COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED JUNE 30, 2015

Section IV. Prior-Year Findings

Finding: 2014-01
Nonmaterial Noncompliance

Management Response: Management agreed with this finding. Budget overages were also noted in FY2015, refer to page 47.

PUBLIC LIBRARY OF CHARLOTTE AND MECKLENBURG COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

FOR THE YEAR ENDED JUNE 30, 2015

<u>Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Expenditures</u>
<u>Federal grants passed through North Carolina and distributed to the Public Library of Charlotte and Mecklenburg County</u>		
Institute of Museum and Library Services: National Leadership Grant	45.312	\$ 65,545
North Carolina Department of Cultural Resources, Division of State Library: EZ Edge Technology Grant	45.310	4,839
North Carolina Department of Cultural Resources, Division of State Library: EZ Planning Grant	45.310	50,000
North Carolina Department of Cultural Resources, Division of State Library: EZ Literacy and Lifelong Learning Grant	45.310	50,000
North Carolina Department of Cultural Resources, Division of State Library: Raising the Bar Grant	45.310	1,200
Total federal awards expended		<u>171,584</u>
<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		<u>400,000</u>
Total federal and State awards expended		<u>\$ 571,584</u>

PUBLIC LIBRARY OF CHARLOTTE AND MECKLENBURG COUNTY
NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

FOR THE YEAR ENDED JUNE 30, 2015

Note 1 – Basis of Presentation

The accompanying schedule of expenditures of federal and State awards includes the federal and State government activity of the Library and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and the *Audit Manual for Governmental Auditors in North Carolina*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in, the preparation of the basic financial statements.