

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, 2011

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

Table of Contents

FINANCIAL SECTION	<u>Page(s)</u>
Basic Financial Statements	
Independent Auditors' Report.....	1
Management's Discussion & Analysis	2 - 9
Government-wide Financial Statements:	
Statement of Net Assets	10
Statement of Activities	11
Fund Financial Statements:	
Balance Sheet – Governmental Funds.....	12
Reconciliation of the Fund Balance of Governmental Funds to Net Assets of Governmental Activities	13
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds.....	14
Reconciliation of the Net Change in Fund Balances of Governmental Funds to Change in Net Assets of Governmental Activities	15
Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – General Fund	16
Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – Special Revenue Fund	17
Notes to Financial Statements	18 - 30
Required Supplementary Information:	
Other Post-Employment Benefits – Required Supplementary Information – Schedule of Funding Progress.....	31
Other Post-Employment Benefits – Required Supplementary Information – Employer Contributions and Notes to the Required Schedules.....	32
Accompanying Information:	
Independent Auditors' Report on Supplementary Information	33
Schedule of Expenditures – Governmental Funds	34
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Capital Projects Fund.....	35
Schedule of Expenditures – Budgetary Basis (Non-GAAP) – Governmental Funds.....	36
 COMPLIANCE SECTION 	
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	37 - 38
Independent Auditors' Report on Compliance with Requirements Applicable to Each Major State Program and on Internal Controls Over Compliance in Accordance with Applicable Sections of OMB Circular A-133 and the State Single Audit Implementation Act	39 - 40
Schedule of Findings and Questioned Costs.....	41 - 42
Schedule of Expenditures of Federal and State Awards.....	43
Note to Schedule of Expenditures of Federal and State Awards	44



Independent Auditors' Report

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

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Public Library of Charlotte and Mecklenburg County (the "Library"), a component unit of Mecklenburg County, North Carolina, as of and for the year ended June 30, 2011, which collectively comprise the Library's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Library's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the Library as of June 30, 2011, and the respective changes in financial position thereof and the respective budgetary comparison for the general fund and its special revenue fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 20, 2011 on our consideration of the Library's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and the required supplementary financial data contained on pages 2-9 and pages 31 and 32, respectively, are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and accordingly, express no opinion on it.

Cherry, Bekaert & Holland LLP.

Charlotte, North Carolina
October 20, 2011

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, we offer readers of the Public Library of Charlotte and Mecklenburg County's financial statements this narrative overview and analysis of the financial activities of the Public Library of Charlotte and Mecklenburg County for the fiscal year ended June 30, 2011. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the Library's financial statements, which follow this narrative.

Financial Highlights

- The Library's assets exceed its liabilities at the close of the fiscal year by \$81,996,081 (net assets).
- The classification method for fund balance has changed as we implemented the new standard set by the Government Accounting Standards Board.
- At the close of the current fiscal year the Library's portion of fund balance that had not been assigned for future use was \$3,010,259.
- Operating Funds from our largest source (Mecklenburg County) were reduced by 29% for fiscal year ended June 30, 2011. This reduction does not include the \$1.7 million that Mecklenburg County paid directly on our behalf for maintenance and security services.
- We opened the newly renovated Beatties Ford Road branch and vacated the Freedom branch.

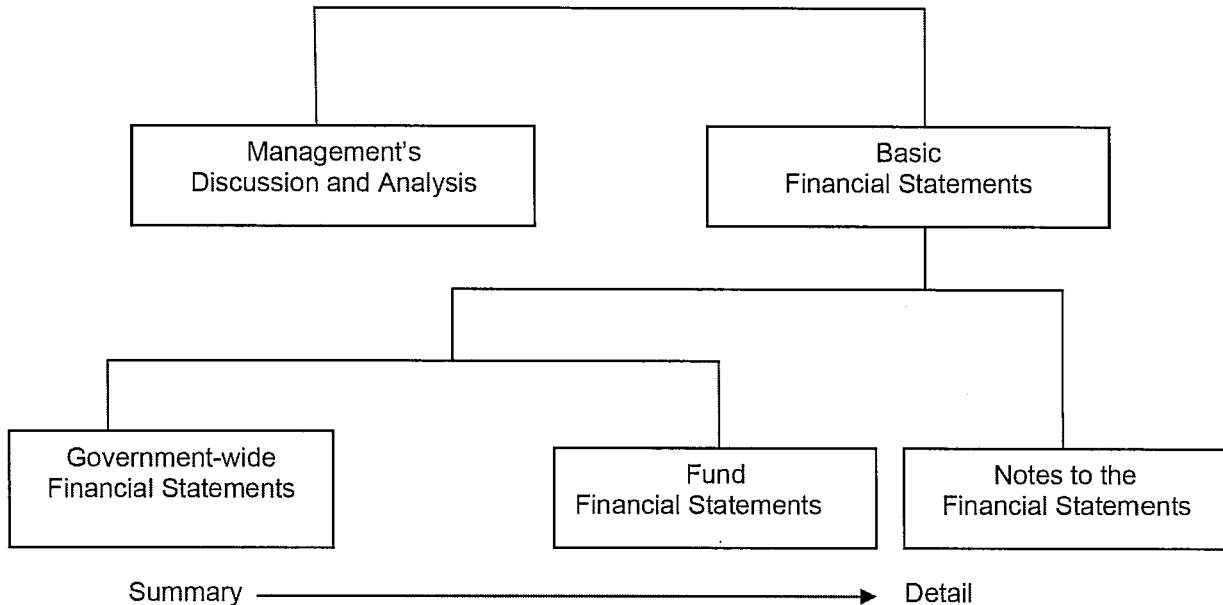
Overview of the Financial Statements

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

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

Management's Discussion and Analysis

Required Components of Annual Financial Report



Basic Financial Statements

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

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

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

Following the notes is the required supplemental information. This section contains funding information about the Library's retirement plans.

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

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

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

Fund Financial Statements

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

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

The Public Library of Charlotte and Mecklenburg County adopts an annual budget for its General Fund, as required by the General Statutes. The budget is a legally adopted document that incorporates input from the citizens of the County, the management of the Library, and the decisions of the Board about which services to provide and how to pay for them. It also authorizes the Library to obtain funds from identified sources to finance these current period activities.

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

Management's Discussion and Analysis

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

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

Government-Wide Financial Analysis

As noted earlier, the Library does not issue debt for land or construction of capital facilities. The assets of The Public Library of Charlotte and Mecklenburg County exceeded liabilities by \$81,996,081 as of June 30, 2011. The Library's net assets decreased by \$706,091 for the fiscal year ended June 30, 2011. The largest portion of net assets, \$85,672,102 (104%), is the Library's investment in capital assets (e.g. books, land, equipment, and buildings); less any related debt still outstanding that was issued to acquire those items. The Library of Charlotte and Mecklenburg County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Public Library of Charlotte and Mecklenburg County's investment in its capital assets is reported net of the outstanding related debt, much of the debt is handled by Mecklenburg County. An additional portion of the Public Library of Charlotte and Mecklenburg County's net assets, \$4,648,260 (6%), represents resources that are subject to restrictions on how they may be used. The remaining balance of \$(8,324,281) (-10%) is unrestricted.

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 Net Assets

	<u>Governmental Activities June 30, 2011</u>	<u>Governmental Activities June 30, 2010</u>
<u>Assets</u>		
Current assets	\$ 10,686,535	\$ 8,521,341
Capital assets, net of depreciation	86,745,051	87,726,032
Total assets	<u>97,431,586</u>	<u>96,247,373</u>
<u>Liabilities</u>		
Current and other liabilities	2,393,187	2,531,651
Long-term liabilities	13,042,318	11,013,550
Total liabilities	<u>15,435,505</u>	<u>13,545,201</u>
<u>Net Assets</u>		
Invested in capital assets, net of related debt	85,672,102	86,667,592
Restricted	4,648,260	1,811,846
Unrestricted	(8,324,281)	(5,777,266)
Total net assets	<u>\$ 81,996,081</u>	<u>\$ 82,702,172</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 Assets

	Governmental Activities <u>June 30, 2011</u>	Governmental Activities <u>June 30, 2010</u>
<u>Revenues</u>		
Program revenues:		
Charges for services	\$ 2,747,873	\$ 3,827,809
Operating grants and contributions	2,076,141	2,370,312
Capital grants and contributions	2,374,958	6,702,563
General revenues:		
Mecklenburg County	22,893,228	29,946,431
Mecklenburg County municipalities	1,938,358	2,500
Investment earnings	59,083	37,343
ABC Board	290,850	277,000
Total revenues	<u>32,380,491</u>	<u>43,163,958</u>
<u>Program expenses</u>		
General public service	32,643,649	39,504,464
Program/outreach services	310,468	308,538
Copying services	109,604	111,679
Publications	17,007	27,226
Interest on long-term debt	5,854	69,904
Total expenses	<u>33,086,582</u>	<u>40,021,811</u>
Change in net assets	(706,091)	3,142,147
Net assets-beginning	82,702,172	79,560,025
Net assets-ending	<u>\$ 81,996,081</u>	<u>\$ 82,702,172</u>

An increase in other post employment benefits of \$2.6 million resulted in a decrease in net assets of \$.7 million for the year ended June 30, 2011. This contrasts last year's \$3.1 million increase which was driven by one time capital grants. The Library was able to cover 14.6% of operating expenditures through operating grants, contributions, and charges for services. The \$1.0 million decrease in charges for services is due to a one-time \$804,000 grant from the Knight foundation for purchase of new technology equipment last year.

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

Revenues from intergovernmental sources comprise 90.2% of total revenues received during the Library's fiscal year ending June 30, 2011 as compared to 89.8% for fiscal year ending June 30, 2010. Mecklenburg County, the Municipalities of Mecklenburg County and the ABC Board comprise 88.9% of total revenues as of June 30, 2011 as compared to 88.5% for the fiscal year ending June 30, 2010 while the State of North Carolina and Federal Revenue Sources total 1.3% and 1.3% for 2011 and 2010, respectively. Revenues generated through fines, fees, charges for services and grants used to cover services account for 4.0% of total revenue, up .6% from the prior year. Other sources of revenue include general contributions to the Library of 1%, the same as last year and other sources of revenue are down .8% from the prior year due to the large grant from the Knight Foundation.

Governmental funds expenditures were comprised of the following: Personnel, 62.3%, Library materials (books, videos, software for public use, etc.) 6.2%, General Operations, 21.4%, Capital Projects 10.0% and Debt Services .1% as compared to 61.2%, 6.3%, 13.5%, 18.3%, and .7%, respectively, from the prior year.

General Fund Budgetary Highlights

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

During the course of fiscal years 2011 and 2010, the Library amended the general fund budget to reflect current circumstances. The Library Director is authorized to transfer budget amounts up to \$25,000 without formal approval from the Library's Board of Trustees; and budget transfers over \$25,000 require Board approval. The general fund, as the primary fund supporting the majority of activities of the Library is monitored by the Finance Director for any shortfalls of revenue or overspending of the budget. Purchase orders are pre-audited to ensure availability of funds for payment when goods or services are delivered.

Adjustments to increase original budgeted revenue for 2011 totaled \$3.4 million (\$2.3 million was for on behalf of payments which were not budgeted) and adjustments to decrease original budgeted revenue for 2010 totaled \$230,300. There were adjustments to increase budgeted expenditures of \$5.4 million (\$2.3 million on behalf of not reflected in original budget) in 2011 and \$651,734 in 2010. The City of Charlotte gave \$1.9 million during fiscal year 2011 to keep branches open while the Library implemented changes recommended by a task force. Funding from Mecklenburg County which the Library uses to fund most of its daily operations was reduced by approximately \$86,000 in fiscal year ended June 30, 2011.

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

Statement of Net Assets
June 30, 2011

	Governmental Activities
ASSETS	
Current assets	
Cash and cash equivalents	\$ 10,181,030
Refundable sales tax	188,399
Other receivables	63,493
Prepays	165,628
Due from other governmental agencies	87,985
Total current assets	10,686,535
Capital assets	
Land and other non-depreciable assets	13,765,095
Other capital assets, net of depreciation	72,979,956
Net capital assets	86,745,051
Total assets	97,431,586
LIABILITIES	
Current liabilities	
Accounts payable-trade	101,263
Other payables	888,544
Due to other governmental agencies	39,916
Current portion of compensated absences	1,200,000
Current portion of capital lease obligation	163,464
Total current liabilities	2,393,187
Long-term liabilities	
Unearned revenue	1,024,180
Compensated absences	785,869
OPEB liability	10,322,784
Capital lease obligation	909,485
Total liabilities	15,435,505
NET ASSETS	
Investment in capital assets, net of related debt	85,672,102
Net Assets	
Restricted for:	
Grants	429,029
Stabilization by state statute	2,239,963
Facility enhancements	1,979,268
Unrestricted	(8,324,281)
Total net assets	81,996,081
Total liabilities and net assets	\$ 97,431,586

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

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

Statement of Activities
Year Ended June 30, 2011

	<u>Expenses</u>	<u>Charges for Services</u>	<u>Program Revenues</u>		<u>Governmental Activities</u>
			<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
Functions/ Programs					
Primary government:					
Governmental activities:					
General public service	\$ 32,643,649	\$ 2,543,393	\$ 2,061,141	\$ 2,374,958	\$ (25,664,157)
Program/outreach services	310,468	168,029	15,000	-	(127,439)
Copying services	109,604	27,722	-	-	(81,882)
Publications	17,007	8,729	-	-	(8,278)
Interest on long-term debt	5,854	-	-	-	(5,854)
Total governmental activities	<u>\$ 33,086,582</u>	<u>\$ 2,747,873</u>	<u>\$ 2,076,141</u>	<u>\$ 2,374,958</u>	<u>(25,887,610)</u>
General revenues:					
Mecklenburg County appropriation					22,893,228
City of Charlotte appropriation					1,938,358
Investment earnings					59,083
ABC Board					290,850
Total general revenues					<u>25,181,519</u>
Change in net assets					(706,091)
Net assets-beginning					<u>82,702,172</u>
Net assets-ending					<u>\$ 81,996,081</u>

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

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

Balance Sheet
Governmental Funds
June 30, 2011

	(Major) General Fund	(Major) Special Revenue Fund	Capital Projects Fund	Total Governmental Funds
Assets				
Cash and cash equivalents	\$ 8,268,612	\$ 1,912,420	\$ -	\$ 10,181,032
Refundable sales tax	159,057	29,341	-	188,398
Other receivables	63,493	-	-	63,493
Prepays	165,627	-	-	165,627
Due from other governmental agencies	72,713	15,272	-	87,985
Total assets	<u>\$ 8,729,502</u>	<u>\$ 1,957,033</u>	<u>\$ -</u>	<u>\$ 10,686,535</u>
Liabilities and fund balances				
Liabilities:				
Accounts payable-trade	\$ 101,263	\$ -	\$ -	\$ 101,263
Other payables	885,621	2,923	-	888,544
Due to other governmental agencies	39,916	-	-	39,916
Total liabilities	<u>1,026,800</u>	<u>2,923</u>	<u>-</u>	<u>1,029,723</u>
Fund balances:				
Nonspendable fund balance				
Prepaid expenses	165,627	-	-	165,627
Prepaid garnishments	633	-	-	633
Restricted fund balance				
Grants	429,029	-	-	429,029
Stabilization by state statute	2,195,350	44,613	-	2,239,963
Facility enhancements	48,723	1,930,545	-	1,979,268
Committed fund balance				
Professional services	120,000	-	-	120,000
Assigned fund balance				
Subsequent year's expenditures	1,603,028	-	-	1,603,028
Programming	20,990	-	-	20,990
Site improvements	88,015	-	-	88,015
Unassigned fund balance	3,031,307	(21,048)	-	3,010,259
Total fund balances	<u>7,702,702</u>	<u>1,954,110</u>	<u>-</u>	<u>9,656,812</u>
Total liabilities and fund balances	<u>\$ 8,729,502</u>	<u>\$ 1,957,033</u>	<u>\$ -</u>	<u>\$ 10,686,535</u>

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

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

Reconciliation of the Fund Balance of Governmental Funds to
Net Assets of Governmental Activities
June 30, 2011

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

Ending fund balance - governmental funds	\$	9,656,812
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		
Cost of capital assets		129,640,387
Accumulated depreciation		(42,895,336)
Long-term liabilities that are not due and payable in the current period and, therefore, are not reported in the funds		
Compensated absences		(1,985,869)
Capital lease obligations		(1,072,949)
OPEB obligation		(10,322,784)
Unearned revenue		<u>(1,024,180)</u>
Net assets of governmental activities	\$	<u>81,996,081</u>

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

Public Library of Charlotte and Mecklenburg County
(A Component Unit of Mecklenburg County, North Carolina)

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2011

	(Major) General Fund	(Major) Special Revenue Fund	Capital Projects Fund	Total Governmental Funds
Revenues				
Intergovernmental:				
Mecklenburg County				
Operations	\$ 21,051,899	\$ -	\$ -	\$ 21,051,899
Amounts paid on behalf by				
Mecklenburg County	1,841,330	-	2,374,958	4,216,288
ABC Board	290,850	-	-	290,850
City of Charlotte	1,938,358	-	-	1,938,358
North Carolina	-	391,145	-	391,145
Federal	-	15,272	-	15,272
Total intergovernmental revenues	<u>25,122,437</u>	<u>406,417</u>	<u>2,374,958</u>	<u>27,903,812</u>
Fines, fees and collections	957,884	-	-	957,884
Collections for photocopies	27,722	-	-	27,722
Interest	59,083	-	-	59,083
Contributions	235,561	52,163	-	287,724
Book rentals	43,185	-	-	43,185
Book sales	196,250	-	-	196,250
Special events	168,029	-	-	168,029
Miscellaneous	1,095,117	200,784	-	1,295,901
Total revenues	<u>27,905,268</u>	<u>659,364</u>	<u>2,374,958</u>	<u>30,939,590</u>
Expenditures				
Current:				
Personnel	17,780,645	-	-	17,780,645
Library materials	1,374,816	391,145	-	1,765,961
Facility maintenance	2,725,249	884	-	2,726,133
Fixed charges	840,624	-	-	840,624
Other	2,451,555	69,420	-	2,520,975
Capital outlay:				
Amounts paid on behalf by				
Mecklenburg County	-	-	2,374,958	2,374,958
Other	444,907	39,737	-	484,644
Debt service:				
Principal	33,519	-	-	33,519
Interest	5,854	-	-	5,854
Total expenditures	<u>25,657,169</u>	<u>501,186</u>	<u>2,374,958</u>	<u>28,533,313</u>
Excess (deficiency) of revenues over (under) expenditures	2,248,099	158,178	-	2,406,277
Other financing sources (uses)				
Capital lease obligation issued	42,144	-	-	42,144
Net change in fund balances	2,290,243	158,178	-	2,448,421
Fund balance-beginning	5,412,459	1,795,932	-	7,208,391
Fund balance-ending	<u>\$ 7,702,702</u>	<u>\$ 1,954,110</u>	<u>\$ -</u>	<u>\$ 9,656,812</u>

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

Public Library of Charlotte and Mecklenburg County
(A Component Unit of Mecklenburg County, North Carolina)

**Reconciliation of the Net Change in Fund Balances of Governmental Funds
to Change in Net Assets of Governmental Activities
Year Ended June 30, 2011**

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

Net change in fund balances - total governmental funds	\$ 2,448,421
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful life	
Expenditures for capital assets	3,905,289
Less current year depreciation	(4,828,593)
Loss on Disposal of Fixed Assets	(57,677)
The issuance of long-term debt provides current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. 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 assets	
Proceeds from Capital Lease Obligation	(42,144)
Principal payments on capital lease obligations	27,635
OPEB Payments	441,216
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.	
Compensated absences in excess of benefits used over current provision	452,073
OPEB Liability	(3,084,069)
Contributed Lease expense	(1,367,000)
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	
Deferred revenue amortized	31,758
Contributed lease revenue	1,367,000
Change in net assets of governmental activities	<u>\$ (706,091)</u>

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

Public Library of Charlotte and Mecklenburg County
(A Component Unit of Mecklenburg County, North Carolina)

Statement of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - General Fund
Year Ended June 30, 2011

	Original Budget	Final Budget	Actual	Variance with Final Positive (Negative)
Revenues				
Intergovernmental:				
Mecklenburg County				
Operations	\$ 21,178,188	\$ 21,091,815	\$ 21,051,899	\$ (39,916)
Amounts paid on behalf by				
Mecklenburg County	-	3,190,692	1,841,330	(1,349,362)
ABC Board	290,850	290,850	290,850	-
City of Charlotte	1,711,416	1,711,416	1,938,358	226,942
Total intergovernmental revenues	<u>23,180,454</u>	<u>26,284,773</u>	<u>25,122,437</u>	<u>(1,162,336)</u>
Fines, fees and collections	639,804	639,804	957,884	318,080
Collections for photocopies	19,613	19,613	27,722	8,109
Interest	-	-	59,083	59,083
Contributions	60,000	60,000	235,561	175,561
Book rentals	32,083	32,083	43,185	11,102
Book sales	51,951	51,951	196,250	144,299
Special events	-	72,200	168,029	95,829
Miscellaneous	885,272	1,129,722	1,095,117	(34,605)
Total revenues	<u>24,869,177</u>	<u>28,290,146</u>	<u>27,905,268</u>	<u>(384,878)</u>
Expenditures				
Current:				
Personnel	19,121,582	20,064,079	17,780,645	2,283,434
Library materials	1,449,052	1,584,542	1,374,816	209,726
Facility maintenance	1,330,734	2,959,703	2,725,249	234,454
Fixed charges	893,538	908,580	840,624	67,956
Other	1,873,033	3,605,424	2,451,555	1,153,869
Capital outlay:				
Other	424,970	1,334,783	444,907	889,876
Debt service:				
Principal	-	33,600	33,519	81
Interest	-	5,900	5,854	46
Total expenditures	<u>25,092,909</u>	<u>30,496,611</u>	<u>25,657,169</u>	<u>4,839,442</u>
Excess (deficiency) of revenues over (under) expenditures	(223,732)	(2,206,465)	2,248,099	4,454,564
Other financing sources (uses)				
Capital lease obligation issued	-	42,200	42,144	(56)
Fund balance appropriated	223,732	2,164,265	-	(2,164,265)
Net change in fund balances	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u>2,290,243</u>	<u><u>\$ 2,290,243</u></u>
Fund balance-beginning			<u>5,412,459</u>	
Fund balance-ending			<u><u>\$ 7,702,702</u></u>	

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

Public Library of Charlotte and Mecklenburg County
(A Component Unit of Mecklenburg County, North Carolina)

Statement of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - Special Revenue Fund
Year Ended June 30, 2011

	Original Budget	Final Budget	Actual	Variance with Final Positive (Negative)
Revenues				
Intergovernmental:				
North Carolina	\$ 359,000	\$ 391,145	\$ 391,145	\$ -
Federal	-	15,272	15,272	-
Total intergovernmental revenues	<u>359,000</u>	<u>406,417</u>	<u>406,417</u>	<u>-</u>
Contributions	-	1,845	52,163	50,318
Miscellaneous		15,000	200,784	185,784
Total revenues	<u>359,000</u>	<u>423,262</u>	<u>659,364</u>	<u>236,102</u>
Expenditures				
Current:				
Library materials	359,000	391,145	391,145	-
Facility maintenance	25,000	25,000	884	24,116
Other	-	163,145	69,420	93,725
Capital outlay:				
Other	-	45,072	39,737	5,335
Total expenditures	<u>384,000</u>	<u>624,362</u>	<u>501,186</u>	<u>123,176</u>
Excess (deficiency) of revenues over (under) expenditures	(25,000)	(201,100)	158,178	359,278
Other financing sources (uses)				
Fund balance appropriated	<u>25,000</u>	<u>201,100</u>	-	<u>(201,100)</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	158,178	<u>\$ 158,178</u>
Fund balance-beginning			<u>1,795,932</u>	
Fund balance-ending			<u>\$ 1,954,110</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)

Notes to Financial Statements
June 30, 2011

Note 1 – Summary of significant accounting policies

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

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

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

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

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

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

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

Notes to Financial Statements
June 30, 2011

Note 1 – Summary of significant accounting policies (continued)

Measurement focus, basis of accounting, and financial statement presentation (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 fund* accounts for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes. Generally, proceeds from federal and State grants are accounted for in the Library's Special Revenue Fund.

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

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

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

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

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

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

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

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

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

Notes to Financial Statements
June 30, 2011

Note 1 – Summary of significant accounting policies (continued)

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

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

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

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

Unearned revenues – Unearned revenues consist of prepaid lease income (see Note 6).

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

- a. Investment in capital assets, net of related debt – Consists of capital assets including restricted capital assets, net of depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets.
- b. Restricted net assets – 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 net assets – All other net assets that do not meet the definition of “restricted” or “investment in capital assets, net of related debt”.

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

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

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

Notes to Financial Statements
June 30, 2011

Note 1 – Summary of significant accounting policies (continued)

Net assets and fund equity (continued) - Fund balances are classified as follows:

Nonspendable fund balance – portion of fund balance that cannot be spent because of their form or must be maintained intact.

Prepaid expenses – portion of fund balance that is not an available resource because it represents expenditures for future periods and is not a spendable resource

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

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

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

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

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

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

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

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

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

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

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

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

Notes to Financial Statements
June 30, 2011

Note 1 – Summary of significant accounting policies (continued)

Net assets and fund equity (continued) - Fund Balance

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

Total fund balance	\$ 7,702,702
Less:	
Prepaid expenses	166,260
Grants	429,029
Stabilization by state statute	2,195,350
Facility enhancements	48,723
Professional services	120,000
Subsequent year's expenditures	1,603,028
Programming	20,990
Site improvements	88,015
Remaining fund balance	\$ 3,031,307

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

<u>Encumbrances</u>	<u>General Fund</u>	<u>Non-major Funds</u>
	\$ 1,899,275	\$0

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

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

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

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

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

Notes to Financial Statements
June 30, 2011

Inventory – In accordance with Accounting Principles Board Opinion No. 22. The Library uses the purchases method to account for inventory and postage versus the consumption method.

Note 2 – Deposits and investments

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

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

At June 30, 2011, the Library's deposits had a carrying amount of \$10,173,595 and a bank balance of \$10,723,827. The Federal Deposit Insurance Corporation (FDIC) covers \$250,000 for substantially all depository accounts and for certain qualifying and participating non-interest bearing transaction accounts. Of the bank balance, \$250,000 was covered by federal depository insurance and \$10,085,456 was covered by collateral held under the pooling method and \$388,371 was covered under the dedicated method. At June 30, 2011, the Library's petty cash fund totaled \$7,435. Included in the amounts above are money market accounts totaling \$638,371. The money market account is held at the Bank of Commerce which is unrated. The Library has no policy for managing interest rate risk or credit risk.

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

Notes to Financial Statements
June 30, 2011

Note 3 – Capital assets

Capital asset activity for the year ended June 30, 2011 was as follows:

	Beginning Balance June 30, 2010	Additions	Disposals, Retirement and Reclassifications	Ending Balance June 30, 2011
Non-depreciable assets				
Land	\$ 13,523,473	\$ -	\$ -	\$ 13,523,473
Construction in progress	1,656,533	2,218,955	(3,633,866)	241,622
	<u>15,180,006</u>	<u>2,218,955</u>	<u>(3,633,866)</u>	<u>13,765,095</u>
Depreciable assets				
Buildings and improvements	86,608,487	3,238,643	(66,724)	89,780,406
Books	20,195,069	1,419,199	(2,633,121)	18,981,147
Furniture and equipment	6,961,439	662,357	(510,057)	7,113,739
	<u>113,765,005</u>	<u>5,320,209</u>	<u>(3,210,902)</u>	<u>115,874,312</u>
Total	<u>128,945,001</u>	<u>7,539,154</u>	<u>(6,843,768)</u>	<u>129,640,387</u>
Less accumulated depreciation				
Buildings and improvements	(20,633,653)	(2,179,882)	12,371	(22,801,164)
Books	(15,589,736)	(2,063,573)	2,633,121	(15,020,188)
Furniture and equipment	(4,995,580)	(585,136)	506,732	(5,073,984)
	<u>(41,218,969)</u>	<u>(4,828,591)</u>	<u>3,152,224</u>	<u>(42,895,336)</u>
Total accumulated depreciation	<u>(41,218,969)</u>	<u>(4,828,591)</u>	<u>3,152,224</u>	<u>(42,895,336)</u>
Capital assets, net of depreciation	<u>\$ 87,726,032</u>	<u>\$ 2,710,563</u>	<u>\$ (3,691,544)</u>	<u>\$ 86,745,051</u>

Included in buildings are assets under capital lease that had a cost basis and accumulated depreciation of \$3,147,095 and \$891,989, respectively, at June 30, 2011 (see Note 5). All depreciation expense was charged to general public service on the Statement of Activities. Additions to capital assets include approximately \$2,445,000 of buildings and equipment transferred to the Library from Mecklenburg County through capital projects and capital reserve funding. Mecklenburg County obtained the funds to purchase these assets through the issuance of general obligation bonds and certificates of participation, which are an obligation of Mecklenburg County and not the Library.

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

Notes to Financial Statements
June 30, 2011

Note 4 – Long-term obligations

Long-term liability activity for the year ended June 30, 2011 was as follows:

	Beginning Balance June 30, 2010	Additions	Retirements	Ending Balance June 30, 2011	Due Within One Year
Compensated absences	\$ 2,437,942	\$ 638,220	\$ 1,090,293	\$ 1,985,869	\$ 1,200,000
Capital lease obligations	1,058,440	42,144	27,635	1,072,949	163,464
OPEB liability	7,679,931	3,084,069	441,216	10,322,784	-
	<u>\$ 11,176,313</u>	<u>\$ 3,764,433</u>	<u>\$ 1,559,144</u>	<u>\$ 13,381,602</u>	<u>\$ 1,363,464</u>

Note 5 – Leases

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

Two of the branch facility leases have been classified as a capital leases. Monthly lease payments of \$6,097 and an annual rent payment of \$1,500 were required through September 2010 related to the first capital lease. Beginning October 2010 through September 2045, the base annual lease payment is \$1,501. The second capital lease requires monthly payments, which are changed annually (ranging from \$22,520 to \$6,560), through June 2017. Beginning 2018 through July 2051, the annual lease payment is \$1. The Town of Matthews gave the Library one year rent free for the period of July 1, 2010 to June 30, 2011. This payment has been added to the end of the lease.

Total rent expenses for all leases amounted to approximately \$629,000 during the 2011 fiscal year. The following is a summary of the future minimum lease payments under the capital leases together with the present value of net minimum lease payments and approximate future minimum rental commitments under noncancelable operating leases with initial or remaining terms of one year or more as of June 30, 2011:

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

Notes to Financial Statements
June 30, 2011

Note 5 – Leases (continued)

<u>Year ending June 30</u>	<u>Capital</u>	<u>Operating</u>
2012	\$ 218,037	\$ 347,565
2013	209,721	282,379
2014	201,518	181,336
2015	191,771	181,336
2016	170,477	181,336
2017-2021	290,840	755,573
2022-2026	7,510	5
2027-2031	7,510	5
2032-2036	7,510	5
2037-2041	7,510	5
2042-2046	4,658	5
2047-2051	230	1
Total minimum payments	1,317,292	\$ 1,929,551
Less amounts representing interest	244,343	
Present value of net minimum capital lease payments	\$ 1,072,949	

Total interest costs for the year ended June 30, 2011 were \$5,854, relating to the capital lease obligations.

Note 6 – 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 2011 was \$31,758. Rental income is to be recognized as follows:

<u>Year Ending June 30</u>		
2012	\$	31,758
2013		31,758
2014		31,758
2015		31,758
2016		31,758
2017-2021		158,790
2022-2026		158,790
2027-2031		158,790
2032-2036		158,790
2037-2041		158,790
2042-2044		71,440
	\$	1,024,180

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

Notes to Financial Statements
June 30, 2011

Note 7 – Retirement plan

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

Funding Policy – The Library's total payroll for the year ended June 30, 2011 was \$13,557,738 of which \$13,069,881 was covered under this plan. Plan members (covered employees) are required to contribute six percent of their annual covered salary. Plan members' contributions to LGERS for the year ended June 30, 2011 totaled \$784,195, which equaled the Plan members' required contributions for the year. The Library is required to contribute an actuarially determined rate. For the Library, the current rate is 6.44 percent of annual covered payroll. The Library's contributions to LGERS for the years ended June 30, 2011, 2010, and 2009 were \$841,898, \$854,824 and \$931,688, respectively, which equaled the Library's required contributions in each year.

Note 8 – Employee benefit plan

Through the State of North Carolina the Library provides a supplemental income plan to substantially all employees. This plan is a 401(k) savings plan under the Internal Revenue Code (the IRC) code. Eligible participants may contribute up to the maximum allowable under law as a percent of base salary. For the year ended June 30, 2011, the Library did not match employees' contributions to the 401(k) plan.

Note 9 – 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 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, 2011 was \$260.

Note 10 – Other Postemployment Benefits (OPEB)

Healthcare Benefits

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

Funding Policy – The Library pays the full cost of coverage for the benefits paid to qualified retirees under the plan. The Library has chosen to fund the healthcare benefits on a pay as you go basis. Funding for these costs is included in budgeted appropriations in the annual budget. The cost of these benefits recognized as an expenditure for fiscal year ended June 30, 2010 was approximately \$373,383 for the seventy-three retirees covered. The current ARC rate is 3.5% of annual covered payroll. For the current year, the Library contributed \$441,216 or 3.4% of covered payroll.

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

Notes to Financial Statements
June 30, 2011

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

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	\$3,080,229
Interest on net OPEB obligation	268,798
Adjustment to annual required contribution	(264,958)
Annual OPEB cost	3,084,069
Contributions made	441,216
Increase (decrease) in net OPEB obligation	2,642,853
Net OPEB obligation, beginning of year	7,679,931
Net OPEB obligation, end of year	\$10,322,784

The Library's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2009, 2010 and 2011 were as follows:

Fiscal Year Ended June 30	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2009	\$ 3,078,654	11.41%	\$ 4,940,105
2010	3,113,209	11.99%	7,679,931
2011	3,084,069	14.31%	10,322,784

Funded Status and Funding Process – As of January 1, 2011 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 \$32,204,930. The covered payroll (annual payroll of active employees by the plan) was \$13,119,012 and the ratio of the UAAL to the covered payroll was 245.48%. 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.

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

Notes to Financial Statements
June 30, 2011

Note 11 – Other post-employment benefits

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

Note 12 – Major supplier

For the year ended June 30, 2011, approximately 62 percent of all books and related items were purchased from one supplier.

Note 13 – Endowment funds

The Library has been designated as the beneficiary of the income of several endowments. Under the terms of the agreements, the assets are held by a third-party and the annual investment income is distributable to the Library. In some instances, the Library may elect to have the income transferred to the principal of the endowment. The Library received \$203,652 from those funds during the year ended June 30, 2011. Since the Library does not have, under the agreements, any rights to the principal of the endowments, they have not been reflected in the financial statements. At June 30, 2011, the approximate value of the principal in these endowments totaled \$2,899,259.

Note 14 – Contributed rent revenue

The Library has entered into a lease agreement with the Charlotte-Mecklenburg Board of Education related to the design, construction, operation and use of a full-service library at Phillip O. Berry Academy of Technology. Terms of the lease require that the Library contribute, through Mecklenburg County, \$1,840,000 towards the cost of constructing, furnishing and equipping the building. The Library's capital investment is to be considered its rent for the premises for the 20-year term plus any subsequent renewals. Based on this information, the annual rental value of \$92,000 is recorded as rent expense as well as offsetting revenue.

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

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

Notes to Financial Statements
June 30, 2011

Note 14 – Contributed rent revenue (continued)

Estimating the fair value of the lease at \$25 per square foot, based on a furnished and equipped special purpose facility, and using a 5% discount rate, a net present value was calculated in the amount of \$19,087,608 at the inception of the agreement. Based on this calculation, the total annual value of the lease agreement is estimated at \$1,275,000. The estimated lease value for the year ending June 30, 2011 is \$1,275,000.

The Library recorded contributed rent revenue and corresponding contributed rent expense in the amount of \$1,367,000 for the year ending June 30, 2011.

Note 15 – Commitments

Construction contracts exist for various renovation and construction projects for the Library. At June 30, 2011, the remaining commitment on these contracts approximates \$162,000.

Note 16 – Subsequent Events

The Library has evaluated subsequent events through October 20, 2011, the date the financial statements were available to be issued.

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

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

Actuarial Valuation Date	Value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded ALL (UAAL) (b) - (a)	Funded Ratio (a) / (b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b) - (a)) / (c)
1/1/2009	- \$	33,181,410	\$ 33,181,410	0%	\$ 19,314,487	171.80%
1/1/2010	-	34,541,337	34,541,337	0%	17,567,720	196.62%
1/1/2011	-	32,204,930	32,204,930	0%	13,119,012	245.48%

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

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

Year Ending June 30	Annual OPEB Cost	Actual Contribution	Percentage Contributed
2009	\$ 3,078,654	\$ 351,245	11.41%
2010	3,113,209	373,383	11.99%
2011	3,084,069	441,216	14.31%

Notes to the Required Schedules:

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

Valuation Date:	1/1/2011
Actuarial cost method:	Projected unit credit
Amortization method:	Level dollar amount, open
Remaining amortization period:	30 years
Asset Valuation Method:	N/A
Actuarial assumptions:	
Investment rate of return*	3.50%
Projected salary increases*	3.50%
Healthcare cost trend rate*	7.9% initial, 4.5% ultimate

*includes an inflation assumption of 2.5%

ACCOMPANYING INFORMATION



Independent Auditors' Report on Supplementary Information

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

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Public Library of Charlotte and Mecklenburg County (the "Library"), a component unit of Mecklenburg County, North Carolina, as of and for the year ended June 30, 2011, and have issued our report thereon dated October 20, 2011. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements of the Library. The accompanying schedules on pages 34, 35, and 36, as well as the accompanying schedule of expenditures of federal and State awards, on page 43, as required by the U.S. Office of Management and Budget Circular A-133, *Audit 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 basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements, and in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Cherry, Bekaert & Holland LLP.

Charlotte, North Carolina
October 20, 2011

Public Library of Charlotte and Mecklenburg County
(A Component Unit of Mecklenburg County, North Carolina)

Schedule of Expenditures
Governmental Funds
Year Ended June 30, 2011

	(Major) General Fund	(Major) Special Revenue Fund	Capital Projects Fund	Total Governmental Funds
Personnel				
Salaries, full-time employees	\$ 13,119,011	\$ -	\$ -	\$ 13,119,011
Salaries, other	438,726	-	-	438,726
Retirement, social security and other employee benefits (includes workers' compensation)	4,222,908	-	-	4,222,908
Total personnel	<u>17,780,645</u>	<u>-</u>	<u>-</u>	<u>17,780,645</u>
Library materials				
Books and related items	1,354,708	391,145	-	1,745,853
Dues and subscription	20,108	-	-	20,108
Total library materials	<u>1,374,816</u>	<u>391,145</u>	<u>-</u>	<u>1,765,961</u>
Facility maintenance				
Utilities	951,042	-	-	951,042
Telephone	156,473	-	-	156,473
Building and grounds, maintenance and repairs	1,520,127	884	-	1,521,011
Equipment maintenance and repairs	57,691	-	-	57,691
Vehicle maintenance	39,916	-	-	39,916
Total facility maintenance	<u>2,725,249</u>	<u>884</u>	<u>-</u>	<u>2,726,133</u>
Fixed charges				
Building rent	629,408	-	-	629,408
Insurance property and liability	211,216	-	-	211,216
Total fixed charges	<u>840,624</u>	<u>-</u>	<u>-</u>	<u>840,624</u>
Capital outlay				
Buildings, equipment and furnishings	117,884	39,737	2,374,958	2,532,579
Equipment rental	327,023	-	-	327,023
Total capital outlay	<u>444,907</u>	<u>39,737</u>	<u>2,374,958</u>	<u>2,859,602</u>
Debt service				
Principal payments on capital leases	33,519	-	-	33,519
Interest payments on capital leases	5,854	-	-	5,854
Total debt service	<u>39,373</u>	<u>-</u>	<u>-</u>	<u>39,373</u>
Other				
Supplies	107,734	-	-	107,734
Communications	316,997	-	-	316,997
Advertising	166	27,051	-	27,217
Photocopying expense	225,668	-	-	225,668
Publications	17,007	-	-	17,007
Postage	30,199	-	-	30,199
Auto mileage and allowance	21,570	-	-	21,570
Public relations	4,163	-	-	4,163
Professional fees	886,239	-	-	886,239
Travel	50,697	-	-	50,697
Special events	270,468	40,000	-	310,468
Miscellaneous	520,647	2,369	-	523,016
Total other	<u>2,451,555</u>	<u>69,420</u>	<u>-</u>	<u>2,520,975</u>
Total expenditures	<u>\$ 25,657,169</u>	<u>\$ 501,186</u>	<u>\$ 2,374,958</u>	<u>\$ 28,533,313</u>

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

Public Library of Charlotte and Mecklenburg County
(A Component Unit of Mecklenburg County, North Carolina)

Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual - Capital Projects Fund
Year Ended June 30, 2011

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Positive (Negative)
Revenues					
Intergovernmental:					
Amounts paid on behalf by Mecklenburg County	\$ 24,030,000	\$ 10,337,862	\$ 2,374,958	\$ 12,712,820	\$ (11,317,180)
Expenditures					
Myers Park project:					
Capital outlay	989,500	986,607	-	986,607	2,893
Amounts paid on behalf by Mecklenburg County					
Morrison Library project:					
Capital outlay	1,059,000	1,056,920		1,056,920	2,080
Amounts paid on behalf by Mecklenburg County					
Beatties Ford Road project:					
Capital outlay	3,970,000	1,461,446	2,172,420	3,633,866	336,134
Amounts paid on behalf by Mecklenburg County					
Scaleybark project:					
Capital outlay	5,564,543	1,669	-	1,669	5,562,874
Amounts paid on behalf by Mecklenburg County					
Sharon Road project:					
Capital outlay	5,050,557	55,697	-	55,697	4,994,860
Amounts paid on behalf by Mecklenburg County					
Main Master Plan project:					
Capital outlay	150,000	141,279	-	141,279	8,721
Amounts paid on behalf by Mecklenburg County					
Hickory Grove project:					
Capital outlay	5,596,400	5,000,764	202,538	5,203,302	393,098
Amounts paid on behalf by Mecklenburg County					
Southwest Regional project:					
Capital outlay	1,650,000	1,633,480	-	1,633,480	16,520
Amounts paid on behalf by Mecklenburg County					
Total Expenditures	24,030,000	10,337,862	2,374,958	12,712,820	11,317,180
Revenues over (under) expenditures	\$ -	\$ -	\$ -	\$ -	\$ -
Fund Balance-beginning					
Fund Balance-ending					\$ -

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

Public Library of Charlotte and Mecklenburg County
(A Component Unit of Mecklenburg County, North Carolina)

Schedule of Expenditures
Budgetary Basis (Non-GAAP) - General and Special Projects Funds
Year Ended June 30, 2011

	(Major) General Fund			(Major) Special Revenue Fund			Total General and Special Revenue Funds		
	Budget	Actual	Various Positive (Negative)	Budget	Actual	Various Positive (Negative)	Budget	Actual	Various Positive (Negative)
Personnel	\$ 13,230,681	\$ 13,119,011	\$ 111,670	\$ -	\$ -	\$ -	\$ 13,230,681	\$ 13,119,011	\$ 111,670
Salaries, full-time employees	438,795	438,726	69	-	-	-	438,795	438,726	69
Salaries, other	6,394,603	4,222,908	2,171,695	-	-	-	6,394,603	4,222,908	2,171,695
Retirement, social security and other employee benefits (includes workers' compensation)	20,064,079	17,780,845	2,283,434	-	-	-	20,064,079	17,780,845	2,283,434
Total personnel	1,562,183	1,354,708	207,475	391,145	391,145	-	1,953,328	1,745,853	207,475
Library materials	22,359	20,108	2,251	-	-	-	22,359	20,108	2,251
Books and related items	1,584,542	1,374,816	209,726	391,145	391,145	-	1,975,667	1,765,961	209,726
Dues and subscription	1,060,793	951,042	109,751	-	-	-	1,060,793	951,042	109,751
Total library materials	176,277	156,473	19,804	-	-	-	176,277	156,473	19,804
Facility maintenance	1,557,947	1,520,127	37,820	25,000	884	24,116	1,582,947	1,521,011	61,936
Utilities	123,686	57,691	65,995	-	-	-	123,686	57,691	65,995
Telephone	41,000	39,916	1,084	-	-	-	41,000	39,916	1,084
Building and grounds, maintenance and repairs	2,959,703	2,725,249	234,454	25,000	884	24,116	2,984,703	2,726,133	258,570
Equipment maintenance and repairs	618,580	629,408	(10,828)	-	-	-	618,580	629,408	(10,828)
Vehicle maintenance	290,000	211,216	78,784	-	-	-	290,000	211,216	78,784
Total facility maintenance	908,580	840,624	67,956	-	-	-	908,580	840,624	67,956
Fixed charges	897,400	117,884	779,516	45,072	39,737	5,335	942,472	157,621	784,851
Building rent	437,383	327,023	110,360	-	-	-	437,383	327,023	110,360
Insurance, property and liability	1,334,783	444,907	889,876	45,072	39,737	5,335	1,379,855	484,644	895,211
Equipment rental	897,400	117,884	779,516	-	-	-	897,400	117,884	779,516
Total fixed charges	3,600	5,900	5,854	-	-	-	3,600	5,900	5,854
Capital outlay	39,500	39,373	127	-	-	-	39,500	39,373	127
Buildings, equipment and furnishings	159,271	107,734	51,537	-	-	-	159,271	107,734	51,537
Equipment rental	417,441	316,997	100,444	-	-	-	417,441	316,997	100,444
Total capital outlay	387,691	225,668	162,023	104,145	27,051	77,094	387,691	225,668	162,023
Debt service	22,115	17,007	5,108	-	-	-	22,115	17,007	5,108
Principal payments on capital leases	47,312	30,199	17,113	-	-	-	47,312	30,199	17,113
Interest payments on capital leases	26,955	21,570	5,385	-	-	-	26,955	21,570	5,385
Total debt service	26,200	4,163	22,037	-	-	-	26,200	4,163	22,037
Other	991,538	886,239	105,299	-	-	-	991,538	886,239	105,299
Supplies	91,748	50,697	41,051	-	-	-	91,748	50,697	41,051
Communications	617,764	270,468	347,296	40,000	40,000	16,631	657,764	310,468	347,296
Advertising	786,989	520,647	266,342	19,000	2,369	16,631	805,989	523,016	282,973
Photocopying expense	3,605,424	2,451,555	1,153,869	163,145	69,420	93,725	3,768,569	2,520,975	1,247,594
Publications	2,451,555	1,153,869	1,153,869	163,145	69,420	93,725	2,616,999	1,223,214	1,393,785
Postage	2,451,555	1,153,869	1,153,869	163,145	69,420	93,725	2,616,999	1,223,214	1,393,785
Auto mileage and allowance	2,451,555	1,153,869	1,153,869	163,145	69,420	93,725	2,616,999	1,223,214	1,393,785
Public relations	2,451,555	1,153,869	1,153,869	163,145	69,420	93,725	2,616,999	1,223,214	1,393,785
Professional fees	2,451,555	1,153,869	1,153,869	163,145	69,420	93,725	2,616,999	1,223,214	1,393,785
Travel	2,451,555	1,153,869	1,153,869	163,145	69,420	93,725	2,616,999	1,223,214	1,393,785
Special events	2,451,555	1,153,869	1,153,869	163,145	69,420	93,725	2,616,999	1,223,214	1,393,785
Miscellaneous	2,451,555	1,153,869	1,153,869	163,145	69,420	93,725	2,616,999	1,223,214	1,393,785
Total other	30,498,611	25,657,169	4,839,442	624,362	501,186	123,176	31,120,973	26,158,355	4,962,618
Total expenditures									

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

This page was intentionally left blank

COMPLIANCE SECTION



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

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

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Public Library of Charlotte and Mecklenburg County (the "Library"), a component unit of Mecklenburg County, North Carolina, as of and for the year ended June 30, 2011, which collectively comprise the Library's basic financial statements, and have issued our report thereon dated October 20, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Library's financial statements will not be prevented, or detected and corrected on a timely basis.

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

Compliance and Other Matters

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

We noted certain matters that we reported to management of the Library in a separate letter dated October 20, 2011.

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

Cherry, Rickett & Hahn LLP.

Charlotte, North Carolina
October 20, 2011



**Independent Auditors' Report on Compliance with Requirements
Applicable to Each Major State Program and on Internal Controls
Over Compliance in Accordance with Applicable Sections of
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

Compliance

We have audited the Public Library of Charlotte and Mecklenburg County (the "Library"), a component unit of Mecklenburg County, North Carolina, 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 its major State programs for the year ended June 30, 2011. The Library's major State program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major State program is the responsibility of the Library's management. Our responsibility is to express an opinion on the Library's compliance based on our audit.

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, applicable sections of OMB Circular A-133 as described in the *Audit Manual for Governmental Auditors in North Carolina* and the State Single Audit Implementation Act. Those standards, applicable sections of 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. Our audit does not provide a legal determination on the Library's compliance with those requirements.

In our opinion, the Library complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major State program for the year ended June 30, 2011.

Internal Control Over Compliance

Management of the Library is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to State programs. In planning and performing our audit, we considered the Library's internal control over compliance with the requirements that could have a direct and material effect on a major State program in order to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with applicable sections of OMB Circular A-133 and the State Single Audit Implementation Act, 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.

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 that might be deficiencies, significant deficiencies, or material weaknesses in internal control over compliance. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

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

Cherry, Rickett + Halden LLP.

Charlotte, North Carolina
October 20, 2011

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

Schedule of Findings and Questioned Costs
Year Ended June 30, 2011

Section I - Summary of Auditor's Results

Financial statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weakness(es) identified? ___ yes x no

Significant deficiency(ies) identified that are not considered to be material weakness(es)? ___ yes x none reported

Noncompliance material to financial statements noted? ___ yes x no

State Awards

Internal control over major State programs:

Material weakness(es) identified? ___ yes x no

Significant deficiency(ies) identified that are not considered to be material weakness(es)? ___ yes x none noted

Noncompliance material to State awards ___ yes x no

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

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

Identification of major State programs:

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

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

Schedule of Findings and Questioned Costs
Year Ended June 30, 2011

Section II - Financial Statement Findings

No matters were reported.

Section III - Federal Awards
Findings and Questioned Costs

No matters were reported.

Section IV - State Awards
Findings and Questioned Costs

No matters were reported.

Section V - Summary Schedule of
Prior Audit Findings

No matters were reported.

PUBLIC LIBRARY OF CHARLOTTE AND MECKLENBURG COUNTY

(A Component Unit of Mecklenburg County, North Carolina)

Schedule of Expenditures of Federal and State Awards

Year Ended June 30, 2011

	<u>Federal CFDA Number</u>	<u>Expenditures</u>
Federal grants distributed through the State of North Carolina to the Public Library of Charlotte and Mecklenburg County:		
Institute of Museum and Library Services:		
North Carolina Department of Cultural Resources, Division of State Library:		
LSTA Planning Grant	45.310	\$ 15,272
State grants distributed directly to the Public Library of Charlotte and Mecklenburg County:		
North Carolina Department of Cultural Resources, Division of State Library:		
Aid to Public Libraries (State Aid) Program		<u>391,145</u>
Total federal and State awards		<u>\$ 406,417</u>

The accompanying note is an integral part of this schedule.

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

Note to Schedule of Expenditures of Federal and State Awards
Year Ended June 30, 2011

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.